

# AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Tuesday 26 July 2022  
Time: 6.30 p.m.  
Venue: Town Hall, High Street, Maidstone

## Membership:

Councillors Bartlett, Bryant, Coulling (Parish Representative), Cox, Forecast, Jeffery, Khadka, Knatchbull, Titchener (Parish Representative), Trzebinski and D Wilkinson

*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.*

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**Issued on Monday 18 July 2022**

**Continued Over/:**

*Alison Broom*

**Alison Broom, Chief Executive**

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### **INFORMATION FOR THE PUBLIC**

In order to ask a question at this meeting, please call **01622 602899** or email [committee@maidstone.gov.uk](mailto:committee@maidstone.gov.uk) by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Friday 22 July 2022). 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](mailto:committee@maidstone.gov.uk) by 4 p.m. one clear working day before the meeting (i.e. by 4 p.m. on Friday 22 July 2022). You will need to tell us which agenda item you wish to speak on.

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## **MAIDSTONE BOROUGH COUNCIL**

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

#### **MINUTES OF THE MEETING HELD ON 14 MARCH 2022**

**Present:** Councillor Bartlett (Vice-Chairman in the Chair) and Councillors Brindle, Coulling (Parish Representative), Garten, Purle, J Sams, Titchener (Parish Representative) and Trzebinski

**Also Present:** Mr Paul Dossett – Grant Thornton (External Auditor)

77. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillors Cuming and Perry (Chairman).

78. NOTIFICATION OF SUBSTITUTE MEMBERS

The following Substitute Members were noted:

Councillor Garten for Councillor Perry  
Councillor Purle for Councillor Cuming

79. URGENT ITEMS

There were no urgent items.

80. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

81. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

82. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

83. EXEMPT ITEMS

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

84. MINUTES OF THE MEETING HELD ON 17 JANUARY 2022

**RESOLVED:** That the Minutes of the meeting held on 17 January 2022 be approved as a correct record and signed.

85. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were no questions from members of the public.

86. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

87. COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

The Senior Legal Adviser, Corporate Governance, introduced his report providing an update on complaints under the Members' Code of Conduct previously reported as under consideration and received during the period 1 September 2021 to 28 February 2022. It was noted that:

- Since the last report to the Committee in September 2021, four existing Borough Councillor complaints had been concluded. In each case, no breach was established.
- Following feedback at the September 2021 meeting, the report included details of the reasons why the complaints had failed the preliminary tests against which they were assessed.
- Since the September 2021 meeting, five new complaints had been received, all of which related to Parish Councillors. The complaints were being considered by the Monitoring Officer in consultation with the Independent Person and the outcome in each case would be reported to the September 2022 meeting of the Committee.

During the discussion, Members indicated that, in addition to the explanations provided in relation to each complaint, it would be useful to have a table with a running total of complaints covering a period of twelve months to enable trends to be identified. It was also suggested that it would be useful to receive, at an early stage, a short summary of each complaint received against Parish Councillors.

In response to questions about when Members might be able to see the latest draft of the revised Kent Model Code of Conduct to enable them to comment in a constructive way, the Team Leader, Contentious and Corporate Governance, said that he was a member of the Kent Secretaries Group which was acting as a task and finish panel with respect to the new Kent Model Code. The Model Code had not been released yet because changing the Code entailed changing the guidance and potentially the complaints handling process. He would be able to provide a further update after the next meeting of the Kent Secretaries on 28 March 2022 as to when the document would be available.



In response to further comments, the Chairman indicated that it would be helpful to see the draft revised Kent Model Code at the next meeting of the Committee or to receive an update.

The Team Leader, Contentious and Corporate Governance, undertook to attend the next meeting of the Committee in person to provide an update on the new Kent Model Code.

At the conclusion of the discussion on this item, it was suggested that the opportunity be taken to review the section of the Constitution relating to the arrangements for dealing with complaints of alleged breaches of the Members' Code of Conduct with a view to streamlining it and making it more accessible in future.

**RESOLVED:** That subject to the points raised in the discussion, the report be noted.

Note: Following the introduction by the Senior Legal Adviser, Corporate Governance, Councillor Garten said that he was one of the Members referred to in the report. He then left the meeting whilst Members discussed the report.

#### 88. STATEMENT OF ACCOUNTS 2020/21

The Director of Finance and Business Improvement introduced his report providing an update on progress with the audit of the 2020/21 financial statements.

It was noted that:

- In accordance with the Accounts and Audit Regulations, the Council was required to have its audited Statement of Accounts for the 2020/21 financial year approved by the Committee by 30 September 2021.
- The draft financial statements were prepared by the Finance team and presented to the Committee in July 2021, with audit fieldwork commencing in late August. An updated version of the statements was then presented to the Committee on 28 September 2021. At that time, Grant Thornton advised that insufficient work had been completed to issue an audit opinion by the statutory deadline of 30 September 2021, but they anticipated that outstanding work would be completed during October 2021.
- The updated Statement of Accounts and Grant Thornton's Audit Findings Report were presented to the Committee at its meeting on 15 November 2021. The Audit Findings Report stated that the audit was substantially complete, and Grant Thornton anticipated issuing an unmodified audit report. Some further adjustments relating to the capital accounting entries were required, and the Committee approved the accounts subject to the satisfactory resolution of these issues by

the Director of Finance and Business Improvement in consultation with the Chairman of the Committee.

- An update from Grant Thornton was provided at the meeting of the Committee held on 17 January 2022. This stated that subject to the completion of outstanding work, Grant Thornton anticipated giving their audit opinion on the 2020/21 financial statements by 31 January 2022. However, Grant Thornton had still not issued an opinion.
- From the Council's point of view, the Finance team had responded to Grant Thornton's queries promptly whenever asked and, it was understood, did not have any outstanding queries with Grant Thornton.

Mr Paul Dossett of Grant Thornton attended the meeting to explain the reasons why an audit opinion had still not been issued. Mr Dossett advised the Committee that:

- All of the audit firms had experienced significant challenges in delivering audits. As at the end of January 2022, Grant Thornton had signed off 60% of its audits for 2020/21 and the rest of the firms had achieved 36% between them.
- Whilst there had been some technical, capital accounting and valuation issues, the main reasons for the delay in issuing the audit opinion related to increased regulatory challenges faced by audit firms driven by failures within the commercial sector and, in the case of Maidstone, capacity challenges within Grant Thornton with the Audit Manager and supporting team. The supporting team had moved to other parts of Grant Thornton or left the firm, and the Audit Manager was trying to manage four audits, all delayed, and had faced other challenges that had delayed him in completing his work. The delay did rest with Grant Thornton and the firm was trying to conclude the matter as soon as possible, although he was unable to say when that would be.

In response to questions:

Mr Dossett explained that:

- There were separate teams within Grant Thornton dealing with commercial and local authority audits. Whilst there were some delays in completing commercial audits, there was a very specific delay with local authority audits. Local authority accounts were very complicated relative to the degree of risk.
- The market was very constrained at the moment. Grant Thornton was having to recruit qualified staff from overseas to do this work and it was difficult to retain staff post qualification because there were many opportunities within and outside the firm that looked more attractive than a career in local authority audit. It was a problem that would take time to resolve.

- Some progress had been made on the audit since the last meeting and he estimated that it would take 5-10 days to complete the work. He would be prepared to provide an update for Members on progress between now and the end of the month.
- Following the abolition of the Audit Commission, a clearly defined systems leader was needed. The idea of the Government was to vest that leadership in the Financial Reporting Council which would be replaced by a new regulator, the Audit Reporting and Governance Authority, next year. A Director of Local Audit had been appointed to provide that systems leadership. He (Mr Dossett) was hopeful that the new regulator would provide that systems leadership and enable auditors to focus on what mattered.

The Director of Finance and Business Improvement explained that:

- The Kent Finance Officers (S151 Officers at the Kent Authorities) were very concerned about the situation regarding the auditing of local authority accounts and had written to the PSAA. The Council could not penalise Grant Thornton financially for the delay in signing off the accounts. The issue was that the longer the delay, the more local authority audit was devalued. It was a reputational issue as a set of accounts that was over a year late had much less credibility. The issues had been aired in the local government press.

During the discussion, the Committee was concerned to hear that the team which had started the audit of the Council's accounts was no longer working on local government audits. Grant Thornton's HR policies allowed employees to move onto other assignments having given the appropriate notice.

It was suggested and agreed that Grant Thornton be requested to undertake a review of its HR policies to ensure that they engender loyalty to and support the delivery of audit projects given that the Council's audit opinion had been delayed by staff moving on within the firm.

**RESOLVED:**

1. That the update on progress with the audit of the 2020/21 financial statements be noted.
2. That Grant Thornton be requested to undertake a review of its HR policies to ensure that they engender loyalty to and support the delivery of audit projects given that the Council's audit opinion has been delayed by staff moving on within the firm.

89. RISK MANAGEMENT ANNUAL REPORT - 2021-22

The Interim Deputy Head of Audit introduced her report setting out details of how the risk management processes had been working across the Council together with the work plan for the coming year. It was noted that:

- The purpose of the report was to provide assurance to Members that effective processes were in place to appropriately manage and monitor risk and to demonstrate how the risk processes worked in practice across the Council.
- The Council's corporate risks were those risks which could impede the achievement of strategic aims and objectives. Processes were in place to ensure that new risks are captured and escalated. Six new risks had been added to the corporate risk register in January 2022.
- Operational risk registers were in place for each service (including shared services) and were reviewed and updated routinely depending on severity. The overall number of operational risks had increased from 150 in April 2021 to 153 in February 2022. The highest risk related to infrastructure improvements, and it was routinely monitored by the Corporate Leadership Team (CLT).
- All operational risks would be reviewed as part of the implementation of the JCAD risk management software and there would be a complete refresh of the operational risk registers.

In response to questions:

The Interim Deputy Head of Audit advised the Committee that:

- Some of the implications of the current situation in Ukraine such as rising fuel and construction costs were starting to come through in specific risks that were increasing. Routine risk updates to CLT included consideration of external threats on the horizon. As part of the horizon scanning discussion at the next CLT update, she would ask whether there were any other risks relating to global unrest that needed to be captured.
- She would discuss with the owner of the infrastructure risk the extent to which KCC's proposed changes to rural bus services should be captured as part of that operational risk.
- In terms of the removal of Brexit/EU Transition from the corporate risk register, when the register was reviewed last summer, the view was taken that the implications now featured as part of other risks. It was not removed completely; the different elements affecting the Council were incorporated in the other risks identified.
- The existing risk management processes were admin intensive, restricting the time available for further work to embed risk across the Council. Current processes required the prompting of risk leads to ensure risk information remained up to date and services/senior management did not have 'live' access to their risk information. The JCAD software was more versatile. At present, spreadsheets were used, and it was very difficult to extract information from them. The Officers would be able to run reports, tailor reports and get more information out of the software than out of spreadsheets. The system

also had the advantage that it helped to ensure consistency in the risk registers in terms of how risks are framed, making sure that all controls that apply are captured and any actions are being taken. There were automatic prompts to make sure risks are routinely updated and risk owners, senior Officers and CLT would be able to access risk information themselves.

- Risks would be prioritised in JCAD through the risk scoring process.
- JCAD would have the same risk matrix for operational risks and scoring process. It would allow risks to be broken down by service and lower risks to be tracked and managed. However, the focus would still be on the management of the red/black risks.
- JCAD had a much smarter way of structuring risks. The Internal Audit team would continue to facilitate the risk management process to ensure its robustness. Risks would continue to be reported to Heads of Service, Directors and CLT. Removing the administrative burden of the spreadsheets would allow more time for the Internal Audit team to facilitate the understanding of risk and embed that culture within the Council to an even greater degree.

The Director of Finance and Business Improvement advised the Committee that:

- The system for monitoring risks worked well. It was difficult to convey in the report how the processes worked. However, he could confirm that CLT considered the way risks were reported to be helpful, and it would be more so with the implementation of the new software.
- He wished to reassure Members that CLT took the discussion of risk on a regular basis very seriously. The discussions informed CLT's thinking on actions to be taken; for example, in relation to the Capital Programme which had significant risks. This type of tool was very useful in providing a framework for addressing those.

**RESOLVED:** That the Risk Management Annual Report, attached as Appendix 1 to the report of the Interim Deputy Head of Audit, be noted.

#### 90. INTERNAL AUDIT AND ASSURANCE REPORT 2022/23

The Interim Head of Audit Partnership introduced his report setting out the Internal Audit and Assurance Plan for 2022/23 and summarising the risk assessment and consultation process undertaken by Internal Audit to compile the programme of work that would lead up to the 2022/23 Head of Internal Audit Opinion.

The Interim Head of Audit Partnership advised the Committee that:

- The Internal Audit and Assurance Plan for 2022/23 was a living document which needed to be flexible and responsive to emerging and changing risks throughout the year. For example, the knock-on

impact of the situation in Ukraine on Council services could be quite significant and quite quick in coming to fruition.

- The programme of work was wide-ranging and included two projects suggested by Grant Thornton (Capital Projects Funding and the Asset Register). Some areas had not been looked at for some years, but most of the projects had been included through discussions with senior management.

The Interim Head of Audit Partnership took the opportunity to introduce Mr Andy Billingham, the Interim Audit Manager, who would be working with him on the delivery of the Plan.

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

- The remit of Internal Audit was to look at everything, not just the financial aspects of the Council. This was why Economic Development and Workforce Planning had been included in the Plan.
- In terms of whether all of the high priority and medium priority projects included in the Plan required Internal Audit attention, it was a balancing act with finite resources. Economic Development and Workforce Planning provided a good litmus test of other things going on, so he was minded at this stage to say that they should stay in the Plan.
- The Plan would be kept under review to ensure that it remained relevant throughout the year.
- Capital Projects Funding was provisionally planned to be one of the earlier audits and he would take into account the suggestion that the list of projects within the Capital Programme be prioritised with worst-case scenarios and a list of assumptions.

**RESOLVED:**

1. That the Internal Audit and Assurance Plan for 2022/23, attached as Appendix 1 to the report, be approved and that the Head of Audit Partnership be given delegated powers to keep the Plan current for in-year emerging risks.
2. That the Head of Audit Partnership's view that Internal Audit currently has sufficient resources to deliver the Plan and a robust Head of Audit Opinion be noted.
3. That the Head of Audit Partnership's assurance that the Plan is compiled independently and without inappropriate influence from management be noted.

91. BUDGET STRATEGY - RISK ASSESSMENT UPDATE

The Committee considered the report of the Director of Finance and Business Improvement providing an update on the budget risks facing the Council. It was noted that:

- As the 2021/22 year end approached, the risk of failing to deliver against the revenue budget for the year was reducing. A balanced budget had been agreed for 2022/23, based on a Council Tax increase of 2%. A contingency of £1.3m in total had been built into the budget to allow for higher levels of inflation than anticipated in the original Medium-Term Financial Strategy assumptions. It was likely that there would be changes in local government funding in 2023/24, so there remained uncertainty about the position looking further forward.
- In terms of delivering the capital budget, there were two main risks associated with the capital programme: (a) the availability of funding and (b) the impact of inflation and supply blockages.
- Currently, funding for the Capital Programme was readily available: in the short-term through the market in borrowing and lending between local authorities and over the longer term through the Public Works Loan Board (PWLB). There was no indication that the Government would withdraw this facility for local authorities so long as the lending was not for purely commercial investment purposes. However, it was appropriate to mitigate the risk of dependency on the PWLB, and in line with the Treasury Management Strategy, the Council was considering alternative sources of financing which would allow it to lock in current interest rates for a portion of its debt.
- In terms of the impact of inflation, over time, the impact of higher input costs should be reflected in higher returns from capital investment and increases in the value of capital assets. However, the Council was likely to see severe budget pressures in the short-term at the level of individual capital projects requiring re-prioritisation of schemes.
- As an example of the Council's vulnerability to external factors, the Council's main source of revenue was Council Tax, which was subject to a referendum limit of 2%. Council Tax increases in future years might continue to be capped at less than the rate of inflation which could result in additional savings being required due to a reduced budget.
- There was a range of risks associated with the pension liability, including pension fund investment performance, inflation in salaries and pensions, changes in longevity and the capacity of the organisation to support pension fund contributions. A collective item had been included in the Risk Register to address these risks whilst recognising the mitigations in the scoring of the risk.

In response to a question, the Director of Finance and Business Improvement confirmed that risk was factored into capital investment appraisals, and that the Officers would be looking at a rate of return to cover the risk.

**RESOLVED:** That the updated risk assessment of the Budget Strategy, attached as Appendix A to the report of the Director of Finance and Business Improvement, be noted.

92. DURATION OF MEETING

6.30 p.m. to 7.55 p.m.



## 2022/23 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Government's Response to CSPL Report	AGS	26-Jul-22	Governance	No	Claudette Valmond	Jayne Bolas/Sahib Kaur
Update on Kent Model Code of Conduct	AGS	26-Jul-22	Governance	No	Claudette Valmond	Jayne Bolas/Sahib Kaur
Housing Benefit Subsidy Claim 2020/21	AGS	26-Jul-22	Governance	No	Georgia Hawkes	Zoe Kent
Fraud and Compliance Team Update	AGS	26-Jul-22	Officer Update	No	Georgia Hawkes	Zoe Kent
Annual Governance Statement and Local Code of Corporate Governance	AGS	26-Jul-22	Governance	No	Angela Woodhouse	Angela Woodhouse
Annual Internal Audit Report and Opinion 2021/22	AGS	26-Jul-22	Governance	Yes	Andrew Townsend	Andrew Townsend
Update on 2020/21 Audit	AGS	26-Jul-22	Governance	No	Mark Green	Mark Green
Draft Annual Accounts 2021/22 →	AGS	26-Jul-22	Governance	No	Mark Green	Paul Holland
Treasury Management Annual Review 2021/22	AGS	26-Jul-22	Governance	No	Mark Green	John Owen
Budget Strategy Risk Assessment Update	AGS	26-Jul-22	Officer Update	No	Mark Green	Mark Green
Code of Conduct Matters - Six Month Update	AGS	27-Sep-22	Officer Update	No	Claudette Valmond	TBA
AGS Committee Annual Report 2021/22	AGS	27-Sep-22	Governance	No	Andrew Billingham	Andrew Billingham
Final Statement of Accounts 2021/22	AGS	27-Sep-22	Governance	No	Mark Green	Paul Holland
External Auditor's Audit Plan 2021/22	AGS	27-Sep-22	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	27-Sep-22	Officer Update	No	Mark Green	Mark Green
Data Protection Action Plan - Progress Report	AGS	14-Nov-22	Officer Update	No	Angela Woodhouse	Anna Collier
Annual Complaints Report 2021/22	AGS	14-Nov-22	Governance	Yes	Angela Woodhouse	Anna Collier/L Connett

## 2022/23 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Annual Governance Statement Mid-Year Update	AGS	14-Nov-22	Governance	Yes	Angela Woodhouse	Angela Woodhouse
Internal Audit Interim Report 2022/23	AGS	14-Nov-22	Governance	No	Andrew Hamilton	Andrew Hamilton
Treasury Management Mid-Year Review 2022/23	AGS	14-Nov-22	Governance	No	Mark Green	John Owen
External Auditor's Progress Report and Sector Update	AGS	14-Nov-22	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	14-Nov-22	Officer Update	No	Mark Green	Mark Green
Housing Benefit Subsidy Claim 2021/22	AGS	16-Jan-23	Governance	No	Georgia Hawkes	Zoe Kent
Fraud and Compliance Team Update	AGS	16-Jan-23	Officer Update	No	Georgia Hawkes	Zoe Kent
Treasury Management, Investment and Capital Strategies 2023/24	AGS	16-Jan-23	Strategy Update	No	Mark Green	John Owen
External Auditor's Annual Audit Letter	AGS	16-Jan-23	Governance	No	Mark Green	Paul Holland
External Auditor's Progress Report and Sector Update	AGS	16-Jan-23	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	16-Jan-23	Officer Update	No	Mark Green	Mark Green
Code of Conduct Matters - Six Month Update	AGS	13-Mar-23	Officer Update	No	Claudette Valmond	TBA
Annual Risk Management Report 2022/23	AGS	13-Mar-23	Governance	Yes	Alison Blake	Alison Blake
Internal Audit Charter Update	AGS	13-Mar-23	Governance	No	Andrew Hamilton	Andrew Hamilton
Internal Audit and Assurance Plan 2023/24	AGS	13-Mar-23	Governance	No	Andrew Hamilton	Andrew Hamilton
External Audit Plan 2022/23	AGS	13-Mar-23	Governance	No	Mark Green	Paul Holland
External Auditor's Progress Report and Sector Update	AGS	13-Mar-22	Governance	No	Mark Green	Paul Holland

**2022/23 WORK PROGRAMME**

	<b>Committee</b>	<b>Month</b>	<b>Origin</b>	<b>CLT to clear</b>	<b>Lead</b>	<b>Report Author</b>
Budget Strategy Risk Assessment Update	AGS	13-Mar-23	Officer Update	No	Mark Green	Mark Green

# Agenda Item 14

## **Audit, Governance and Standards Committee**

**26 July 2022**

### **Annual Governance Statement 2021/22 and Local Code of Corporate Governance Update 2022**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services PAC	13 July 2022
Audit, Governance and Standards Committee	26 July 2022
Executive	27 July 2022

<b>Will this be a Key Decision?</b>	No
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Executive
<b>Lead Head of Service</b>	Angela Woodhouse, Head of Policy, Communications and Governance
<b>Lead Officer and Report Author</b>	Angela Woodhouse, Head of Policy, Communications and Governance
<b>Classification</b>	Public
<b>Wards affected</b>	

#### **Executive Summary**

Attached at Appendix A is the Annual Governance Statement for 2021/22. The purpose of the Annual Governance Statement is to provide assurance on the Council's governance arrangements. Attached at Appendix B is a refreshed Local Code of Corporate Governance with minor amendments. Audit Governance and Standards Committee are required to approve both of these documents. Sign off is sought from the Leader on the Annual Governance Statement.

#### **Purpose of Report**

Decision

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**This report makes the following recommendations:**

1. The Annual Governance Statement at Appendix A be approved and signed by the Leader
2. The local Code of Corporate Governance as amended at Appendix B be approved

# Annual Governance Statement 2021/22 and Local Code of Corporate Governance 2022 Update

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> <li>• Embracing Growth and Enabling Infrastructure</li> <li>• Safe, Clean and Green</li> <li>• Homes and Communities</li> <li>• A Thriving Place</li> </ul> <p>Effective corporate governance arrangements ensure the Council's priorities are understood and delivered</p>	Head of Policy, Communications and Governance
<b>Cross Cutting Objectives</b>	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> <li>• Heritage is Respected</li> <li>• Health Inequalities are Addressed and Reduced</li> <li>• Deprivation and Social Mobility is Improved</li> <li>• Biodiversity and Environmental Sustainability is respected</li> </ul> <p>Effective corporate governance arrangements ensure the Council's priorities are understood and delivered</p>	Head of Policy, Communications and Governance
<b>Risk Management</b>	Already covered in the risk section at paragraph 5.1	Head of Policy, Communications and Governance
<b>Financial</b>	The action plan may have resource implications. These will be identified as projects come forward.	Head of Policy, Communications and Governance
<b>Staffing</b>	We will deliver the recommendations with our current staffing.	Head of Policy, Communications and Governance
<b>Legal</b>	<p>Section 6(1) of the Accounts and Audit Regulations 2015 requires all local authorities to:</p> <p>a) conduct a review of the effectiveness of</p>	Interim Deputy Head of Legal Services and Monitoring Officer.

	<p>the system of internal control required by regulation 3; and  (b) prepare an annual governance statement;</p> <p>Under the Council's Constitution one of the functions of the Audit Governance and Standards Committee is to oversee the production of the Council's Annual Governance Statement. The Annual Statement demonstrates measures are in place to ensure good governance arrangements which enable the Council to meet its statutory requirements</p>	
<b>Information Governance</b>	Data protection is covered in the statement and action will continue into 2020-21	Information Governance Team
<b>Equalities</b>	Effective corporate governance arrangements include behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law as set out in the code of corporate governance.	Equalities & Communities Officer
<b>Public Health</b>	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
<b>Crime and Disorder</b>	No implications	Head of Policy, Communications and Governance
<b>Procurement</b>	No implications	Head of Policy, Communications and Governance
<b>Biodiversity and Climate Change</b>	The implications of this report on biodiversity and climate change have been considered and it aligns with the Biodiversity and Climate Change Action Plan	Head of Policy, Communications and Governance

## 2. INTRODUCTION AND BACKGROUND

- 2.1 Each year the Council reviews its governance arrangements to ensure compliance with the Local Code of Corporate Governance. The purpose of the review is to provide assurance that governance arrangements are adequate, operating effectively and to identify action which is planned to ensure effective governance in the future. The outcome of the review takes the form of an Annual Governance Statement (AGS) at **Appendix A** prepared on behalf of the Leader of the Council and Chief Executive.
- 2.2 Overall, we can confirm that the Council has the appropriate systems and processes in place. Whilst we are satisfied the governance arrangements in general work well our review has identified additional actions to ensure good standards of governance are maintained. The most significant governance issues relate to the change to the governance model that took place in May this year with actions focused on ensuring we maintain an effective decision-making process and an effective constitution. There are also a number of actions from last year that continue into this year including improving transparency and compliance with the financial management code
- 2.3 Updates on the actions will be provided to the Audit Governance and Standards Committee on a six-monthly basis and kept under review by the internal Corporate Governance Group.
- 2.4 The following areas have been identified for improvement for 2022/23

Corporate Governance Area	Lead Officer	By When
New Process for part II items embedded and officers trained	Head of Policy, Communication and Governance	November 2022
Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)	Data Protection Officer	Action plan progress will be reported to this committee in November 2022
Actions to ensure compliance with the Financial Management Code: <ul style="list-style-type: none"> <li>• Develop and embed a policy on Social Value</li> <li>• Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal'</li> <li>• Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate.</li> </ul>	Director of Finance and Business Improvement	November 2022 and March 2023



Corporate Governance Area	Lead Officer	By When
Learning from governance failings at other Local Authorities	Chief Executive	Monthly briefing to review any issues
Corporate Governance Review: Following the Boundary Review at a district level a community governance review is proposed for 2022/23, this will be undertaken by the Democracy and General Purposes Committee	Democratic and Electoral Services Manager	Timetabled with Democracy and General Purposes – updates to Audit Governance and Standards Committee in November 2022
Ensure effective decision making and a workable constitution. Review of constitution planned for December 2022 with the Democracy and General Purposes Committee	Head of Policy, Communications and Governance and Monitoring Officer	Update in March 2023
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	Director of Regeneration and Place	Updates in November 2022 and March 2023
Corporate Risk: General and localised economic pressure leads to <b>contraction in retail sector</b> , limiting the appeal of Maidstone town centre threatening social cohesion and business rates income.	Director of Regeneration and Place	Updates in November 2022 and March 2023 plus updates through the risk register and reports
Corporate Risk: General <b>financial uncertainty</b> , unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation places further financial restrictions on the Council resulting in difficulty maintaining standards or meeting aims.	Director of Finance and Business Improvement	Updates in November 2022 and March 2023 plus updates through the risk register and reports
Corporate Risk: Inflation continues to rise and a significant economic event (e.g. further pandemic impacts, BREXIT, supply chain issues) causes <b>significant changes in construction costs which may also result in a contractor insolvency, as they are generally locked into delivering schemes at a fixed price, and so need to manage their exposure to rising costs in</b>	Director of Regeneration and Place	Updates in November 2022 and March 2023 plus updates through the risk register and reports

Corporate Governance Area	Lead Officer	By When
<b>their supply chain.</b> For the Council, this leads to a narrowing gap between build price and end of property values, increased costs to the Council and a possible time lag in delivery of 1000 affordable new homes, owing to a lack of capacity in the construction sector.		

Progress against last year's action plan

2.5 Several improvement actions were identified in the 2021/22 action plan and the table below shows progress with those actions:

Corporate Governance Area	Update
Make data and information more freely accessible on the website and on request	<p>A new space has now been created on the website called information and data <a href="https://maidstone.gov.uk/home/primary-services/council-and-democracy/primary-areas/information-and-data">https://maidstone.gov.uk/home/primary-services/council-and-democracy/primary-areas/information-and-data</a></p> <p>To bring all the relevant elements into one accessible place this includes access to information and results on our consultations, access to the council's disclosure log, as well as useful statistics and data on local population.</p> <p>Work is currently underway on a dashboard development programme for services across the council. As part of this consideration is being given to publicly accessible information from services which could be made available through the use of dashboards, principles that need to be considered have been drafted for approval, which will help guide the Data Analytics Team. The team hope to have a first dashboard published this year.</p>
Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)	Report to Audit, Governance and Standards Committee 15 November 2021
Raising awareness of the Local Code of Corporate Governance and the Nolan Principles	The local code of corporate governance was shared with Wider Leadership Team for development and insight in June 2021 and May 2022 . An update was given at a unit managers forum in 2022 on the code and what it means in practice. The Nolan principles for Councillors will be addressed when

Corporate Governance Area	Update
	the code of conduct is updated, this is being progressed by the Monitoring Officer.
<p>Actions to ensure compliance with the Financial Management Code:</p> <ul style="list-style-type: none"> <li>• Develop and embed a policy on Social Value</li> <li>• Review and update the Commissioning Strategy</li> <li>• Hold Member workshops to inform the development of the 2022/23 budget</li> <li>• Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal'</li> <li>• Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate.</li> <li>• Refresh the 2021/22 Capital Strategy</li> </ul>	<p>Social Value – Work due to commence in next six months.</p> <p>Commissioning Strategy – Strategy has been reviewed and contract management guidance updated.</p> <p>Member workshops on budget – Briefings were held for members in the course of developing the 2022/23 budget. Discussions are starting to take place with members about rolling forward the Medium Term Financial Strategy for 2023/24.</p> <p>Investment Appraisal – approach being refined as part of Capital Strategy update</p> <p>Budget monitoring reports – Under review with a view to updating format for 22/23</p> <p>An updated Capital Strategy was considered by Members January 2022 and agreed by Council. It will continue to be updated on a regular annual basis.</p>
Learning from governance failings at other Local Authorities	Monthly meetings held with governance lead and statutory officers to review governance matters
Review of Church Road, Otham	Report completed and submitted to Democracy and General Purposes Committee on 23 November 2021. Considered by Policy and Resources Committee in February 2022.
Change to Executive Model of Governance	<p>Model approved by Full Council and notice of change published.</p> <p>External legal advisor appointed to assist the Democracy and General Purposes Working Group to write the new constitution.</p>

Corporate Governance Area	Update
	New constitution approved in April 2022, new model introduced at the May Annual Meeting of Council 2022.
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	<p>In respect of the public sector led Garden Community, there remains a clear separation in place between the Council acting as the Local Planning Authority and the Council acting as land promotor in partnership with Homes England. This differentiation is made clear in the various reports that go to the Strategic Planning and Infrastructure Committee and P&amp;R Committees respectively.</p> <p>The Council and Homes England have appointed a communications firm to assist with community engagement from the land promotor perspective. Their work will include creating a new digital engagement platform for the project, where information with stakeholders can easily be shared.</p>
Corporate Risk: Contraction in retail and leisure sectors, the Council will be developing a Town Centre Management Strategy	The principle of creating a town centre strategy has been approved as part of the Council's Recovery and Renewal Action Plan and so the funding is now in place within the current Medium Term Financial Strategy, the project is now fully funded and underway. Furthermore, budget growth was approved for 2022/23 for further economic development, arts & culture and visitor economy initiatives to kick start the process of reimagining the town centre, including a full calendar of events to bolster visitor numbers.
Corporate Risk: Financial Restrictions	Under regular review. This is addressed as part of Risk Reports to AGS Committee and in quarterly monitoring reports to Service Committees. The Medium-Term Financial Strategy is being updated to reflect both implications from Covid and longer-term issues around slower economic growth. Furthermore, measures are being identified to address future budget gaps
Corporate Risk: Environmental Damage	Actions from the Carbon Trust report are in the process of being implemented and Policy & Resources Committee to provide governance and oversight on delivery of BD&CC Strategy.
Corporate Risk: Major Unforeseen Emergency	Work is ongoing to ensure the robustness of Disaster Recovery and Business Continuity Arrangements.
Corporate Risk: Housing Pressure Increases	Initiatives to increasing housing and temporary accommodation provision underpinned by the drafting of a new Housing Strategy. Furthermore, the Policy & Resources Committee in January 2022 approved its 1,000 homes programme for circa

Corporate Governance Area	Update
	£200m of net council spend into the Council development of new homes primarily for affordable rent, with further homes for the private rented sector too. Since then, contracts have been exchanged on to two substantial land acquisitions to support this programme.
Corporate Risk: Brexit/EU transition	Risk removed from the Corporate register, but operational elements continue to be monitored. MBC officers participate in Kent Resilience Forum planning for disruption at Channel ports.

### Local Code of Corporate Governance

- 2.6 The Local Code of Corporate Governance created in 2017 has been updated as per the tracked changes set out in Appendix B, changes proposed are concerned with ensuring the accuracy of the Code and reflecting the recent change to the Council’s governance arrangements from a Committee to and Executive System.
- 2.7 Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Maidstone Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Code sets out how the Council meets these requirements and how we conduct our business and affairs.

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### **3. AVAILABLE OPTIONS**

- 3.1 The Annual Governance Statement is a requirement of statutory regulations and provides assurance about the Council’s governance arrangements.
- 3.2 The Committee is asked to approve the Annual Governance Statement as it has been presented or make amendments.
- 3.3 The Local Code of Corporate Governance was rewritten in 2017, the refreshed version attached at Appendix B has minor amendments for approval by the Committee, the Committee could make additional amendments or no amendment to the present code.
-

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

- 4.1 The Committee is asked to approve the Annual Governance Statement for sign-off by the Leader and approve the updated Local Code of Corporate Governance.
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#### **5. RISK**

- 5.1 The Annual Governance Statement considers and gives assurance to the Council's approach to risk management.
- 

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

- 6.1 Members of the Wider Leadership Team and the Corporate Governance working Group have all been consulted on the council's governance arrangements for 2021/22, the views gathered have been included in the statement.
- 6.2 They have also been consulted on the Local Code of Corporate Governance and changes have been included as suggested.
- 6.3 Corporate Services Policy Advisory Committee considered the report and agreed that it be recommended for sign off by the Leader. No amendments were requested.
- 

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

- 7.1 Following the Audit, Governance and Standards Committee's approval the statement will be included in the final statement of accounts and published on the Council's website. The refreshed Local Code of Corporate Governance will be placed on the website and intranet.
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#### **8. REPORT APPENDICES**

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

- Appendix A: Annual Governance Statement 2021/22
  - Appendix B: Local Code of Corporate Governance 2022 Update
- 

#### **9. BACKGROUND PAPERS**

None



# Annual Governance Statement 2021/22



## EXECUTIVE SUMMARY

This statement constitutes a review of the effectiveness of our governance arrangements with input from the Chief Executive, Directors and Heads of Service. Overall, we can confirm that the Council has the appropriate systems and governance arrangements in place. When considering the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework 2016 the statement evidences compliance across the seven principles with further action required for principals F and G to ensure transparency is improved and we comply with the new code of financial management see summary below:

Principle	Assurance Level
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law	Assured
B. Ensuring openness and comprehensive stakeholder engagement	Assured
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.	Assured
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	Assured
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	Assured
F. Managing risks and performance through robust internal control and strong public financial management	Assured in part
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Assured in part

Other action areas include embedding the new process for confidential information and applying the public interest test to reports to ensure transparency. A big change in 2022 has been the move to an Executive model including Policy Advisory Committees, a review of the new constitution is planned by Democracy and General Purposes in December 2022.

## INTRODUCTION

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

Each aspect of the statement has been given an assurance rating based on the following criteria:

Assured	We fully comply
Assured in part	We comply however, improvements could be made or there are concerns or changes proposed
Not Assured	We do not comply and action is required



The past year has seen the Council continue to adapt and respond to challenges as a result of the COVID-19 pandemic as well as new requirements to provide support and assistance as result of the war in Ukraine. In 2021/22 Council Members wrote a new constitution with a focus on ensuring the Council was Member-Led, a new Executive model was introduced in May 2022. Over the past year, the Council has transitioned from a committee system to an executive system. The Council also appointed a new interim Monitoring Officer as part of staff changes to the Legal Partnership.

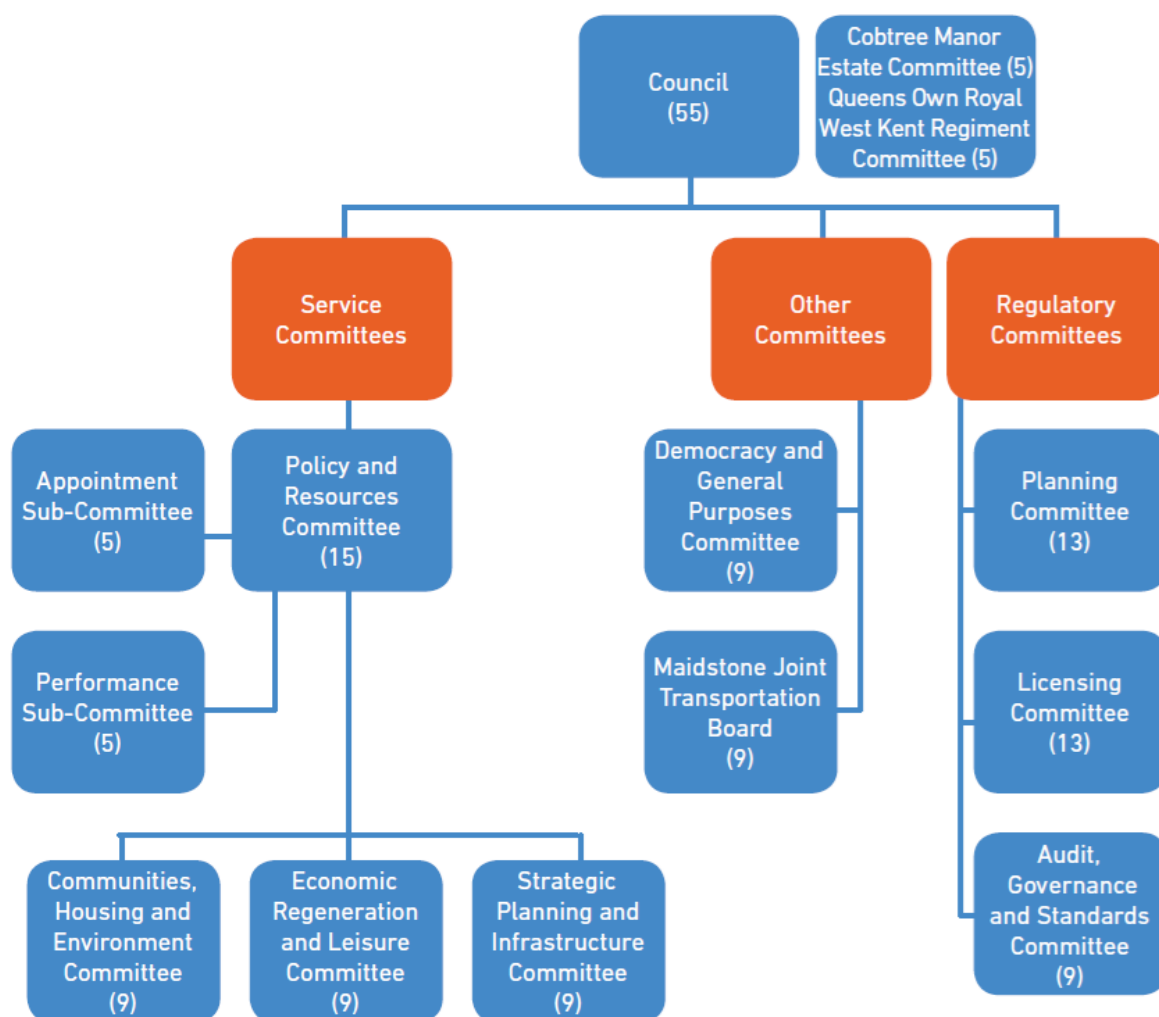
## **KEY GOVERNANCE ROLES AND RESPONSIBILITIES**

Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Maidstone Borough Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. This Annual Governance Statement for 2021-22 also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which requires an authority to conduct a review of the effectiveness of its system of internal control and the duty to prepare an annual governance statement.

The Council operated a committee system of governance in 2021-22, with the Leader as the focus for political direction, the chief spokesperson for the Council and the Chairman of the Policy and Resources Committee. The Council had four service committees taking decisions within their terms of reference as agreed by Council; individual Councillors did not have delegated authority from Council to make decisions. In addition, there were committees that dealt with licensing, planning, audit, governance and standards, democracy and employment and other regulatory matters. The numbers shown in the diagram below reflect membership. The Council moved to an Executive System at the May 2022 Annual General Meeting.

# Council Governance Model 2021/22

Council and Committees 2021/22 (changed to Executive system in May 2022)



The Council's Section 151 Officer, Mark Green, and the interim Monitoring Officer, Jayne Bolas, are key members of the Corporate Leadership Team, reviewing all decisions taken through the Corporate Leadership Team, Committees and Full Council. The Section 151 Officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The Section 151 Officer also has a number of statutory powers to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

The Monitoring Officer serves as the guardian of the Council's Constitution and the decision-making process and has been involved alongside the Head Of Policy, Communications and Governance in the change of governance arrangements in the transition to an executive system. The Monitoring Officer is also responsible for advising the Council on the legality of its decisions and providing guidance to councillors and officers on the Council's Constitution and its powers. This includes dealing with complaints under the Councillors' Code of Conduct.

The Corporate Leadership Team is led by the Chief Executive, Alison Broom who is Head of Paid Service with overall corporate management and operational responsibility.

The Head of Policy, Communications and Governance, Angela Woodhouse, has responsibility for corporate governance and is the Council's Data Protection Officer, leading the Council's

corporate governance group and coordinating the annual governance statement as well as ensuring the Local Code of Corporate Governance is updated.

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

The Council had approved and adopted a Local Code of Corporate Governance in 2017 which has since been updated in 2020, 2021 and again this year. The code is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework [Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016](#).

## **OUR GOVERNANCE FRAMEWORK**

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

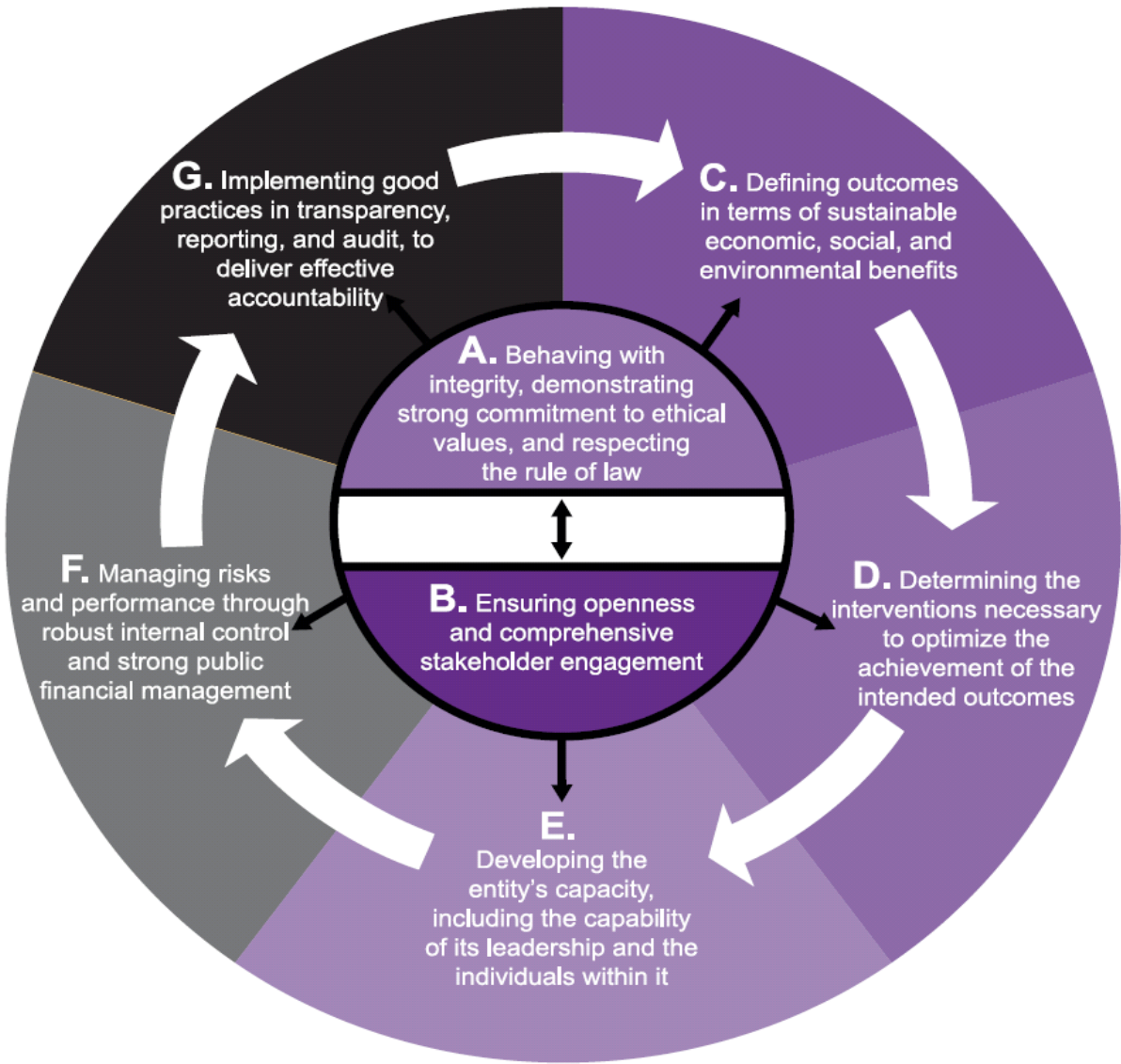
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's objectives, and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of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

This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

The International Framework: Good Governance in the Public Sector states that: "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

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

The diagram below shows the 7 principles within the Local Code of Corporate Governance from CIPFA and SOLACE Framework:



This statement sets out how we have demonstrated and met those principles in 2021-2022, through a review of our effectiveness.

## **GOVERNANCE REVIEW OF EFFECTIVENESS 2021-22**

### **A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING RULE OF LAW**

#### **Assurance Rating: Assured**

##### **Assurance Comments:**

The Council has strong values known which are demonstrated in the integrity of officers. The Council has a culture of compliance, which is supported by the Leadership Team. Councillors are trained on the Code of Conduct and guidance is offered from the Monitoring Officer, Corporate Leadership Team and Democratic Services Team.

The Council's Codes of Conduct sets out clear expectations and requirements for behaving with integrity, committing to ethical values, and respecting the rule of law for both Councillors and Officers. Last year it was identified by the Wider Leadership Team that there could be more awareness of the Nolan Principles and our governance framework throughout the organisation, the Head of Policy, Communications and Governance has given presentations on this topic to Wider Leadership Team, Unit Managers and individual team meetings.

The Council adopted the local code of corporate governance in 2017 which complies with CIPFA and SOLACE "Delivering Good Governance in Local Government". This code was refreshed last year and has been updated again in 2022 with input from the Council's Wider Leadership Team.

The Council also has in place a local Code of Conduct for Councillors and a Code of Conduct for staff which includes the Nolan Principles. Code of Conduct training is carried out annually for Councillors and included in the new councillor induction programme to which all members are invited.

During the municipal year 2021-2022, there were 13 Code of Conduct complaints dealt with under the Localism Act 2011 against Parish Councillors and 5 complaints raised against Borough Councillors.

In 2020 the LGA provided an updated model code of conduct. The general view of the Audit Governance and Standards Committee was that it did not meet their aspirations for an updated code. Since that time Kent County Council considered the model and made comments for consideration. Kent Secretaries have as a group considered the model and what they would consider appropriate to propose as a new model for adoption by all principal authorities in Kent and consideration by Parish Councils, should they wish to adopt a Kent code. The Government have responded to the Independent Committee on Standards in Public Life report and as a result it became clear that some aspects of member aspirations for amendment of the code could not be met as changes to legislation would not be forthcoming.

Kent Secretaries reached an agreed proposal which has recently been considered by Kent County Council and adoption has not yet occurred as amendments have been suggested. The resulting options for members are contained in a report to Audit Governance and Standards Committee in July 2022.

A Register of Interests is maintained, and training is offered to Councillors on standards, interests and our Code of Conduct as part of the annual Member Induction open to all Councillors. A register of gifts and hospitality is also maintained, and staff are reminded to complete this annually. Under the Local Government Act 1972, section 117, the Council requires

officers to disclose any direct or indirect pecuniary interests they may have in any contract or potential contract involving the Council.

The Audit, Governance and Standards Committee's purpose is to promote and maintain high standards of Councillor and Officer conduct within the Council. The Committee has responsibility for adopting and reviewing the Annual Governance Statement, independent assurance of the adequacy of the financial and risk management framework and the associated control environment.

We have a clearly defined set of core values that are embedded at the Council, they form part of our competency framework against which staff are assessed annually. A staff survey was carried out at the beginning of 2021 which showed a clear understanding of the Council's priorities with 80% of respondents indicating they understood the Council's priorities and 91% stating they were committed to helping the Council achieve its objectives. With regard to Service, Teamwork, Responsibility, Integrity, Value and Equality, our STRIVE values, 87% of those who responded agreed they understand the Council's values and were committed to delivering those values. Annually, we hold a staff awards event for those who have demonstrated they have exceeded the standards by going above and beyond the expected, in their behaviour.

The statutory roles of the Chief Financial Officer (s.151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegation. They provide oversight of propriety and lawfulness. They have a direct reporting line to the Chief Executive and are involved in all major decision-making preparation through membership of the Corporate Leadership Team, as well as being signatories to all key and other significant decisions.

There is an Equality Policy in place for the organisation; the objectives and action plan were updated in 2020 and were reviewed and updated again in 2021.

The Constitution is kept under review by the Democracy and General Purposes Committee and the Monitoring Officer, with changes agreed by Council. As the Council has approved a new constitution in May 2022 a review is planned of effectiveness of the new constitution by the Democracy and General Purposes Committee in December 2022. A log of issues is being maintained by Democratic Services with urgent changes required prior to the review being reported to Democracy and General Purposes for decision.

Since 2019, the Council has created a separation between the Local Plan Review and other Planning Functions as the Director for Regeneration and Place is leading on the proposal for a Council-led garden community. This has ensured a clear separation of roles.

## **B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

### **Assurance Rating: Assured**

#### **Assurance Comments:**

The council is proactive in relation to transparency and stakeholder engagement.

In 2022, a new guide to Part II items has been developed to ensure transparency

Ward Boundaries were reviewed in 2021/22, as a result a Community Governance Review has been planned for 2022/23

The Communications Team issued 175 press releases in 2021-22 as well as producing two editions of our Council magazine Borough Insight which has been distributed to 82,000

residential properties across the borough. These magazines include articles and features promoting the services and support available from MBC.

The need for good communication with our residents and businesses was accentuated as the country recovered after the Covid pandemic. The comms team has helped partner organisations to promote the Covid vaccinations; they sourced venues and arranged eight pop-up vaccination clinics across the borough. Communications also supported front line service delivery messaging needs through over 150 design projects including signage, posters, newsletters, press releases, radio and newspaper advertising, radio and TV interviews. Topics covered include changes to services e.g. parking, parks and new initiatives including #CleanUpMaidstone, business rate grants, Community Resilience Fund, organised and held the Compassionate Community Awards. The team was also responsible for MBC opening and launch events including the Bus Station, Maidstone East Railway Station, Student Art Project for the Mote Park Café, Love Food at Lockmeadow, Winter Bills Roadshows, Lockmeadow Play Area, and the Mote Park Café & Visitor Centre. They have also hosted 12 All Staff Webinars and facilitated the One Council and STRIVE Awards event. The team is responsible for MBC social media channels and has been active across all producing Facebook – 1,184 posts, 749 Twitter posts and 36 on Instagram.

During 2021/22 the Policy and Information team carried out 23 consultations. 6 of these were internal, aimed at staff or members and 17 were public, resident or stakeholder consultations. Overall, 19,500 responses were received to consultations run by the Policy, Communities & Engagement team in 2021/22.

Public consultations were undertaken on a variety of topics. Some focussed on specific geographical areas in the borough such as Polling Places in Harrietsham & Lenham, Headcorn and South wards and other consultations sought information about specific policies or how residents felt about particular issues. For example, the Archbishops Palace Consultation sought to find out what uses residents felt were appropriate for a prominent historic building. The Community Safety survey built on the previous year's Young People's Crime survey helping to identify where people feel safe in the borough and their experiences of crime.

The information gathered through these surveys has been used to support decision making. Survey data has also been used to identify and prioritise ongoing improvements to service delivery.

The Council has a Communication and Engagement Action Plan in place which is reviewed annually. In December 2021 a Local Government Association Peer Review was undertaken looking at our communications function. As a result a new Communication and Engagement Strategy is being developed for approval in September 2022. The review identified a need to be clear on our priorities as a Council. The Cabinet will be asked to consider reviewing and updating the Council's Strategic Plan as part of the Corporate Planning Timetable in 2022/23.

We also have a Statement of Community Involvement in place for Planning, covering a whole variety of means of communicating with and involving residents in planning matters. A Community Governance Review is planned for 2022/23 following the review of ward boundaries in 2022. Regular communication and engagement has been scheduled into the review to ensure openness and transparency, any decisions taken to change Parish Boundaries or create new parish or town councils will be publicised.

We believe in transparency and have a large amount of information available on the data and information pages of our website, including details of payments to suppliers, decision notices, performance information, a list of our assets and senior staff salaries. This data has been reviewed in 2020/21 and a project has been agreed to improve openness and transparency in 2022/23, a senior Information governance officer was recruited in 2022 to add capacity to the team. The Council's website includes an accessibility statement to inform users how the site has been tested and audited to improve accessibility as well as identifying areas for improvement.

We have dealt with a large volume of Freedom of Information requests a total of 901 requests of which 95% were processed on time, a sustained performance with a higher volume of work compared to the previous year in which we dealt with 896 requests and 96% processed on time.

The Council applies the public interest test appropriately when deciding whether reports or other information the Council holds should be confidential and makes an effort to put as much information in the public domain as possible, including splitting confidential information into appendices to allow discussion of the broader topic in public. This was the subject of substantial consideration as part of the review and development of the new constitution. A new part II guide has been developed for Officers to be rolled out in 2022/23 Over the last three years the Council has been subject to increased scrutiny in relation to its Garden Community Proposal, and this has been identified as an area for continued improvement for 2021/22.

To ensure robust, effective and transparent decision making the Council continues to utilise remote technology to enable committee meetings to go ahead with full public access and engagement on-line. We continue to use remote working technology to allow public participation remotely.

The Council takes up opportunities to engage with partners and stakeholders through avenues such as the Developers' forum, Parish Liaison meetings, Maidstone Destination Management Plan. We have acted as community ambassadors in our capacity as the democratically elected body representing residents with partners.

The Council's Corporate Insight, Communities and Governance Team lead on the Council's engagement with its wider community. The team are a point of contact for both the Voluntary and Community Sector and Parish Councils. A two-way communication process in place which ensures that issues or concerns can be responded to collaboratively. This relationship was strengthened during the pandemic and has been key to the Council's response to the Ukraine.

A regular newsletter is sent to Parish Council and the Voluntary and Community Sector which includes key information from across the Council, facilitating a wider reach for consultation and engagement with the wider community through extended networks.

The Council has service level agreements in place with Involve Kent, the Citizens Advice Bureau and Maidstone Mediation. This funding helps support the delivery of local community forums, including Service Providers, Voluntary and Community Sector, Children and Young People, Health, Wellbeing and Disability and a West Kent Multicultural Network. The forums, run by Involve Kent, offer learning and insight through join up with practitioners and partner organisations. The Citizen's Advice Bureau provide practical advice and increase access to financial support and Maidstone Mediation's services play an important role in homelessness prevention and resolving disputes that can have a detrimental impact on an individual, family or community.

In the past year, the Council has been able to support local community groups through the delivery of the Community Resilience Fund. The fund was designed to enable organisations to continue to provide support to communities experiencing loneliness, social isolation or mental health issues. Funding was provided to a number of counselling and support services in Maidstone to help increase accessibility and ensure demand could be met. The fund also supported a number of organisations providing activities to help well-being, increasing access to outdoor space and group activities.

The Household Support Grant provided a total of £63,000 to organisations offering immediate support such as food, fuel and clothing. The Council asked local community groups and Parish Councils to come forward and apply if they knew of people in their area who needed help buying food or paying essential bills this winter. Maidstone accounts for 25% of all food boxes that are distributed across the whole of Kent, and the food banks have seen a 100% increase in deliveries



across the borough for various reasons including the pandemic and financial hardship. The Council increased its support to local food banks in December 2021 after what has been a challenging time for many people. MBC gave the Salvation Army Food Bank in Maidstone £20k and Maidstone Family Food Bank £30k so that they could increase their support for those in need.

## **C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS**

### **Assurance Rating: Assured**

#### **Assurance Comments:**

The Council's priorities and cross cutting objectives in the Strategic Plan 2019-45 seek outcomes with sustainable economic, social, and environmental benefits.

The Council developed a [Strategic Plan](#) in 2018 through a series of events, meetings and consultation with stakeholders. We have in place a clear vision and four key priorities to 2045. Outcomes are measured through strategy action plan updates, performance measures and targets which are reported regularly to Wider Leadership Team and the Service Committees. We updated and refreshed the Strategic Plan in 2021

To ensure the delivery of the strategic plan priorities and actions each service is required to produce a service plan and individuals also identify how they meet the priorities in their objectives which are reviewed monthly. Regular updates are given on progress with the Strategic Plan at our Staff and Manager Forums as well as at our annual One Council event.

Our corporate report template requires report authors to identify how decisions align with the Council's priorities and show the options that have been considered and the impact of the recommended course of action. The template has been updated to include biodiversity and climate change considering the council's new biodiversity and climate change strategy. We also have a robust risk management framework in place; risks are reported to the Wider and Corporate Leadership Teams, Policy and Resources and Audit, Governance and Standards Committees.

In 2021/22 the Council created a [Recovery and Renewal Action Plan](#) in response to the COVID-19 pandemic, following consultation with all four Service Committees this was approved by Policy and Resources Committee in October 2021. Actions were focused on four themes:

- Vibrant Economy
- Community Resilience
- The Way We Work
- Responding to Increased Demands

Maidstone Borough Council's Biodiversity and Climate Change Strategy and Action Plan scored a 72% or joint 25th place in UK out of 325 councils who have declared a climate emergency according to Climate Emergency UK's campaign. An annual review and progress of the Plan was reported to the Policy and Resources Overview and Scrutiny Committee in February 2022. The reviewed and updated Action Plan retained all the same key themes, structure, and actions, with the addition of supplementary information and minor wording changes only. Some additions were made to the Action Plan to ensure it meets soon to be standardised criteria and comparable objectives for local authorities across the UK. Additions to the Action Plan include key information and definitions of 'Net Zero', 'Climate Adaptation and Resilience', detailed targets per year on carbon reductions, and updates to the status of each action.

The Council's Inclusion board is in place to support the delivery of its social and financial inclusion responsibilities. These are underpinned by its Public Sector Equalities Duty. Key service

areas are represented on the board as well as partner organisations. In 2021/22, the board has focused on financial inclusion. The Board has oversight of Maidstone Borough Council Financial Inclusion Strategy 2021-2026 and its 4 workstreams. An action plan is in place to monitor outcomes. A number of initiatives have been successfully delivered including the fuel voucher scheme and the South East Water Project and impact is being maximised through collaborative working, across the Council, with key partners and the Voluntary and Community Sector (VCS).

In October 2021, the Policy and Resources Committee was informed on progress made against the Council's Equalities Objectives and Action Plan. This included the implemented of the Rough Sleeping initiative by the housing team which continued to support approximately 360 households and had been extended until March 2022. It also highlighted the strengthened relationship between the Council and the VCS as a result of joined up working to support residents during the Covid-19 pandemic.

In March 2022, the first Ukrainians arrived in Maidstone under the Homes for Ukraine Scheme. The Council's Housing team have been responsible for home inspections and there is join up in place across key service to help ensure support is in place and the valued relationship with the with the VCS, Parishes and Ward Councillors ensures that we are working together to identify and respond need.

The first [compassionate community awards](#) were first held in October 2020 to acknowledge individuals, groups and organisations who went above and beyond to make a difference to so many people in their communities throughout the COVID-19 lockdown. The awards were held again in October 2021 are now moving into their third year, reflecting new challenges and recognising the positive contributions made.

## **D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

### **Assurance Rating: Assured**

#### **Assurance Comments:**

Oversight and healthy challenge are provided through service committees, boards and working groups. The Council's risk register has been reviewed and updated with key risks included in the action plan.

The Council's Constitution clearly defines the roles and responsibilities of Officers and Councillors. It was kept under regular review in 2021/22 by the Interim Monitoring Officer and the Democracy and General Purposes Committee. A new constitution was written in 2021/22 and approved by Members in May 2022 for the change to the governance model.

The Council's four service committees were responsible for making decisions on the services delivered by the Council. The four service committees, Democracy and General Purposes Committee and Audit, Governance and Standards Committee have work programmes in place. These programmes detail the decisions and reports for the year and were reviewed monthly by each committee. Details of committees and their work can be found on our website.

Performance was reported on a quarterly basis to each service committee as well as updates on plans and strategies throughout the year.

The Council has a Transformation Team which carries out reviews to improve the efficiency of Council services. In 2021-22 reviews were carried out covering: Property and facilities, office accommodation and desk booking, HMO licencing and corporate mobile working projects, as well

as improving the online processes for Council Tax discount, ordering and replacing bins and reporting abandoned vehicles.

The Corporate Risks and highest-level risks on the Operational Risk register, were reported to and monitored by Corporate Leadership Team throughout the year, and action identified to manage risks to an acceptable level. Further to this, risk updates were reported to Policy & Resources Committee and also to Audit, Governance and Standards Committee during the year for oversight and challenge. Significant Corporate Risks have been added to the annual governance statement action plan.

## **E. DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT**

### **Assurance Rating: Assured**

#### **Assurance Comments:**

The Council has a clear commitment to developing capacity with a well-developed Learning and Development Programme and an Established Members Charter in place. Staff and Councillors have the opportunity to attend training relevant to their roles and there are agreed budgets for Member development and Staff.

The Council reviewed its senior staff structure in February 2022 and a new structure will be in place in 2022-23 to reflect the change in council services and demand as we fulfil the ambition to deliver 1,000 affordable homes.

The focus for the 2021-2022 training year was on supporting managers as the Council moved to a more hybrid way of working and providing training to support frontline staff in managing difficult conversations with residents. The Council also continued to provide training to staff to help with their own mindset and wellbeing, including re-introducing the Personal Best programme, and running a series of webinars delivered by an external provider on topics such as anxiety, trauma, sleep, anger, etc.

The bi-annual staff survey ran in January 2022. 70% of people reported that they felt they were able to access the right learning and development opportunities, although only 50% felt that the learning and development activities they had completed in the past 12 months had improved their performance and that there were opportunities for people to develop their careers within the Council.

In the 2022-2023 training year, the Council will continue to provide the training offered in the 21/22 year and will also provide training in workplace skills such as presentation skills, reporting writing, project management and time management. The Learning and Development Team will also run webinars for staff and managers on career planning and identifying appropriate training to support people in developing in their current roles and preparing for career progression.

The Council has a [Member Development Charter](#) in place for Councillors. In 2021/22 42 training and briefing sessions were held for Councillors, most of these sessions consisted of topic-based briefings for example briefings on the new governance arrangements, various strategies covid19 recovery and briefings from external partners including Golding Homes and Leeds Castle. Most Member training sessions delivered were in respect of Planning and Licensing roles, functions and responsibilities. Briefings were largely held virtually with some held face to face on a topic-by-topic basis.

In February 2022 the Council's Chief Executive took a [report to Policy and Resources](#) outlining changes to the senior staff structure developed in response to the cumulative impact of incremental changes already made since the structure was implemented in 2016, more recent significant changes in our operating environment arising in part from the pandemic but also government policy including for Levelling Up and a variety of decisions made by the council's committees over the last 12 months which together significantly impact on the skills, experience, expertise and capacity required of the organisation in order to lead delivery of the outcomes identified.

## **F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT**

### **Assurance Rating: Assured in Part**

#### **Assurance Comments:**

Performance and risk are well managed and regularly reported to management team and committees. Significant risks from the corporate risk register feature in the Annual Governance Statement Action Plan. Several actions have been identified through reviewing council compliance with the new Financial Management Code.

The Council manages risk through a comprehensive risk management framework. This involves identification of risk at corporate and service levels, ownership of individual risks by named officers, development of controls to mitigate risks, and regular reporting. Quarterly reports are presented to the Corporate Leadership Team and Policy and Resources Committee. Going forward these will be taken to Policy Advisory Committees. Members take an active interest in the risk management process and engage fully in discussion about individual risks. The Council has in place a robust risk management framework and guidance and risk management is considered by the Audit Governance and Standards Committee.

Performance reports aligned to the Council's priorities were reported to the wider leadership team and service committees on a quarterly basis for scrutiny and challenge. Service committees carried out policy and strategy development. Financial performance was reported to all the service committees on a quarterly basis. Dashboards have been developed to monitor key service performance across the council. In 2022/23 it is proposed to use these Dashboards as a tool for performance management for Councillors, allowing performance to be monitored in a timelier fashion.

Monthly budget spending is reported to budget holders and quarterly review meetings with the Director of Finance and Business Improvement are in place. The corporate report template requires information explaining the legal and financial impact of decisions and the S151 Officer and Monitoring Officer are required to comment on financial and legal implications of reports.

The Council has an anti-fraud and corruption policy and a whistle blowing policy in place, these are regularly reviewed by the Audit, Governance and Standards Committee.

The Council has a Data Protection Officer and an action plan to ensure compliance with Data Protection Legislation. This Action Plan is reviewed regularly and forms part of the Governance Action Plan for 2022/23. An internal information management officer group chaired by the Senior Information Risk Owner meets quarterly to review information management practice and policies including cyber security. The group regularly monitors trends in rights requests, freedom of information requests, data breaches and cyber security. Cyber security has been identified as a risk on the Council's corporate risk register as a constant and immutable danger. The Council takes this risk seriously investing in defensive counter measures, implementing robust and integrated cyber security tools, ensuring policies and training is in place as well as continuation of cyber phishing campaigns.

## **G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

### **Assurance Rating: Assured in Part**

#### **Assurance Comments:**

The Council has a strong commitment to transparency. Regular consultation is carried out to improve and inform services. A variety of information is available on the council's website. Partnership arrangements are robust.

The change to governance arrangements resulted in Councillors considering the process for part II reports as a result a new process has been introduced with guidance for 2022/23

The Council's website includes information that is required under transparency. It has been identified that this data has now become out of date and we will be updating the pages as part of a project on open data and transparency. We publish an annual report as part of our Statement of Accounts which includes our performance, progress against priorities and financial performance. We report the results of public consultation on our website and our committee meetings are webcast.

The Whistleblowing Policy is available on the intranet and sets out a confidential reporting process for those who wish to raise concerns.

The annual governance statement and action plan is published on-line as part of the statement of accounts and reported to the Audit, Governance and Standards Committee.

The Local Code of Corporate Governance was rewritten in 2017 and a refreshed code was considered by Audit, Governance and Standards and Committee in July 2020 with a further revision presented in July 2021.

Internal audit activity is reported regularly to the Audit, Governance and Standards Committee to inform members of the internal audit activity that takes place during the year.

We are part of the Mid Kent Services Partnership delivering several shared services; to ensure the partnership is operating effectively, regular board meetings are held quarterly to manage performance.

The Council has assessed its compliance with the new Financial Management Code and as a result several actions were identified to improve transparency and reporting for financial information these were included in the action plan last year and incomplete actions have been carried forward to this year.

## UPDATE ON GOVERNANCE AREAS IDENTIFIED FOR DEVELOPMENT IN 2020/21

Corporate Governance Area	Lead Officer	Update
<p>Make data and information more freely accessible on the website and on request</p>	<p>Data Protection Officer</p>	<p>A new space has now been created on the website called information and data <a href="https://maidstone.gov.uk/home/primary-services/council-and-democracy/primary-areas/information-and-data">https://maidstone.gov.uk/home/primary-services/council-and-democracy/primary-areas/information-and-data</a></p> <p>To bring all the relevant elements into one accessible place this includes access to information and results on our consultations, access to the council's disclosure log, as well as useful stats and data on local population.</p> <p>Work is currently underway on a dashboard development programme for services across the council. As part of this consideration is being given to publicly accessible information from services which could be made available through the use of dashboards, principles that need to be considered have been drafted for approval, which will help guide the Data Analytics Team. The team hope to have a first dashboard published this year.</p>
<p>Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)</p>	<p>Data Protection Officer</p>	<p>Report to Audit, Governance and Standards Committee 15 November 2021</p>
<p>Raising awareness of the Local Code of Corporate Governance and the Nolan Principles</p>	<p>Head of Policy, Communications and Governance</p>	<p>The local code of corporate governance was shared with Wider Leadership Team for development and insight in June 2021 and May 2022 . An update was given at a unit managers forum in 2022 on the code and what it means in practice. The Nolan principles for Councillors will be addressed when the code of conduct is updated, this is being progressed by the Monitoring Officer.</p>
<p>Actions to ensure compliance with the Financial Management Code:</p> <ul style="list-style-type: none"> <li>• Develop and embed a policy on Social Value</li> <li>• Review and update the Commissioning Strategy</li> <li>• Hold Member workshops to inform the development of the 2022/23 budget</li> </ul>	<p>Director of Finance and Business Improvement</p>	<p>Social Value – Work due to commence in next six months.</p> <p>Commissioning Strategy – Strategy has been reviewed and contract management guidance updated.</p> <p>Member workshops on budget – Briefings were held for members in the course of developing the 2022/23 budget. Discussions are starting to take place with members about rolling</p>



Corporate Governance Area	Lead Officer	Update
<ul style="list-style-type: none"> <li>• Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal'</li> <li>• Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate.</li> <li>• Refresh the 2021/22 Capital Strategy</li> </ul>		<p>forward the Medium Term Financial Strategy for 2023/24.</p> <p>Investment Appraisal – approach being refined as part of Capital Strategy update</p> <p>Budget monitoring reports – Under review with a view to updating format for 22/23</p> <p>An updated Capital Strategy was considered by Members January 2022 and agreed by Council. It will continue to be updated on a regular annual basis.</p>
Learning from governance failings at other Local Authorities	Chief Executive	Monthly meetings held with governance lead and statutory officers to review governance matters
Review of Church Road, Otham	Head of Policy, Communications and Governance	Report completed for submission to Democracy and General Purposes Committee on 23 November 2021
Change to Executive Model of Governance	Head of Policy, Communications and Governance	<p>Model approved by Full Council and notice of change published.</p> <p>External legal advisor appointed to assist the Democracy and General Purposes Working Group to write the new constitution.</p> <p>New constitution approved in April 2022, new model introduced at the May Annual Meeting of Council 2022.</p>
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	Director of Regeneration and Place	<p>In respect of the public sector led Garden Community, there remains a clear separation in place between the Council acting as the Local Planning Authority and the Council acting as land promotor in partnership with Homes England. This differentiation is made clear in the various reports that go to the Strategic Planning and Infrastructure Committee and P&amp;R Committees respectively.</p> <p>The Council and Homes England have appointed a communications firm to assist with community engagement from the land promotor perspective. Their work will include creating a new digital engagement platform for the project, where information with stakeholders can easily be shared.</p>

Corporate Governance Area	Lead Officer	Update
		Decision making in respect in relation to the council as land promoter and developer will be scrutinised at the Corporate Services Policy Advisory Committee (PAC) and decision making by the Executive, updates will be given by the Lead Member on the Executive to the PAC as and when required in 2022/23.
Corporate Risk: Contraction in retail and leisure sectors, the Council will be developing a Town Centre Management Strategy	Director of Regeneration and Place	The principle of creating a town centre strategy has been approved as part of the Council's Recovery and Renewal Action Plan and so the funding is now in place within the current Medium Term Financial Strategy, and so the project is now fully funded and underway. Furthermore, budget growth has been approved for the current financial year for further economic development, arts & culture and visitor economy type initiatives to kick start the process of reimagining the town centre, to include a full calendar of events to bolster visitor numbers.
Corporate Risk: Financial Restrictions	Director of Finance and Business Improvement	Under regular review. This is addressed as part of Risk Reports to AGS Committee and in quarterly monitoring reports to Service Committees. The Medium-Term Financial Strategy is being updated to reflect both implications from Covid and longer-term issues around slower economic growth. Furthermore, measures are being identified to address future budget gaps
Corporate Risk: Environmental Damage	Head of Transformation and Property	Actions from the Carbon Trust report are in the process of being implemented and Policy & Resources Committee to provide governance and oversight on delivery of BD&CC Strategy.
Corporate Risk: Major Unforeseen Emergency	Chief Executive	Work is ongoing to ensure the robustness of Disaster Recovery and Business Continuity Arrangements.
Corporate Risk: Housing Pressure Increases	Director of Regeneration and Place	Initiatives to increasing housing and temporary accommodation provision underpinned by the drafting of a new Housing Strategy. Furthermore, the Policy & Resources Committee in January 2022 approved its 1,000 homes programme for circa £200m of net council spend into the Council development of new homes primarily for affordable rent, with further homes for the private rented sector too. Since then, contracts have been exchanged on to two substantial land acquisitions to support this programme.
Corporate Risk: Brexit/EU transition	Director of Finance and Business Improvement	Risk removed from the Corporate register, but operational elements continue to be monitored. MBC officers participate in Kent Resilience Forum planning for disruption at Channel ports.



## CORPORATE GOVERNANCE ACTION AREAS 2022-23

Corporate Governance Area	Lead Officer	By When
New Process for part II items embedded and officers trained	Head of Policy, Communications and Governance	November 2022
Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)	Data Protection Officer	Action plan progress will be reported to this committee in November 2022
<p>Actions to ensure compliance with the Financial Management Code:</p> <ul style="list-style-type: none"> <li>• Develop and embed a policy on Social Value</li> <li>• Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal'</li> <li>• Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate.</li> </ul>	Director of Finance and Business Improvement	November 2022 and March 2023
Learning from governance failings at other Local Authorities	Chief Executive	Monthly briefing to review any issues
Corporate Governance Review: Following the Boundary Review at a district level a community governance review is proposed for 2022/23, this will be undertaken by the Democracy and General Purposes Committee	Democratic and Electoral Services Manager	Timetabled with Democracy and General Purposes – updates to Audit Governance and Standards Committee in November 2022
Ensure effective decision making and a workable constitution. Review of constitution planned for December 2022 with the Democracy and General Purposes Committee	Head of Policy, Communications and Governance and Monitoring Officer	Update in March 2023
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	Director of Regeneration and Place	Updates in November 2022 and March 2023
Corporate Risk: General and localised economic pressure leads to <b>contraction in retail sector</b> , limiting the appeal of Maidstone town centre threatening social cohesion and business rates income.	Director of Regeneration and Place	Updates in November 2022 and March 2023 plus updates through the risk register and reports
Corporate Risk: General <b>financial uncertainty</b> , unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation places further financial restrictions on the Council resulting in	Director of Finance and Business Improvement	Updates in November 2022 and March 2023 plus updates through the risk register and reports

Corporate Governance Area	Lead Officer	By When
difficulty maintaining standards or meeting aims.		
Corporate Risk: Inflation continues to rise and a significant economic event (e.g. further pandemic impacts, BREXIT, supply chain issues) causes <b>significant changes in construction costs which may also result in a contractor insolvency, as they are generally locked into delivering schemes at a fixed price, and so need to manage their exposure to rising costs in their supply chain.</b> For the Council, this leads to a narrowing gap between build price and end of property values, increased costs to the Council and a possible time lag in delivery of 1000 affordable new homes, owing to a lack of capacity in the construction sector.	Director of Regeneration and Place	Updates in November 2022 and March 2023 plus updates through the risk register and reports

## CONCLUSION ON SIGNIFICANT GOVERNANCE ISSUES

Overall, we can confirm that the Council has the appropriate systems and governance arrangements in place.

The S151 Officer has a personal duty under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that the set budget will be exceeded. Key considerations for the Council include the need for an adequate contingency provision, the S151 officer's guidance on the financial prudence of options before members and ensuring that there are reasonable grounds for making decisions.

Updates on the areas for improvement will be provided to the Audit Governance and Standards Committee on a six-monthly basis and kept under review by the internal Corporate Governance Group.

## INTERNAL AUDIT OPINION

The Internal Audit function for the Council is delivered through the Mid Kent Audit Partnership, a 4-way shared service with Maidstone, Swale and Tunbridge Wells. The Audit Partnership provides internal audit, consultancy, and advisory support to the Council, and deliver a programme of work (an audit plan) each year. The plan is agreed and monitored through the Audit Committee.

The Internal Audit team continue to report positive levels of engagement across the Council when undertaking their work. Managers and Heads of Service are actively involved in scoping audit work and display a good understanding of internal control and risk management as part of that process.

A key source of assurance over the internal control environment for the Council is derived from the Head of Audit Annual Opinion. The interim Head of Audit Partnership gave the following conclusion for 2021/22 and no matters of concerns were highlighted:

**The planned programme of work delivered by internal audit was constrained by the impact of the COVID pandemic restrictions and significant staffing changes within the**

**internal audit team. The results of the reduced level of internal audit work concluded during the year required me to seek additional assurances to form my opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I am able to draw a positive conclusion as to the adequacy and effectiveness of Maidstone Borough Council's risk management, control and governance processes. In my opinion, Maidstone Borough Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.**

Signed:

Chief Executive:

Date:

Leader of the Council:

Date:

**Maidstone Borough Council**  
**Local Code of Corporate Governance**

Updated June 202~~1~~

## **Introduction**

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

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

Maidstone Borough Council is committed to the principles of good corporate governance and wishes to confirm its ongoing commitment and intentions through the development, adoption and continued maintenance of a Local Code of Corporate Governance.

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

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

Governance is about how we ensure we are doing the right things, in the right way, for the right people, in a timely inclusive, open, honest and accountable manner.

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

## **The Governing Body**

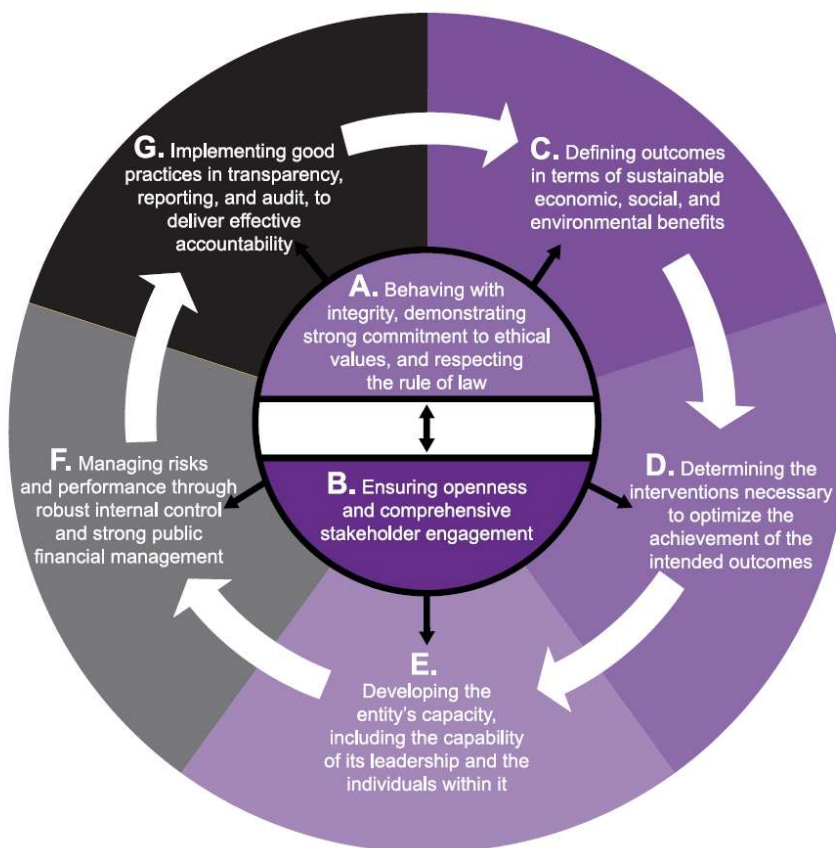
The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority. In England, the Local Government Act 2000 introduced new governing structures for all local councils, clarifying responsibility for making decisions and establishing a scrutiny role. The Localism Act 2011 amended the provisions relating to Executive Arrangements and allowed local authorities to return to decision-making by committees if they so resolved.

[At the Annual Meeting in May 2022, Maidstone Borough Council adopted an Executive Model of Governance. This model comprises a Leader and Executive advised by four Policy Advisory Committees. One Overview and Scrutiny Committee is in place, this also undertakes Crime and Disorder Reduction Overview and Scrutiny Functions. In addition, there are committees that deal with licensing, planning, audit, governance and standards, democracy and other regulatory matters.](#)

~~In 2015 Maidstone Borough Council resolved to change its governance arrangements to a committee system. The Council has in place four service committees to make decisions as delegated by Full Council. The Leader is also Chair of the Policy and Resources Committee. The Council has four service committees taking decisions within their terms of reference as agreed by Council; individual Councillors do not have delegated authority from Council to make decisions. In addition, there are committees that deal with licensing, planning, audit, governance and standards, democracy and employment and other regulatory matters.~~

## The Seven Principles

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



## Annual Review and Reporting

To comply with the principles of good governance we must ensure that systems and processes are continually monitored and kept up to date. An annual review of the Council's Corporate Governance arrangements will be carried out using the guidance contained in the CIPFA/SOLACE Framework. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future. The results of the review will take the form of

an Annual Governance Statement prepared on behalf of the Leader of the Council and the Chief Executive. It will be submitted to the Audit, Governance and Standards Committee for consideration and review.

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

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

Sub Principle	Actions and behaviours	Evidence
Behaving with Integrity	<ul style="list-style-type: none"> <li>• We ensure that councillors and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>• We ensure that councillors take the lead in establishing values for the organisation and its staff and that they are communicated and understood. Building on the Seven Principles of Public Life (the Nolan Principles)</li> <li>• We lead by example and include integrity as one of our corporate values on our competency framework</li> <li>• We demonstrate, communicate and embed the values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>	<ul style="list-style-type: none"> <li>• Councillor Code of Conduct and training for Councillors on the code</li> <li>• Officer Code of Conduct</li> <li>• Anti-Fraud and Corruption Policy &amp; Strategy</li> <li>• Equalities Policy</li> <li>• Whistle-blowing charter</li> <li>• Corporate Values (Service, Teamwork, Responsibility, Integrity, Value and Equality)</li> <li>• Internal Staff Survey</li> <li>• One to Ones evidenced on clear review with documented targets and <del>actions with</del> deadlines and actions</li> <li>• Democracy and General Purposes Committee</li> <li>• <u>Audit Governance and Standards Committee</u></li> <li>• <u>Overview and Scrutiny Committee</u></li> <li>• Staff Handbook</li> <li>• Emergency Plan</li> <li>• Business Continuity Plans</li> </ul>



Sub Principle	Actions and behaviours	Evidence
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• We establish, monitor and maintain the organisation’s ethical standards and performance</li> <li>• We underpin personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation</li> <li>• We develop and maintain robust policies and procedures which place emphasis on agreed ethical values</li> <li>• We ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Human Resources Policies</li> <li>• Staff Handbook</li> <li>• Induction Process</li> <li>• Register of Interests</li> <li>• Register of gifts and hospitality</li> <li>• <u>Staff and Manager’s’ Forums</u></li> <li>• <u>Equalities Policy</u></li> <li>• <u>Whistleblowing Policy</u></li> </ul>
Respecting the rule of law	<ul style="list-style-type: none"> <li>• We ensure councillors and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• We create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>• We strive to optimise the use of the full powers available for the benefit of residents, communities and other stakeholders</li> <li>• We deal with breaches of legal and regulatory provisions effectively</li> <li>• We ensure corruption and misuse of power are dealt with effectively</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring Officer Role</li> <li>• Internal Audit</li> <li>• External Auditors</li> <li>• Complaints process including referral to the Local Government Ombudsman</li> <li>• Audit, Governance and Standards Committee</li> <li>• Appraisals <u>for Chief Executive and Directors and Regular Monthly Check-ins with all staff using clear review</u></li> <li>• <u>Code of Conduct for Councillors and Officers</u></li> <li>• <u>Anti-fraud and Corruption Policy</u></li> </ul>

## Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub Principle	Actions	Evidence
Openness	<ul style="list-style-type: none"> <li>• We ensure an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness.</li> <li>• We make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.</li> <li>• We provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</li> <li>• We use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Communication and Engagement Strategy</li> <li>• Committee work programmes</li> <li>• Council Website</li> <li>• Formal consultation processes</li> <li>• Community and voluntary sector representation on Partnership Boards</li> <li>• Freedom of Information publication scheme</li> <li>• Report Templates <u>include options appraisal, risk and consultation</u></li> <li>• Staff and Councillor Codes of Conduct</li> <li>• <u>Access to Information Procedure Rules</u></li> <li>• <u>Part II Guidance for Officers for confidential and exempt reports</u></li> <li>• <u>Public interest test application</u></li> <li>• <u>Forward Plan produced for all Executive Decisions</u></li> </ul>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• We effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and</li> <li>• We develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> <li>• We define the purpose, objectives and intended outcomes for each stakeholder relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Safer Maidstone Partnership and Strategy</li> <li>• Health and Wellbeing Board</li> <li>• Community Safety Unit</li> <li>• Consultation processes</li> <li>• Council Website</li> <li>• <u>Anchor Institutions Meeting and Regular Communication</u></li> </ul>

Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> <li>• We use formal and informal consultation and engagement to determine the most appropriate and effective interventions</li> </ul>	<ul style="list-style-type: none"> <li>• <del>Member Sounding Board</del></li> </ul>
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> <li>• We establish a clear policy on the type of issues that the organisation will consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</li> <li>• We ensure that communication methods are effective and members and officers are clear about their roles with regard to community engagement.</li> <li>• We encourage, collect and evaluate the views and experiences of communities, residents, businesses service users and organisations of different backgrounds including reference to future needs.</li> <li>• We have feedback mechanism in order to demonstrate how their views have been taken into account.</li> <li>• We balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> <li>• We take into account of the interests of future generations of tax payers and service users.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan published on website</li> <li>• External Auditor provides an annual organisational assessment of the Council's performance through the Value for Money conclusion</li> <li>• Council Website</li> <li>• Council minutes and agendas available on website</li> <li>• Formal consultation arrangements</li> <li>• Community and voluntary sector representation on Partnership Boards</li> <li>• Satisfaction Surveys</li> <li>• Freedom of Information publication scheme</li> <li>• Statement of Community Involvement</li> <li>• Consultation Processes</li> <li>• Strategic Plan 2019-2045</li> <li>• Local Plan</li> <li>• Councillor Access to Services Review</li> </ul>

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

Sub Principle	Actions	Evidence
Defining Outcomes	<ul style="list-style-type: none"> <li>• We have a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions.</li> <li>• We specify the intended impact on, or changes for, stakeholders including residents, businesses and service users.</li> <li>• We deliver defined outcomes on a sustainable basis within the resources that will be available.</li> <li>• We identify and manage the risks to the achievement of outcomes.</li> <li>• We manage service users’ expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Committee work programmes</li> <li>• Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>• Community Safety Unit</li> <li>• <a href="#">Housing Strategy</a></li> <li>• <a href="#">Waste Strategy</a></li> <li>• <a href="#">10 Year Parks Plan</a></li> <li>• <a href="#">Biodiversity and Climate Change Strategy</a></li> <li>• Temporary Accommodation Strategy</li> <li>• Risk Management Framework &amp; <a href="#">outline processes for identifying and managing risk-Guide</a></li> <li>• Regular consideration of risk by Audit, Governance and Standards Committee</li> <li>• Corporate report template contains ‘risk implications’</li> <li>• Staff Survey</li> </ul>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• We consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</li> <li>• We take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Committee work programmes</li> <li>• Formal consultation arrangements</li> <li>• Economic Development Strategy</li> <li>• Medium Term Financial Strategy</li> </ul>

Sub Principle	Actions	Evidence
	<p>conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</p> <ul style="list-style-type: none"> <li>• We determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</li> <li>• We ensure equality of access.</li> </ul>	<ul style="list-style-type: none"> <li>• Safer Maidstone Strategy</li> <li>• Local Plan</li> <li>• Waste and Recycling Strategy</li> <li>• Health and Wellbeing Action Plan</li> <li>• Equality Policy</li> <li>• Biodiversity and Climate Change Working Group</li> </ul>

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

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

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

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

Sub Principle	Actions	Evidence
Developing the entity's capacity	<ul style="list-style-type: none"> <li>• We review operations and performance on a regular basis to ensure their continuing effectiveness and enable organisational learning.</li> <li>• We improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.</li> <li>• We recognise the benefits of partnerships and collaborative working where added value can be achieved.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Planning Timetable</li> <li>• Budget Setting Process</li> <li>• Service Plans</li> <li>• Regular one to ones and reviews of development and training needs</li> <li>• Developing Everybody Competency Framework used to identify top performers for stretch</li> <li>• Mid Kent Services Partnership</li> <li>• Learning and Development Programme</li> <li>• Standing arrangement with temporary staffing providers to help manage fluctuations in capacity demand</li> </ul>
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>• We clarify roles and responsibilities of members and management at all levels.</li> <li>• We develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</li> <li>• We publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</li> <li>• We ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles.</li> <li>• We develop the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Job descriptions and person specifications produced for all posts</li> <li>• Recruitment and appointment policies and procedures</li> <li>• <del>Leaders' forum</del> <u>Informal Cabinet</u></li> <li>• Councillor workshops and briefings</li> <li>• Democracy and General Purposes Committee</li> <li>• Comprehensive learning and development programme for officers and councillors</li> <li>• Corporate Workforce Strategy</li> <li>• Staff surveys</li> <li>• HR Policies and Guidance on intranet</li> <li>• Member and Staff induction</li> </ul>



Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> <li>• We ensure that there are structures in place to encourage public participation.</li> <li>• We hold staff to account through regular performance reviews which take account of training or development needs.</li> <li>• We ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Check-ins held monthly with staff</u></li> <li>• <u>Annual Health and Wellbeing week and regular updates to staff</u></li> </ul>

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

Sub Principle	Actions	Evidence
Managing Risk	<ul style="list-style-type: none"> <li>• We recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.</li> <li>• We implement robust and integrated risk management arrangements and ensure that they are working effectively.</li> <li>• We ensure that responsibilities for managing individual risks are clearly allocated.</li> </ul>	<ul style="list-style-type: none"> <li>• <del><u>Risk Management Framework &amp; outline processes for identifying and managing risk</u></del> <del><u>Risk Management Framework &amp; Guide in place and reviewed annually</u></del></li> <li>• Strategic Risk Register in place and reviewed by Leadership team</li> <li>• Directorate and Service level risk registers in place and reviewed monthly</li> <li>• Corporate report template contains 'risk implications'</li> <li>• <u>Audit Governance and Standards Committee reviews risks regularly</u></li> <li>• <u>Corporate Services PAC regularly reviews all high risks</u></li> <li>• <u>All risks are assigned a risk owner responsible for managing the risk</u></li> <li>• </li> </ul>
Managing Performance	<ul style="list-style-type: none"> <li>• We monitor service delivery effectively including planning, specification, execution and independent post implementation review.</li> <li>• We make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Reports aligned to Strategic Plan priorities</li> <li>• Quarterly Monitoring Reports</li> <li>• Contract Monitoring Reports</li> <li>• Corporate report template requires information explaining the legal and financial implications of decisions</li> </ul>

Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> <li>• We ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> <li>• We provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>• We ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate report template contains risk implications</li> <li>• <u>Monthly spend/budget reports sent to all budget holders</u></li> <li>• <u>Quarterly workforce reports</u></li> </ul>
Robust Internal Control	<ul style="list-style-type: none"> <li>• We align the risk management strategy and policies on internal control with achieving the objectives.</li> <li>• We evaluate and monitor the authority's risk management and internal control on a regular basis.</li> <li>• We ensure effective counter fraud and anticorruption arrangements are in place.</li> <li>• Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</li> <li>• We ensure an audit committee or equivalent group or function which is independent of the decision making committees provides further assurance regarding arrangements for managing risk and maintaining an effective control environment</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Policy &amp; Guide in place and reviewed annually</li> <li>• <del>Strategic-Corporate</del> Risk Register in place and reviewed by Leadership team</li> <li>• <del>Corporate and</del> Service level risk registers in place</li> <li>• <del>Anti-Fraud and Corruption Policy</del> <ul style="list-style-type: none"> <li>• <u>Audit Governance and Standards Committee reviews the effectiveness of risk arrangements</u></li> <li>• <u>Corporate Services PAC regularly reviews all high risks</u></li> </ul> </li> <li>• <del>Audit, Governance and Standards Committee reviews risks and the Risk Management process quarterly</del></li> <li>• Corporate Information Management and Governance Groups</li> </ul>

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

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

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

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

**26 July 2022**

### Update on the Government's response to the CSPL report

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 July 2022

<b>Will this be a Key Decision?</b>	No
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Audit, Governance and Standards Committee
<b>Lead Head of Service</b>	Claudette Valmond, Head of Legal Partnership
<b>Lead Officer and Report Author</b>	Jayne Bolas Monitoring Officer and Sahib Kaur Marwaha, Senior Legal Officer, Corporate Governance
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

The Committee on Standards in Public Life (CSPL) conducted a review of local government ethical standards, published in January 2019. The Government published its response to the recommendations in March 2022, titled: Local government ethical standards: government response to the Committee on Standards in Public Life report. This report updates members on the content and Government's intentions.

#### **Purpose of Report**

For noting.

**This report makes the following recommendations to the Committee**

1. That the Audit, Governance and Standards Committee note the information set out in this report.

**Update on the Government’s response to the CSPL report**

**1. CROSS-CUTTING ISSUES AND IMPLICATIONS**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	High standards of conduct are essential amongst Members in delivering the Council’s priorities. The model Code of Conduct consultation supports this.	Interim Deputy Head of Legal MKLS
<b>Cross Cutting Objectives</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Risk Management</b>	This report is presented for information only and has no risk management implications. An effective Code of Conduct and robust complaints procedure minimises the risk of Member misconduct and is part of an effective system of governance.	Interim Deputy Head of Legal MKLS
<b>Financial</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Staffing</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Legal</b>	It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in Public Life. The Members’ Code of Conduct was adopted by Full Council and can be found within the Council’s Constitution that can be viewed on the Council’s website.	Interim Deputy Head of Legal MKLS



<b>Information Governance</b>	No personal information is provided as part of the report.	Interim Deputy Head of Legal MKLS
<b>Equalities</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Public Health</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Crime and Disorder</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Procurement</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Biodiversity and Climate Change</b>	No implications.	Interim Deputy Head of Legal MKLS

## 2. INTRODUCTION AND BACKGROUND

2.1. The Committee on Standards in Public Life (CSPL) is an independent, advisory, non-departmental public body, with a secretariat and budget provided by the Cabinet Office. It is responsible for:

- advising the Prime Minister on ethical issues relating to standards in public life
- conducting broad inquiries into standards of conduct;
- making recommendations as to changes in present arrangements; and
- promoting the 7 principles of public life.

2.2. The 2019 report by CSPL considered whether there was a need for a centralised body to govern and adjudicate on standards. The CSPL concluded that whilst the consistency and independence of the system could be enhanced, there was no need to reintroduce a centralised body, and that local authorities should retain ultimate responsibility for implementing and applying the Seven Principles of Public Life in local government. The CSPL made 24 recommendations and identified best practice to improve ethical standards in local government. These included a number of changes to primary legislation, to secondary legislation and the Local Government

Transparency Code. The Government's response to the CSPL report is at Appendix 1.

- 2.3. Kemi, Badenoch MP, Minister of State for Equalities and Levelling Up Communities, summarised in the Government Response that:

*"The Government agrees with the Committee's conclusion that there have been benefits from local authorities being responsible for ethical standards, including the flexibility and discretion to resolve standards issues informally. However, we also recognise the role of Government in ensuring that the system is robust... The Government believes that some of these suggestions do not need a legislative response but can be more appropriately, effectively, and swiftly taken forward by local authorities as best practice. The Committee will recognise that the Government and Parliament has taken a different view on these matters when it legislated for the Localism Act 2011".*

- 2.4. Overall, the Government has not made legislative changes reflecting the CSPL's recommendations. A breakdown of the Government's response appears in the briefing note at Appendix 2, but as a result of there being no legislative change there is limited scope for amendment of the Local Authority Standards regime. As a particular example, there can be no sanctions of a punitive nature, such as suspension of a Councillor for breach of the Code of Conduct.
- 2.5. The Government has taken the view that it is for Local Authorities to determine their own Code of Conduct and ethical standards based on the Nolan Principles.
- 2.6. It is noted that Recommendations 1, 2, 4, 5, 6, 9, 15 and 25 are already a part of MBC practice.
- 2.7. On several occasions, the Government's Response makes references to Local Authorities consideration of adopting the Local Government Association's suggested model Code of Conduct, published in 2021. There is a further report on the agenda for this Committee that addresses this point.
- 2.8. It is noted that the Government has stated that it will engage with Local Authorities on amending the Local Authorities (Standing Orders) (England)(Amendment) Regulations to provide disciplinary protections for statutory officers. No further information on such a consultation is currently available.

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### **3. AVAILABLE OPTIONS**

- 3.1 This report is for noting only.

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

- 4.1 This report is for noting only.
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## **5. RISK**

5.1 This report is presented for information only and has no risk management implications.

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

6.1 None.

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

7.1 Although this report is for noting only, Members may wish to consider requesting further updates in the event that the Government takes action on any of the matters under review.

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## **8. REPORT APPENDICES**

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

- Appendix 1 – A copy of the Government’s Response to the Committee on Standards in Public Life review of local government ethical standards.
- Appendix 2 - Briefing Note on the Government’s Response to the Committee on Standards in Public Life review of local government ethical standards.

## **9. BACKGROUND PAPERS**

None.



Department for Levelling Up,  
Housing & Communities

**Kemi Badenoch MP**

*Minister of State for Equalities and Levelling Up  
Communities*

**Department for Levelling up, Housing and  
Communities**

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Chair Committee on Standards in Public Life  
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[www.gov.uk/dluhc](http://www.gov.uk/dluhc)

Dear Lord Evans,

On behalf of the Government, I would like to thank the Committee on Standards in Public Life for its report and the recommendations arising from its review of Local Government Ethical Standards, and to all those who engaged with the Committee's work. Attached is the Government response to the Committee's individual recommendations that were directed at Government.

Vibrant local democracies flourish where the reputation of the local authority is held in high regard, where councillors' decision-making is transparent, valued and trusted by the communities they serve, and where people are willing and confident to put themselves forward as potential candidates. The standards and conduct framework within which local authorities operate must drive out corruption and promote commitment to the principles on standards in public life, and tolerance to the differing views of others. In responding to the review, the Government has taken into account the importance of protecting free speech and freedom of association within the law.

The Government is committed to working with local authorities and their representative organisations to ensure that local government is supported in reinforcing its reputation for ethical local standards.

The fact that this review had been conducted in such a collaborative way with the sector has been apparent from the outset and is borne out in the final report. I am keen that Government builds on the sector-wide enthusiasm for improvement.

The Government agrees with the Committee's conclusion that there have been benefits from local authorities being responsible for ethical standards, including the flexibility and

discretion to resolve standards issues informally. However, we also recognise the role of Government in ensuring that the system is robust.

The number of requests for legislation in the Committee's recommendations to strengthen the standards and conduct framework and its safeguards is considerable. As indicated in this response, the Government believes that some of these suggestions do not need a legislative response but can be more appropriately, effectively, and swiftly taken forward by local authorities as best practice. The Committee will recognise that the Government and Parliament has taken a different view on these matters when it legislated for the Localism Act 2011.

I thank the Committee for their work on the review and for their patience whilst Government carefully considered their recommendations, and I personally look forward to continuing to work with you as Government progresses the commitments made in this response with the sector.

Yours sincerely,

A handwritten signature in black ink that reads "Kemi Badenoch". The signature is written in a cursive, flowing style.

**KEMI BADENOCH MP**

**Minister of State for Equalities  
and Levelling Up Communities**

# Government response to the Committee on Standards in Public Life review of local government ethical standards

This Government response confines itself to the Committee's recommendations directed at Government, other than with regards to the first recommendation. The response to recommendations 10, 12, 13, 14 and 16 have been grouped together and therefore appear out of numerical order below.

## **Recommendation 1**

**The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.**

The Localism Act 2011 states that relevant authorities must promote and maintain high standards of conduct by members and co-opted members. It requires these authorities to adopt a code of conduct for their councillors.<sup>1</sup> Authorities can determine the content of their own code of conduct. However, codes must conform to the seven 'Nolan' principles of standards in public life: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. Relevant authorities for the purposes of these requirements include local authorities in England, namely county councils, district councils, London borough councils and parish and town councils.

It is for individual councils to set their own local code, in line with the Act. The Government has previously published a light-touch illustrative code of conduct.

The Local Government Association has worked with sector representative bodies to update its own suggested code of conduct, with the intention that this new suggested code could establish a consistent benchmark that local authorities can amend or add to as they see fit to reflect local circumstances and priorities. The Local Government Association published the updated code of conduct in January 2021. However, it remains a local decision on whether this model code is adopted.

## **Recommendation 2**

**The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.**

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<sup>1</sup> References to councillors in this document also should be deemed to include elected mayors.

This issue was brought up in the Committee's work on intimidation in public life, and the Government has already taken forward several steps in this regard. The Government is open and receptive to further steps to help prevent intimidation.

The Government agrees with the principle behind this recommendation – which safeguards elected representatives - and considers amending the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 would be an option to achieve it.

The Government will engage with interested parties on the best means to ensure that candidates and councillors are not required publicly to disclose their home address.

Notwithstanding, it is important that home addresses are internally registered with monitoring officers, to help avoid conflicts of interest.

### **Recommendation 3**

**Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.**

The Government's view is that it is for individual local authorities to consider if their code of conduct is adequate in addressing the issue of inappropriate use of social media.

As the Government outlined to Parliament in March 2021 on tackling intimidation in public life: 'It is important to distinguish between strongly felt political debate on the one hand, and unacceptable acts of abuse, intimidation and violence on the other. British democracy has always been robust and oppositional. Free speech within the law can sometimes involve the expression of political views that some may find offensive': a point that the Government has recognised in a Department for Education policy paper<sup>2</sup>. But a line is crossed when disagreement mutates into intimidation, which refuses to tolerate other opinions and seeks to deprive others from exercising their free speech and freedom of association.'

It is important to recognise that there is a boundary between an elected representative's public life and their private or personal life. Automatically presuming (irrespective of the context and circumstances) that any comment is in an official capacity risks conflating the two.

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<sup>2</sup> Higher education: free speech and academic freedom Feb 2021  
<https://www.gov.uk/government/publications/higher-education-free-speech-and-academic-freedom>

#### **Recommendation 4**

**Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.**

The Government agrees that local authority elected representatives should act in good faith in the public interest and not seek to influence decisions for personal gain, for malicious intent or to further the interests of any business or any other organisations which they may be affiliated with.

The Local Government Association have updated their [own suggested code of conduct](#) to state that the code applies when “[a member’s] actions could give the impression to a reasonable member of the public with knowledge of all the facts that [they] are acting as a [member]”.

It is for individual local authorities to ensure that their codes of conducts are regularly updated, comprehensive and fit for purpose. Elected members receive the necessary training to make them aware of their personal responsibilities in upholding the code.

The Government will keep this matter under review but has no immediate plans to amend the regulations.

#### **Recommendation 5**

**The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.**

The electorate must have confidence that the decisions of their elected representatives are being made in the best interests of the community they have been elected to serve. Unpaid roles may need to be declared if it is relevant to council business, and councillors should recuse themselves if necessary if discussions relate to private bodies, they are involved in.

The Government is mindful that councillors have a right to a private life, and rights of freedom of association outside their role as a councillor. It is frequently the case that people in public life have a complex pattern of interests and play a variety of roles with different types of organisations, including community interest groups and charities.

The Government will keep this matter under review but has no immediate plans to amend the regulations.



## **Recommendation 6**

**Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record gifts and hospitality received over a value of £50 or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.**

The Local Government Association's suggested code of conduct published in January 2021 includes a requirement for members to "register... any gift or hospitality with an estimated value of at least £50". However, it did not contain any requirements relating to the total value of gifts or hospitality received from the same source over a sustained period.

Local authorities have the autonomy to set gifts and hospitality requirements in their own codes of conduct. The Government accepts that there is merit in best practice guidance on the thresholds for gifts and hospitality and agrees that a register of gifts and hospitality should be publicly available.

## **Recommendation 7**

**Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to the matter".**

Section 31 of the Localism Act 2011 requires that a councillor must not participate in a discussion or vote on a matter where they have a disclosable pecuniary interest in any matter to be considered at the meeting. Section 30(3) of the Localism Act 2011 further provides that any relevant pecuniary interests of a councillor's spouse or partner are considered as a disclosable pecuniary interest of the councillor.

The Committee's report reflects concerns that the disclosable pecuniary interest arrangements infringe on the privacy of a councillor's spouse or partner. Where there would be a potential conflict of interest, the principle of integrity requires that any such interests should nevertheless be declared and resolved.

The Government will keep this matter under review but has no immediate plans to repeal Section 31 of the Localism Act 2011.

## **Recommendation 8**

**The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.**

The Government does not accept this recommendation as appropriate for legislation on the basis that it would be likely to be unworkable. The Government's view is that it would be more appropriately implemented as a best practice recommendation for local authorities.

In principle, it may be attractive to limit the terms Independent Persons serve to keep their role and contribution "fresh" and avoid them becoming too closely affiliated with the overriding organisational culture. However, discussions with Monitoring Officers indicate that in practice most local authorities would likely find servicing this rate of turnover unachievable. There is frequently a small pool of people capable and willing to undertake the role, who also fit the stringent specifications of being amongst the electorate, having no political affiliation, no current or previous association with the council, and no friends or family members associated with the council.

When local authorities have found effective Independent Persons who demonstrate the capability, judgement and integrity required for this quite demanding yet unpaid role, it is understandable that they may be reluctant to place limitations on the appointment.

## **Recommendation 9**

**The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.**

The Government does not agree with this. The Local Government Transparency Code is a statutory requirement to publish information; it does not regulate the content of councils' minutes or decision notices.

The substantive policy suggestion has merit but will depend on circumstances. In cases where there is no case to answer from an unfounded complaint, it should not necessarily be a legal requirement to publish details of that unfounded complaint.

## **Recommendation 10**

**A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding or a breach and that suspending the councillor would be a proportionate sanction.**

## **Recommendation 12**

**Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.**

## **Recommendation 13**

**Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.**

## **Recommendation 14**

**The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, an appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.**

## **Recommendation 16**

**Local authorities should be given the power to suspend councillors, without allowances, for up to six months.**

There is no provision in current legislation for a sanction to suspend a councillor found to have breached the code of conduct, and this was a deliberate policy decision by the Coalition Government at the time of the Localism Act 2011 to differentiate from the previous, failed Standards Board regime. The Standards Board regime allowed politically motivated and vexatious complaints and had a chilling effect on free speech within local government. These proposals would effectively reinstate that flawed regime.

It would be undesirable to have a government quango to police the free speech of councillors; it would be equally undesirable to have a council body (appointed by councillors, and/or made up of councillors) sitting in judgment on the political comments of fellow councillors.

On the rare occasions where notable breaches of the code of conduct have occurred, local authorities are not without sanctions under the current regime. Councillors can be barred from Cabinet, Committees, or representative roles, and may be publicly criticised. If the elected member is a member of a political group, they would also expect to be subject to party discipline, including being removed from that group or their party. Political parties are unlikely to reselect councillors who have brought their group or party into disrepute. All councillors are ultimately held to account via the ballot box.

As part of the Government's response to the Committee's report on intimidation in public life, the Government recommended that every political party establish their own code of conduct for party members, including elected representatives.

The Government will engage with sector representative bodies of councillors and officers of all tiers of local government to seek views on options to strengthen sanctions to address breaches of the code which fall below the bar of criminal activity and related sanctions but involve serious incidents of bullying and harassment or disruptive behaviour.

### **Recommendation 11**

**Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.**

The Government agrees in principle.

Initial soundings with the sector indicate that some local authorities already provide legal indemnity for Independent Persons.

The Government endorses providing legal indemnity for Independent Person as local authority best practice but does not currently see the need to require this through secondary legislation.

### **Recommendation 15**

**The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g., bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.**

The Government believes that this is better addressed through the sector adopting as best practice a regular pattern of annual reporting by Standard Committees of the cases and complaints handled and would encourage this as best practice by the sector.

The Government does not believe that there is a requirement to prescribe to local authorities the form and content of such Standard Committee annual reports.

### **Recommendation 17**

**The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.**

The criminal law, overseen by the police and courts, provides for more appropriate and effective action against breaches of public order, for anti-social behaviour, and against harassment.

The occasion where councils would seek to bar councillors from council premises are thought to be extremely rare. We will consider this further.

### **Recommendation 18**

#### **The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.**

It is a criminal offence to fail to declare pecuniary interests, which acts as a strong deterrent against corruption.

The Government does not agree with this recommendation, but rather believes the criminal offence of a non-disclosure of pecuniary interest to be a necessary and proportionate safeguard and deterrent against corruption.

The high bar of police involvement has served to discourage politically motivated and unfounded complaints.

### **Recommendation 20**

#### **Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.**

The Government does not agree that this is necessary and has no plans to repeal Section 27(3) of the Localism Act 2011.

The Government considers that the adoption of the principal authority's code or the new model code is a matter for local determination.

There are merits in achieving consistency within principal authority areas to eliminate potential confusion amongst constituents and elected members but there may be instances where a parish council may want to add to the code of their principal authority to reflect local circumstances.

## **Recommendation 21**

**Section 28 (11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.**

The Government has no current plans to repeal Section 28 (11) of the Localism Act 2011 but will give this matter further consideration.

## **Recommendation 22**

**The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.**

The three statutory officers in local government are the Monitoring Officer, the Head of Paid Service (Chief Executive) and the Chief Finance Officer (often referred to as the Section 151 Officer).

Under the current disciplinary arrangements for statutory officers, any decision to dismiss a statutory officer must be taken by full council, following a hearing by a panel that must include at least two Independent Persons. The Committee consider that the disciplinary protections for statutory officers should be enhanced, by extending disciplinary protections to all disciplinary actions (such as suspension or formal warnings), not just dismissal.

The Government agrees in principle with this recommendation and recognises this will be pertinent to Monitoring Officers who may not necessarily be afforded the same seniority in the organisational hierarchy of a local authority as the two other statutory officers (Head of Paid Service and the Section 151 Officer), and who may be subject to personal pressures when conducting high profile breach of conduct investigations.

The Government will engage with sector representative bodies of all tiers of local government to seek views on amending the Local Authorities (Standing Orders) (England)(Amendment) Regulations to provide disciplinary protections for statutory officers.

## **Recommendation 23**

**The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.**

The Government agrees with the principle that openness is essential.

Most local authorities already publish their whistleblowing policy, procedures and a named contact on their websites, and Government is recommending that this is adopted as a best practice recommendation.

The Government published the UK National Action Plan for Open Government 2021 – 2023 in January 2022. This includes a commitment on local transparency.<sup>3</sup> The Department for Levelling Up Housing and Communities (DLUHC) will work with the local government community to develop a set of specific actions to advance transparency in the sector. DLUHC will support local government to solidify their transparency policies and processes and encourage proactive publication of open data across councils.

## **Recommendation 24**

### **Councillors should be listed as ‘prescribed persons’ for the purposes of the Public Interest Disclosure Act 1998.**

Prescribed persons are individuals or organisations that a worker may approach outside their workplace to report suspected or known wrongdoing and still be protected by the rights afforded to them under whistleblowing legislation. They are prescribed by an order made by the Secretary of State (for Business, Energy and Industrial Strategy) for this purpose. A complete list of prescribed persons is available here: <https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>.

Local councillors would not meet the criteria of being external to an individual’s workplace in relation to matters affecting the council and could therefore not be considered as a ‘prescribed person’ for the purposes of the Public Interest Disclosure Act 1998. Disclosures relating to local authorities can be made to the external auditor of the relevant authority, the Comptroller and Auditor General (National Audit Office), or a Member of Parliament.

However, the Government recognises that this may provide a further check and balance against council corruption or wrongdoing and is open to further representations on the matter on how local accountability can be strengthened in this regard.

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<sup>3</sup> <https://www.gov.uk/government/publications/uk-national-action-plan-for-open-government-2021-2023/uk-national-action-plan-for-open-government-2021-2023#local-transparency>

## **Briefing Note:**

# **The Government's Response to the Committee on Standards in Public Life review of local government ethical standards.**

## **1. Purpose**

The Committee on Standards in Public Life (CSPL) conducted a review of local government ethical standards, published in January 2019 (The 2019 Report). This document summarises the Government's response to the recommendations as found in Local government ethical standards: government response to the Committee on Standards in Public Life report (Government Response).

## **2. Background**

The 2019 report considered whether there was a need for a centralised body to govern and adjudicate on standards. The CSPL concluded that whilst the consistency and independence of the system could be enhanced, there was no need to reintroduce a centralised body, and that local authorities should retain ultimate responsibility for implementing and applying the Seven Principles of Public Life in local government.

The CSPL made 24 recommendations and identified best practice to improve ethical standards in local government. These included a number of changes to primary legislation, to secondary legislation and the Local Government Transparency Code.

Kemi, Badenoch MP, Minister of State for Equalities and Levelling Up Communities, summarised in the Government Response that *"The Government agrees with the Committee's conclusion that there have been benefits from local authorities being responsible for ethical standards, including the flexibility and 2 discretion to resolve standards issues informally. However, we also recognise the role of Government in ensuring that the system is robust.... The Government believes that some of these suggestions do not need a legislative response but can be more appropriately, effectively, and swiftly taken forward by local authorities as best practice. The Committee will recognise that the Government and Parliament has taken a different view on these matters when it legislated for the Localism Act 2011"*.

## **3. Discussion**

For ease of reference, the recommendations published by the CSLP along with a summary of the Governments Response are set as follows:

### Recommendation 1:

*The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.*

The Localism Act 2011 requires authorities to adopt a code of conduct for their councillors. Authorities can determine the content of their own code of conduct as long as it conforms the seven 'Nolan' principles. The 'Nolan' principles set the standards in public life: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. The Local Government Association published the updated code of conduct in January 2021. However, it remains a local decision on whether this model code is adopted



Recommendation 2:

*The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.*

The Government agrees with the principle behind this recommendation and considers amending the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 would be an option to achieve it. It will engage with interested parties further. Addresses should be registered internally with monitoring offers to avoid conflicts of interest.

Recommendation 3:

*Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.*

The Government's view is that it is for individual local authorities to consider if their code of conduct is adequate in addressing the issue of inappropriate use of social media. It is important to recognise that there is a boundary between an elected representative's public life and their private or personal life. Automatically presuming (irrespective of the context and circumstances) that any comment is in an official capacity risks conflating the two.

Recommendation 4:

*Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.*

The Government agrees with the principle. The Local Government Association have updated their own suggested code of conduct on this. The Government will keep this matter under review but has no immediate plans to amend the regulations.

Recommendation 5:

*The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.*

The Government will keep this matter under review but has no immediate plans to amend the regulations. Unpaid roles may need to be declared if it is relevant to council business, and councillors should recuse themselves if necessary if discussions relate to private bodies, they are involved in. The Government is mindful that councillors have a right to a private life, and rights of freedom of association outside their role as a councillor.

Recommendation 6:

*Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record gifts and hospitality received over a value of £50 or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.*

Local authorities have the autonomy to set gifts and hospitality requirements in their own codes of conduct. The Government accepts that there is merit in best practice guidance on the thresholds for gifts and hospitality and agrees that a register of gifts and hospitality should be publicly available. The Local Government Association suggested Code of Conduct includes a requirement for registering gifts.

Recommendation 7:

*Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to the matter".*

The Government will keep this matter under review but has no immediate plans to repeal Section 31 of the Localism Act 2011. The Committee's report reflects concerns that the disclosable pecuniary interest arrangements infringe on the privacy of a councillor's spouse or partner. Where there would be a potential conflict of interest, the principle of integrity requires that any such interests should nevertheless be declared and resolved.

Recommendation 8:

*The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.*

The Government does not accept this recommendation as appropriate for legislation on the basis that it would be likely to be unworkable. The Government's view is that it would be more appropriately implemented as a best practice recommendation for local authorities.

Recommendation 9:

*The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.*

The Government does not agree with this. The Local Government Transparency Code is a statutory requirement to publish information; it does not regulate the content of councils' minutes or decision notices.

Recommendation 10:

*A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding or a breach and that suspending the councillor would be a proportionate sanction.*

There is no provision in current legislation for a sanction to suspend a councillor found to have breached the code of conduct, and this was a deliberate policy decision by the Coalition Government at the time of the Localism Act 2011 to differentiate from the previous, failed Standards Board regime. Councillors can be barred from Cabinet, Committees, or representative roles, and may be publicly criticised. If the elected member is a member of a political group, they would also expect to be subject to party discipline.

Recommendation 11:

*Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.*

The Government endorses providing legal indemnity for Independent Person as local authority best practice but does not currently see the need to require this through secondary legislation. Some local authorities already provide legal indemnity for Independent Persons.

Recommendation 12:

*Local authorities should be given the discretionary power to establish a decision making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.*

There is no provision in current legislation for a sanction to suspend a councillor found to have breached the code of conduct, and this was a deliberate policy decision by the Coalition Government at the time of the Localism Act 2011 to differentiate from the previous, failed Standards Board regime. Councillors can be barred from Cabinet, Committees, or representative roles, and may be publicly criticised. If the elected member is a member of a political group, they would also expect to be subject to party discipline.

Recommendation 13:

*Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.*

The Government Response is the same as the summarised response set out beneath Recommendation 12 above.

Recommendation 14:

*The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, an appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.*

The Government Response is the same as the summarised response set out beneath Recommendation 12 and 13 above.

Recommendation 15:

*The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g., bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.*

The Government believes that this is better addressed as best practice a regular pattern of annual reporting by Standard Committees of the cases and complaints handled. The Government does not believe that there is a requirement to prescribe to local authorities the form and content of such Standard Committee annual reports.

Recommendation 16:

*Local authorities should be given the power to suspend councillors, without allowances, for up to six months.*

The Government Response is the same as the summarised response set out beneath Recommendation 12, 13 and 14 above.

Recommendation 17:

*The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.*

The government will consider this further. The criminal law provides for more appropriate and effective action against breaches of public order, for anti-social behaviour, and against harassment.

Recommendation 18:

*The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.*

The Government does not agree with this recommendation, but rather believes the criminal offence of a non-disclosure of pecuniary interest to be a necessary and proportionate safeguard and deterrent against corruption.

Recommendation 19

*Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.*

This recommendation not dealt with in the Government Response.

Recommendation 20:

*Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.*

The Government does not agree that this is necessary and has no plans to repeal Section 27(3) of the Localism Act 2011. The Government considers that the adoption of the principal authority's code or the new model code is a matter for local determination.

Recommendation 21:

*Section 28 (11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.*

The Government has no current plans to repeal Section 28 (11) of the Localism Act 2011 but will give this matter further consideration

Recommendation 22:

*The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.*

The Government agrees in principle with this recommendation. The Government will engage with sector representative bodies of all tiers of local government to seek views on amending the Local Authorities (Standing Orders) (England)(Amendment) Regulations to provide disciplinary protections for statutory officers.

Recommendation 23:

*The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website*

The Government agrees with the principle that openness is essential. The Government recommends to adopt the local authority's whistleblowing policy and procedure as best practice. The Department for Levelling Up Housing and Communities (DLUHC) will work with the local government community to develop a set of specific actions to advance transparency in the sector. DLUHC will support local government to solidify their transparency policies and processes and encourage proactive publication of open data across councils.

Recommendation 24:

*Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.*

Local councillors would not meet the criteria of being external to an individual's workplace in relation to matters affecting the council and could therefore not be considered as a 'prescribed person' for the purposes of the Public Interest Disclosure Act 1998. Disclosures relating to local authorities can be made to the external auditor of the relevant authority, the Comptroller and Auditor General (National Audit Office), or a Member of Parliament.

Recommendation 25

*Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.*

This recommendation not dealt with in the Government Response.

Recommendation 26:

*Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.*

This recommendation not dealt with in the Government Response.

#### 4. Next Steps

To discuss the Governments Response to the CSPL's recommendations and consider whether any further actions are required.

<b>CSPL's Recommendation</b>	<b>Summary of Government's Response relevant to Local Authority options for further action</b>
1	LA to determine own Code of Conduct based on Nolan Principles. LA can adopt the LGA's published Code of Conduct 2021
2	Government to engage with Interested Parties. Monitoring Officers to register addresses internally
3	LAs to consider whether their own code of conduct addresses the appropriateness of social media use.
4	No action by the Government. LAs to consider the LGA's updated code of conduct.
5	No action by the Government.
6	LAs to set gifts and hospitality requirements in their own codes of conduct. A register of gifts and hospitality should be publicly available. The LGA suggested Code of Conduct includes a requirement for registering gifts.
7	No action taken by the Government.
8	No action taken by Government. Best practise recommendation to be implemented by LAs.
9	No action taken by Government as it does not agree.
10	No action
11	The Government endorses providing legal indemnity for Independent Person as local authority best practice. No action by Government.
12	No action
13	No action
14	No action
15	LA can implement best practice of a regular pattern of annual reporting by Standard Committees of the cases and complaints handled
16	No action
17	No action. LAs to use criminal law remedies.
18	The Government does not agree.
19	Not dealt with by the Government Response.
20	No action as the Government does not agree. LAs to determine the principle in its own Code of Conduct.or the LGA's new suggested code.
21	No action taken.
22	The Government will engage with sector representative bodies of all tiers of local government to seek views on amending the Local Authorities (Standing Orders) (England)(Amendment) Regulations to provide disciplinary protections for statutory officers.

23	The Government recommends LAs to whistleblowing policy and procedure as best practice. DLUHC will support LAs.
24	LA disclosures can be made to the external auditor of the relevant authority, the Comptroller and Auditor General (National Audit Office), or a Member of Parliament.
25	Not dealt with by the Government Response.
26	Not dealt with by the Government Response.

# Agenda Item 16

## AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

26 July 2022

### Model Code of Conduct

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 July 2022

<b>Will this be a Key Decision?</b>	No
<b>Urgency</b>	Not Applicable
<b>Final Decision-Maker</b>	Audit, Governance and Standards Committee
<b>Lead Head of Service</b>	Claudette Valmond, Head of Legal Partnership
<b>Lead Officer and Report Author</b>	Jayne Bolas Monitoring Officer and Sahib Kaur Marwaha, Senior Legal Officer, Corporate Governance
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### Executive Summary

The Local Government Association (the LGA) published a new model Code of Conduct following recommendations made by the Committee on Standards in Public Life. Kent County Council Standards Committee considered the LGA's Model Code of Conduct. Following that, the Kent Secretaries group have produced model templates for a new Kent Code for Members of Principal Authorities and a new Kent Code for Town and Parish Councils. This is currently in draft for under review by Kent Secretaries prior to reconsideration by KCC.



**Purpose of Report**

For noting.

**This report makes the following recommendations to the Committee**

1. That the Audit, Governance and Standards Committee note the information set out in this report.

## Model Code of Conduct

### 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	High standards of conduct are essential amongst Members in delivering the Council's priorities. The model Code of Conduct consultation supports this.	Interim Deputy Head of Legal MKLS
<b>Cross Cutting Objectives</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Risk Management</b>	This report is presented for information only and has no risk management implications. An effective Code of Conduct and robust complaints procedure minimises the risk of Member misconduct and is part of an effective system of governance.	Interim Deputy Head of Legal MKLS
<b>Financial</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Staffing</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Legal</b>	It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in Public Life. The Members' Code of Conduct was adopted by Full Council and can be found within the Council's Constitution that can be viewed on the Council's website.	Interim Deputy Head of Legal MKLS

<b>Information Governance</b>	No personal information is provided as part of the report.	Interim Deputy Head of Legal MKLS
<b>Equalities</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Public Health</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Crime and Disorder</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Procurement</b>	No implications.	Interim Deputy Head of Legal MKLS
<b>Biodiversity and Climate Change</b>	No implications.	Interim Deputy Head of Legal MKLS

## 2. INTRODUCTION AND BACKGROUND

- 2.1 In mid-2020, the Local Government Association (LGA) conducted a consultation into a revision of its Model Code of Conduct for Members. Formally, this was carried out in response to the first recommendation of the Committee on Standards in Public Life's (CSPL) review into 'Local Government Ethical Standards' (published January 2019). More broadly, it forms part of an LGA workstream into 'Civility into Public Life'. The consultation on the draft member code of conduct ran for a 10-week period from Monday 8 June until Monday 17 August 2020.
- 2.2 Most of the recommendations in the CSPL report were for central government, However, the Government has not made any legislative changes reflecting the CSPL's recommendations. The legislation remains the same at present. (See more detail in the previous report on this agenda). The new LGA Model Code was published in May 2021. (Appendix 1) The LGA Model Code is not mandatory, and the flexibilities of the Localism Act 2011 remain. It is for each Council, to determine what changes to make, if any, to their own Code.
- 2.3 Following the LGA's model Code of Conduct publication in 2021, Kent County Council Standards Committee considered the LGA's Code of

Conduct. Taking account of the comments of their Members on the LGA draft Model Code, the Kent Secretaries group have produced draft model templates for a new Kent Code for Members of Principal Authorities (Appendix 2.1) and a new Kent Code for Members of Town and Parish Councils (Appendix 2.2). In addition, a new model procedure for handling complaints relevant to the new Code of Conduct has been produced (appendices 3.1, 3.2 and 3.3). These model templates are internal working documents and were adopted at the Meeting of Associate Kent Secretaries in September 2021 as being suitable for a Kent wide version. This new Kent Code is a draft version that Kent County Council members have requested further amendments to. Those will be further considered by Kent Secretaries at a meeting anticipated to be held in September.

- 2.4 All councils are required under s 27(2) of the Localism Act 2011 to have a local Member Code of Conduct. Section 27 (3) states that a Parish Council may comply with that Section by adopting the code of its principal authority with references amended to its own register. At present, most Parish Councils in the Maidstone area have adopted a similar Code of Conduct to the Borough Council, based on the current Kent wide model developed from the previous LGA model code. A few Parish Councils have adopted their own Code.
- 2.5 A process of consulting all Parish Councils in Kent individually is not in contemplation by the Kent Secretaries group. This is because many Parishes have either adopted the current Kent Code and complaints handling procedures or they have their own version of the Code. This complies with legal requirements. If a Parish Council decides it does not want to make changes to their Code, amend to that of the principal authority etc. they may do so, provided they comply with the statutory requirement to have a Code of Conduct.
- 2.6 However, Kent Secretaries are seeking any comments on the current draft from the Kent Association of Local Councils, (KALC). Any comments received will be considered with the amendments sought by KCC. Clearly, there may be differing opinions and ultimately the aim is to provide a Code that could be used by all to provide a county wide consistency of approach. However, each principal authority and each Parish make the final adoption decision themselves. The model Kent version will first need to be adopted by KCC so that a consistent version can move down through all Councils.

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### **3. AVAILABLE OPTIONS**

- 3.1 This report is for noting only.
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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 This report is for noting only.
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## **5. RISK**

- 5.1 This report is presented for information only and has no risk management implications.
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## **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 The draft model code and appendices has been seen by KCC Members and shared with KALC.
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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 Although this report is for noting only, Members may wish to consider requesting a further report with options after the Kent Secretaries meeting in September.
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## **8. REPORT APPENDICES**

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

- Appendix 1 – The LGA model Code of Conduct
- Appendix 2.1 – The draft new Kent Code for Members of Principle Authorities
- Appendix 2.2= The draft new Kent Code for Members of Town and Parish Councils
- Appendix 3 – Draft Arrangements for Dealing with the Code of Conduct Complaints under Localism Act 2011
- Appendix 3.1 - Annexe 1 – Procedure on Receipt of a Complaint
- Appendix 3.2 – Annexe 2 - Procedure for Investigating a Complaint
- Appendix 3.3 - Annexe 3 – Hearing Panel Procedure

## **9. BACKGROUND PAPERS**

None.

# Appendix 1



## **Local Government Association**

## **Model Councillor Code of Conduct 2020**

### **Joint statement**

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area, taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied, or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

## **Introduction**

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

## **Definitions**

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

## **Purpose of the Code of Conduct**

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

## **General principles of councillor conduct**

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

## **Application of the Code of Conduct**

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring

Officer.

## **Standards of councillor conduct**

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

### **General Conduct**

#### **1. Respect**

##### **As a councillor:**

**1.1 I treat other councillors and members of the public with respect.**

**1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.**

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

#### **2. Bullying, harassment and discrimination**

##### **As a councillor:**

**2.1 I do not bully any person.**

**2.2 I do not harass any person.**

**2.3 I promote equalities and do not discriminate unlawfully against any person.**

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and



contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

### **3. Impartiality of officers of the council**

**As a councillor:**

#### **3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

### **4. Confidentiality and access to information**

**As a councillor:**

#### **4.1 I do not disclose information:**

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
  - i. I have received the consent of a person authorised to give it;**
  - ii. I am required by law to do so;**
  - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
  - iv. the disclosure is:**
    - 1. reasonable and in the public interest; and**
    - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
    - 3. I have consulted the Monitoring Officer prior to its release.**

#### **4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.**

#### **4.3 I do not prevent anyone from getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

## **5. Disrepute**

**As a councillor:**

### **5.1 I do not bring my role or local authority into disrepute.**

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

## **6. Use of position**

**As a councillor:**

### **6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.**

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

## **7. Use of local authority resources and facilities**

**As a councillor:**

### **7.1 I do not misuse council resources.**

### **7.2 I will, when using the resources of the local authority or authorising their use by others:**

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport

- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

## **8. Complying with the Code of Conduct**

### **As a Councillor:**

**8.1 I undertake Code of Conduct training provided by my local authority.**

**8.2 I cooperate with any Code of Conduct investigation and/or determination.**

**8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.**

**8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.**

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

### **Protecting your reputation and the reputation of the local authority**

## **9. Interests**

### **As a councillor:**

**9.1 I register and disclose my interests.**

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

**Appendix B sets** out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

## **10. Gifts and hospitality**

### **As a councillor:**

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
  
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
  
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

## **Appendices**

### **Appendix A – The Seven Principles of Public Life**

The principles are:

#### **Selflessness**

Holders of public office should act solely in terms of the public interest.

#### **Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

#### **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

#### **Honesty**

Holders of public office should be truthful.

#### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

“**Disclosable Pecuniary Interest**” means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

“**Partner**” means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

### Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. [Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it ]

### Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

## Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
  - a. your own financial interest or well-being;
  - b. a financial interest or well-being of a relative or close associate; or
  - c. a financial interest or wellbeing of a body included under Other Registerable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well-being:
  - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
  - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. [Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

**Table 1: Disclosable Pecuniary Interests**

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

<b>Subject</b>	<b>Description</b>
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain.
<b>Sponsorship</b>	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
<b>Contracts</b>	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the



	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
<b>Land and Property</b>	<p>Any beneficial interest in land which is within the area of the council.</p> <p>‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
<b>Licenses</b>	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
<b>Corporate tenancies</b>	<p>Any tenancy where (to the councillor’s knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
<b>Securities</b>	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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\* 'director' includes a member of the committee of management of an industrial and provident society.

\* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

**Table 2: Other Registrable Interests**

You must register as an Other Registrable Interest :

- a) any unpaid directorships
- b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority
- c) any body
  - (i) exercising functions of a public nature
  - (ii) directed to charitable purposes or
  - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management

## Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on [Local Government Ethical Standards](#). If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

**Best practice 1:** Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

**Best practice 2:** Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

**Best practice 3:** Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

**Best practice 4:** An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

**Best practice 5:** Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

**Best practice 6:** Councils should publish a clear and straightforward public interest test against which allegations are filtered.

**Best practice 7:** Local authorities should have access to at least two Independent Persons.

**Best practice 8:** An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to

review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

**Best practice 9:** Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

**Best practice 10:** A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

**Best practice 11:** Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

**Best practice 12:** Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

**Best practice 13:** A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

**Best practice 14:** Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

**Best practice 15:** Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

***The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.***

## Appendix 2.1

# **{insert name} Council Kent Code of Conduct for Members**

### **Preamble**

- (A) The Code of Conduct that follows is adopted under section 27(2) of the Localism Act 2011.
- (B) The Code is based on the Seven Principles of Public Life under section 28(1) of the Localism Act 2011, which are set out in Annex 1.
- (C) This Preamble and Annex 1 do not form part of the Code, but you should have regard to them as they will help you to comply with the Code.
- (D) If you need guidance on any matter under the Code, you should seek it from the Monitoring Officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.
- (E) In accordance with section 34 of the Localism Act 2011, where you have a Disclosable Pecuniary Interest it is a criminal offence if, without reasonable excuse, you:
  - (a) Fail to notify the authority's Monitoring Officer of the interest before the end of 28 days beginning with the day on which you became a member.
  - (b) Fail to disclose the interest at meetings where the interest is not entered in the authority's register.
  - (c) Fail to notify the authority's Monitoring Officer of the interest before the end of 28 days beginning with the date of disclosure at a meeting, if the interest is not entered in the authority's register and is not the subject of a pending notification.
  - (d) Take part in discussion or votes, or further discussions or votes, at meetings on matters in which you have the interest which are being considered at the meeting.
  - (e) Fail to notify the authority's Monitoring Officer of the interest before the end of 28 days beginning with the date when you become aware that you have such an interest in a matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the authority.
  - (f) Take any step in relation to a matter being dealt with by you acting alone in the course of discharging a function of the Authority, except a step for the purpose of enabling the matter to be dealt with otherwise than by you.
  - (g) knowingly or recklessly provide false or misleading information in any of the above disclosures or notifications.
- (F) Any written allegation received by the Authority that you have failed to comply with the Code will be dealt with under the arrangements adopted by the Authority for such purposes. If it is found that you have failed to comply with the Code, the Authority may have regard to this failure in deciding whether to take action and, if so, what action to take in relation to you.

## THE CODE

### 1. Interpretation

In this Code:

**"Associated Person"** means (either in the singular or in the plural):

- (a) a family member or any other person or body with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- (b) any person or body who employs or has appointed you or such persons, any firm in which you or they are a partner, or any company of which you or they are directors; or
- (c) any person or body in whom you or such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- (e) any body in respect of which you are in a position of general control or management:
  - (i) exercising functions of a public nature; or
  - (ii) directed to charitable purposes; or
  - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union).

**"Authority"** means *{insert name}* Council.

**"Authority Function"** means any one or more of the following interests that relate to the functions of the Authority:

- (a) housing - where you are a tenant of the Authority provided that those functions do not relate particularly to your tenancy or lease; or
- (b) school meals or school transport and travelling expenses - where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which your child attends;
- (c) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - where you are in receipt of, or are entitled to the receipt of, such pay;
- (d) an allowance, payment or indemnity given to members of the Authority;
- (e) any ceremonial honour given to members of the Authority;
- (f) setting council tax or a precept under the Local Government Finance Act 1992.

**"Code"** means this Code of Conduct.

**"Co-opted Member"** means a person who is not an elected member of the Authority but who is a member of:

- (a) any committee or sub-committee of the Authority, or
- (b) and represents the Authority on, any joint committee or joint sub-committee of the Authority; and
- (c) who is entitled to vote on any question that falls to be decided at any Meeting.

**"Disclosable Pecuniary Interest"** means those interests of a description specified in regulations made by the Secretary of State (as amended from time to time) as set out in Annex 2 and where either it is:

- (a) your interest or
- (b) an interest of your spouse or civil partner, a person with whom you are living as husband and wife, or a person with whom you are living as if you were civil partners and provided you are aware that the other person has the interest.

**"Interests"** means Disclosable Pecuniary Interests and Other Significant Interests.

**"Meeting"** means any meeting of:

- (a) the Authority;
- (b) the executive of the Authority;
- (c) any of the Authority's or its executive's committees, sub-committees, joint committees and/or joint sub-committees.

**"Member"** means a person who is a member of the Authority and includes a Co-opted Member.

**"Other Significant Interest"** means an interest (other than a Disclosable Pecuniary Interest or an interest in an Authority Function) in any business of the Authority which:

- (a) may reasonably be regarded as affecting the financial position of yourself and/or an Associated Person to a greater extent than the majority of:
  - (i) other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision; or
  - (ii) (in other cases) other council tax payers, ratepayers or inhabitants of the Authority's area; or
- (b) relates to the determination of your application (whether made by you alone or jointly or on your behalf) for any approval, consent, licence, permission or registration or that of an Associated Person;

and where, in either case, a member of the public with knowledge of the relevant facts would reasonably regard the interest as being so significant that it is likely to prejudice your judgment of the public interest.

**"Register of Members' Interests"** means the Authority's register of Disclosable Pecuniary Interests established and maintained by the Monitoring Officer under section 29 of the Localism Act 2011.

**"Sensitive Interest"** means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

## Scope

- 2. (1) You must comply with this Code whenever you act in your official capacity as a Member or Co-opted Member of the Authority.
- (2) This Code applies to all forms of communication and interaction including social media.

### General obligations

3. (1) You must, when using or authorising the use by others of the resources of the Authority:
- (a) act in accordance with the Authority's reasonable requirements; and
  - (b) ensure that such resources are not used improperly for political purposes (including party political purposes).
- (2) You must not:
- (a) bully any person or carry out any act of harassment. For the purposes of this paragraph bullying and harassment shall be construed as follows:-
    - (i) the Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Their website contains examples;
    - (ii) harassment will be have the meaning set out in The Protection from Harassment Act 1997 and other relevant legislation.
  - (b) intimidate or attempt to intimidate any person who is or is likely to be a complainant, a witness, or involved in the administration of any investigation or proceedings, in relation to an allegation that a Member (including yourself) has failed to comply with this Code;
  - (c) do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority;
  - (d) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:
    - (i) you have the written consent of a person authorised to give it; or
    - (ii) you are required by law to do so; or
    - (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
    - (iv) the disclosure is:
      - reasonable and in the public interest; and
      - made in good faith and in compliance with the reasonable requirements of the Authority;
  - (e) disclose information which is exempt information within the meaning of Part VA Local Government Act 1972 or The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012;
  - (f) prevent another person from gaining access to information to which that person is entitled by law;
  - (g) conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute;



- (h) use or attempt to use your position as a Member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage.
- (3) Where you have not undertaken training relating to conduct matters, you shall not be able to use this as a defence where a complaint has been made.
- (4) You must cooperate with any Code of Conduct investigation and/or determination

#### **Registering Disclosable Pecuniary Interests**

- 4. (1) You must, before the end of 28 days beginning with the day you become a Member or Co-opted Member of the Authority, or before the end of 28 days beginning with the day on which this Code takes effect (whichever is the later), notify the Monitoring Officer of any Disclosable Pecuniary Interest.
- (2) In addition, you must, before the end of 28 days beginning with the day you become aware of any new Disclosable Pecuniary Interest or change to any interest already registered, register details of that new interest or change, by providing written notification to the Monitoring Officer.
- (3) Where you have a Disclosable Pecuniary Interest in any matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the Authority (including making a decision in relation to the matter), then if the interest is not registered in the Register of Members' Interests and is not the subject of a pending notification, you must notify the Monitoring Officer before the end of 28 days beginning with the day you become aware of the existence of the interest.

#### **Declaring Interests**

- 5. (1) Whether or not a Disclosable Pecuniary Interest has been entered onto the Register of Members' Interests or is the subject of a pending notification, you must comply with the disclosure procedures set out below.
- (2) Where you are present at a Meeting and have a Disclosable Pecuniary Interest or Other Significant Interest in any matter to be considered, or being considered, at the Meeting, you must:
  - (a) disclose the Interest; and
  - (b) explain the nature of that Interest at the commencement of that consideration or when the Interest becomes apparent (subject to paragraph 6, below); and unless you have been granted a dispensation or are acting under paragraph 5(4):
  - (c) not participate in any discussion of, or vote taken on, the matter at the Meeting; and
  - (d) withdraw from the Meeting room in accordance with the Authority's Procedure Rules whenever it becomes apparent that the business is being considered; and
  - (e) not seek improperly to influence a decision about that business.
- (3) Where you have a Disclosable Pecuniary Interest or Other Significant Interest in any business of the Authority where you are acting alone in the course of

discharging a function of the Authority (including making an executive decision), you must:

- (a) notify the Monitoring Officer of the interest and its nature as soon as it becomes apparent; and
  - (b) not take any steps, or any further steps, in relation to the matter except for the purpose of enabling the matter to be dealt with otherwise than by you; and
  - (c) not seek improperly to influence a decision about the matter.
- (4) Where you have an Other Significant Interest in any business of the Authority, you may attend a Meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the Meeting for the same purpose. Having made your representations, given evidence or answered questions you must:
- (a) not participate in any discussion of, or vote taken on, the matter at the Meeting; and
  - (b) withdraw from the Meeting room in accordance with the Authority's Procedure Rules.

### **Sensitive Interests**

6. (1) Where you consider that the information relating to any of your Disclosable Pecuniary Interests is a Sensitive Interest, and the Monitoring Officer agrees, the Monitoring Officer will not include details of the Sensitive Interest on any copies of the Register of Members' Interests which are made available for inspection or any published version of the Register, but may include a statement that you have an interest, the details of which are withheld under this paragraph.
- (2) You must, before the end of 28 days beginning with the day you become aware of any change of circumstances which means that information excluded under paragraph 6(1) is no longer a Sensitive Interest, notify the Monitoring Officer asking that the information be included in the Register of Members' Interests.
- (3) The rules relating to disclosure of Interests in paragraphs 5(2) and (3) will apply, save that you will not be required to disclose the nature of the Sensitive Interest, but merely the fact that you hold an interest in the matter under discussion.

### **Gifts and Hospitality**

7. (1) You must, before the end of 28 days beginning with the day of receipt/acceptance, notify the Monitoring Officer of any gift, benefit or hospitality with an estimated value of £100 or more, or a series of gifts, benefits and hospitality from the same or an associated source, with an estimated cumulative value of £100 or more, which are received and accepted by you (in any one calendar year) in the conduct of the business of the Authority, the business of the office to which you have been elected or appointed or when you are acting as representative of the Authority. You must also register the source of the gift, benefit or hospitality.

- (2) Where any gift, benefit or hospitality you have received or accepted relates to any matter to be considered, or being considered at a Meeting, you must disclose at the commencement of the Meeting or when the interest becomes apparent, the existence and nature of the gift, benefit or hospitality, the person or body who gave it to you and how the business under consideration relates to that person or body. You may participate in the discussion of the matter and in any vote taken on the matter, unless you have an Other Significant Interest, in which case the procedure in paragraph 5 above will apply.
- (3) You must continue to disclose the existence and nature of the gift, benefit or hospitality at a relevant Meeting, for 3 years from the date you first registered the gift, benefit or hospitality.
- (4) The duty to notify the Monitoring Officer does not apply where the gift, benefit or hospitality comes within any description approved by the Authority for this purpose.

### **Dispensations**

8. (1) The *[Standards]* Committee, or any sub-committee of the *[Standards]* Committee, or the Monitoring Officer (where authorised) may, on a written request made to the Monitoring Officer (as appointed Proper Officer for the receipt of applications for dispensation) by a Member with an Interest, grant a dispensation relieving the Member from either or both of the restrictions on participating in discussions and in voting (referred to in paragraph 5 above).
- (2) A dispensation may be granted only if, after having had regard to all relevant circumstances, the *[Standards]* Committee, its sub-committee, or the Monitoring Officer (where authorised) considers that:
  - (a) without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business; or
  - (b) without the dispensation, the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business; or
  - (c) granting the dispensation is in the interests of persons living in the Authority's area; or
  - (d) without the dispensation each member of the Authority's executive would be prohibited from participating in any particular business to be transacted by the Authority's executive; or
  - (e) it is otherwise appropriate to grant a dispensation.
- (3) A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.
- (4) Paragraph 5 above does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this paragraph 8.

## **THE SEVEN PRINCIPLES OF PUBLIC LIFE**

In accordance with the Localism Act 2011, and in order to help maintain public confidence in this Authority, you are committed to behaving in a manner that is consistent with the following principles. However, it should be noted that these Principles do not create statutory obligations for Members and do not form part of the Code. It follows from this that the Authority cannot accept allegations that they have been breached. The definitions of the Principles are as below, or as set out on the website of the Committee on Standards in Public Life.

**SELFLESSNESS:** Holders of public office should act solely in terms of the public interest.

**INTEGRITY:** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

**OBJECTIVITY:** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**ACCOUNTABILITY:** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

**OPENNESS:** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

**HONESTY:** Holders of public office should be truthful.

**LEADERSHIP:** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## ANNEX 2

### Disclosable Pecuniary Interests, as prescribed by regulations, are as follows:

The descriptions on Disclosable Pecuniary Interests are subject to the following definitions:

"**the Act**" means the Localism Act 2011

"**body in which the relevant person has a beneficial interest**" means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest

"**director**" includes a member of the committee of management of an industrial and provident society

"**land**" excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income

"**M**" means a member of the relevant authority

"**member**" includes a co-opted member

"**relevant authority**" means the authority of which M is a member

"**relevant period**" means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1), or section 31(7), as the case may be, of the Act

"**relevant person**" means M or any other person referred to in section 30(3)(b) of the Act (the Member's spouse, civil partner, or somebody with whom they are living as a husband or wife, or as if they were civil partners).

"**securities**" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society

Interest	Description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority: (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.

<b>Interest</b>	<b>Description</b>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge): (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where: (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

## Appendix 2.2

**[Name of Authority]**

**Town/Parish Council**

### **Kent Code of Conduct for Members**

#### **Preamble**

- (A) The Code of Conduct that follows is adopted under section 27(2) of the Localism Act 2011.
- (B) The Code is based on the Seven Principles of Public Life under section 28(1) of the Localism Act 2011, which are set out in Annex 1.
- (C) This Preamble and Annex 1 do not form part of the Code, but you should have regard to them as they will help you to comply with the Code.
- (D) If you need guidance on any matter under the Code, you should seek it from your Clerk, the Monitoring Officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.
- (E) In accordance with section 34 of the Localism Act 2011, where you have a Disclosable Pecuniary Interest it is a criminal offence if, without reasonable excuse, you:
  - (a) Fail to notify the authority's Monitoring Officer of the interest before the end of 28 days beginning with the day on which you became a member.
  - (b) Fail to disclose the interest at meetings where the interest is not entered in the authority's register.
  - (c) Fail to notify the authority's Monitoring Officer of the interest before the end of 28 days beginning with the date of disclosure at a meeting, if the interest is not entered in the authority's register and is not the subject of a pending notification.
  - (d) Take part in discussion or votes, or further discussions or votes, at meetings on matters in which you have the interest which are being considered at the meeting.
  - (e) Fail to notify the authority's Monitoring Officer of the interest before the end of 28 days beginning with the date when you become aware that you have such an interest in a matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the authority.
  - (f) Knowingly or recklessly provide false or misleading information in any of the above disclosures or notifications.
- (F) Any written allegation received by the Authority that you have failed to comply with the Code will be dealt with under the arrangements adopted by *{enter name of Principal Council}* Council for such purposes. If it is found that you have failed to comply with the Code, the Authority may have regard to this failure in deciding whether to take action and, if so, what action to take in relation to you.

## THE CODE

### 1. Interpretation

In this Code:

**"Associated Person"** means (either in the singular or in the plural):

- (a) a family member or any other person or body with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- (b) any person or body who employs or has appointed you or such persons, any firm in which you or they are a partner, or any company of which you or they are directors; or
- (c) any person or body in whom you or such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- (e) any body in respect of which you are in a position of general control or management:
  - (i) exercising functions of a public nature; or
  - (ii) directed to charitable purposes; or
  - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union).

**"Authority"** means *{insert name}* Council.

**"Authority Function"** means any one or more of the following interests that relate to the functions of the Authority:

- (a) housing - where you are a tenant of the Authority provided that those functions do not relate particularly to your tenancy or lease; or
- (b) school meals or school transport and travelling expenses - where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which your child attends;
- (c) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - where you are in receipt of, or are entitled to the receipt of, such pay;
- (d) an allowance, payment or indemnity given to members of the Authority;
- (e) any ceremonial honour given to members of the Authority;
- (f) setting council tax or a precept under the Local Government Finance Act 1992.

**"Code"** means this Code of Conduct.

**"Co-opted Member"** means a person who is not an elected member of the Authority but who is a member of:

- (a) any committee or sub-committee of the Authority, or
- (b) and represents the Authority on, any joint committee or joint sub-committee of the Authority; and
- (c) who is entitled to vote on any question that falls to be decided at any Meeting.



**"Disclosable Pecuniary Interest"** means those interests of a description specified in regulations made by the Secretary of State (as amended from time to time) as set out in Annex 2 and where either it is:

- (a) your interest or
- (b) an interest of your spouse or civil partner, a person with whom you are living as husband and wife, or a person with whom you are living as if you were civil partners and provided you are aware that the other person has the interest.

**"Interests"** means Disclosable Pecuniary Interests and Other Significant Interests.

**"Meeting"** means any meeting of:

- (a) the Authority;
- (b) any of the Authority's committees, sub-committees, joint committees and/or joint sub-committees.

**"Member"** means a person who is a member of the Authority and includes a Co-opted Member.

**"Other Significant Interest"** means an interest (other than a Disclosable Pecuniary Interest or an interest in an Authority Function) in any business of the Authority which:

- (a) may reasonably be regarded as affecting the financial position of yourself and/or an Associated Person to a greater extent than the majority of:
  - (i) other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision; or
  - (ii) (in other cases) other council tax payers, ratepayers or inhabitants of the Authority's area; or
- (b) relates to the determination of your application (whether made by you alone or jointly or on your behalf) for any approval, consent, licence, permission or registration or that of an Associated Person;

and where, in either case, a member of the public with knowledge of the relevant facts would reasonably regard the interest as being so significant that it is likely to prejudice your judgment of the public interest.

**"Register of Members' Interests"** means the Authority's register of Disclosable Pecuniary Interests established and maintained by the Monitoring Officer under section 29 of the Localism Act 2011.

**"Sensitive Interest"** means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

## Scope

- 2. (1) You must comply with this Code whenever you act in your official capacity as a Member or Co-opted Member of the Authority.
- (2) This Code applies to all forms of communication and interaction including social media.

## General obligations

3. (1) You must, when using or authorising the use by others of the resources of the Authority:
- (a) act in accordance with the Authority's reasonable requirements; and
  - (b) ensure that such resources are not used improperly for political purposes (including party political purposes).
- (2) You must not:
- (a) bully any person or carry out any act of harassment. For the purposes of this paragraph bullying and harassment shall be construed as follows:-
    - (i) the Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Their website contains examples;
    - (ii) harassment will be have the meaning set out in The Protection from Harassment Act 1997 and other relevant legislation.
  - (b) intimidate or attempt to intimidate any person who is or is likely to be a complainant, a witness, or involved in the administration of any investigation or proceedings, in relation to an allegation that a Member (including yourself) has failed to comply with this Code;
  - (c) do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority;
  - (d) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:
    - (i) you have the written consent of a person authorised to give it; or
    - (ii) you are required by law to do so; or
    - (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
    - (iv) the disclosure is:
      - reasonable and in the public interest; and
      - made in good faith and in compliance with the reasonable requirements of the Authority;
  - (e) disclose information which is exempt information within the meaning of Part VA Local Government Act 1972 or The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012;
  - (f) prevent another person from gaining access to information to which that person is entitled by law;
  - (g) conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute;
  - (h) use or attempt to use your position as a Member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage.

- (3) Where you have not undertaken training relating to conduct matters, you shall not be able to use this as a defence where a complaint has been made.
- (4) You must cooperate with any Code of Conduct investigation and/or determination

#### **Registering Disclosable Pecuniary Interests**

4. (1) You must, before the end of 28 days beginning with the day you become a Member or Co-opted Member of the Authority, or before the end of 28 days beginning with the day on which this Code takes effect (whichever is the later), notify the Monitoring Officer of any Disclosable Pecuniary Interest.
- (2) In addition, you must, before the end of 28 days beginning with the day you become aware of any new Disclosable Pecuniary Interest or change to any interest already registered, register details of that new interest or change, by providing written notification to the Monitoring Officer.
- (3) Where you have a Disclosable Pecuniary Interest in any matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the Authority (including making a decision in relation to the matter), then if the interest is not registered in the Register of Members' Interests and is not the subject of a pending notification, you must notify the Monitoring Officer before the end of 28 days beginning with the day you become aware of the existence of the interest.

#### **Declaring Interests**

5. (1) Whether or not a Disclosable Pecuniary Interest has been entered onto the Register of Members' Interests or is the subject of a pending notification, you must comply with the disclosure procedures set out below.
- (2) Where you are present at a Meeting and have a Disclosable Pecuniary Interest or Other Significant Interest in any matter to be considered, or being considered, at the Meeting, you must:
  - (a) disclose the Interest; and
  - (b) explain the nature of that Interest at the commencement of that consideration or when the Interest becomes apparent (subject to paragraph 6, below); and unless you have been granted a dispensation or are acting under paragraph 5(4):
  - (c) not participate in any discussion of, or vote taken on, the matter at the Meeting; and
  - (d) withdraw from the Meeting room in accordance with the Authority's Procedure Rules whenever it becomes apparent that the business is being considered; and
  - (e) not seek improperly to influence a decision about that business.
- (3) Where you have a Disclosable Pecuniary Interest or Other Significant Interest in any business of the Authority where you are acting alone in the course of discharging a function of the Authority, you must:
  - (a) notify the Monitoring Officer of the interest and its nature as soon as it becomes apparent; and

- (b) not take any steps, or any further steps, in relation to the matter except for the purpose of enabling the matter to be dealt with otherwise than by you; and
  - (c) not seek improperly to influence a decision about the matter.
- (4) Where you have an Other Significant Interest in any business of the Authority, you may attend a Meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the Meeting for the same purpose. Having made your representations, given evidence or answered questions you must:
- (a) not participate in any discussion of, or vote taken on, the matter at the Meeting; and
  - (b) withdraw from the Meeting room in accordance with the Authority's Procedure Rules.

### **Sensitive Interests**

6. (1) Where you consider that the information relating to any of your Disclosable Pecuniary Interests is a Sensitive Interest, and the Monitoring Officer agrees, the Monitoring Officer will not include details of the Sensitive Interest on any copies of the Register of Members' Interests which are made available for inspection or any published version of the Register, but may include a statement that you have an interest, the details of which are withheld under this paragraph.
- (2) You must, before the end of 28 days beginning with the day you become aware of any change of circumstances which means that information excluded under paragraph 6(1) is no longer a Sensitive Interest, notify the Monitoring Officer asking that the information be included in the Register of Members' Interests.
- (3) The rules relating to disclosure of Interests in paragraphs 5(2) and (3) will apply, save that you will not be required to disclose the nature of the Sensitive Interest, but merely the fact that you hold an interest in the matter under discussion.

### **Gifts and Hospitality**

7. (1) You must, before the end of 28 days beginning with the day of receipt/acceptance, notify the Clerk of any gift, benefit or hospitality with an estimated value of £100 or more, or a series of gifts, benefits and hospitality from the same or an associated source, with an estimated cumulative value of £100 or more, which are received and accepted by you (in any one calendar year) in the conduct of the business of the Authority, the business of the office to which you have been elected or appointed or when you are acting as representative of the Authority. You must also register the source of the gift, benefit or hospitality.
- (2) Where any gift, benefit or hospitality you have received or accepted relates to any matter to be considered, or being considered at a Meeting, you must disclose at the commencement of the Meeting or when the interest becomes apparent, the existence and nature of the gift, benefit or hospitality, the person or body who gave it to you and how the business under consideration relates to that person or body. You may participate in the discussion of the matter and in any vote taken on the matter, unless you have an Other Significant Interest, in which case the procedure in paragraph 5 above will apply.

- (3) You must continue to disclose the existence and nature of the gift, benefit or hospitality at a relevant Meeting, for 3 years from the date you first registered the gift, benefit or hospitality.
- (4) The duty to notify the Clerk does not apply where the gift, benefit or hospitality comes within any description approved by the Authority for this purpose.

### **Dispensations**

8. (1) The Authority or any committee, or sub-committee of the Authority, or the Clerk (where authorised) may, on a written request made to the Clerk (as appointed Proper Officer for the receipt of applications for dispensation) by a Member with an Interest, grant a dispensation relieving the Member from either or both of the restrictions on participating in discussions and in voting (referred to in paragraph 5 above).
- (2) A dispensation may be granted only if, after having had regard to all relevant circumstances, the Authority or any committee, or sub-committee of the Authority, or the Clerk (where authorised) considers that:
  - (a) without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business; or
  - (b) without the dispensation, the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business; or
  - (c) granting the dispensation is in the interests of persons living in the Authority's area; or
  - (d) it is otherwise appropriate to grant a dispensation.
- (3) A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.
- (4) Paragraph 5 above does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this paragraph 8.

## **THE SEVEN PRINCIPLES OF PUBLIC LIFE**

In accordance with the Localism Act 2011, and in order to help maintain public confidence in this Authority, you are committed to behaving in a manner that is consistent with the following principles. However, it should be noted that these Principles do not create statutory obligations for Members and do not form part of the Code. It follows from this that the Authority cannot accept allegations that they have been breached. The definitions of the Principles are as below, or as set out on the website of the Committee on Standards in Public Life.

**SELFLESSNESS:** Holders of public office should act solely in terms of the public interest.

**INTEGRITY:** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

**OBJECTIVITY:** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**ACCOUNTABILITY:** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

**OPENNESS:** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

**HONESTY:** Holders of public office should be truthful.

**LEADERSHIP:** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## ANNEX 2

### Disclosable Pecuniary Interests, as prescribed by regulations, are as follows:

The descriptions on Disclosable Pecuniary Interests are subject to the following definitions:

"**the Act**" means the Localism Act 2011

"**body in which the relevant person has a beneficial interest**" means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest

"**director**" includes a member of the committee of management of an industrial and provident society

"**land**" excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income

"**M**" means a member of the relevant authority

"**member**" includes a co-opted member

"**relevant authority**" means the authority of which M is a member

"**relevant period**" means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1), or section 31(7), as the case may be, of the Act

"**relevant person**" means M or any other person referred to in section 30(3)(b) of the Act (the Member's spouse, civil partner, or somebody with whom they are living as a husband or wife, or as if they were civil partners).

"**securities**" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society

Interest	Description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority: (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.

<b>Interest</b>	<b>Description</b>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge): (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where: (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.



**PROCEDURE ON RECEIPT OF A COMPLAINT**

**1. Notification of Complaint to Subject Member**

- 1.1 Subject to any representations from the Complainant on confidentiality (see paragraph 5 below), the Monitoring Officer will notify the Subject Member [and, if applicable, the Parish Clerk] of the complaint.
- 1.2 The Monitoring Officer may invite the Subject Member [and, if applicable, the Parish Clerk] to submit initial views on the complaint, which will be taken into account by the Monitoring Officer when they decide how to deal with the complaint (see paragraph 4 below).

**2. Preliminary Tests**

- 2.1 The complaint will be assessed by the Monitoring Officer against the legal jurisdiction test in paragraph 2.2 and, if applicable, the local assessment criteria test in paragraph 2.4 below. The Monitoring Officer may assess the complaint in consultation with the Independent Person.
- 2.2 Legal jurisdiction criteria test:
  - (a) Did the alleged conduct occur before the adoption of the Code of Conduct?
  - (b) Was the person complained of a member of the District or Parish Council at the time of the alleged conduct?
  - (c) Was the person complained of acting in an official capacity at the time of the alleged conduct?
  - (d) Did the alleged conduct occur when the person complained of was acting as a member of another authority?
  - (e) If the facts could be established as a matter of evidence, could the alleged conduct be capable of a breach of the Code of Conduct?
  - (f) The complaint is about dissatisfaction with the District or Parish Council's decisions, policies and priorities, etc.
- 2.3 If the complaint fails one or more of the jurisdiction tests, no further action will be taken by the Monitoring Officer and the complaint will be rejected. The Complainant will be notified accordingly with reasons, normally within 30 working days {substitute preferred number of days} of receipt of the complaint by the Monitoring Officer. There is no right of appeal against the Monitoring Officer's decision.
- 2.4 Local assessment criteria test:

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If the complaint satisfies the jurisdiction test, the Monitoring Officer will then apply the following local assessment criteria test:

- (a) The complaint is a 'repeat complaint', unless supported by new or further evidence substantiating or indicating that the complaint is exceptionally serious or significant;
- (b) The complaint is anonymous, unless supported by independent documentary evidence substantiating or indicating that the complaint is exceptionally serious or significant;
- (c) No or insufficient information/evidence to substantiate the complaint has been submitted by the Complainant;
- (d) The complaint is malicious, trivial, politically motivated or 'tit-for-tat';
- (e) The Complainant is unreasonably persistent, malicious and/or vexatious;
- (f) The alleged misconduct happened more than 3 months ago;
- (g) The complaint is relatively minor and/or dealing with the complaint would have a disproportionate effect on both public money and officers' and Members' time;
- (h) The circumstances have changed so much that there would be little benefit arising from an investigation or other action;
- (i) The complaint has been the subject of an investigation or other action and there is nothing more to be gained by further action being taken;
- (j) The complaint is such that it is unlikely that an investigation will be able to come to a firm conclusion on the matter, e.g. where there is no firm evidence on the matter;
- (k) The complaint is about a deceased person;
- (l) The complaint is about a person who is no longer a District or Parish Councillor or Co-opted Member.

### **3. Asking for Additional Information**

- 3.1 The Monitoring Officer may ask the Complainant and the Subject Member [and, if applicable, the Parish Clerk] for additional information before deciding how to deal with the complaint.

### **4. What Process to Apply - Informal Resolution or Investigation and/or No Action?**

- 4.1 The Monitoring Officer may at any stage seek to resolve the complaint informally in accordance with paragraph 6 below. Where the Subject Member or the Monitoring Officer or the District or Parish Council make a reasonable offer of informal resolution, but the Complainant is not willing to accept this offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.
- 4.2 The Monitoring Officer may refer the complaint for investigation when:

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- (a) it is serious enough, if proven, to justify the range of sanctions available to the Standards Committee (see paragraph 12 of Annex 3 to these Arrangements);
  - (b) the Subject Member's behaviour is part of a continuing pattern of less serious misconduct that is unreasonably disrupting the business of the District or Parish Council and there is no other avenue left to deal with it short of investigation. In considering this, the Monitoring Officer may take into account the time that has passed since the alleged conduct occurred.
- 4.3 Where the complaint is referred for investigation, the Monitoring Officer will appoint an Investigating Officer who will conduct the investigation in accordance with the procedure at Annex 2 to these Arrangements.
- 4.4 If the complaint identifies potential criminal conduct or potential breach of other regulations by the Subject Member or any other person, the Complainant may be advised by the Monitoring Officer to report the complaint to the police or other prosecuting or regulatory authority. Alternatively, the Monitoring Officer will consider the complaint against the legal jurisdiction criteria test and if the complaint passes that test he may pass the complaint to the police. Where a complainant has been advised to refer a matter to the police or the Monitoring Officer has referred the matter to the police the complaints process under these Arrangements will be suspended, pending a decision/action by the police or other prosecuting or regulatory authority. Where the police or other prosecuting or regulatory authority decide to take no action on the complaint, the Monitoring Officer will lift the suspension and will apply the local assessment criteria test in paragraph 2.4 above.
- 4.5 The Monitoring Officer will take no action on the complaint when one or more of the following apply:-
  - (a) on-going criminal proceedings or a police investigation into the Subject Member's conduct;
  - (b) investigation cannot be proceeded with, without investigating similar alleged conduct or needing to come to conclusions of fact about events which are also the subject of some other investigation or court proceedings;
  - (c) the investigation might prejudice another investigation or court proceedings;
  - (d) genuine long term (3 months or more) unavailability of a key party;
  - (e) serious illness of a key party.
- 4.6 Normally within 60 working days of receipt of the complaint, the Monitoring Officer will notify the Complainant, Subject Member [and, if applicable, the Parish Clerk] of their decision and reasons for applying one of the following processes in the format of the Decision Notice template (appended to this Annex 1):-
  - (a) not to refer the complaint for investigation; or
  - (b) to refer the complaint for investigation; or
  - (c) to apply the informal resolution process either before or after an investigation; or
  - (d) to refer the complaint to the relevant political group leader for action.
- 4.7 There is no right of appeal against the Monitoring Officer's decision.

## 5. Confidentiality

- 5.1 If the Complainant has asked for their identity to be withheld, this request will be considered by the Monitoring Officer when they initially assess the complaint (see paragraph 2 above). The Monitoring Officer may consult the Independent Person.
- 5.2 As a matter of fairness and natural justice, the Subject Member will usually be told who the Complainant is and will also receive details of the complaint. However, in exceptional circumstances, it may be appropriate to keep the Complainant's identity confidential or not disclose details of the complaint to the Subject Member during the early stages of an investigation. The Monitoring Officer may withhold the Complainant's identity and/or details of the complaint if they are satisfied that there are reasonable grounds for believing that the Complainant or any other person (e.g. a witness):-
- (a) Is either vulnerable or at risk of threat, harm or reprisal;
  - (b) May suffer intimidation or be victimised or harassed;
  - (c) Works closely with the Subject Member and are afraid of the consequences, e.g. fear of losing their job;
  - (d) Suffers from a serious health condition and there are medical risks associated with their identity being disclosed (medical evidence will need to be provided to substantiate this);
  - (e) May receive less favourable treatment because of the seniority of the person they are complaining about in terms of any existing District or Parish Council service provision or any tender/contract they may have with or are about to submit to the District or Parish Council.
- OR where early disclosure of the complaint:-
- (a) May lead to evidence being compromised or destroyed; or
  - (b) May impede or prejudice the investigation; or
  - (c) Would not be in the public interest.
- 5.3 Relevant public interest factors favouring disclosure (not an exhaustive list) include:-
- (a) To facilitate transparency and ethical governance accountability: recognising that decision-making may be improved by constructive contributions from others;
  - (b) to raise public awareness: disclosing the complaint or part of it may inform the community about matters of general concern;
  - (c) justice to an individual: the balance of the public interest may favour disclosure of the complaint to the Subject Member when it may not be in the public interest to disclose it to the world at large;

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- (d) bringing out in the open serious concerns about the behaviour/conduct of an individual.

5.4 The Monitoring Officer will balance whether the public interest in accepting the complaint outweighs the Complainant's wish to have their identity (or that of another person) withheld from the Subject Member. If the Monitoring Officer decides to refuse the Complainant's request for confidentiality, they will offer the Complainant the option to withdraw their complaint. The Complainant will be notified of the Monitoring Officer's decision, with reasons by the Monitoring Officer. There is no right of appeal against the Monitoring Officer's decision to refuse the Complainant's request for confidentiality.

## **6. Informal Resolution**

6.1 The Monitoring Officer may seek to resolve a complaint informally at any stage in the process, whether without the need for an investigation or before or after an investigation has been commenced or concluded. In so doing, the Monitoring Officer will consult with the Complainant and the Subject Member to seek to agree what they consider to be a fair resolution, which will help to ensure higher standards of conduct for the future.

6.2 Informal resolution may be the simplest and most cost effective way of resolving the complaint and may be appropriate where:-

- (a) The Subject Member appears to have a poor understanding of the Code of Conduct and/or related District or Parish Council procedures; or
- (b) There appears to be a breakdown in the relationship between the Complainant and the Subject Member; or
- (c) The conduct complained of appears to be a symptom of wider underlying conflicts which, if unresolved, are likely to lead to further misconduct or allegations of misconduct; or
- (d) The conduct complained of appears common to a number of members of the District or Parish Council, demonstrating a lack of awareness, experience or recognition of the particular provisions of the Code of Conduct and/or other District or Parish Council procedures, etc; or
- (e) The conduct complained of appears to the Monitoring Officer not to require a formal sanction; or
- (f) The complaint appears to reveal a lack of guidance, protocols and procedures within the District or Parish Council; or
- (g) The Complainant and the Subject Member are amenable to engaging in an informal resolution; or
- (h) The complaint consists of allegations and retaliatory allegations between councillors; or
- (i) The complaint consists of allegations about how formal meetings are conducted; or
- (j) The conduct complained of may be due to misleading, unclear or misunderstood advice from officers.

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- 6.3 Informal resolution may consist of one or more of the following actions, which do not have to be limited to the Subject Member, but may extend to other councillors including the whole District or Parish Council where it may be useful to address systemic behaviour:-
- (a) Training;
  - (b) Conciliation/mediation;
  - (c) Mentoring;
  - (d) Apology;
  - (e) Instituting changes to the District or Parish Council's procedures;
  - (f) Conflict management;
  - (g) Development of the District or Parish Council's protocols;
  - (h) Other remedial action by the District or Parish Council;
  - (i) Other steps (other than investigation) if it appears appropriate to the Monitoring Officer.
- 6.4 If the Subject Member is agreeable to and complies with the informal resolution process, the Monitoring Officer will report the matter to the Standards Committee [and, if applicable, the Parish Council] for information, but will take no further action against the Subject Member.
- 6.5 Where the Subject Member will not participate in the informal resolution process or if, having agreed to one or more actions under the informal resolution process, the Subject Member refuses or fails to carry out any agreed action, the Monitoring Officer will report the matter to the Standards Committee.

# Complaint Form

**Your Details**

1. **Please provide us with your name and contact details.**

<b>Title:</b>	
<b>First name:</b>	
<b>Last name:</b>	
<b>Address:</b>	
<b>Daytime telephone:</b>	
<b>Evening telephone:</b>	
<b>Mobile telephone:</b>	
<b>Email address:</b>	

2. **Please tell us which complainant type best describes you:**

- Member of the public
- An elected or co-opted member of an authority
- An appointed Independent Person for the purposes of the Localism Act 2011
- Member of Parliament
- Local authority Monitoring Officer
- Other council officer or authority employee
- Other (please give details) \_\_\_\_\_

3. **Please provide us with the name of the councillor(s) you believe has breached the Code of Conduct and the name of their authority:**

Title	First name	Last name	Council or authority name

4. **Please explain in this section what the councillor has done that you believe breaches the Code of Conduct.** If you are complaining about more than one councillor you should clearly explain what each individual person has done that you believe breaches the Code of Conduct.

It is important that you provide all the information you wish to have taken into account by the Monitoring Officer when he decides whether to take any action on your complaint. For example:

- You should be specific, wherever possible, about exactly what you are alleging the councillor said or did. For instance, instead of writing that the councillor has conducted himself in a manner which could reasonably be regarded as bringing his office or the Authority into disrepute you, you should state what it was they said or did.
- You should provide the dates of the alleged incidents wherever possible. If you cannot provide exact dates it is important to give a general timeframe.
- You should confirm whether there are any witnesses to the alleged conduct and provide their names and contact details if possible.
- You should provide any relevant background information.

Please provide us with the details of your complaint. Continue on a separate sheet if there is not enough space on this form.



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5. **Only complete this next section if you are requesting that your identity is kept confidential. Please see the notes in the accompanying leaflet "How to make a complaint".**

There is a presumption that a copy of this form will be provided to the subject member of your complaint. If you wish to request that information relating to your identity is kept confidential and withheld from the subject please complete the box below.

Please provide us with details of why you believe we should withhold your name and/or the details of your complaint:

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Return Address: The Monitoring Officer

### Complaints Form – Monitoring Information

In order to ensure we target our services in the most effective way for our community, we would appreciate if it you would give answers to the following questions. Please note that the information on this page **will not** be provided to the subject member of the complaint.

Q1. Ethnic Group

- White:**  
British  
 Irish  
 Any other white background

- Black or Black British:**  
Caribbean  
 African  
 Any other black background

- Asian or Asian British:**  
Indian  
 Pakistani  
 Bangladeshi  
 Any other Asian background

Q2. Sex

- Male  
 Female

Q3. Partnership Status

- Single  
 Married/Civil Partner  
 Separated  
 Divorced  
 Widow/Widower

Q4. Age Group

- Under 16  
 16-19  
 20-24  
 25-59  
 60-64

65 and above

Q5. Do you have a disability?

- Yes  
 No

Q6. What is the nature of your disability?

- Difficulty getting around  
 Mental health problems  
 Learning difficulty  
 Difficulty seeing  
 Hearing difficulty  
 Other

Q7. To help us monitor issues for different sections of our community, we would appreciate it if you would tell us which faith group, if any, you belong to. If lack of faith is an issue in itself we would also like to know.

**EXAMPLE TEMPLATE - DECISION NOTICE (of the Monitoring Officer): e.g. REFERRAL FOR INVESTIGATION**

*Parties should take care when passing on information that is in the notice or about the notice. For example, some details such as names and addresses may be confidential or private in nature, or may be personal information.*

**Complaint No:**

**Complaint**

On [insert date], the Monitoring Officer considered a complaint from [insert name of complainant] concerning the alleged conduct of [insert name of councillor], a member of [insert authority name]. A general summary of the complaint is set out below.

**Complaint summary**

[Summarise complaint in numbered paragraphs]

**Consultation with Independent Person**

[Summarise the Independent Person's views in numbered paragraphs]

**Decision**

[Having consulted and taken into account the views of the Independent Person], the Monitoring Officer decided to refer the complaint for investigation.

**Potential breaches of the Code of Conduct identified**

At this stage, the Monitoring Officer is not required or able to decide if the Code of Conduct has been breached. They are only considering if there is enough information which shows a potential breach of the Code of Conduct that warrants referral for investigation.

The Monitoring Officer considers that the alleged conduct, if proven, may amount to a breach of the following paragraphs of the Code of Conduct. The Monitoring Officer has appointed [insert name] as the Investigating Officer.

Please note that it will be for the Investigating Officer to determine which paragraphs are relevant, during the course of the investigation.

[detail relevant Code of Conduct paragraphs]

**Notification of decision**

This decision notice is sent to the:

- Complainant
- Member against whom the complaint was made
- [Clerk to the relevant Parish or Town Council]
- Kent County Council's Monitoring Officer (*applicable only where the Subject Member is serving at both District and County level*)

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### **What happens now**

The complaint will now be investigated under the District Council's Arrangements for Dealing with Code of Conduct Complaints under the Localism Act 2011.

### **Appeal**

There is no right of appeal against the Monitoring Officer's decision.

### **Additional Help**

If you need additional support in relation to this decision notice or future contact with the District Council, please let us know as soon as possible. If you have difficulty reading this notice, we can make reasonable adjustments to assist you, in line with the requirements of the Equality Act 2010. We can also help if English is not your first language. Please refer to the attached Community Interpreting Service leaflet or contact our Customer Services on [insert telephone number] or email [insert email address].

**Signed:**

**Date**

**Print name:**

Monitoring Officer of xxxxxxDistrict Council

Address xxx

## Appendix 3.2

### PROCEDURE FOR INVESTIGATING THE COMPLAINT

#### 1. Preliminaries

- 1.1 The Investigating Officer will be appointed by the Monitoring Officer and will be aware of their obligations under UK GDPR and the Data Protection Act 2018, Equalities Act 2010, the Human Rights Act 1998 and other relevant legislation.
- 1.2 The Investigating Officer is responsible for gathering all the facts, documents and, where applicable, for interviewing witnesses with knowledge of the facts, and they should remain objective, impartial and unbiased at all times.
- 1.3 The Subject Member and the Complainant will be advised that the investigation is for the purposes of establishing facts and making recommendations as to whether the facts disclose a breach of the relevant code of conduct.
- 1.4 Witnesses will be identified at the investigation stage and wherever possible their evidence supported by signed and dated witness statements and/or notes of interview with the Investigating Officer. The Investigating Officer cannot compel the attendance of witnesses or their co-operation.
- 1.5 The Investigating Officer will not make recommendations on sanctions.
- 1.6 The Investigating Officer will notify the Subject Member and the Complainant of their appointment, normally within 20 working days of being appointed, and:
  - (a) provide details of the complaint to the Subject Member;
  - (b) detail the procedure to be followed in respect of the investigation and the relevant timescales for responses and concluding the investigation;
  - (c) detail the sections of the Code of Conduct that appear to be relevant to the complaint;
  - (d) request contact details of any potential witnesses;
  - (e) require that confidentiality is maintained throughout the duration of the investigation and the procedures contemplated by this Annex and that details of the complaint are not disclosed to any third party, unless disclosure is to a representative, witness, immediate family members or otherwise as may be required by law or regulation. However, the fact that an investigation is being conducted does not need to remain confidential.
- 1.7 It may be necessary for the Investigating Officer to agree with the Subject Member which documents will be submitted in evidence. This will generally include documents that will be relied on, or in support of, the Subject Member's case and which are relevant to the complaint.
- 1.8 The Investigating Officer may terminate their investigation at any point, where they are satisfied that they have sufficient information to enable them to report to the Monitoring Officer.

## **2. Evidence of New Breaches**

- 2.1 The Investigating Officer may uncover evidence of conduct by councillors that breaches the Code of Conduct but extends beyond the scope of the investigation referred to them. The powers as an Investigating Officer relate only to the allegation that they been given. While that means that the Investigating Officer may consider other parts of the Code than those initially considered if they are relevant to the matter in hand, they may also uncover evidence of a possible breach that does not directly relate to the allegation being investigated. If this happens, the Investigating Officer should tell the person they obtained the information from that they cannot investigate the possible breach as part of their existing investigation. The Investigating Officer should tell them that they may wish to make a separate complaint to the authority and if the authority considers it needs further action it could be subsequently added to the investigation or dealt with as a separate matter.

## **3. Referring Cases Back to the Authority**

- 3.1 During the course of an investigation, it may be necessary to reappraise if an investigation remains the right course of action, for example, if:-
- (a) Evidence suggests a case is less serious than may have seemed apparent to the authority originally and that a different decision might therefore have been made about whether to investigate it or not;
  - (b) It is concluded after examining the matter in detail that the issues under investigation were not done by the Subject Member in their role as a councillor or as a representative of the authority but rather in a private capacity;
  - (c) Evidence indicates something which is potentially more serious and the authority may want to consider referring it to the police;
  - (d) The Subject Member has died, is seriously ill or has resigned from the authority and it is considered that it is no longer appropriate to continue with the investigation;
  - (e) The Subject Member has indicated that they wish to make a formal apology which should resolve the matter.
- 3.2 In this context 'seriously ill' means that the councillor has a medical condition which would prevent them from engaging with the process of an investigation or a hearing for the foreseeable future. This might be a terminal illness or a degenerative condition. The Investigating Officer would be expected to establish this from a reliable independent and authoritative source other than the Subject Member. This would include where a councillor claims they are suffering from stress brought on by the investigation.
- 3.3 Ultimately it will be for the Monitoring Officer to conclude whether the investigation should continue. In reaching that decision, the Monitoring Officer may consult with the Independent Person before deciding to defer or end the investigation.
- 3.4 If the matter has been deferred or ended the Subject Member and the complainant should be notified of the decision and where possible provided with timescales within which the matter will be dealt with if it has been deferred. This would not always be appropriate, however, particularly if the matter has been referred to the police.

#### **4. Deferring an Investigation**

- 4.1 An investigation should be deferred when any of the following conditions are met:
- (a) There are ongoing criminal proceedings or a police investigation into the Subject Member's conduct;
  - (b) The investigation cannot proceed without investigating similar alleged conduct or needing to come to conclusions of fact about events which are also the subject of some other investigation or court proceeding;
  - (c) The investigation might prejudice another investigation or court proceeding.
- 4.2 An investigation may also need to be deferred:-
- (a) When there is an ongoing investigation by another regulatory body;
  - (b) Because of the serious illness of a key party;
  - (c) Due to the genuine unavailability of a key party.
- 4.3 When it is clear that there is an ongoing police, or other investigation, or related court proceedings, the Investigating Officer should make enquiries about the nature of the police, or other investigation, or the nature of any court proceedings.
- 4.4 If at any time during the investigation the Investigating Officer becomes aware of any circumstances that might require the investigation to be deferred, the Investigating Officer should normally notify the Subject Member of this, but again would need to be careful where there are other proceedings ongoing. If the Investigating Officer is not the Monitoring Officer, they should notify the Monitoring Officer and seek their consent to the deferral. The Monitoring Officer may also wish to consult with the Independent Person.
- 4.5 The decision to defer an investigation should be taken by the Monitoring Officer. If someone else has been appointed as the Investigating Officer, they will need to gather sufficient information from the complainant, Subject Member, and from the police or other organisation involved, to enable the Monitoring Officer, to come to a decision. The reason for the decision to defer should be specifically set out in the investigation file with supporting documentation attached.
- 4.6 In some cases, it will be possible to investigate some of the alleged conduct, where there is no overlap with another investigation or court proceedings. The Investigating Officer should highlight those areas where investigation may be possible in the investigation plan.
- 4.7 The Monitoring Officer or the Investigating Officer should ask the police, other relevant organisation or individual in writing to keep them informed of the outcome of any police or other investigation, court proceedings or other relevant matter. Any important dates, for example of committal hearings should be noted in the investigation plan review.
- 4.8 A deferred investigation should be kept under regular review, in the interests of natural justice.
- 4.9 Once a decision is taken to begin the investigation again the Investigating Officer

should notify in writing; the Subject Member; the complainant; the relevant Independent Person; and the relevant town or parish council if the Subject Member is a town or parish councillor.

- 4.10 The investigation plan should be reviewed in the light of the outcome of any police investigation or court proceedings.

## **5. The Draft Report**

- 5.1 On the conclusion of their investigation the Investigating Officer will issue a draft report (clearly labelled 'DRAFT and CONFIDENTIAL') to the Monitoring Officer for review.

- 5.2 Following review by the Monitoring Officer, the draft report will be sent in confidence to the Subject Member and the Complainant (not witnesses) for comment. The draft report will be clearly labelled 'CONFIDENTIAL' and will detail:-

- (a) The relevant provisions of the law and the relevant paragraphs of the Code of Conduct;
- (b) A summary of the complaint;
- (c) The Subject Member's response to the complaint;
- (d) Relevant information, explanations, etc, which the Investigation Officer has obtained in the course of the investigation;
- (e) A list of any documents relevant to the matter;
- (f) A list of those persons/organisations who have been interviewed;
- (g) A statement of the Investigating Officer's draft findings of fact and reasons;
- (h) The Investigating Officer's conclusion as to whether the Subject Member has or has not failed to comply with the Authority's Code of Conduct;
- (i) That the Investigating Officer will present a final report once they have considered any comments received on the draft.

- 5.3 Once the Investigating Officer has received any responses from the Subject Member and/or the Complainant, they will finalise the draft report and make their final conclusions and recommendations to the Monitoring Officer. The report will be clearly labelled 'FINAL and CONFIDENTIAL'.

## **6. Consideration of Investigating Officer's Final Report**

- 6.1 The Monitoring Officer will review the Investigating Officer's final report and any comments submitted by the Parties, in consultation with the Independent Person.

- 6.2 Where, on the basis of the Investigating Officer's report, the Monitoring Officer, having consulted with the Independent Person, concludes that there is no evidence of a failure to comply with the Code of Conduct; they will inform the Parties in writing that no further action is considered necessary. There is no right of appeal against the Monitoring Officer's decision.



- 6.3 Where, on the basis of the Investigating Officer's report, the Monitoring Officer, having consulted with the Independent Person, concludes that there is evidence of a failure to comply with the Code of Conduct, they will either:
- (a) Take no action; or
  - (b) Seek informal resolution; or
  - (c) Refer the matter for consideration by the Hearing Panel in accordance with the relevant procedure detailed in Annex 3 to these Arrangements.

## **7. Confidentiality**

- 7.1 The procedures detailed in this Annex are all treated as confidential to those involved in the process. Some details (which would include names and addresses) may be personal data, subject to data protection laws, some content of statements or reports may be otherwise private or confidential or, may be potentially defamatory if published.
- 7.2 Whilst non-members are not covered by the Code of Conduct (e.g. members of the public, witnesses and non-councillor complainants) if, they do decide to publish details of the complaint they may expose themselves to liability in defamation (if information turns out to be untrue) or to other liabilities e.g. for breach of confidence, or for breach of data protection laws which could arise even where the information is true.

## **Hearing Panel Procedure**

### **1. Pre-Hearing Procedure**

- 1.1 In order to allow the hearing to proceed fairly and efficiently The Monitoring Officer may in appropriate cases use a pre-hearing procedure to:-
- (a) Identify which facts in the investigation report are agreed and which are in dispute.
  - (b) Whether there is fresh evidence not mentioned in the investigation report which will be put before the hearing.
  - (c) Whether there is documentary evidence which a party intends to put before the hearing.
  - (d) Establish whether the parties intend to attend, whether the parties intend to be represented in accordance with paragraph 3 and, if so, by whom, the number and identity of witnesses to be called.
  - (e) Whether the Subject Member wants the whole or any part of the hearing to be held in private.
  - (f) Whether the Subject Member wants the whole or any part of the investigation report or other relevant documents to be withheld from the public.
- 1.2 The Monitoring Officer will notify the parties of the date, time and place for the hearing.

### **2. Rules of Procedure**

- 2.1 The Hearing Panel consists of three voting elected Members drawn from the Standards Committee, one of whom shall be elected as Chairman.
- 2.2 The quorum for a meeting of the Hearing Panel is three elected Members.
- 2.3 The Independent Person's views must be sought and taken into consideration before the Hearing Panel takes any decision on whether the Subject Member's conduct constitutes a failure to comply with the Code of Conduct and as to any sanction to be taken following a finding of failure to comply with the Code of Conduct. The Independent Person should normally be present throughout the hearing (but not during the deliberations of the Hearing Panel in private) but in the event that this is not possible, may instead submit their views on the complaint to the Hearing Panel in writing.
- 2.4 The legal requirements for publishing agendas, minutes and calling meetings, will apply to the Hearing Panel. The presumption is that the hearing will be held in public no earlier than 14 working days after the Monitoring Officer has copied the Investigating Officer's final report to the complainant and the Subject Member. Schedule 12A Local Government Act 1972 (as amended) will be applied to exclude

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the public and press from meetings of the Hearing Panel where it is likely that confidential or exempt information will be disclosed.

- 2.5 Once a hearing has started, the District Council's Rules of Substitution do not apply to the Hearing Panel's proceedings.
- 2.6 All matters/issues before the Hearing Panel will be decided by a simple majority of votes cast, with the Chairman having a second or casting vote.
- 2.7 Where the Subject Member fails to attend the Hearing Panel and where the Hearing Panel is not satisfied with their explanation for their absence from the hearing, the Hearing Panel may in the first instance, have regard to any written representations submitted by the Subject Member and may resolve to proceed with the hearing in the Subject Member's absence and make a determination or, if satisfied with the Subject Member's reasons for not attending the hearing, adjourn the hearing to another date. The Hearing Panel may resolve in exceptional circumstances, that it will proceed with the hearing on the basis that it is in the public interest to hear the allegations expeditiously.<sup>1</sup>

### **3. Right to be Accompanied by a Representative**

- 3.1 The Subject Member may choose to be represented by counsel, a solicitor, or by any other person they wish. This should have been agreed as part of the the pre-hearing procedure and if the panel has any concern about the person chosen to represent the Subject Member, they should have made that clear beforehand. The panel does, however, have the right to withdraw its permission to allow a representative if that representative disrupts the hearing. However, an appropriate warning will be given before permission is withdrawn.

### **4. Order of Business**

4.1

- 4.1 Subject to paragraph 4.2 below, the order of business will be as follows:-

- (a) Elect a Chairman;
- (b) Apologies for absence;
- (c) Declarations of interests;
- (d) In the absence of the Subject Member, consideration as to whether to adjourn or to proceed with the hearing (refer to paragraph 2.7 above);
- (e) Introduction by the Chairman, of members of the Hearing Panel, the Independent Person, Monitoring Officer, Investigating Officer, legal advisor, complainant and the Subject Member and their representative;
- (f) To receive representations from the Monitoring Officer and/or Subject Member as to whether any part of the hearing should be held in private and/or whether any documents (or parts thereof) should be withheld from the public/press;

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<sup>1</sup> Janik v Standards Board for England & Adjudication Panel for England (2007)

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(g) To determine whether the public/press are to be excluded from any part of the meeting and/or whether any documents (or parts thereof) should be withheld from the public/press.

4.2 The Chairman may exercise their discretion and amend the order of business, where they consider that it is expedient to do so in order to secure the effective and fair consideration of any matter.

4.3 The Hearing Panel may adjourn the hearing at any time.

## **5. Presentation of the Complaint**

5.1 The Monitoring Officer, legal advisor or chairman may make an introductory statement outlining the nature of the complaint and the purpose of the hearing, and the procedure to be followed.

5.2 The Investigating Officer presents their report including any documentary evidence or other material and calls their witnesses. No new points will be permitted;

5.3 The Subject Member or their representative may question the Investigating Officer and any witnesses called by the Investigating Officer;

5.4 The Hearing Panel may question the Investigating Officer upon the content of their report and any witnesses called by the Investigating Officer.

## **6. Presentation of the Subject Member's Case**

6.1 The Subject Member or their representative presents their case and calls their witnesses;

6.2 The Investigating Officer may question the Subject Member and any witnesses called by the Subject Member;

6.3 The Hearing Panel may question the Subject Member and any witnesses called by the Subject Member.

## **7. Summing Up**

7.1 The Investigating Officer sums up the complaint;

7.2 The Subject Member or their representative sums up their case.

## **8. Views/Submissions of the Independent Person**

8.1 The Chairman will invite the Independent Person to express their view on whether or not they consider that on the facts presented to the Hearing Panel, there has been a breach of the Code of Conduct.

## **9. Deliberations of the Hearing Panel to be in Private**

9.1 The Hearing Panel will adjourn the hearing and deliberate in private (assisted on matters of law by a legal advisor) to consider whether or not, on the facts found, the Subject Member has failed to comply with the Code of Conduct.

9.2 The Hearing Panel may at any time come out of private session and reconvene the hearing in public, in order to seek additional evidence from the Investigating Officer,

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the Subject Member or the witnesses. If further information to assist the Panel cannot be presented, then the Panel may adjourn the hearing and issue directions as to the additional evidence required and by whom.

## **10. Announcing Decision on Facts Found**

10.1 The Hearing Panel will reconvene the hearing in public (if the public have not been excluded from the proceedings) and the Chairman will announce whether or not on the facts found, the Panel considers that there has been a breach of the Code of Conduct.

10.2 Where the Hearing Panel considers that there has been a breach of the Code of Conduct, the Chairman will invite the Independent Person, the Subject Member and the Monitoring Officer to make their representations as to whether or not any sanctions should be applied and, if so, what form they should take.

10.3 When deciding whether to apply one or more sanctions, the Hearing Panel will ensure that the application of any sanction is reasonable and proportionate to the Subject Member's behaviour. The Hearing Panel will consider the following questions along with any other relevant circumstances or other factors specific to the local environment:-

- (a) What was the Subject Member's intention and did they know that they were failing to follow the District or Parish Council's Code of Conduct?
- (b) Did the Subject Member receive advice from officers before the incident and was that advice acted on in good faith?
- (c) Has there been a breach of trust?
- (d) Has there been financial impropriety, e.g. improper expense claims or procedural irregularities?
- (e) What was the result/impact of failing to follow the District or Parish Council's Code of Conduct?
- (f) How serious was the incident?
- (g) Does the Subject Member accept that they were at fault?
- (h) Did the Subject Member apologise to the relevant persons?
- (i) Has the Subject Member previously been reprimanded or warned for similar misconduct?
- (j) Has the Subject Member previously breached the District or Parish Council's Code of Conduct?
- (k) Is there likely to be a repetition of the incident?

10.4 Mitigating factors may include:-

- (a) An honestly held, although mistaken, view that the action concerned did not constitute a failure to follow the provisions of the Code of Conduct, particularly where such a view has been formed after taking appropriate advice;
- (b) A councillor's previous record of good service;

- (c) Substantiated evidence that the councillor's actions have been affected by ill-health;
- (d) Recognition that there has been a failure to follow the Code; co-operation in rectifying the effects of that failure; an apology to affected persons where that is appropriate, self-reporting of the breach by the councillor;
- (e) Compliance with the Code since the events giving rise to the complaint.

10.5 Aggravating factors may include:-

- (a) Dishonesty or breaches of trust;
- (b) Trying to gain an advantage or disadvantage for themselves or others;
- (c) Bullying;
- (d) Continuing to deny the facts despite clear contrary evidence;
- (e) Seeking unfairly to blame other people;
- (f) Failing to heed appropriate advice or warnings or previous findings of a failure to follow the provisions of the Code;
- (g) Persisting with a pattern of behaviour which involves repeatedly failing to abide by the provisions of the Code.

10.6 Having heard the representations of the Independent Person, the Subject Member and the Monitoring Officer on the application of sanctions, the Hearing Panel will adjourn and deliberate in private.

10.5 If evidence presented to the Hearing Panel highlights other potential breaches of the District or Parish Council's Code of Conduct, then the Chairman will outline the Hearing Panel's concerns and recommend that the matter be referred to the Monitoring Officer as a new complaint.

## **11. Final Decision**

11.1 Where the complaint has a number of aspects, the Hearing Panel may reach a finding, apply a sanction and/or make a recommendation on each aspect separately.

11.2 The Hearing Panel will make its decision on the balance of probabilities, based on the evidence before it during the hearing.

11.3 Having taken into account the Independent Person, the Subject Member and the Monitoring Officer's representations on the application of sanctions, the Hearing Panel will reconvene the hearing in public and the Chairman will announce:-

- (a) The Panel's decision as to whether or not the Subject Member has failed to comply with the Code of Conduct, and the principal reasons for the decision;
- (b) The sanctions (if any) to be applied;
- (c) The recommendations (if any) to be made to the District or Parish Council or Monitoring Officer;

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- (d) That there is no right of appeal against the Panel's decision and/or recommendations.

## **12. Range of Possible Sanctions or Other Actions**

12.1 Where the Hearing Panel determines that the Subject Member has failed to comply with the Code of Conduct, any one or more of the following sanctions may be applied/recommended:-

- (a) Report its findings in respect of the subject member's conduct to the Council (or the relevant Parish Council);
- (b) Issue (or recommend to the Parish Council to issue) a formal censure (i.e. the issue of an unfavourable opinion or judgement or reprimand);
- (c) Recommend to the leader of the authority that the Subject Member be removed from positions of responsibility;
- (d) Instruct the monitoring officer to (or recommend that the Parish Council) arrange training for the Subject Member;
- (e) Recommend to Council (or recommend to the Parish Council) that the Subject Member be removed from all outside appointments to which they have been appointed or nominated by the authority (or by the parish Council);
- (f) Recommend to Council (or recommend to the Parish Council) that it withdraws facilities provided to the Subject Member by the authority for a specified period, such as a computer, website and/or email and internet access; or
- (g) Recommend to Council (or recommend that the Parish Council) that it excludes the Subject Member from the authority's offices or other premises for a specified period, with the exception of meeting rooms as necessary for attending Council, committee and sub-committee meetings and/or restricts contact with officers to named officers only;
- (h) If relevant recommend to Council that the Subject Member be removed from their role as leader of the authority;
- (i) If relevant recommend to the secretary or appropriate official of a political group that the councillor be removed as group leader or other position of responsibility;
- (j) Recommend that the Subject Member make an apology in respect of the conduct or take some other action to resolve the matter.

12.2 Where the Subject Member is a Parish or Town councillor, the matter is referred back to their Council to say that a breach of the Code has been found and with a recommended sanction. The Town or Parish Council must then meet to consider whether to impose that sanction or to replace it with another relevant sanction. They cannot overturn the finding that there has been a breach of the Code and if they wish to impose a different sanction they should seek advice from the clerk and/or the Monitoring Officer. The panel should also ask the Parish or Council to report back to the monitoring officer within three months to confirm that they have met to discuss the sanction, and if necessary, to write again once the sanction has been fulfilled

12.3 Note that under the Model Code of Conduct failure to comply with a sanction may of itself be a breach of the Code.

12.4 The Hearing Panel has no power to suspend or disqualify the Subject Member or to withdraw basic or special responsibility allowances.

12.4 The Hearing Panel may specify that any sanction take effect immediately or take effect at a later date and that the sanction be time limited.

### **13. Publicising the Findings**

13.1 The panel should arrange for a decision notice to be published on the website of any authorities concerned, and anywhere else the panel considers appropriate. A template decision notice is appended which may be used for these purposes.

13.2 If the panel finds that the Subject Member did not fail to follow the authority's Code of Conduct, the public summary must say this and give reasons for this finding.

13.3 If the panel finds that the Subject Member failed to follow the Code but that no action is needed, the public summary should:-

(a) Say that the councillor failed to follow the Code, but that no action needs to be taken;

(b) Outline what happened;

(c) Give reasons for the panel's decision not to take any action.

13.4 If the panel finds that a councillor failed to follow the Code and it imposed a a sanction,the public summary should:-

(a) Say that the councillor failed to follow the Code;

(b) Outline what happened;

(c) Explain what sanction has been imposed;

(d) Give reasons for the decision made by the panel.

13.5 The panel's reports and minutes should be available for public inspection in the same way as other local authority committee papers.

### **14. Appeals**

14.1 Given that the framework and sanctions are meant to be light-touch and proportionate, there is no right of appeal against a decision on a Code of Conduct complaint.



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## **TEMPLATE – DECISION NOTICE (of Hearing Panel)**

### **Complaint No: xxxx**

On [insert date], the Hearing Panel of xxxx District Council considered a report of an investigation into the alleged conduct of [insert name of councillor], a member of [insert authority name]. A general summary of the complaint is set out below.

### **Complaint summary**

[Summarise complaint in numbered paragraphs as set out in the Investigating Officer's report to the Hearing Panel]

### **Consultation with Independent Person**

[Summarise the Independent Person's views in numbered paragraphs]

### **Findings**

After considering the submissions of the parties to the hearing and the views of the Independent Person, the Hearing Panel reached the following decision(s):

[Summarise the finding of facts and the Hearing Panel's decision against each finding of fact in numbered paragraphs as set out in the Investigating Officer's report to the Hearing Panel, but substitute the Investigating Officer for the Hearing Panel. Please note that the Hearing Panel's findings may differ from that of the Investigating Officer]

The Hearing Panel also made the following recommendation(s)

[Detail recommendations]

### **Sanctions applied**

The breach of the [insert authority name] Code of Conduct warrants a [detail sanctions applied].

### **Appeal**

There is no right of appeal against the Hearing Panel's decision.

### **Notification of decision**

This decision notice is sent to the:

- Councillor [name of councillor]
- Complainant
- Monitoring Officer
- [Clerk to the xxxx Parish/Town Council];
- Kent County Council's Monitoring Officer *[applicable only where the Councillor is serving at both District and County level]*

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**Additional help**

If you need additional support in relation to this decision notice or future contact with the District Council, please let us know as soon as possible. If you have difficulty reading this notice, we can make reasonable adjustments to assist you, in line with the requirements of the Equality Act 2010. We can also help if English is not your first language. Please refer to the attached Community Interpreting Service leaflet or contact our Customer Services on [insert telephone number] or email [insert email address].

**Signed:**

**Date**

**Print name:**

Chairman of the Hearing Panel  
Xxxxx District Council

## AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

**26 July 2022**

### Housing Benefit Subsidy Claim 2020-21

<b>Final Decision-Maker</b>	Audit Governance and Standards Committee
<b>Lead Head of Service</b>	Georgia Hawkes Mid Kent Services Director
<b>Lead Officer and Report Author</b>	Zoe Kent, Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

Maidstone Borough Council pays Housing Benefit to residents on behalf of the Department for Work and Pensions (DWP).

A claim is submitted to the DWP for the recovery of the Housing Benefit paid to residents. Before the DWP makes any payment, a detailed audit is required to be carried out to ensure the accuracy of the claim.

The Audit was undertaken by Grant Thornton to certify the Housing Benefit Subsidy Claim for 2020-21. Whilst the audit identified six errors for which an adjustment had to be made, the original claim as presented by the Council was held to be 99.99% accurate.

#### **Purpose of Report**

Report is for noting only.

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

1. That the committee notes the findings of the Housing Benefit Grant Audit undertaken by Grant Thornton.

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 July 2022

# Housing Benefit Subsidy Claim 2020-21

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	In maintaining effective financial controls, the Council is able to confidently progress its priorities.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Cross Cutting Objectives</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Risk Management</b>	The work undertaken by Grant Thornton provides external assurance to the Council on the effectiveness of arrangements for the accurate payment and recording of benefit expenditure.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Financial</b>	The adjustments outlined have minimal impact on the net value of the Council's claim and the level of error identified does not indicate any significant underlying control weaknesses.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Staffing</b>	No impact.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Legal</b>	The Department for Work and Pensions has developed the Housing Benefit Assurance Procedure (HBAP) that provides a comprehensive guide to providing assurance of Housing Benefit Subsidy claims submitted by Local Authorities including the testing methodology to establish a basis for the assurance and amendment of claims prior to the final submission and the provision of the tools with which to conduct the assurance engagement.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership

	The Housing Benefit Grant Claim Audit by Grant Thornton was undertaken in accordance with the HBAP procedures.	
<b>Privacy and Data Protection</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Equalities</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Public Health</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Crime and Disorder</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Procurement</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Biodiversity and Climate Change</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership

## 2. INTRODUCTION AND BACKGROUND

- 2.1 Each year the Housing Benefit audit process is due to be completed by 30 November, which is the deadline set by the Department for Work and Pensions (DWP).

- 2.2 Due to the COVID pandemic, the DWP recognised there might be operational issues with external audit companies and local authorities meeting this deadline so offered authorities an alternative deadline of 31 January 2022.
- 2.3 Unfortunately, due to staff resource issues at Grant Thornton, the Council had to request the DWP for a further extension to May 2022.
- 2.4 External Audit undertook an initial sample check of 40 Housing Benefit claims across the main areas of expenditure and identified three errors:
- Other income had been incorrectly applied in a case in receipt of Employment and Support Allowance (ESA).
  - Incorrect LHA rate used, as this error causes an underpayment no further testing was needed.
  - Spare room subsidy incorrectly applied; this also causes an underpayment, so no further testing was required.
- 2.5 As a result of the error on a claim in receipt of ESA, all claims in receipt of ESA and other income were reviewed, one claim was found with an error of £1.
- 2.6 External Audit carried out further testing on prior year errors testing 40 cases in each error type. The testing was carried out on calculation of earnings and self-employed earnings, application of the family premium, misclassification of overpayments, and calculation of tax credits. No errors were found in the testing of the application of the family premium.
- 2.7 Five errors in the calculation of earnings resulted in an overpayment of Housing Benefit to a total of £701.
- 2.8 External Audit carried out further tests on a sample of 40 cases for Tax Credits. One error was identified with a value of £4 due to an incorrect value of Tax Credits being applied.
- 2.9 Six cases were identified which had been incorrectly classified in the cells on the return. These amounts have been amended on the Subsidy claim form.
- 2.10 The values of errors provided for a total adjustment of £127 to the claim. This error rate suggests the original claim as presented by the Council was 99.99% accurate.
- 2.11 The Revenues and Benefits Service carried out over 50,000 benefit assessments during 2020-21 and whilst that work is undertaken with a high degree of accuracy, supported by robust quality assurance measures, a level of error is unavoidable. It is commonplace for Housing Benefit grant claims to be qualified.
- 2.12 Due to the number and types of errors identified, it is not proposed to have an action plan put in place. Staff will be reminded of the importance to ensure figures are not transposed and calculations are double checked to minimise errors in the future.

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### **3. AVAILABLE OPTIONS**

3.1 Report is presented for information only.

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

4.1 Report is presented for information only.

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### **5. RISK**

5.1 This report is presented for information only and has no risk management implications.

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

6.1 The report is provided for information only with no consultation required.

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

7.1 Report is provided for information only.

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### **8. REPORT APPENDICES**

8.1 Appendix 1: Grant Thornton Qualification Letter

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### **9. BACKGROUND PAPERS**

None



Housing Benefit Unit  
 Housing Delivery Division  
 DWP Business Finance & Housing Delivery Directorate  
 Room B120D  
 Warbeck House  
 Blackpool  
 Lancashire  
 FY2 0UZ

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 30 Finsbury Square  
 London  
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Section 151 Officer Maidstone Borough Council

x May 2022

Dear Sir

**Housing Benefit (Subsidy) Assurance Process 2020-21 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2021**

**To: Housing Benefit Unit, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ. [lawelfare.lapaymentsandsubsidy@dwp.gov.uk](mailto:lawelfare.lapaymentsandsubsidy@dwp.gov.uk)**

**And: The Section 151 Officer of Maidstone Borough Council**

This report is produced in accordance with the terms of our engagement letter with Maidstone Borough Council dated 29<sup>th</sup> June 2018 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2020/21 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Maidstone Borough Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 28<sup>th</sup> April 2021.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2020/21.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.



## Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2020/21 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

## Our approach

For the purpose of the HBAP engagement we have been provided with a copy of form MPF720A 2020/21 received from the section 151 officers verifiable email address and dated 28<sup>th</sup> April 2021 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 28<sup>th</sup> April 2021, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

## Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures, or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

## Summary of HBAP report

### Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results, other than for:

- one case relating to cell 94. For this case the Authority had reached a "pass" conclusion but we concluded that "spare room subsidy" had been applied to the claim incorrectly. As this error will only ever lead to an underpayment of benefit no additional testing was performed. Further details are given at Appendix B below. As our initial reperformance had identified an error we selected two further cases for reperformance. For both cases we agreed with the Authority's conclusion. We therefore concluded it was appropriate to place reliance on the Council's findings for the remaining cases not subject to reperformance.
- one case relating to cell 214 (modified schemes testing). For this case the Authority had reached a "pass" conclusion but we concluded that the annual uprating for war pensions had taken place from too early a date. As applying the annual uprating for war pensions from too early a date is an error which will always lead to an underpayment of subsidy, no additional testing was performed. Further details are given at Appendix B below. As our initial reperformance had identified an error we selected one

further case for reperformance. For this case we agreed with the Authority's conclusion. We therefore concluded it was appropriate to place reliance on the Council's findings for the remaining cases not subject to re-performance.

#### **Cell 011 Non-HRA Rent Rebates**

No claims were found to be in error

#### **Cell 055 HRA Rent Rebates**

The Council does not have housing stock and there are no HRA Rent Rebate cases to be tested.

#### **Cell 094 Rent Allowances**

Cell 094 - Incorrect amount of ESA used in calculations

Initial testing identified one claim where an incorrect amount of ESA had been used in calculations. As it was not possible to correctly establish the value of the error for amendment additional testing was performed. As the remaining population was under 100 cases all remaining cases were tested.

Cell 094 - Incorrect LHA rate used in calculations

Initial testing identified one claim where an incorrect LHA rate had been used in calculations as a rate increase relating to the pandemic had not been applied, leading to an underpayment of benefit. As an error of this type would always give rise to an underpayment no additional testing was performed.

Cell 094 - Spare room subsidy incorrectly applied to claim

Initial testing identified one claim where a "spare room subsidy" had been incorrectly applied, reducing the applicable rent and leading to an underpayment of benefit. As an error of this type would always give rise to an underpayment no additional testing was performed.

#### **Completion of Modules**

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

##### Completion of Module 2

We completed Module 2 on the uprating of system parameters. No issues were identified.

##### Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

#### **Summary of testing arising from Cumulative Assurance Knowledge and Experience**

In line with the requirements of the HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the Authority has completed testing of the sub populations for:

- Non HRA Rent Rebate Cell 011: Incorrect calculation of earnings
- Non HRA Rent Rebate Cell 011: Incorrect calculation of other income with ESA
- Non HRA Rent Rebate Cell 011: Incorrect application of family premium
- Non HRA Rent Rebate Cell 028: Misclassification of overpayments
- Rent Allowances Cell 094: Incorrect calculation of tax credits
- Rent Allowances Cell 094: Earned income and self employed income calculation errors

We re-performed a sample of the Authority's testing. We confirm that the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

The following CAKE tests returned no errors and are considered as closed;

- Non HRA Rent Rebate Cell 011: Incorrect calculation of other income with ESA
- Non HRA Rent Rebate Cell 011: Incorrect application of family premium.

**Summary paragraph/ending of letter**

For the form MPF720A dated 28<sup>th</sup> April 2021 for the year ended 31 March 2021 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).

Firm of accountants: Grant Thornton UK LLP

Office: Finsbury Square, London

Contact details (person, phone and email): Paul Dossett

[paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com)

Signature:

Date:

**Appendix A Exceptions/errors found**

*Error Type 3 – benefit overpaid or insufficient supporting information.*

**Cell 094 Overpaid benefit – incorrect calculation of Tax Credits****Cell 094: Rent allowances total expenditure****Cell Total: £35,539,632****Cell Total: £6,732,606 – sub population****Cell Population: 6,641 cases****Cell Population: 1,300 cases – sub population****Headline Cell: £35,539,632**

In 2019/20 we identified four cases where benefit had been incorrectly calculated due to errors in the calculation of working or child tax credits. In our initial testing for 2020/21 we tested five cases (total value £17,003) involving calculations using tax credits and no errors were identified.

However, given the nature of the population and the errors found in 2019/20 we tested an additional sample of 40 cases with calculations involving tax credits.

This additional testing identified one case (value £2,258) where calculations involving tax credits were incorrect, resulting in an overpayment of housing benefit to a total of £4.

This is the fourth year that this error has been identified in the HBAP Report.

The following table is based on these findings:

Sample:	Movement/ brief note of error	Original cell total: Sub population	Sample error:	Sample value:	Percentage error rate (given small value, calculated to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 5 cases	Incorrect calculation of tax credits	£35,539,632	£0	£17,003		
Additional sample - 40 cases	Incorrect calculation of tax credits	£6,732,606	£4	£199,755		
<b>Combined sample - 45 cases</b>	<b>Incorrect calculation of tax credits</b>	<b>£6,732,606</b>	<b>£4</b>	<b>£216,758</b>	<b>0.002%</b>	<b>£135</b>
Corresponding adjustment	Cell 102 is overstated	£6,732,606	£4	£216,758	0.002%	(£135)
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 113</b>					<b>£135</b>

*Error Type 3 – benefit overpaid or insufficient supporting information.*

**Cell 094 Overpaid benefit – earned income and self-employed income calculation errors**

**Cell 094: Rent allowances total expenditure**

**Cell Total: £35,539,632**

**Cell Total: £6,174,269 – sub population**

**Cell Population: 6,641 cases**

**Cell Population: 1,283 cases – sub population**

**Headline Cell: £35,539,632**

In 2019/20 we identified five cases where benefit had been incorrectly calculated due to errors in the calculation of earned income or self-employed income. In our initial testing for 2020/21 we tested two cases (total value £10,036) with calculations involving earned income or self-employed income and no errors were identified.

However, given the nature of the population and the errors found in 2019/20 we tested an additional sample of 40 cases with calculations involving earned income or self-employed income.

This additional testing identified;

- 3 cases (total value: £11,476) with errors which resulted in an overpayment of housing benefit totalling £487 in 2020/21 due to miscalculating the claimants' earned income or self-employed income. The errors ranged from £0.09 to £478.
- 3 cases (total value: £15,840) with errors resulting in an underpayment of benefit totalling £150 due to miscalculating the claimants' earned income or self-employed income
- one case (value £8,976) with an error due to miscalculating the claimants' earned income or self-employed income where there was no impact on benefit.

As there is no eligibility to subsidy for benefit which has not been paid the underpayments identified and the error with no impact on benefit do not affect subsidy and have not been classified as errors for subsidy extrapolation purposes.

This is the fourth year that this error has been identified in the HBAP Report.

We noted that there was one case where the claimant had a salary sacrifice arrangement. For this claimant the Council had based its assessment on the information available from the Benefit Verify Earnings and Pension scheme, including the claimant's gross taxable pay, but did not have information on the claimant's pension contributions. Where assessments are based on gross taxable pay rather than gross remuneration, including contributions to pension schemes, then income may be understated. However, we concluded that as the Council's calculations were based on the information available there was no error for subsidy purposes.

The following table is based on these findings:

Sample:	Movement/ brief note of error	Original cell total: Sub population	Sample error:	Sample value:	Percentage error rate (given small value, calculated to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 2 cases	Earned income and self-employed income incorrectly calculated	£35,539,632	£0	£10,036		
CAKE sample – 40 cases	Self-employed income incorrectly calculated	£6,174,269	£487	£202,274		
<b>Combined sample – 42 cases</b>	<b>Self-employed income incorrectly calculated</b>	<b>£6,174,269</b>	<b>£487</b>	<b>£212,310</b>	<b>0.229%</b>	<b>£14,139</b>
Corresponding adjustment:	Cell 102 is overstated	£6,174,269	£9	£212,310	0.004%	(£247)
Corresponding adjustment:	Cell 103 is overstated	£6,174,269	£478	<b>£212,310</b>	<b>0.225%</b>	(£13,892)
<b>Total corresponding adjustment</b>	<b>Total understatement of Cell 113</b>					<b>£14,139</b>



## Appendix B Observations

*Error Type 3 – benefit overpaid or insufficient supporting information*

### **Cell 011 Incorrect calculation of other income with ESA**

**Cell 011: Rent rebates (Tenants of Non-HRA properties): Total expenditure**

**Cell total: £1,083,230**

**Cell Total £1065 – sub population**

**Cell Population: 415 cases**

**Cell Population: 1 case – sub population**

**Headline Cell: £1,083,230**

In 2019/20 we identified one case where the authority had included an amount in other income to ensure the correct level of ESA was applied which was incorrect, resulting in an underpayment. In our initial testing for 2020/21 we did not test any cases where ESA was applied.

However, given the nature of the population and the errors found in 2019/20 we performed additional testing in 2020/21. For 2020-21 the sub-population included one case only. This case was tested and no errors were identified.

*Error Type 3 – benefit overpaid or insufficient supporting information*

### **Cell 011 Incorrect application of family premium**

**Cell 011: Rent rebates (Tenants of Non-HRA properties): Total expenditure**

**Cell total: £1,083,230**

**Cell Total £23,696– sub population**

**Cell Population: 415 cases**

**Cell Population: 6 cases – sub population**

**Headline Cell: £1,083,230**

In 2019/20 we identified five cases where family premium had been applied incorrectly, although in all cases there was no impact on benefit. In our initial testing for 2020/21 we did not test any cases where family premium had been applied.

However, given the nature of the population and the errors found in 2019/20 we performed additional testing on cases where family premium had been applied in 2020/21. For 2020-21 the sub-population included six cases only. All cases were tested and no errors were identified.

*Error type 1 – underpaid benefit which would always result in an underpayment*

### **Cell 094: Spare room subsidy incorrectly applied to claim**

Testing of an initial sample of 20 claims from headline cell 94 identified one claim (value £134) where a “spare room subsidy” had been incorrectly applied to the claim, resulting in an underpayment of £21.

Applying a spare room subsidy when it is not applicable will reduce applicable rent and therefore the amount of subsidy payable. As this error will only ever lead to an underpayment of benefit no additional testing has been performed.

**Cell 094: Incorrect LHA rate used as national Covid increase to LHA rates not applied.**

Testing of an initial sample of 20 claims from headline cell 94 identified one claim (value £8,574) where the LHA rate used was incorrect as an increase relating to the Covid pandemic had not been applied, resulting in an underpayment of £1,103.

As failure to apply an increase to the LHA rate is an error which will only ever lead to an underpayment of benefit no additional testing has been performed.

**Cell 214 (Modified schemes): Annual uprating of war pensions applied from the wrong date**

Testing of an initial sample of claims from cell 214 identified one claim (value £538) where the annual uprating for war pensions had taken place from too early a date.

Although the error for this period resulted in an overstatement of £21 at cell 214 (paying 75% subsidy), the claimant would have entitled to a cell 94 rent allowance claim for the same period, paying 100% subsidy. Therefore this error led to a net underpayment of subsidy.

As applying the annual uprating for war pensions from too early a date is an error which will always lead to an underpayment of subsidy, no additional testing has been performed.

*Error Type 4 – Expenditure Misclassification***Cell 28 Expenditure misclassification – Incorrect classification of eligible overpayments****Cell Total: £6,415****Cell population: 17 cases****Headline Cell: £1,083,230**

In 2019/20 we identified one case where an overpayment in cell 28 had been incorrectly classified. Given the error found in 2019/20 additional testing was performed on the classification of overpayments in cell 28 in 2020/21. As there were only 13 cases in cell 28 all cases were tested by the Authority.

Our initial re-performance for six cases identified one case which the Authority had concluded was a "Pass" but which we concluded should have been a "Fail". All remaining cases in the population were therefore reviewed and subject to re-performance.

Testing identified;

- one case where an overpayment of £1,776 had been classified to cell 28 but should have been classified to cell 26
- 5 cases where overpayments to a total of £2,121 had been classified to cell 28 but should have been classified to cell 27.

Therefore the following amendments to the claim form are required;

- cell 28 to reduce by £3,897
- cell 26 to increase by £1,776
- cell 27 to increase by £2,121.

This is reflected in the amendments made to Form MPF720A dated xx/05/2022.

This is the second year that we have reported this error.

*Error Type 3 – benefit overpaid or insufficient supporting information***Cell 094 Incorrect amount of ESA (Contributions based) used in claim calculations.****Cell 094: Rent allowances total expenditure****Cell Total: £35,539,632****Cell Total £532,759– sub population****Cell Population: 6,641 cases****Cell Population: 95 cases – sub population****Headline Cell: £35,539,632**

Testing of an initial sample of 20 claims from headline cell 94 identified one claim (value £7,773) where an incorrect amount of ESA (Contributions based) had been used in claim calculations. There was no impact on benefit. As there is no eligibility to subsidy for benefit which has not been paid the error did not affect subsidy and has not been classified as an error for subsidy extrapolation purposes.

However, as an error of this type could also give rise to an overpayment additional testing was performed. As there were only 95 further cases in the sub-population all cases were tested.

This additional testing identified;

- 20 further cases (total value £139,136) where an Incorrect amount of ESA (Contributions based) had been used in claim calculations, but where there was no impact on benefit
- one case (value £7,497) where benefit had been overpaid by £1 as an Incorrect amount of ESA (Contributions based) had been used in claim calculations. As the entire sub-population has been tested this error was dealt with through a claim amendment.

We have re-performed the test on all cases and concluded the Authority's findings were correct.

The following amendments to the claim form are required;

- cell 102 to reduce by £1
- cell 113 to increase by £1.

There is no impact on Cell 94 for these amendments.

This is reflected in the amendments made to Form MPF720A dated xx/05/2022.

This is the first year that we have reported this error.

*Error Type 3 – benefit overpaid or insufficient supporting information*

**Cell 011 Earned income calculation errors**

**Cell 011: Rent rebates (Tenants of Non-HRA properties): Total expenditure**

**£1,083,230**

**Cell Total: £100,050 – sub population**

**Cell Population: 415 cases**

**Cell Population: 38 cases – sub population**

**Headline Cell: £1,083,230**

In 2019/20 we identified one case where benefit had been incorrectly calculated due to an error in the calculation of earned income. Given the error identified in 2019/20 we performed additional testing on cell 11 cases with earned income in 2020/21. As there were only 31 cases in the sub-population all cases were tested.

This additional testing identified three cases where benefit had been incorrectly calculated due to an error in the calculation of earned income. In two cases this had resulted in an overpayment of benefit to an aggregate total of £214. For the remaining case there was no impact on benefit.

As the entire sub-population has been tested the errors were dealt with by way of claim amendment.

We have re-performed the test on six cases and the Authority's findings on those claims were correct.

The following amendments to the claim form are required;

- cell 14 to reduce by £214
- cell 26 to increase by £214.

There is no impact on Cell 11 for these amendments.

This is reflected in the amendments made to Form MPF720A dated xx/05/2022.

This is the first year that we have reported this error.

**Appendix D: Additional issues**

There are no additional issues.

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# Agenda Item 18

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

**26 July 2022**

### **Fraud and Compliance Team Update 2020-21 and 2021-22**

<b>Final Decision-Maker</b>	Audit Governance and Standards Committee
<b>Lead Head of Service</b>	Georgia Hawkes Mid Kent Services Director
<b>Lead Officer and Report Author</b>	Zoe Kent, Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

To update the Committee on work undertaken by the Revenues and Benefits Fraud & Compliance team for the financial years 2020-21 and 2021-22.

#### **Purpose of Report**

Noting

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

1. That the contents of the report are noted.

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 July 2022

## Fraud and Compliance Team Update 2020-21 and 2021-22

### 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	We do not expect the recommendations will by themselves materially affect the achievement of the corporate priorities.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Cross Cutting Objectives</b>	None	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Risk Management</b>	This report is presented for information only and has no risk management implications.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Financial</b>	The Fraud & Compliance team receives funding from Kent County Council of £150,040 (on expected 3:1 savings). The cost to Maidstone Borough Council for the service is £28,894	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Staffing</b>	There are no changes to staffing proposed in this report.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Legal</b>	It is a function of the Audit, Governance and Standards Committee to monitor the effectiveness of the Council's counter-fraud and corruption strategy. This report provides an update on the work undertaken by the Revenues and Benefits Fraud & Compliance team. There is no statutory duty to report regularly to committee on the team's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership

	value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency, and effectiveness. Reports on the team's performance assist in demonstrating best value and compliance with the statutory duty.	
<b>Privacy and Data Protection</b>	Accepting the recommendations will not increase the volume of personal data held by the Council	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Public Health</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Crime and Disorder</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Procurement</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership
<b>Biodiversity and Climate Change</b>	No impact	Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership



## **2. INTRODUCTION AND BACKGROUND**

- 2.1 The purpose of this report is to advise the Committee of the work undertaken by the Fraud & Compliance team within the Mid Kent Revenues and Benefits Partnership.
- 2.2 In 2016 the responsibility for investigating Housing Benefit fraud was moved from the Council's Housing Benefit service to the Department for Works and Pensions (DWP).
- 2.3 The Council took the decision to continue with a shared fraud team along with Swale and Tunbridge Wells borough councils, as part of Mid Kent Services, using the team to investigate fraud and error within Council Tax and Business Rates.
- 2.4 The localisation of Council Tax Support and reliance on Business Rates as an income for the authority changed the financial risk to the Council and preceptors. Whilst there had been some activity to address the risk associated with single person discounts for Council Tax, the service had historically focused its efforts on Housing Benefit.
- 2.5 The transfer of the Housing Benefit fraud function to the DWP created both a risk and opportunity to the Council. With the administration of Housing Benefit and Council Tax Support being directly linked the Council had in effect been able to 'police' the two systems at the same time.
- 2.6 The change also created an opportunity in releasing a team of experienced specialist staff, with good local knowledge, to both manage the ongoing risk within Council Tax Support and deliver capacity to expand their work into other areas both within the Council and Business Rates systems.
- 2.7 With the value of discounts and exemptions estimated in excess of £16 million and the risk of customer fraud high, agreement was reached with the support of the precepting authorities to fund the current team on the understanding that there would be a suitable return on investment.
- 2.8 The agreed business case set out a method of sharing the cost and projected savings in line with the value to each partner based on their level of precept.

### 2020/21 Outturn

- 2.9 The focus in 2020-21 changed due to COVID-19. The majority of compliance reviews were halted, and the team were moved to helping with the applications for Business Rates Grants and Test and Trace payments.
- 2.10 In 2018-2019 penalties were introduced where those residents who do not report changes or who fraudulently make claims for discounts are issued with a penalty of £70. Penalties were not issued during 2020-21 due to the disruption caused by the COVID pandemic.
- 2.11 Table 1 shows a summary of savings generated across the 3 authorities by the team for 2020-21.

Table 1

Single Person Discount	£127,024
Housing Benefit Matching Service (HBMS)	£110,930
National Fraud Initiative (Council Tax Reduction and Single Person Discount)	£17,888
Other	£194,455
Total	£450,297

2021-22

- 2.12 In conjunction with the Kent Intelligence Network (KIN) software was partly funded by Kent County Council with a view to sharing information with other authorities in Kent to help reduce fraud and error in the county.
- 2.13 Kent County Council has partly funded a debtor tracing tool (Retriever) which is used to trace the whereabouts of Council Taxpayers who have left their properties owing amounts of Council Tax.
- 2.14 This has been successful with over 730 Council Tax debtors being traced so we can contact them at their current address to recover monies due.
- 2.15 Table 2 shows a summary of savings generated across the 3 authorities by the team for 2021-22.

Table 2

Retriever – Council Tax Debt brought back into recovery	£978,237
Penalties	£980
Total	£979,217

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### **3. AVAILABLE OPTIONS**

- 3.1 Report is presented for information only.

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

- 4.1 Report is presented for information only.

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### **5. RISK**

- 5.1 This report is presented for information only and has no risk management implications.

**6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

None

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**7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

None

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**8. REPORT APPENDICES**

None

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**9. BACKGROUND PAPERS**

None

# Agenda Item 19

## **Audit, Governance and Standards Committee**

**26 July 2022**

### **External Audit 2020/21**

<b>Final Decision-Maker</b>	Audit, Governance and Standards Committee
<b>Lead Head of Service</b>	Mark Green, Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Mark Green, Director of Finance and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

This report provides the committee with an update on progress with the audit of the 2020/21 financial statements.

#### **Purpose of Report**

Noting.

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

1. That the report be noted.

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 July 2022

## External Audit 2020/21

### 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	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 and Business Improvement
<b>Cross Cutting Objectives</b>	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance and Business Improvement
<b>Risk Management</b>	This is detailed within section 5.	Director of Finance and Business Improvement
<b>Financial</b>	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2021, and details the council's assets, liabilities and reserves at this date. The work of the external auditor aims to provide independent assurance over this document.	Director of Finance and Business Improvement
<b>Staffing</b>	No implications identified.	Director of Finance and Business Improvement
<b>Legal</b>	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. 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	Senior Lawyer Corporate Governance

	financial statements or from the audit that need to be brought to the attention of the Executive or Council.	
<b>Privacy and Data Protection</b>	No implications identified.	Director of Finance and Business Improvement
<b>Equalities</b>	No implications identified.	Director of Finance and Business Improvement
<b>Public Health</b>	No implications identified.	Director of Finance and Business Improvement
<b>Crime and Disorder</b>	No implications identified.	
<b>Procurement</b>	No implications identified.	Director of Finance and Business Improvement
<b>Biodiversity and Climate Change</b>	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 In accordance with Accounts and Audit Regulations, the Council was required to have its audited Statement of Accounts for the 2020/21 financial year approved by the Audit, Governance and Standards Committee by 30 September 2021. Draft accounts were prepared by officers for the meeting of the Committee on 28 September 2021.
- 2.2 The external audit of the accounts by Grant Thornton was in progress at the time of publishing the agenda for this meeting. Unfortunately, after the agenda was published, officers were advised by Grant Thornton that although substantial progress had been made with the audit, it would not be possible to present an audit findings report to the Committee.
- 2.3 It was noted that there were no significant practical implications from failing to meet the 30 September deadline, such as fines or penalties, but protracted delays could result in operational challenges for the officers

involved with the audit, as assistance for the auditors would impinge on other work.

- 2.4 It was agreed by the Committee that approval of the accounts be deferred to the next meeting of the Committee, scheduled to be held on 15 November 2021.
- 2.5 At the meeting of the Committee on 15 November 2021, the Statement of Accounts for 2020/21 was presented again. A number of minor amendments to the draft Statement that was presented in September had been incorporated in the Statement. None of these changes were significant and there had been no changes to the primary statements other than some presentational amendments.
- 2.6 Unfortunately, Grant Thornton had still not completed their audit work and were unable to provide an opinion on the accounts. However, in an 'Audit Findings' report, presented to the Committee, they stated that 'our work is substantially complete'. They also stated that they had identified no material adjustments that would impact the Council's General Fund balance, and they anticipated issuing an unmodified audit report.
- 2.7 Grant Thornton noted in their Audit Findings report that the cost of assets under construction at Brunswick Street and Union Street should be reclassified from Property, Plant and Equipment to Inventory. This represented a change in classification which would have no overall impact on the accounts. The Council had in fact set out its proposed treatment of the transactions at Brunswick Street and Union Street in a detailed note in August 2021, anticipating that this could be a contentious issue, so it was surprising to find the issue being raised several weeks after the original deadline for signing the accounts. The Council agreed to reclassify the assets as requested and an updated version of the Statement of Accounts was subsequently sent to Grant Thornton.
- 2.8 At the next meeting of the Committee on 17<sup>th</sup> January 2022, Grant Thornton noted that they had received the revised set of accounts. They also stated that they were engaging with the finance team to finalise work on the remaining testing and quality review queries. In fact, details of these remaining queries had only been sent to the Council earlier in the day on 17<sup>th</sup> January. Given previous statements about audit work being substantially complete, it was surprising to receive additional queries at such a very late stage.
- 2.9 In their report to the Committee on 17<sup>th</sup> January, Grant Thornton stated that they anticipated giving an audit opinion by 31 January 2022. This did not happen, but the Grant Thornton partner assured the Director of Finance and Business Improvement that the audit report would be ready for the next meeting of the Audit Governance and Standards Committee on 14<sup>th</sup> March 2022.
- 2.10 In the event, the audit report was not ready for the meeting on 14<sup>th</sup> March. The Grant Thornton partner, Paul Dossett, attended the meeting and described staffing issues that the firm was facing. He explained that the team which had started the audit of the Council's accounts was no longer

working on local government audits. The firm's HR policies allowed employees to move onto other assignments having given the appropriate notice. The Committee asked Mr Dossett to consider what steps Grant Thornton could take to avoid such a scenario occurring in future and he has responded accordingly – see Appendix A.

2.11 The Council continue to press Grant Thornton to complete their audit work. Following an exchange of e-mails with the partner, it was agreed on 8<sup>th</sup> April that the audit manager would work solely on Maidstone's accounts until they were complete. The manager then produced a further set of queries for the Council to answer. We have now responded to these queries too.

2.12 In their most recent communication with the Director of Finance and Business Improvement on 12<sup>th</sup> July, Grant Thornton state: 'A number of amendments to the financial statements have been required in respect of the accounting treatment for the Brunswick Street and Union Street housing projects. We are currently discussing these amendments with the Council. Subject to completion of the outstanding work we anticipate giving an unqualified opinion on the 2020/21 financial statements'.

2.13 Council officers will continue to work with Grant Thornton to try and resolve the issues that the auditors have raised and hope that it will be possible to bring a signed audit report to the Committee at its September meeting.

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### **3. AVAILABLE OPTIONS**

3.1 Committee members are asked to note this report.

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

4.1 The report is for noting only.

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### **5. RISK**

5.1 Risks have been considered with reference to the Council's risk management framework, and are considered to be within acceptable levels.

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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 10 September 2021. One enquiry was received regarding Covid Grants and rent deferrals, and this has been dealt with.

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



7.1 To be discussed at the meeting.

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## **8. REPORT APPENDICES**

The following document is to be published with this report and forms part of the report:

- Appendix A: Letter from Paul Dossett
- 

## **9. BACKGROUND PAPERS**

None



Our ref: PD/RG

Audit Governance and Standards Committee  
Maidstone House  
King Street  
Maidstone  
ME15 6JQ

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28 March 2022

Dear Committee Members

At your meeting on 14 March 2022, you made a recommendation that Grant Thornton UK LLP should take steps to avoid a scenario where audit team members join other parts of the firm despite audit assignments not being completed. I explained that the firm seeks to require people (in normal circumstances) to work the same notice period in their current department as they would give if they were leaving the firm. These are usually one month for junior staff, three months for managers and six months for senior staff.

I have explored this further with our HR function and they have raised a number of issues that are worth playing back to you:

- Whilst the outgoing and incoming departments may agree longer timescales for notice periods, the firm, in a very challenging workforce market, the firm needs to balance the needs of specific business lines with the options of the individual, many of whom have offers from third parties where contractual notice can be rigidly enforced
- In the audit market, tying individuals to completion on specific audits is very problematic given the longevity of some audits (there are over 50 nationally still outstanding from 19/20 and earlier)
- The firm are very committed to the well-being of its people and for some colleagues, there are mental health challenges when performing certain duties and functions which can be ameliorated by moving to a different part of the firm.

Notwithstanding the above, in 2022, we are agreeing much firmer protocols about transfers between teams and the processes involved and I am hopefully of some improvement. We have also recruited significant numbers of new staff as well as using our GT India colleagues to help supplement our teams.

We look forward to a more satisfactory outcome to the audit in 2022.

Regards.

Yours faithfully

Paul Dossett  
Partner  
For and on behalf of Grant Thornton

## AUDIT, GOVERNANCE & STANDARDS COMMITTEE

**26 July 2022**

### Draft Annual Accounts 2021/22

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Mark Green, Director of Finance & Business Improvement
<b>Lead Officer and Report Author</b>	Paul Holland, Senior Finance Manager (Client)
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

This report presents the unaudited Statement of Accounts for 2021/22. The Statement will be subject to external audit prior to it being brought back to the Committee for formal approval in September. It also includes a paper from the external auditors which outlines their risk assessment and how it relates to the role of this committee in approving the Statement of Accounts

#### **Purpose of Report**

To give the Committee the chance to review the Statement of Accounts and to raise any questions they may have prior to the external audit.

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

1. That the unaudited Statement of Accounts for 2021/22 are noted.
2. That the external auditor's risk assessment document is noted.

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	26 July 2022

## Draft Annual Accounts 2021/22

### 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	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 and Business Improvement
<b>Cross Cutting Objectives</b>	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance and Business Improvement
<b>Risk Management</b>	This is detailed within section 5.	Director of Finance and Business Improvement
<b>Financial</b>	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2021, and details the council's assets, liabilities and reserves at this date.	Director of Finance and Business Improvement
<b>Staffing</b>	No implications identified.	Director of Finance and Business Improvement
<b>Legal</b>	<p>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.</p> <p>The Council is required to produce a statement of account in accordance with the Accounts and Audit (England) Regulations 2015.</p> <p>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</p>	Team Leader Corporate Governance

	<p>have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.</p> <p>The Statement is required to be signed off by the Director of Finance &amp; Business Improvement by 31<sup>st</sup> July 2022 and following the external audit to be approved and published by 30<sup>th</sup> November 2022.</p>	
<b>Privacy and Data Protection</b>	No implications identified.	Director of Finance and Business Improvement
<b>Equalities</b>	No implications identified.	Director of Finance and Business Improvement
<b>Public Health</b>	No implications identified.	Director of Finance and Business Improvement
<b>Crime and Disorder</b>	No implications identified.	
<b>Procurement</b>	No implications identified.	Director of Finance and Business Improvement
<b>Biodiversity and Climate Change</b>	<p>The implications of this report on biodiversity and climate change have been considered and are;</p> <ul style="list-style-type: none"> <li>• There are no implications on biodiversity and climate change.</li> </ul>	Biodiversity and Climate Change Officer

## 2. INTRODUCTION AND BACKGROUND

- 2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance and Standards Committee by 30<sup>th</sup> November 2022 in accordance with the amended Accounts & Audit Regulations.
- 2.2 Prior to that the Statement has to be signed by the Director of Finance & Business Improvement as presenting a true and fair view of the Council's financial position by 31<sup>st</sup> July 2022 and will then be subject to an external audit which is scheduled to commence next month.

2.3 This report gives the Committee the opportunity to review the Statement prior to the external audit and to raise any questions they may have.

2.4 The Statement of Accounts consists of:

**Narrative Report** – this summarises the Council’s performance over the financial year 2020/21 and highlights the most significant elements of the financial statements.

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

**Movement in Reserves Statement** – this is a financial statement which details the balances the council held in reserves at 31<sup>st</sup> March 2021, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

**Balance Sheet** – this can be seen as a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31<sup>st</sup> March 2021.

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

**Accounting Policies and Supporting Notes** – additional information provided to add context to the numbers presented in the main financial statements, and details judgements made by management in preparing this information.

**Collection Fund Statement** – this sets out income and expenditure in relation to Council Tax and Business Rates, and represents the position of the Council’s role as a billing authority in collection revenue on behalf of other bodies.

2.5 The council’s financial statements must comply with CIPFA’s Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements.

2.6 Due to the impact of the Covid-19 pandemic on local authorities the Government amended the deadlines for the publication and approval of the

accounts. The date for publication was amended from 31st May 2022 to 31st July 2022, and the date for formal approval amended from 31<sup>st</sup> July 2022 to 30<sup>th</sup> November 2022.

- 2.7 The Narrative Report is attached at Appendix 1. The unaudited version of the statement is attached at Appendix 2. At this stage members should treat this document as a draft and subject to change.
- 2.8 At the time of writing this report the accounts for 2020/21 remain unsigned by the auditors. The delay has been a consequence of the need to review and agree the accounting treatment adopted for the Brunswick Street and Union Street housing developments. An adjusted statement has been sent to the auditors and we anticipate that this will be sufficient for them to sign the accounts off. A verbal update on the progress will be given at the meeting.
- 2.9 The headline messages from the Statement of Accounts can be summarised as follows:
- Long-Term assets have increased in value by £22.667m, primarily due to asset acquisitions and expenditure, and revaluation adjustments. The major acquisitions include Maidstone House and the buy-out of Kent County Council's share of the Former Royal Mail Sorting Office. Other major items of expenditure include the Innovation Centre, housing developments at Springfield Mill and the construction of the new Mote Park Visitor Centre.
  - Cash and Cash Equivalents have increased by £22.689m, which reflects an increased level of short-term deposits held for cashflow purposes as at the balance sheet date.
  - The increase in Short Term Creditors of £25.963m is largely a consequence of grant and energy rebate monies yet to be paid out still being held from the Covid-19 pandemic.
  - The first Long-Term borrowing (£5.0m) to fund the capital programme is now in place.
  - The movement in the net pension liability has reduced by £4.421m

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### **3. AUDIT RISK ASSESSMENT**

- 3.1 Attached at Appendix 3 is a document from Grant Thornton (the external auditors) that outlines their approach to risk assessment during the audit and how it relates to the role of the Committee during this process. This paper also details the approach taken by management to calculating accounting estimates which form part of the financial statements. Members are invited to comment on this.
- 3.2 It also includes a series of questions that the auditors have asked of management and their responses. The Committee may wish to consider these responses and whether they are consistent with their understanding of the position.

#### **4. AVAILABLE OPTIONS**

- 4.1 The recommendation being made to the Committee is to note the Statement of Accounts for 2021/22, and the report from the auditors on risk assessment.
- 

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

- 5.1 That both documents are noted with the Committee having had an opportunity to review them prior to the external audit commencing.
- 

#### **6. RISK**

- 6.1 Failure to meet the statutory deadlines for production and audit of the annual accounts would result in this being highlighted in Public Sector Audit Appointments Limited's report on the results of auditors' work. The impact of this risk materialising would have largely reputational repercussions for the Council and would limit the Council's capacity to demonstrate accountability and value for money in its use of public funds. This risk has been considered with reference to the Council's risk management framework and is considered to be within acceptable levels.
- 

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

- 7.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this have been published on the Council's website and the statutory period ends on 30<sup>th</sup> August 2022. To date, no enquiries have been received in relation to this.
- 

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

- 8.1 The external audit will commence in August 2022.
- 

#### **9. REPORT APPENDICES**

- Appendix 1: Narrative Report 2021/22
  - Appendix 2: Unaudited Statement of Accounts 2021/22
  - Appendix 3: Informing the audit risk assessment 2021/22
- 

#### **10. BACKGROUND PAPERS**

None





# NARRATIVE REPORT

2021/2022





## Overview

The year ending 31 March 2022 saw Maidstone Borough Council and the community that it serves starting to recover from the Covid-19 pandemic. Central government financial support, which had helped the Council during the pandemic, was reduced, but this was offset by renewed growth in local sources of income such as parking and planning fees. As a result, the Council's financial position remains sound.

Prospects for the future are much more uncertain, with inflation likely to affect the cost of inputs to council services, at the same time as there are constraints on the capacity of the council to recoup these costs, particularly if the government continues to limit the level of Council Tax increases to 2%.

**This narrative report summarises the Council's financial position as follows:**

- Background information about Maidstone as a place and about the Council
- The Council's corporate strategy and how this is reflected in its financial strategy
- Key achievements and performance over the past year, including a summary of financial performance
- Details of the risks that the Council faces
- Outlook for the future





## Key Facts about Maidstone

### POPULATION OF MAIDSTONE BOROUGH

<b>2021</b>	175,800
<b>2020</b>	173,100

### UNEMPLOYMENT IN BOROUGH

<b>2021</b>	3.6%
<b>2020</b>	3.8%

### NUMBER OF ACTIVE BUSINESSES IN THE BOROUGH

<b>2021</b>	7,995
<b>2019</b>	7,650

### BUSINESS RATES GENERATED

<b>2021/22</b>	£43.5 million*
<b>2020/21</b>	£31.7 million*

\*net of Covid-19 Business Rates relief

### WEEKLY PAY FOR A FULL-TIME WORKER

<b>2021</b>	£631.40
<b>2020</b>	£605.50

### COUNCIL GROSS REVENUE

<b>2021/22</b>	£105.4 million
<b>2020/21</b>	£103.2 million

### COUNCIL REVENUE GENERATED LOCALLY (Excluding Covid-19 Grants)\*

<b>2021/22</b>	93.5%
<b>2020/21</b>	91.5%

### COUNCIL SURPLUS AGAINST BUDGET

<b>2021/22</b>	2.4%
<b>2020/21</b>	5.7%

### COUNCIL INVESTMENT IN LONG TERM ASSETS

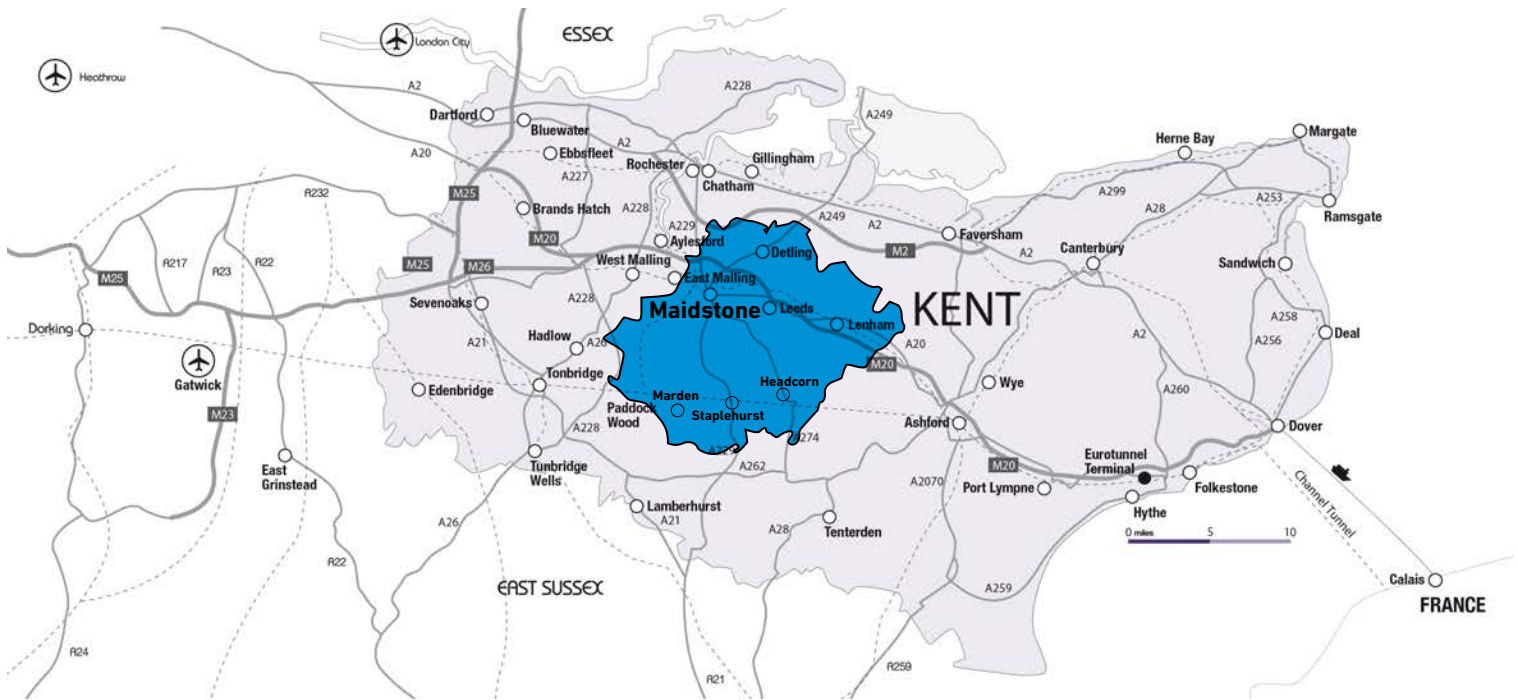
<b>2021/22</b>	£193.7 million
<b>2020/21</b>	£163.5 million

### COUNCIL'S USABLE RESERVES (excludes funding of Collection Fund deficit)

<b>2021/22</b>	£25.5 million
<b>2020/21</b>	£21.0 million

\* 2014/15 comparator used to indicate position at commencement of current local government funding regime

## About Maidstone



Maidstone is the largest borough council district in Kent, with 175,800 residents recorded in the 2021 census. Around 70% live in Maidstone, which is the County Town of Kent. In the surrounding rural area there are local service centres such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham and many smaller villages.

Maidstone has the largest economy of any Kent borough, generating an estimated £4 billion Gross Value Added per annum. The borough has around 8,000 businesses covering a diverse range of sectors including life sciences, healthcare, ICT, construction and civil engineering, professional and business services, agriculture and horticulture, and education.

The M20 from London to the Kent coast runs through the borough, providing good transport links and the opportunity for further business growth.

The town of Maidstone is surrounded by a rural area that stretches from the Kent Downs Area of Outstanding Natural Beauty in the North to the Weald in the South. The borough has a rich historical heritage, with 2,000 listed buildings and 28 scheduled ancient monuments. The River Medway flows through the borough and the town centre and, together with its tributaries, is one of the borough's prime assets. All these natural and physical advantages normally help the borough attract around four million visitors each year.





## About the Council

The Council is accountable to local residents through its 55 councillors. Following the latest borough elections in May 2022, the political composition of the Council is:

<b>Conservative</b>	<b>28</b>
<b>Liberal Democrat</b>	<b>12</b>
<b>The Independent Group (including 1 Green Party)</b>	<b>10</b>
<b>Labour</b>	<b>5</b>

The Council operates an Executive system, with decisions being made by seven Executive members, appointed by the Leader of the Council. The Council elects a Leader each year; the current Leader is Councillor David Burton (Conservative).

The day-to-day management of the council and its services is carried out by the Corporate Leadership Team, headed by Alison Broom, Chief Executive.

The Council employed 524 people (485 full time equivalent) at 31 March 2022, based at the Council's administrative offices in Maidstone House, King Street, and at service locations including the Council's depot at Bircholt Road, Parkwood.

## Maidstone's Strategic Plan and Medium Term Financial Strategy

The Council adopted a Strategic Plan in December 2018, setting out its aspirations through to 2045. The vision set out in the Plan is for Maidstone to be a vibrant, prosperous, urban and rural community at the heart of Kent, where everyone can realise their potential. Within the overall Strategic Plan, we have defined four strategic priorities: embracing growth and enabling infrastructure; making Maidstone safe, clean and green; providing homes and supporting communities; and making the borough a thriving place. Achievements in 2021/22 against these objectives and key performance indicators are set out in the following section.

The Strategic Plan has been refreshed in light of the Covid-19 pandemic. The overall strategic priorities remain the same, but specific areas of focus for the next five years have been agreed. So far as recovery from Covid-19 is concerned, the Council's approach will be based around four themes: economic recovery, supporting resilience for communities and vulnerable people, adapting the way we work, and financial recovery.

The Strategic Plan is reflected in a five year Medium Term Financial Strategy (MTFS), which is updated on an annual basis. Recognising that there is a high degree of uncertainty about the medium term financial position, the MTFS incorporates various potential scenarios, representing favourable, neutral and adverse sets of circumstances. An annual budget is drawn up and agreed by councillors based on the neutral scenario, but with consideration paid to the appropriate level of reserves to build resilience to accommodate a range of potential scenarios.

In drawing up a budget for 2022/23, the Council anticipated the likely rise in the rate of inflation by setting up an in-year corporate contingency budget of £1.3 million to address the likely impact of inflation rising above the government's target of 2%. Whilst the Council was able to set a balanced budget for the year, including the contingency budget, if inflation remains in excess of the current Council Tax referendum limit of 2%, it will need to make savings to balance the budget in future years.

When setting the budget for 2022/23, the Council set aside £3.2 million of New Homes Bonus receipts as an initial contribution towards the subsidy required for the Affordable Housing programme.

The Council's balance sheet position remains strong, with £9 million of unallocated General Fund reserves at the end of 2021/22.

# Key achievements

## EMBRACING GROWTH AND ENABLING INFRASTRUCTURE

- **Garden Community**

The Heathlands Garden Community projects has progressed well over the past twelve months, working in partnership with Homes England. As a result of the promotional work undertaken to date, the project now features as a draft “allocation” in the Council’s Local Plan Review, that goes to Examination in Public in the Autumn of 2022. The project therefore remains firmly on track, and will deliver 5,000 homes and 5,000 jobs, with the first houses to be built in the late 2020’s. The collaboration agreement that has been signed with Homes England has been referred to by them as an exemplar model that they intend to roll out with other councils.

- **Innovation Centre**

The Maidstone Innovation Centre completed in November 2021. The building is of the highest design quality, designed by Bond Bryan architects, and achieved an excellent BREEAM rating in terms of its environmental performance. Rydon were the contractor, and the project was part financed through the European Regional Development Fund. Businesses that locate within the Innovation Centre benefit from wraparound business support packages, which are also be available to other businesses operating across the Local Enterprise Region that are also focussed upon the health and med-tech sectors. There is very strong occupier demand for the building, which is ahead of the business plan forecast in terms of lettings.

## HOMES AND COMMUNITIES

- **Recovery and Renewal Strategy**

The Council has put in place a Recovery and Renewal Strategy through which it will work with the borough’s communities, the community and voluntary sector, parish councils and anchor institutions to build back better from the Covid-19 pandemic. The strategy focusses on building resilience, avoiding duplication, improving communication and identification of common goals, improving and making best use of our community infrastructure and empowering our communities to help themselves. Key elements of the strategy include a new Town Centre strategy for Maidstone, activities and events to bring visitors and residents back to the Town Centre, a community resilience fund to help the voluntary sector and measures to promote financial inclusion.

- **Trinity Place**

The Council has completed the refurbishment of an existing community asset, Trinity Place, that further supports our housing and homelessness services. This facility was previously used as a Foyer by a local housing association, providing housing and training for young people, but funding for these services had ended and the building was empty and falling into disrepair. The refurbishment has now completed allowing residents to move in from July 2022. It provides 23 self-contained one and two-bedroom apartments and studios and will cost around £1.5m to complete. The Ministry of Housing, Communities & Local Government have supported the MBC project through a Capital and Revenue Grant, with the combined sums being for circa £545k, through their Next Steps Accommodation Programme. Our housing teams will also deliver many of their frontline services directly from the community spaces situated on the ground floor of the building.

- **Completion of Brunswick Street and Union Street housing developments**

The Council completed two high quality housing developments in May 2021, both of which are redevelopments of underutilised town centre car parks. The two schemes provided 94 new homes in total, of which it has retained one third for Private Rented Sector Housing (in its housing company Maidstone Property Holdings Limited), one third for affordable housing that has been acquired by a local housing association partner, and one third of the homes for market sale through a joint venture with the Council’s developer / contractor partner, Purelake. The sales and lettings demand for all the new homes were extremely strong, with residents enjoying features to include high energy efficiency ratings, electric car charging points and balconies.

- **Maidstone Bus Station**

The Council worked closely with the facility owner, Capital & Regional, the bus operators, and Kent County Council, to lead and fund the comprehensive refurbishment of this important sustainable transport asset. The works completed in Autumn 21, at a cost of circa £1.5m, with the user experience having been transformed by this investment.

## A THRIVING PLACE

- **Love Food @ Lockmeadow**

The Council has continued to invest in the Lockmeadow leisure complex with the objective of making Maidstone a thriving place. In November 2021, the Council opened Love Food @ Lockmeadow, a food court featuring globally inspired street food from eight independent local food and drink producers including Thai, Jamaican, Asian, vegan, and American.

- **Maidstone House**

In December 2021 the Council acquired a 199 year lease over Maidstone House and the adjoining Link building from Capital & Regional, owners of the Mall shopping centre for £7.1 million. The Council already occupied three floors of Maidstone House based in King Street, and delivered customer services from the Link. The acquisition will allow the Council to reduce its occupancy costs and give it greater flexibility over how it uses the space. Ownership of a key site in the town centre also supports the Council's objective to make Maidstone a thriving place, by giving it the opportunity to invest in Maidstone House and the Link and continue developing the facilities they offer.

## KEY PERFORMANCE INDICATORS

Key Performance Indicators are set for each Council priority in consultation with the relevant Service Committee. Performance against targets is set out below.

## PRIORITY: A Thriving Place

Performance Indicator	Service	2021/22 Out-turn	2021/2022 Target	Status	Compared to 2019/20
Customer satisfaction with the Hazlitt	Leisure & Tourism	-	75.00%	-	-
Percentage of vacant retail units in the town centre	Economic Development	18%	20%	✓	↓
Number of visits per month to Visit-Maidstone.com	Economic Development	231,840	137,121	✓	↓
Footfall in the Town Centre	Economic Development	5,024,169	5,848,834.6	⊘	↓
Percentage of unemployed people in Maidstone (out-of-work benefits) [NOMIS]	Economic Development	5.0%	5.3%	✉	-
Number of students benefitting from the museums educational service	Leisure & Tourism	60	9,000	⊘	↓
Footfall at the Museum and Visitors Information Centre	Leisure & Tourism	6,825	29,494.2	⊘	↓
Number of users at the Leisure Centre	Leisure & Tourism	101,646	805,257	⊘	↓
Business Rates income from the Town Centre	Economic Development	£23,771,451.95	-	✉	↑
Total value of business rateable properties	Economic Development	£150,212,625.00	-	✉	↑

2021

## PRIORITY: A Thriving Place

Performance Indicator	Service	2021/22 Out-turn	2021/2022 Target	Status	Compared to 2010/21
Customer satisfaction with the Hazlitt	Leisure & Tourism	100%	75.00%	✓	N/A
Percentage of vacant retail units in the town centre	Economic Development	15.6%	11%	✓	↑
Number of visits per month to Visit-Maidstone.com	Economic Development	411,895	240,000	✓	↑
Footfall in the Town Centre	Economic Development	9,990.725	11,836.415	⬢	↑
Percentage of unemployed people in Maidstone (out-of-work benefits) [NOMIS]	Economic Development	3.5%	-	⬢	↑
Number of students benefitting from the museums educational service	Leisure & Tourism	8,541	9,000	▲	↑
Footfall at the Museum and Visitors Information Centre	Leisure & Tourism	33,490	29,494.2	✓	↓
Number of users at the Leisure Centre	Leisure & Tourism	275,096	645,890	✓	↓
Business Rates income from the Town Centre	Economic Development	£32,458,692.55	⬢	⬢	↓
Total value of business rateable properties	Economic Development	£149,236,854.00	⬢	⬢	↓

## PRIORITY: Clean, Safe and Green

Performance Indicator	Service	2020/21 Out-turn	2020/21 Target	Status	Compared to 2019/20
Percentage of unauthorised encampments on Council owned land removed within 5 working days	Community Protection	100.00%	100.00%	✓	↑
The percentage of relevant land and highways that is assessed as having acceptable levels of litter	Waste Crime Team	97.22%	98.00%	▲	↑
The percentage of relevant land and highways that is assessed as having acceptable levels of detritus	Waste Crime Team	94.43%	95.00%	▲	↓
Percentage of fly tips with evidential value resulting in enforcement action	Waste Crime Team	127.40%	87.00%	✓	↑
Maintenance per Hectare Spent on Parks and open Spaces	Parks & Open Spaces	£6020	⬢	⬢	-
Number of Green Flag Parks	Parks & Open Spaces	4	4	✓	-
Actual Spend of Section 106 money	Parks & Open Spaces	£412,283.00	⬢	⬢	↓
Percentage of household waste sent for reuse, recycling and composting	Waste & Recycling	53.14%	52.00%	✓	↑
Contamination: Tonnage per month rejected	Waste & Recycling	1349.99	1150.00	⬢	↑
Percentage of fly tips assessed within 2 working days	Street Cleansing	83.22%	94.00%	⬢	↓



**PRIORITY:**

**Homes & Communities**

Performance Indicator	Service	2021/22 Out-turn	2021/22 Target	Status	Compared to 2020/21
Number of completed housing assistances	Housing & Health	266			
Number of houses of multiple occupation brought to compliance by private rented sector licensing	Housing & Health	44	30		
Number of households living in temporary accommodation last night of the month (NI 156 & SDL 009-00)	Housing & Health	141			
Number of households living in nightly paid temporary accommodation last night of the month	Housing & Health	46			
Number of households housed through the housing register	Housing & Health	713	600		
Percentage of successful Prevention Duty outcomes	Housing & Health	75.06%	60.00%		
Number of households prevented or relieved from becoming homeless	Housing & Health	492	450		
Percentage of successful Relief Duty outcomes	Housing & Health	47.61%	60.00%		
Percentage of gas safety certificates in place on all residential properties	Housing & Health	99.64%	100.00%		
Percentage of all electrical safety certificates on all residential properties	Housing & Health	100.00%	100.00%		
Percentage of high priority fire safety certificates on all residential properties	Housing & Health	100.00%	100.00%		
Percentage spend and allocation of Disabled Facilities Grant Budget (YTD)	Housing & Health	97.20%	75.00%		

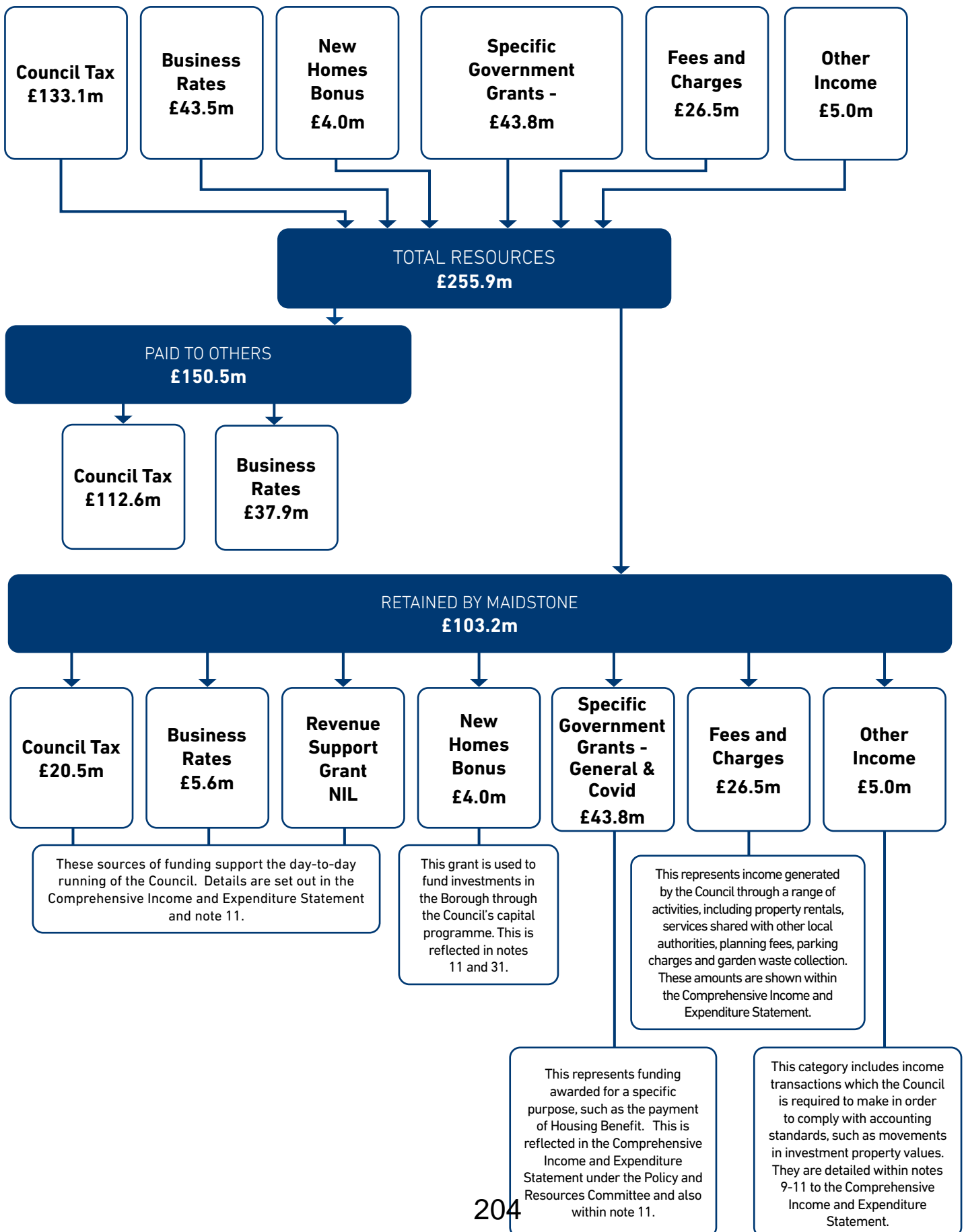
**PRIORITY:**

**Embracing Growth & Enabling Infrastructure**

Performance Indicator	Service	2020/21 Out-turn	2020/21 Target	Status	Compared to 2019/20
Percentage of priority 1 enforcement cases dealt with in time	Development Management	100.00%	95.00%		
Percentage of Priority 2 enforcement cases dealt with in time	Development Management	85.85%	90.00%		
Number of enforcement complaints received	Development Management	525			
Open planning enforcement cases (as of start of March 2021)	Development Management	378			
Processing of planning applications: Major applications (NI 157a)	Development Management	90.00%	90.00%		
Processing of planning applications: Minor applications (NI 157b)	Development Management	96.13%	95.00%		
Processing of planning applications: Other applications (NI 157c)	Development Management	99.45%	98.00%		
Number of affordable homes delivered (Gross)	Economic Development	390	180		
Affordable homes as a percentage of all new homes	Economic Development	Data not yet available			
Net additional homes provided (NI 154)	Development Management				

# Financial Performance

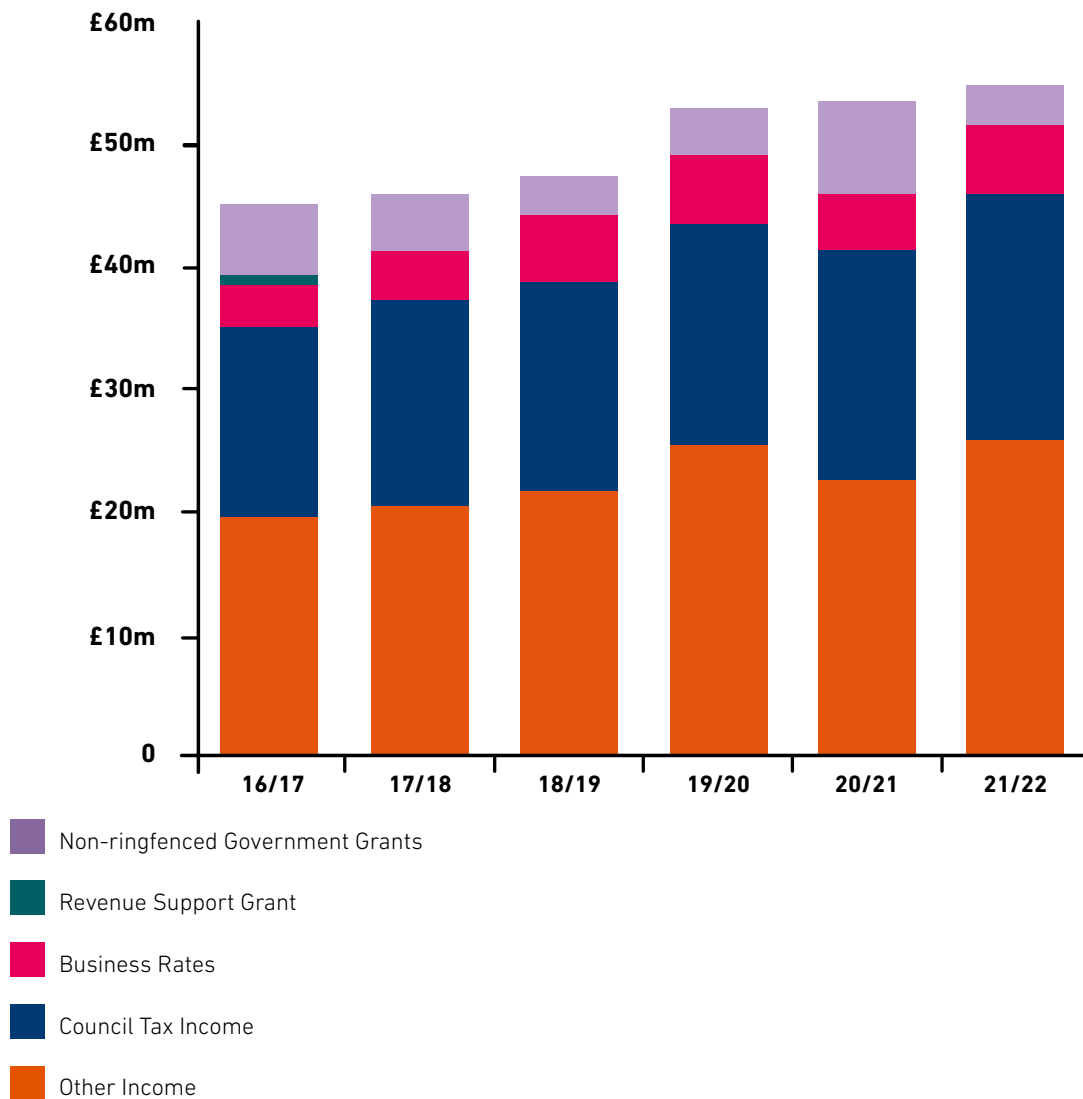
Maidstone Council's financial turnover, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £XXX million in 2021/22 (£234 million in 2020/21). The table below shows the flows of income and expenditure.



# Expenditure

Income retained by Maidstone is used to meet its statutory obligations - delivering services like refuse collection, and making transfer payments such as housing benefit – and to meet our strategic priorities.

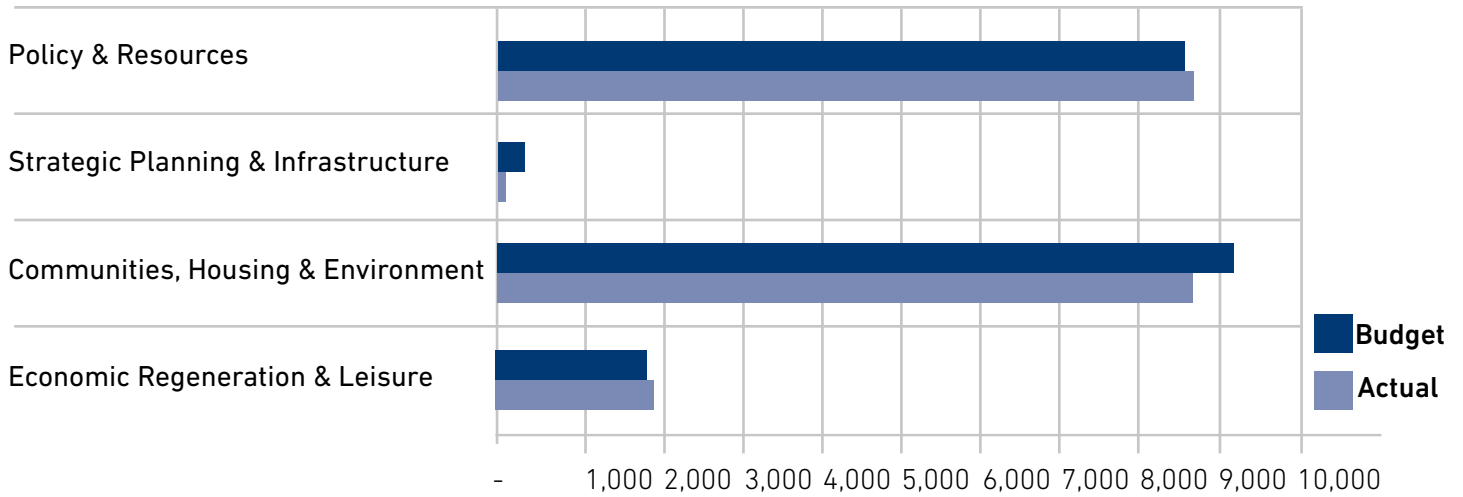
Compared with 2020/21, income has recovered strongly from the Covid-19 pandemic, offsetting the reduction in non-ringfenced Government Grants that helped to bridge the gap between income and expenditure when the pandemic was its height.





These sources of income are shown in note 11 to the Statement of Accounts, **Taxation & Non-Specific Grant Income**, and in the income totals for the relevant Committee in the **Comprehensive Income and Expenditure Statement**. The above figures do not include money received from central government that the council distributes purely as an agent, eg energy rebates.

The table below compares income and expenditure with budget, and shows how a better than budget performance in services like Parking and Planning (which form part of Strategic Planning and Infrastructure) and Garden Waste (part of Communities, Housing and Environment), which generate external income, has led to an overall budget surplus for the year.



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





## Balance Sheet

The Balance Sheet shows the value of the Council's assets less its liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Council's net assets increased from £46.5 million to £70.4 million, mainly because of upward revaluations of the Council's property assets.

2020/21 £000		2021/22 £000
125,671	Property, Plant & Equipment	137,490
23,270	Investment Properties	41,356
10,433	Heritage Assets	10,433
2,959	Other Long Term Assets	4,378
35,849	Money owed to the Council	50,964
-57,257	Money owed by the Council	-76,328
-96,857	Long Term Liabilities	-97,854
<b>46,495</b>	<b>Net Assets</b>	<b>70,437</b>
33,691	Usable Reserves	34,146
12,804	Unusable Reserves	36,291
<b>46,495</b>	<b>Total Reserves</b>	<b>70,437</b>

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

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

## Balance Sheet (continued)

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

**Usable reserves** include money set aside for specific purposes and sufficient contingency to cover unforeseen events.

**Unusable reserves** will only become available at some future date, for example if assets are sold. Unusable reserves rose, reflecting the revaluations and change in pension liabilities described above.

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

## Capital Expenditure

Capital investment during the year was less than planned, with the most important factor being the scarcity of property buying opportunities at reasonable valuations meant that we were unable to add significantly to our portfolio of temporary accommodation. £XX million was spent during the year on delivering projects identified within the Council's capital programme.

These projects included:

- Expenditure on new housing developments at Union Street and Brunswick Street
- Purchase of properties for use as temporary accommodation for homeless people
- Construction of an Innovation Centre for growing businesses in the life science, healthcare and med-tech sectors
- Reinforcement of Mote Park Lake dam to reduce risk of flooding downstream

The Council has an ambitious capital programme for the coming five years, totalling £230 million. The largest element in the capital programme is the Council's Affordable Housing programme, which aims to provide 1,000 homes over the next 10 years.

	22/23	23/24	24/25	26/27	24/25	Total
	£M	£M	£M	£M	£M	£M
Affordable Housing	6.2	11.4	28.4	28.4	39.8	114.2
PRS	2.3	4.6	11.6	11.6	16.2	46.3
Market Sale	0.5	5.7	5.7	5.2	5.2	22.3
Market Sale - receipts			-1.9	-12.4	-12.4	-26.7
Leisure provision	0.1	0.1	0.5	14.3	15.0	30.0
Corporate property acquns	2.5	2.5	2.5	2.5	2.5	12.5
Infrastructure delivery	1.0	1.0	1.0	1.0	1.0	5.0
Biodiversity & climate change	1.4	0.0	0.5	0.5	0.5	2.9
Other	13.5	5.8	3.1	2.5	2.1	27.0
	27.5	31.1	51.4	53.6	69.9	233.5





## RISK MANAGEMENT

The Council manages risk through a comprehensive risk management framework. This involves identification of risk at corporate and service levels, ownership of individual risks by named officers, development of controls to mitigate risks, and regular reporting. Quarterly reports are presented to the Corporate Leadership Team and bi-annual reports to Policy and Resources Committee. Members take an active interest in the risk management process and engage fully in discussion about individual risks.

The following table sets out what the Council has assessed as being the key corporate risks.

No	Corporate risk	Feb-22	Jun-22	
		Current Risk	Current Risk	Mitigated Risk
1	Contraction in retail sector	25	25	20
2	Financial Uncertainty	20	25	16
3	Construction Costs / Insolvency	20	20	16
4	Environmental damage	16	16	16
5	Housing pressures increasing	16	16	12
6	Major unforeseen emergency	15	15	12
7	IT network failure	12	12	9
8	Not fulfilling residential property responsibilities	12	12	9
9	Major contractor failure	12	12	12
10	Governance changes	12	12	6
	Covid-19: Restrictions to Council operations	12	Removed	
11	Ability to access / leverage new funding	9	9	9
12	Reduced effectiveness of relationships with strategic partners	9	9	9
13	Resilience of the voluntary & community sector	9	9	6
14	Loss of workforce cohesion and talent	9	12	9
	Covid-19: Community & business recovery	8	Removed	





## FUTURE PLANS

The focus of the Council will continue to be on delivering its four key strategic priorities:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

This will have to be balanced against the financial challenges that may arise from continuing high levels of inflation and a potential downturn in the economy. Whilst the Council is largely self-sufficient financially, drawing most of its income from Council Tax and a range of other locally generated sources of income, including Parking, Planning Fees and the Council's property portfolio, it operates within the local authority funding framework set by central government. The most significant element of this is the restriction set by central government on the amount by which Council Tax can be increased. If this remains at 2%, at a time when input prices are likely to be increasing at a much higher rate, this will pose significant challenges.

The Council's capital programme is intended to support local public services and to help the Council achieve its strategic priorities for the borough. The Council plans to continue investing through the capital programme, so long as investment opportunities demonstrate a return that allows interest payments and ultimately repayment of capital to be funded. The capital programme is largely funded through external sources, so it depends on the availability of funding, whether through Public Works Loan Board borrowing or other sources of finance. The Council has locked in £80 million of future borrowing, to be drawn down between 2024 to 2026, in order to mitigate the funding risk.





MEADOW  
ENTERTAINMENT • LEISURE



**MAIDSTONE**  
Borough Council



**STATEMENT OF ACCOUNTS 2021/22**  
**(Draft – subject to external audit)**



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's Responsibilities

The Council is required to:

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

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

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

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

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

The Director of Finance & Business Improvement has also:

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

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

**Signed:**

Mark Green, Director of Finance & Business Improvement

**Date: 18<sup>th</sup> July 2022**

## PRIMARY STATEMENTS

### COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31<sup>st</sup> March 2021 & 2022

	2020/21				2021/22		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Committee (See note below)	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	48,777	(46,034)	2,743	Policy & Resources	48,641	(45,140)	3,501
	25,433	(9,898)	15,535	Communities, Housing & Environment	23,163	(10,920)	12,242
	12,044	(6,629)	5,415	Economic, Regeneration & Leisure	17,588	(7,030)	10,558
	8,589	(4,991)	3,598	Strategic Planning & Infrastructure	8,497	(7,157)	1,340
	<b>94,844</b>	<b>(67,553)</b>	<b>27,291</b>	<b>Cost Of Services</b>	<b>97,889</b>	<b>(70,247)</b>	<b>27,642</b>
			(1,406)	Other Operating Expenditure (Note 9)	3,035		3,035
			3,749	Financing and Investment Income and Expenditure (Note 10)	(3,017)	(72)	(3,089)
			(33,064)	Taxation and Non-Specific Grant Income and Expenditure (Note 11)		(30,105)	(30,105)
			<b>(3,430)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(2,516)</b>
				<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
			5,466	(Surplus) or deficit on revaluation of property, plant & equipment assets			(5,368)
			13,225	Remeasurement of the Net Defined Benefit Liability			(9,860)
			<b>18,690</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(15,226)</b>
			<b>15,261</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(17,740)</b>

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(Subject to external audit)

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## MOVEMENT IN RESERVES STATEMENT

For the years ending 31<sup>st</sup> March 2021 & 2022

Current Year	General Fund Balance Unallocated £000	Earmarked GF Balances £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1st April 2021</b>	10,274	22,955	456	33,691	12,805	46,496
<b>Movement in Reserves during 2021/22</b>						
Total Comprehensive Income & Expenditure	2,516	0	0	2,516	15,228	17,744
Adjustments between accounting basis & funding basis under regulation (Note 6)	(1,861)	0	(171)	(2,032)	2,031	(1)
Movements between Reserves	3,496	(3,500)	0	(4)	0	(4)
<b>Increase or Decrease in 2021/22</b>	<b>4,151</b>	<b>(3,500)</b>	<b>(171)</b>	<b>480</b>	<b>17,259</b>	<b>17,739</b>
<b>Balance at 31st March 2022</b>	<b>14,425</b>	<b>19,456</b>	<b>285</b>	<b>34,173</b>	<b>30,062</b>	<b>64,235</b>

Comparative Year	General Fund Balance £000	Earmarked GF Balances £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves £000
<b>Balance at 1st April 2020</b>	8,821	7,820	549	17,193	44,565	61,758
<b>Movement in Reserves during 2020/21</b>						
Total Comprehensive Income & Expenditure	3,429		0	3,429	(18,691)	(15,262)
Adjustments between accounting basis & funding basis under regulation (Note 6)	13,260	(90)	(93)	13,077	(13,077)	0
Movements between Reserves	(15,235)	15,225		(10)	10	0
<b>Increase or Decrease in 2020/21</b>	<b>1,454</b>	<b>15,135</b>	<b>(93)</b>	<b>16,499</b>	<b>(31,758)</b>	<b>(15,262)</b>
<b>Balance at 31st March 2021</b>	<b>10,274</b>	<b>22,955</b>	<b>456</b>	<b>33,691</b>	<b>12,805</b>	<b>46,496</b>

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 31<sup>st</sup> March 2021 & 2022**

<b>31st March 2021 £000</b>	<b>Notes</b>	<b>31st March 2022 £000</b>
125,671	Property, Plant & Equipment <b>17</b>	131,847
25,697	Investment Property <b>18</b>	40,769
10,433	Heritage Assets <b>19</b>	10,433
818	Intangible Assets	1,139
2,141	Long Term Debtors <b>23</b>	3,239
<b>164,760</b>	<b>Long Term Assets</b>	<b>187,427</b>
2,000	Short Term Investments <b>20</b>	5,000
5,153	Inventories <b>22</b>	145
17,913	Short Term Debtors <b>23</b>	12,167
10,783	Cash & Cash Equivalents <b>24</b>	33,652
<b>35,849</b>	<b>Current Assets</b>	<b>50,964</b>
11,000	Short Term Borrowing <b>20</b>	4,000
41,503	Short Term Creditors <b>25</b>	67,196
1,511	Provisions <b>26</b>	1,565
537	Deferred Liability <b>28</b>	567
2,706	Capital Grants Receipts in Advance <b>16</b>	2,974
<b>57,257</b>	<b>Current Liabilities</b>	<b>76,301</b>
1,652	Provisions <b>26</b>	1,801
0	Long Term Borrowing	5,000
1,483	Deferred Liability <b>28</b>	914
3,938	Capital Grants Receipts in Advance <b>17</b>	4,775
89,783	Net Pension Liability <b>32</b>	85,362
<b>96,857</b>	<b>Long Term Liabilities</b>	<b>97,854</b>
<b>46,495</b>	<b>Net Assets</b>	<b>64,235</b>
33,691	Usable Reserves <b>7</b>	34,173
12,803	Unusable Reserves <b>30</b>	30,062
<b>46,495</b>	<b>Total Reserves</b>	<b>64,235</b>

**CASHFLOW STATEMENT**

<b>2020/21</b> <b>£000</b>		<b>Notes</b>	<b>2021/22</b> <b>£000</b>
(3,429)	Net (surplus) or deficit on the provision of services		(2,516)
(20,128)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>35</b>	(32,406)
7,753	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	<b>36</b>	8,353
<b>(15,805)</b>	<b>Net cash flows from Operating activities</b>		<b>(26,569)</b>
19,614	Investing Activities	<b>37</b>	19,657
(3,906)	Financing Activities	<b>38</b>	(15,957)
<b>(97)</b>	<b>Net increase or decrease in cash &amp; cash equivalents</b>		<b>(22,869)</b>
(10,687)	Cash & cash equivalents at the beginning of the reporting period		(10,783)
<b>(10,783)</b>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>		<b>(33,652)</b>

## NOTES TO THE ACCOUNTS

### 1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31<sup>st</sup> 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
10,300	(7,557)	2,743	Policy & Resources	7,340	(3,839)	3,501
8,514	7,021	15,535	Communities, Housing & Environment	8,603	3,639	12,242
2,772	2,643	5,415	Economic, Regeneration & Leisure	1,829	8,729	10,558
1,251	2,347	3,598	Strategic Planning & Infrastructure	107	1,233	1,340
<b>22,837</b>	<b>4,454</b>	<b>27,291</b>	<b>Net Cost Of Services</b>	<b>17,879</b>	<b>9,763</b>	<b>27,642</b>
(13,007)	(17,714)	(30,721)	Other Income & Expenditure	(22,257)	(7,902)	(30,159)
<b>9,829</b>	<b>(13,260)</b>	<b>(3,430)</b>	<b>(Surplus) or Deficit</b>	<b>(4,378)</b>	<b>1,861</b>	<b>(2,516)</b>
		16,641	Opening General Fund Balance			33,229
		(13,160)	Less/Plus (Surplus) or Deficit on General Fund Balance in Year			1,861
		<b>33,231</b>	<b>Closing General Fund Balance at 31st March</b>			<b>33,881</b>

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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)	<b>(3,839)</b>
Communities, Housing & Environment	1,316		2,323	<b>3,639</b>
Economic, Regeneration & Leisure	8,056		673	<b>8,729</b>
Strategic Planning & Infrastructure	(348)		1,582	<b>1,233</b>
<b>Net Cost of Services</b>	<b>10,090</b>	<b>1,757</b>	<b>(2,084)</b>	<b>9,762</b>
Other income and expenditure from the Expenditure & Funding Analysis	(10,090)	(1,757)	3,945	<b>(7,902)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>1,861</b>	<b>1,861</b>

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)	<b>(7,557)</b>
Communities, Housing & Environment	4,540		2,481	<b>7,021</b>
Economic, Regeneration & Leisure	1,315		1,328	<b>2,643</b>
Strategic Planning & Infrastructure	703		1,644	<b>2,347</b>
<b>Net Cost of Services</b>	<b>4,386</b>	<b>1,687</b>	<b>(1,619)</b>	<b>4,453</b>
Other income and expenditure from the Expenditure & Funding Analysis	(4,386)	(1,687)	(11,641)	<b>(17,714)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>(13,260)</b>	<b>(13,261)</b>

**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
<b>Expenditure</b>		
Employee Benefit Expenses	22,762	25,893
Other Services Expenses	95,017	94,768
Depreciation, Amortisation, Impairment	5,214	4,903
Interest Payments	153	126
Precepts & Levies	2,129	2,240
<b>Total Expenditure</b>	<b>125,275</b>	<b>127,930</b>
<b>Income</b>		
Fees, Charges & Other Service Income	(26,610)	(29,379)
Interest & Investment Income	(36)	(72)
Income from Council Tax & NDR	(43,191)	(45,459)
Government Grants & Contributions	(54,611)	(47,751)
Gain/(Loss) on the Disposal of Assets	(4,253)	(7,786)
<b>Total Income</b>	<b>(128,702)</b>	<b>(130,447)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(3,428)</b>	<b>(2,517)</b>

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:

<b>Service Area</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
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 Services	(2,754)	(5,285)
Property Services	(3,997)	(2,573)
<b>Fees, Charges &amp; Other Service Income</b>	<b>(19,590)</b>	<b>(23,844)</b>

## 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 £10,000.

### **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.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.
- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.
- A judgement has been made as to which of the council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.
- A review of operational assets not revalued this year has been undertaken to determine whether or not there could have been a material movement in the asset values. Using guidance from the external valuer, it has been concluded that the assets are materially fairly stated.
- As a wholly owned subsidiary of the council, Maidstone Property Holdings Limited falls within the group boundary on the grounds of control and significant influence in line with the Code. However, the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.
- The Council has determined that it does not need to prepare group accounts to include Cobtree Manor Estate Trust, on the grounds that the Council neither controls, jointly controls, nor has significant influence over the Trust. Councillors who sit on the Cobtree Manor Estate Charity Committee act on behalf of the Trust in their decision making, rather than in the interests of Maidstone Borough Council. The objectives of the Trust derive from a separate trust, the Cobtree Charity Trust, and cannot be influenced by the Council's objectives. The Council does not control the Trust in its capacity as an investor, it is not exposed to variable returns from its involvement with the Trust, and the Trust does not provide any services which the council would otherwise be obliged to provide. The council provides services to the Trust in terms of the day to day administration of its affairs and grounds maintenance of Cobtree Manor

Park. The Council recharges the cost of providing these services to Cobtree Manor Park but does not seek to generate a surplus from the arrangement.

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

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

The items in the Council's financial statements at 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
<b>Property valuations</b>	<p>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.</p> <p>The Council's external valuers provided valuations for the Council's entire investment portfolio and a proportion of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values were reflective of current appropriate values.</p> <p>Valuations have been undertaken in accordance with the latest professional guidance.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £9.9m. This would not impact on the general fund balance.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

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Balance	Source of Uncertainty	Effect if actual results differ from assumptions
<b>Fair Value of Investment Property</b>	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.	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £4.1m. This would not impact on the general fund balance.</p>
<b>Depreciation</b>	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.
<b>Pensions Liability</b>	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.	<ul style="list-style-type: none"> <li>• A 0.1% increase in the discount rate will reduce the net pension liability by £6.6m;</li> <li>• A 0.1% increase in the assumed level of pension increases and deferred revaluation will increase the net pension liability by £7.1m;</li> </ul>

<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
	The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied. The ongoing impact of the Covid19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2022 are difficult to value according to preferred accounting policy.	<ul style="list-style-type: none"> <li>• An increase of one year in longevity will increase the net pension liability by £7.1m.</li> </ul>
<b>Arrears</b>	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.
<b>Non-Domestic Rates Appeals</b>	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 provision of £2.9m is reflected on the balance sheet. This is deemed to be appropriate as it is	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.

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<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
	<p>based on a detailed analysis of information provided by the VOA.</p> <p>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.</p> <p>These calculations are made with reference to information supplied by an external advisor, Analyse Local.</p> <p>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.</p>	
<b>Brexit</b>	<p>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.</p>	<p>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.</p>

## **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 not 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 Receipts Reserve £000
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:		
Pensions Costs (transferred to (or from) the Pensions Reserve)	5,439	
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(7,396)	
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	10,829	
<b>Total Adjustments to Revenue Resources</b>	<b>8,867</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	668	4,329
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,403)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,969)	
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(6,704)</b>	<b>4,329</b>
<b>Adjustments to Capital Resources</b>		
Use of the Capital Receipts Reserve to finance capital expenditure		(4,500)
Application of capital grants to finance capital expenditure	(4,024)	
<b>Total Adjustments to Capital Resources</b>	<b>(4,024)</b>	<b>(4,500)</b>
<b>Total Adjustments</b>	<b>(1,861)</b>	<b>(171)</b>

2020/21 Comparative Figures	Usable Reserves General Fund balance £000	Capital Receipts Reserve £000
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:		
Pensions Costs (transferred to (or from) the Pensions Reserve)	2,881	
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	13,069	
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	13,325	
<b>Total Adjustments to Revenue Resources</b>	<b>29,269</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,900)	1,965
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(517)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,801)	
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(10,218)</b>	<b>1,965</b>
<b>Adjustments to Capital Resources</b>		
Use of the Capital Receipts Reserve to finance capital expenditure		(2,058)
Application of capital grants to finance capital expenditure	(5,791)	
<b>Total Adjustments to Capital Resources</b>	<b>(5,791)</b>	<b>(2,058)</b>
<b>Total Adjustments</b>	<b>13,261</b>	<b>(93)</b>

## 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 £33.854m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2021 £000	Contributions to/from Balances £000	31st March 2022 £000
Neighbourhood Planning	97	0	97
Planning Appeals	286	0	286
Trading Accounts	30	(30)	0
Civil Parking Enforcement	169	231	400
Future Capital Expenditure	1,131	1,295	2,426
Future Funding Pressures	969	0	969
Homelessness Prevention & Temporary Accommodation	773	506	1,279
Business Rates Earmarked Balances	3,788	(104)	3,684
Funding for Future Collection Fund Deficits	14,737	(6,346)	8,391
Commercial Risk	500	0	500
Invest to Save	500	0	500
Recovery and Renewal Reserve	0	778	778
Renewable Energy	0	119	119
Enterprise Zone	0	4	4
<b>Total Earmarked Reserves</b>	<b>22,980</b>	<b>(3,547)</b>	<b>19,433</b>
Unallocated Balances	10,246	4,175	14,421
<b>Total General Fund Reserves</b>	<b>33,226</b>	<b>628</b>	<b>33,854</b>

### 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 the figure used for the purposes of the annual external audit of the Statement of Accounts. That figure is £1.7m for 2020/21.

## 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	(3,656)	668
	<b>(1,405)</b>	<b>3,035</b>

The variance on (Gains)/losses on the disposal of non-current assets relates to the disposal of properties as part of the housing developments at Brunswick Street and Union Street, which took place in 2020/21.

## 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	1,757
Interest receivable and similar income	(36)	(72)
Income & Expenditure in relation to investment properties and changes in their fair value	1,946	(4,900)
	<b>3,749</b>	<b>(3,089)</b>

**11 - TAXATION & NON-SPECIFIC GRANT INCOMES**

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

<b>Credited to Taxation &amp; Non Specific Grant Income</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
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	0
Non-ringfenced Government Grants	4,472	3,995
<b>Total</b>	<b>33,064</b>	<b>30,105</b>
<b>Credited to Services</b>		
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	5,645
Other Grants	1,817	4,326
<b>Total</b>	<b>44,802</b>	<b>43,776</b>

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](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	152	3	<b>155</b>	26	<b>181</b>
Director of Finance & Business Improvement	106	1	<b>107</b>	19	<b>126</b>
Director of Regeneration & Place	106	1	<b>107</b>	19	<b>125</b>
Director of Mid-Kent Services	89	1	<b>90</b>	15	<b>105</b>

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
£0 - £20,000	1	0	2	0	3	0	£000 16	£000 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
<b>Total</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>16</b>	<b>0</b>

#### 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	2021/22
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	62	42
Fees payable for the certification of grant claims and returns during the year	44	22
<b>Total</b>	<b>106</b>	<b>64</b>

#### 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	2021/22
	£000	£000
<b>Balance at start of year:</b>	5,655	6,644
Grants Received	6,885	5,939
Funding used for capital expenditure	(5,896)	(4,833)
<b>Balance at end of year:</b>	<b>6,644</b>	<b>7,751</b>

On the Balance Sheet the year-end figure is split between short-term (expected to be used by 31<sup>st</sup> March 2023) £4.775m and long-term (expected to be used after 1<sup>st</sup> April 2024) £2.974m.

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. The amount of grants and contributions held that meet this criteria is not material and therefore they are all accounted for as part of Capital Grants Received in Advance.

## **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**

	Infrastructu re Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movements in 2021/22</b>								
<b>Cost or Valuations</b>								
At 1st April 2021	6,222	91,098	17,078	1,979	4,462	3,999	25,567	<b>150,407</b>
Additions	233	17,646	653	369	147	282	3,416	<b>22,746</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	4,073	0	0	0	0	0	<b>4,073</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(9,501)	0	0	0	0	0	<b>(9,501)</b>
Derecognition of assets	0	(17)	0	(66)	0	0	0	<b>(83)</b>
Other movements in cost or valuation	0	11,735	0	0	0	0	(24,657)	<b>(12,922)</b>
At 31st March 2022	<b>6,455</b>	<b>115,034</b>	<b>17,731</b>	<b>2,282</b>	<b>4,609</b>	<b>4,281</b>	<b>4,325</b>	<b>154,720</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2021	(3,930)	(5,282)	(8,095)	(1,054)	(3,694)	0	0	<b>(22,055)</b>
Depreciation charge	(212)	(2,753)	(1,013)	(379)	(416)	0	0	<b>(4,773)</b>
Depreciation written out to the Revaluation Reserve	0	3,911	0	0	0	0	0	<b>3,911</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition of assets	0	0	0	49	0	0	0	<b>49</b>
At 31st March 2022	<b>(4,142)</b>	<b>(4,124)</b>	<b>(9,108)</b>	<b>(1,384)</b>	<b>(4,110)</b>	<b>0</b>	<b>0</b>	<b>(22,868)</b>
<b>Net Book Value</b>								
<b>At 31st March 2022</b>	<b>2,313</b>	<b>110,910</b>	<b>8,623</b>	<b>898</b>	<b>499</b>	<b>4,281</b>	<b>4,325</b>	<b>131,849</b>
At 31st March 2021	2,293	85,816	8,982	925	768	3,999	22,887	<b>125,671</b>

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Movements in 2020/21	Infrastructure Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuations</b>								
At 1st April 2020	5,073	94,621	16,956	1,751	4,460	3,701	9,342	<b>135,906</b>
Additions	1,149	5,738	489	273	55	298	15,545	<b>23,547</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(5,130)	0	0	0	0	0	<b>(5,130)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(4,301)	0	0	0	0	0	<b>(4,301)</b>
Derecognition of assets	0	(79)	(62)	(100)	(53)	0	0	<b>(294)</b>
Other movements in cost or valuation	0	250	(305)	55	0	0	(2,000)	<b>(2,000)</b>
At 31st March 2021	6,222	91,099	17,078	1,979	4,462	3,999	22,887	<b>147,728</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2020	(3,638)	(3,868)	(7,137)	(785)	(3,350)	0	0	<b>(18,779)</b>
Depreciation charge	(291)	(3,033)	(1,021)	(350)	(397)	0	0	<b>(5,092)</b>
Depreciation written out to the Revaluation Reserve	0	1,620	0	0	0	0	0	<b>1,620</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition of assets	0	0	62	81	53	0	0	<b>196</b>
At 31st March 2021	(3,929)	(5,281)	(8,096)	(1,054)	(3,694)	0	0	<b>(22,055)</b>
<b>Net Book Value</b>								
<b>At 31st March 2021</b>	<b>2,293</b>	<b>85,816</b>	<b>8,982</b>	<b>925</b>	<b>768</b>	<b>3,999</b>	<b>22,887</b>	<b>125,671</b>
At 31st March 2020	1,435	90,746	9,779	959	1,161	3,701	9,344	<b>117,125</b>

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



<b>Analysis of Land &amp; Buildings Movements 2021/22</b>	<b>Car Parks</b>	<b>Cemetery &amp; Crematorium</b>	<b>Depots, Workshops &amp; Toolsheds</b>	<b>Entertainment Complex</b>	<b>Halls &amp; Pavilions</b>	<b>Housing</b>	<b>Land</b>	<b>Leisure Centres &amp; Pools</b>	<b>Markets</b>	<b>Museums &amp; Galleries</b>	<b>Offices</b>	<b>Parks &amp; Open Spaces</b>	<b>Public Conveniences</b>	<b>Residential / Commercial</b>	<b>Theatres</b>	<b>Town Hall</b>	<b>Total Land &amp; Buildings</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuations</b>																	
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	<b>91,098</b>
Additions	22	299	31	1,228	51	1,599	529	0		3	7,540			6,201	7	134	<b>17,646</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,925				533	472	30			412	119	440			172		<b>4,103</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(162)			(258)		(12)		(532)			(75)			(8,453)		(8)	<b>(9,501)</b>
Derecognition of Assets	(41)																<b>(41)</b>
Other movements in cost or valuation						778								10,947			<b>11,725</b>
<b>At 31st March 2022</b>	<b>14,239</b>	<b>2,483</b>	<b>1,992</b>	<b>22,323</b>	<b>4,348</b>	<b>16,797</b>	<b>906</b>	<b>7,359</b>	<b>1,720</b>	<b>11,715</b>	<b>7,584</b>	<b>2,133</b>	<b>1,501</b>	<b>13,519</b>	<b>5,132</b>	<b>1,280</b>	<b>115,031</b>
<b>Accumulated Depreciation &amp; Impairment</b>																	
At 1st April 2021	12	(61)	(21)	0	(1,149)	(2,575)	(39)	(2)	(42)	1	0	(149)	(0)	(1,112)	(119)	(25)	<b>(5,281)</b>
Depreciation charge		(38)	(36)	(450)	(361)	(1,076)		(149)	(27)	(236)	(43)		(101)	(125)	(90)	(18)	<b>(2,751)</b>
Depreciation written out to the Revaluation Reserve			89	450	1,508			149		236	43			1,183	210	42	<b>3,911</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	<b>0</b>
Other movements in cost or valuation																	<b>0</b>
<b>At 31st March 2022</b>	<b>12</b>	<b>(99)</b>	<b>32</b>	<b>0</b>	<b>(2)</b>	<b>(3,651)</b>	<b>(39)</b>	<b>(2)</b>	<b>(70)</b>	<b>1</b>		<b>(149)</b>	<b>(102)</b>	<b>(55)</b>	<b>1</b>	<b>(1)</b>	<b>(4,122)</b>
<b>Net Book Value</b>																	
<b>At 31st March 2022</b>	<b>14,251</b>	<b>2,384</b>	<b>2,024</b>	<b>22,323</b>	<b>4,346</b>	<b>13,146</b>	<b>867</b>	<b>7,357</b>	<b>1,650</b>	<b>11,716</b>	<b>7,584</b>	<b>1,984</b>	<b>1,400</b>	<b>13,465</b>	<b>5,133</b>	<b>1,279</b>	<b>110,910</b>
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

<b>Analysis of Land &amp; Buildings Movements 2020/21</b>	<b>Car Parks</b>	<b>Cemetery &amp; Crematorium</b>	<b>Depots, Workshops &amp; Toolsheds</b>	<b>Entertainment Complex</b>	<b>Halls &amp; Pavilions</b>	<b>Housing</b>	<b>Land</b>	<b>Leisure Centres &amp; Pools</b>	<b>Markets</b>	<b>Museums &amp; Galleries</b>	<b>Offices</b>	<b>Parks &amp; Open Spaces</b>	<b>Public Conveniences</b>	<b>Residential / Commercial</b>	<b>Theatres</b>	<b>Town Hall</b>	<b>Total Land &amp; Buildings</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuations</b>																	
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	<b>94,625</b>
Additions		3		4,150	4	1,514	63									4	<b>5,738</b>
Revaluation																	
increases/(decreases) recognised in the Revaluation Reserve	(2,957)			(1,644)		9		(165)	0	(1,165)		970	(179)				<b>(5,130)</b>
increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(595)			(3,574)		(131)											<b>(4,301)</b>
Derecognition of Assets				(79)													<b>(79)</b>
Other movements in cost or valuation												250					<b>250</b>
<b>At 31st March 2021</b>	<b>12,495</b>	<b>2,184</b>	<b>1,960</b>	<b>21,353</b>	<b>3,764</b>	<b>13,965</b>	<b>347</b>	<b>7,891</b>	<b>1,720</b>	<b>11,300</b>	<b>0</b>	<b>1,693</b>	<b>1,501</b>	<b>4,824</b>	<b>4,952</b>	<b>1,154</b>	<b>91,102</b>
Accumulated Depreciation & Impairment																	
At 1st April 2020	12	(23)	17	(150)	(788)	(1,506)	(39)	(51)	(15)	(78)		(93)	(405)	(720)	(29)	(7)	<b>(3,875)</b>
Depreciation charge		(38)	(38)	(450)	(361)	(1,076)		(149)	(27)	(236)		(56)	(101)	(392)	(90)	(18)	<b>(3,033)</b>
Depreciation written out to the Revaluation Reserve				600				199		315			506				<b>1,620</b>
Revaluation																	
increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	<b>0</b>
<b>Other movements in cost or valuation</b>																	<b>0</b>
At 31st March 2021	12	(61)	(21)	0	(1,149)	(2,582)	(39)	(2)	(42)	1		(149)	(0)	(1,112)	(119)	(25)	<b>(5,289)</b>
Net Book Value																	
<b>At 31st March 2021</b>	<b>12,507</b>	<b>2,123</b>	<b>1,940</b>	<b>21,353</b>	<b>2,615</b>	<b>11,383</b>	<b>308</b>	<b>7,889</b>	<b>1,678</b>	<b>11,301</b>	<b>0</b>	<b>1,544</b>	<b>1,501</b>	<b>3,712</b>	<b>4,833</b>	<b>1,129</b>	<b>85,813</b>
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

Opening balances reflect adjustments to the Property, Plant and Equipment and Inventory lines following identification of a prior period error. Full details are disclosed within note 3.

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

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

### Capital Commitments

As at 31<sup>st</sup> March 2022 the Council had the following capital commitments:

Project	£000
Springfield Mill Block 6	731
Mote Park Café/Visitor Centre	1,309
Gypsy Site Refurbishment Works	1,497
	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 31<sup>st</sup> 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 1<sup>st</sup> April 2007 when the current capital accounting requirements came into force.

	Infrastructure Assets £000	Community Assets £000	Land & Buildings Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment Assets £000	Under Construction £000	Total £000	
Carried at historical cost	6,455	4,281	429	17,731	2,283	4,609	4,325	40,113
Valued at current value as at:								
31st March 2018			4,059					4,059
31st March 2019			4,225					4,225
31st March 2020			9,517					9,517
31st March 2021			2,855					2,855
31st March 2022			93,946					93,946
<b>Total Cost or Valuation</b>	<b>6,455</b>	<b>4,281</b>	<b>115,030</b>	<b>17,731</b>	<b>2,283</b>	<b>4,609</b>	<b>4,325</b>	<b>154,714</b>

### Accounting Policy – Property, Plant & Equipment

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> 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.

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
<b>Net gain/(loss)</b>	<b>(1,967)</b>	<b>(1,937)</b>

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

	2020/21 £000	2021/22 £000
Balance at start of the year	23,270	25,697
Additions	2,027	3,666
Transfers		8,043
Net gains/losses from fair value adjustments	400	3,362
<b>Balance at end of year</b>	<b>25,697</b>	<b>40,768</b>

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

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

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

### **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	9,090	480	515	348	10,433
Additions					0
Disposals					0
<b>31st March 2022</b>	<b>9,090</b>	<b>480</b>	<b>515</b>	<b>348</b>	<b>10,433</b>
1st April 2020	9,090	480	515	308	10,393
Additions				40	40
Disposals					0
<b>31st March 2021</b>	<b>9,090</b>	<b>480</b>	<b>515</b>	<b>348</b>	<b>10,433</b>



## **Museum Exhibits**

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

## **War Memorials**

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

## **Statues and Sculptures**

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

## **Other Items**

This relates to 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.

## **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
<b>Treasury Investments</b>				
Financial assets at amortised cost	0	0	16,160	38,750
<b>Debtors</b>				
Financial assets at amortised cost	37	25	10,589	11,598
<b>Loans</b>				
Financial liabilities at amortised cost	0	5,000	11,000	4,000
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	16,160	22,624
<b>Other Long Term Liabilities</b>				
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
<b>Income:</b>				
Financial assets at amortised cost	0	0	30	72
Other Interest	0	0	6	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>72</b>
<b>Expenditure:</b>				
Financial liabilities at amortised cost	0	0	38	30
<b>Total</b>	<b>0</b>	<b>0</b>	<b>38</b>	<b>30</b>

### 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		Fair Value Level	31st March 2022	
	Book Value £000	Fair Value £000		Book Value £000	Fair Value £000
<b>Financial Assets</b>					
Long Term Investments	0	0	2	0	0
Short Term Investments (less than 1 yr)	16,177	16,177	2	38,791	38,783
<b>Financial Liabilities</b>					
Long Term Loans	0	0	2	5,025	5,321
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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loan of £5.321m 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 difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreement with the PWLB, against what would be paid if the loan was at the current PWLB new loan rate.

The fair value 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.

## 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 31<sup>st</sup> March 2022 investments were held with the following institutions:

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
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
<b>Total</b>	<b>16,160</b>	<b>38,750</b>

## Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market, other local authorities and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A borrowing provision of £4m exists for short term cash flow purposes. 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:

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

### 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
<b>Balance outstanding at year-end</b>	<b>4,979</b>	<b>0</b>	<b>174</b>	<b>146</b>	<b>5,153</b>	<b>146</b>

**23 – SHORT AND LONG TERM DEBTORS****Short Term Debtors**

	2020/21 £000	2021/22 £000
Central government bodies	1,675	431
Other local authorities	7,843	1,546
Other entities and individuals	14,845	15,631
<b>Total</b>	<b>24,362</b>	<b>17,607</b>

**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
<b>Total</b>	<b>6,449</b>	<b>5,441</b>

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £18.151m.

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	10,321
Payments in Advance	802	582
Other miscellaneous amounts	1,430	1,075
<b>Total</b>	<b>14,845</b>	<b>15,631</b>

### Long Term Debtors

Part of the debtors balance with other Local Authorities (£3.2m) 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
<b>Total</b>	<b>10,783</b>	<b>33,652</b>

### 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**

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	13,171	29,927
Other local authorities	4,878	6,721
Other entities and individuals	23,453	30,547
<b>Total</b>	<b>41,502</b>	<b>67,196</b>

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

Other entities and individuals are broken down as follows:

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
General creditors	4,200	5,103
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	9,978	15,594
Retentions	566	557
<b>Total</b>	<b>23,453</b>	<b>30,554</b>

**26 - PROVISIONS****Provision for Appeals**

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

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 31<sup>st</sup> 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 £349,785 (£447,662 in 2020/21). Gross income in 2021/22 totalled £488,028 (£431,008 in 2020/21).

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

	<b>2020/21 (Updated) £000</b>	<b>2021/22 £000</b>
<b>Fixed Assets:</b>		
Tangible Assets	2,553	2,553
Investment Property	1,000	1,000
Investments	825	885
	<b>4,379</b>	<b>4,438</b>
Current Assets	500	500
Current Liabilities	304	304
Creditors: Amounts falling due after more than one year	135	135
<b>Total assets less total liabilities</b>	<b>4,440</b>	<b>4,499</b>
<b>Total Charitable Funds</b>	<b>4,440</b>	<b>4,499</b>

## 28 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

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

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

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

## Payments

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

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

### Accounting Policy – Deferred Liability

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

### Accounting Policy – Minimum Revenue Provision

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

## 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
<b>Balance at 1st April</b>	<b>549</b>	<b>459</b>
Capital Receipts Received	1,968	4,329
Capital Receipts Applied	(2,058)	(4,500)
<b>Balance at 31st March</b>	<b>459</b>	<b>288</b>

**30 - UNUSABLE RESERVES**

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
Revaluation Reserve	40,883	46,251
Capital Adjustment Account	74,906	74,974
Deferred Capital Receipts Reserve	7	7
Pensions Reserve	(89,783)	(85,362)
Collection Fund Adjustment Account	(13,036)	(5,640)
Accumulated Absences Account	(172)	(164)
<b>Total Unusable Reserves</b>	<b>12,803</b>	<b>30,065</b>

**a) Revaluation Reserve**

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

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

The Reserve contains only the revaluation gains accumulated since 1<sup>st</sup> 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.

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
<b>Balance at 1st April</b>	<b>44,248</b>	<b>40,882</b>
Upward revaluation of assets		7,417
Downward revaluation of assets	(3,512)	(2,049)
Difference between fair value depreciation and historical cost depreciation	146	
<b>Balance at 31st March</b>	<b>40,882</b>	<b>46,250</b>

**b) Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert

fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
<b>Balance at 1st April</b>	<b>74,197</b>	<b>74,906</b>
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)	(4,770)
Amortisation of intangible assets	(121)	(132)
Revaluation Gains/Losses on Property, Plant & Equipment	(4,319)	(11,870)
Revenue expenditure funded from capital under statute	(4,929)	(2,383)
Write-off of non-enhancing capital expenditure	(79)	(20)
	<b>(14,541)</b>	<b>(19,176)</b>
Adjusting amounts written out of the Revaluation Reserve	(146)	
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(14,687)</b>	<b>(19,176)</b>
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	2,058	4,500
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	5,790	4,024
Capital expenditure charged against the General Fund balance	5,833	5,968
	<b>14,198</b>	<b>15,895</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	400	3,362
<b>Balance at 31st March</b>	<b>74,906</b>	<b>74,987</b>



### c) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income & Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	73,677	89,783
Remeasurements of the net defined liability	13,225	(9,860)
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	9,274
Employer's pensions contributions	(3,809)	(3,835)
<b>Closing balance at 31 March</b>	<b>89,783</b>	<b>85,362</b>

### 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
<b>Balance at 1st April</b>	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)
<b>Balance at 31st March</b>	<b>13,036</b>	<b>5,640</b>

### 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
<b>Opening Capital Finance Requirement</b>	<b>40,527</b>	<b>53,576</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	23,494	22,654
Non-enhancing capital expenditure	79	20
Investment Properties	2,027	1,436
Intangible Assets	285	454
Revenue Expenditure Funded from Capital Under Statute	845	2,383
	<b>26,730</b>	<b>26,948</b>
<b>Sources of Finance</b>		
Capital receipts	(2,058)	(4,500)
Government grants & other contributions	(5,822)	(4,024)
New Homes Bonus	(4,472)	(3,856)
Other Revenue Contributions	(1,329)	(2,113)
	<b>(13,681)</b>	<b>(14,494)</b>
Increase in Capital Financing Requirement	13,049	12,454
<b>Closing Capital Finance Requirement</b>	<b>53,576</b>	<b>66,030</b>

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 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 – 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
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>		
Cost of Services:		
Service cost comprising:		
- Current service cost	5,003	7,517
- Past service costs including curtailments	0	0
Financing and Investment Income & Expenditure:		
- Net interest expense	1,687	1,757
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,690</b>	<b>9,274</b>
Other Post Employment Benefit Charged to the CI&ES		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in net interest expense)	28,386	50
- Actuarial gains and losses arising on changes in financial assumptions	(46,104)	10,342
- Actuarial gains and losses arising on changes in demographic assumptions	2,056	0
- Experience gains and losses on defined benefit obligation	2,437	(532)
- Other actuarial gains and losses	0	0
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(6,535)</b>	<b>19,134</b>
Movement in Reserves Statement:		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	6,690	9,274
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,809)	(3,835)
	<b>2,881</b>	<b>5,439</b>

### 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:

	<b>2020/21</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
Present value of funded obligation	221,430	218,989
Fair value of plan assets	(133,210)	(135,059)
<b>Contributions by scheme participants</b>	<b>88,220</b>	<b>83,930</b>
Present value of unfunded obligation	1,563	1,432
<b>Net liability arising from defined benefit obligation</b>	<b>89,783</b>	<b>85,362</b>

### 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	129
Administration expenses	(85)	(79)
Contributions by employer including unfunded	3,809	3,835
Contributions paid by scheme participants	981	974
Estimated benefits paid plus unfunded net of transfers in	(5,688)	(5,666)
Other actuarial gains/(losses)	0	0
<b>Closing fair value of Scheme assets</b>	<b>133,210</b>	<b>135,059</b>

### 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	7,517
Interest cost	4,104	4,413
Change in financial assumptions	46,104	(10,342)
Changes in demographic assumptions	(2,056)	0
Experience loss/(gain) on defined benefit obligation	(2,437)	532
Past service costs, including curtailments	0	
Estimated benefits paid net of transfers in	(5,541)	(5,532)
Contributions by Scheme participants	981	974
Unfunded pension payments	(147)	(134)
<b>Closing balance at 31 March</b>	<b>222,993</b>	<b>220,421</b>

**Local Government Pension Scheme Assets**

	<b>31st March 2021</b>		<b>31st March 2022</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
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%
<b>Total</b>	<b>133,210</b>	<b>100%</b>	<b>135,059</b>	<b>100%</b>

**Basis for Estimating Assets and Liabilities**

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

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Kent County Council Pension Fund are based on the full valuation of the scheme as at 31<sup>st</sup> March 2019.

The principal assumptions used by the actuary have been:

	<b>2020/21</b>	<b>2021/22</b>
<b>Long-term expected rate of return of assets in the scheme</b>		
<b>Mortality Assumptions</b>		
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
<b>Financial Assumptions</b>		
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.

<b>Sensitivity Analysis</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	216,144	220,421	224,787
- Projected Service Cost	6,576	6,817	7,066
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	220,901	220,421	219,946
- Projected Service Cost	6,821	6,817	6,813
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	224,277	220,421	216,640
- Projected Service Cost	7,064	6,817	6,577
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
- Present Value of Total Obligation	230,396	220,421	210,910
- Projected Service Cost	7,094	6,817	6,550

## Scheme History

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of defined benefit obligation in the Local Government Pension Scheme	(182,032)	(183,242)	(175,391)	(221,430)	(218,989)
Fair value of assets in the Local Government Pension Scheme	106,524	113,698	103,305	133,210	135,059
Present value of unfunded obligation	(2,110)	(1,937)	(1,591)	(1,563)	(1,432)
<b>Surplus/(Deficit) in the scheme</b>	<b>(77,618)</b>	<b>(71,481)</b>	<b>(73,677)</b>	<b>(89,783)</b>	<b>(85,362)</b>

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



£85.362m 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 2019.

## 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:

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
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
	<b>2,031</b>	<b>1,496</b>

### 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 18<sup>th</sup> 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 31<sup>st</sup> March 2021 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)	(4,770)
Revaluation Gains & Losses	(6,461)	(11,883)
Amortisation of Intangible Assets	(121)	(132)
Movement in Creditors	(4,427)	(5,595)
Movement in Debtors	1,025	(2,739)
Movement in Inventories	1,879	(5,008)
Movement in Pension Liabilities	(2,881)	(5,439)
Derecognition of non-current assets	(3,851)	
Other Non-Cash items	(198)	3,160
	<b>(20,127)</b>	<b>(32,406)</b>

Opening balances reflect adjustments to Cash Flows from Operating and Investing Activities following identification of a prior period error. Full details are disclosed within note 3.

### 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	5,791	4,024
Proceeds from sale of Property, Plant & Equipment	1,962	4,329
	<b>7,753</b>	<b>8,353</b>

### 37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2020/21 £000	2021/22 £000
Purchase of property, plant & equipment, investment property and intangible assets	25,901	26,960
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	808
Other receipts for investing activities (Grants)	(6,429)	(6,782)
<b>Net cash flows from investing activities</b>	<b>19,614</b>	<b>19,657</b>

Opening balances reflect adjustments to Cash Flows from Operating and Investing Activities following identification of a prior period error. Full details are disclosed within note 3.

**38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES**

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
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	0	567
Repayments of short & long-term borrowing	537	2,000
Other payments for financing activities	<b>(4,444)</b>	<b>(18,524)</b>

## COLLECTION FUND STATEMENT &amp; NOTES

2020/21 £000		2021/22	
		£000	£000
<b>INCOME</b>			
124,005	Income From Council Tax	133,042	
31,730	Income From Business Rates (Note 2)	43,493	
<b>155,735</b>	<b>Total Income</b>		<b>176,535</b>
<b>EXPENDITURE</b>			
	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	
<b>188,151</b>	<b>Total Expenditure</b>		<b>155,473</b>
(32,417)	Surplus/(Deficit) For Year		21,062
(484)	Surplus/(Deficit) Brought Forward From Previous Years		(32,901)
(273)	<b>Surplus/(Deficit) on Council Tax</b>		<b>4,142</b>
(32,628)	<b>Surplus/(Deficit) on Business Rates</b>		<b>(15,981)</b>
<b>(32,901)</b>	<b>Surplus/(Deficit) as at 31st March 2022</b>		<b>(11,839)</b>

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

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 awarded 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.



<b>Band</b>	<b>Number of Dwellings</b>	<b>Multiplier</b>	<b>Council Tax Base</b>
Band A (incl disabled relief)		5/9	0.8
Band A		6/9	1,742.5
Band B		7/9	5,029.6
Band C		8/9	14,007.5
Band D		9/9	16,592.8
Band E		11/9	11,237.3
Band F		13/9	7,849.3
Band G		15/9	6,741.6
Band H		18/9	692.0
Other			196.0
			<b>64,089.4</b>

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

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

- Standard Multiplier 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 £150.243m (£150.243m at 31st March 2021).

For 2021/22, it was calculated that the Council would receive £25.093m 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



# Informing the audit risk assessment for Maidstone Borough Council 2021/22

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

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Maidstone Borough Council's external auditors and Maidstone Borough Council's Audit, Governance and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit, Governance and Standards Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit, Governance and Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit, Governance and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit, Governance and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit, Governance and Standards Committee and supports the Audit, Governance and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Maidstone Borough Council's management. The Audit, Governance and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p> <p style="text-align: center;">293</p>	<p>The key events which are anticipated to have an impact on the 2021/22 financial statements are as follows:</p> <ul style="list-style-type: none"> <li>- Long-Term assets have increased in value by £22.667m, primarily due to asset acquisitions and expenditure, and revaluation adjustments. The major acquisitions include Maidstone House and the buy-out of Kent County Council's share of the Former Royal Mail Sorting Office. Other major items of expenditure include the Innovation Centre, housing developments at Springfield Mill and the construction of the new Mote Park Visitor Centre.</li> <li>- Cash and Cash Equivalents have increased by £22.689m, which reflects an increased level of short-term deposits held for cashflow purposes as at the balance sheet date.</li> <li>- The increase in Short Term Creditors of £25.963m is largely a consequence of grant and energy rebate monies yet to be paid out still being held from the Covid-19 pandemic.</li> <li>- The first Long-Term borrowing (£5.0m) to fund the capital programme is now in place.</li> <li>- The movement in the net pension liability has reduced by £4.421m</li> </ul>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Maidstone Borough Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Accounting policies are kept under review throughout the year and are formally reviewed as part of the preparation of the annual financial statements. There are no material changes expected to the Council's accounting policies for 2021/22.</p> <p>No new accounting policies have been adopted for 2021/22.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p> <p style="text-align: center;">6</p>	<p>Financial instruments are disclosed within the notes to the accounts and include treasury investments, loans, relevant classes of debtors and creditors.</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We are not aware of any such circumstances, although this will be subject to review by the external valuer.
6. Are you aware of any guarantee contracts? If so, please provide further details	No.
2021 7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	The financial statements incorporate provisions for potential losses, however there are no anticipated losses which would have a material impact on the financial statements
8. Other than in house solicitors, can you provide details of those solicitors utilised by Maidstone Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The most significant area of spend was in relation to development control appeals and enforcement action, many of which are ongoing. A full list will be provided to the external auditors with the supporting working papers to the financial statements

## General Enquiries of Management

Question	Management response
9. Have any of the Maidstone Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted? No 95	The most significant area of spend on external advisors was for the local plan review. A full list will be provided to the external auditors with the supporting working papers to the financial statements.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	The Council's treasury advisors have undertaken a fair value assessment on all of its investments and loan balances at year end, which has been reflected within the Financial Instruments note to the accounts. Service loans of £25k & £24k are deemed immaterial for fair value reviews .

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit, Governance and Standards Committee and management. Management, with the oversight of the Audit, Governance and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit, Governance and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Maidstone Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit, Governance and Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit, Governance and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit, Governance and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Maidstone Borough Council's management.

## Fraud risk assessment

Question	Management response
<p>1. Has Maidstone Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Maidstone Borough Council's risk management processes link to financial reporting?</p>	<p>The Council has assessed the risk of misstatement in the financial statements due to fraud and concluded that this risk is unlikely to result in material misstatement.</p> <p>The Council's financial systems are safeguarded from the risk of fraud by a robust internal control framework which is subject to regular independent review by internal audit.</p> <p>The Council does not set performance targets linked to financial outturn and the incentive for deliberate misstatement of disclosures within the accounts is therefore considered to be minimal.</p> <p>Risk management processes are forward looking in nature, and focus on future uncertainties regarding the Council's budgetary position.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Housing Benefits, Business Rates, Council Tax and Covid-19 Business Grants.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Maidstone Borough Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>There are no new cases of fraud to report in 2021/22.</p> <p>Risk management forms part of all committee reports. A corporate risk register is in place, and fraud and other risks are also considered by the Corporate Governance Group. The Director of Finance and Business Improvement reports budget strategy risks to all meetings of the Audit, Governance and Standards Committee.</p>

## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Reports on how the Council manages risk, including fraud risk, are presented to the Corporate Leadership Team and to the relevant member committees each quarter. The Audit Governance and Standards Committee takes a close interest in risk management and receives periodic reports relevant to the subject.
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Maidstone Borough Council where fraud is more likely to occur?</p>	<p>No material fraud risks have been identified in relation to the financial statements.</p> <p>As identified above, the areas considered to be at the highest risk of fraud are Housing Benefits, Business Rates, Council Tax and Covid-19 Business Grants.</p>
6. What processes do Maidstone Borough Council have in place to identify and respond to risks of fraud?	<p>Procedures are in place to ensure compliance with financial regulations and contract procedure rules. These elements of the Council's constitution formally identify the procedures required in relation to financial transactions to reduce the risk of fraud.</p> <p>All financial systems maintained by the Council are subject to regular review by Internal Audit and are monitored by the Director of Finance and Business Improvement. Payments to individual suppliers exceeding £40,000 are approved by bank signatories, and the weekly payment run for creditors is subject to review by the s151 Officer. A dedicated fraud team is in place to identify and respond to fraud relating to revenues and benefits</p>



## Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Maidstone Borough Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>26 What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The overall approach is set out in the Annual Governance Statement – which is reviewed by Audit, Governance &amp; Standards Committee and approved by Policy &amp; Resources Committee.</p> <p>The internal control environment is subject to annual independent review by Mid Kent Internal Audit, and External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting.</p> <p>Staff are not placed under any undue pressure in relation to the achievement of financial targets.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>As stated elsewhere in this document, the Council does not set performance targets linked to financial outturn and the incentive for deliberate misreporting is therefore considered to be minimal.</p>

## Fraud risk assessment

Question	Management response
<p>9. How does Maidstone Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<ul style="list-style-type: none"> <li>- Ethical behaviour is encouraged through the Staff Code of Conduct and onboarding process for new staff, the Member Code of Conduct and Contract Procedure Rules.</li> <li>- The Council has a Whistleblowing Charter, Anti-fraud and Corruption and Anti Money Laundering policies in place which are actively promoted to staff.</li> <li>- The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016).</li> <li>- We are not aware of any significant concerns raised by staff which would be likely to have material impact on the financial statements.</li> </ul>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk areas are posts which require the holder to authorise payments and/or receive income or let contracts on behalf of the Council.</p> <p>Risks are mitigated through general controls including segregation of duties and authorisation protocols, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit, Governance and Standards Committee ?</p> <p>How does the Audit, Governance and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>301 What has been the outcome of these arrangements so far this year?</p>	<p>Internal audit report to the Audit, Governance and Standards committee on a regular basis. The Committee is informed of the assurance ratings for reviews undertaken by internal audit and follow-up actions taken.</p> <p>The Head of Internal Audit's Annual Report and Audit Opinion will be reported to the Audit, Governance and Standards committee in July.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit, Governance and Standards Committee, is responsible for ensuring that Maidstone Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit, Governance and Standards Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

**CO**  
**NR** Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Maidstone Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Maidstone Borough Council's regulatory environment that may have a significant impact on the Maidstone Borough Council's financial statements.</p>	<p>The Constitution sets out the framework to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements.</p> <p>Roles and responsibilities for members, committees and senior officers, are documented within the Constitution.</p> <p>The Council's Monitoring Officer and Mid Kent Legal Services review all decision reports prior to publication to ensure that proposals comply with relevant legislation.</p> <p>Management is not aware of any changes to the regulatory environment that would have a significant impact on the financial statements.</p>
<p>2. How is the Audit, Governance and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through the Annual Governance Statement and through the planning and reporting of a risk based programme of internal audit work each year.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>No, there is no ongoing litigation expected to have a material impact on the financial statements.</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does Maidstone Borough Council have in place to identify, evaluate and account for litigation or claims?	The Monitoring Officer is a member of the Corporate Leadership Team and maintains oversight over key events which may give rise to litigation or claims. This information is communicated to the finance team through liaison with the legal team. Finance Officers then consider how this information should be reflected in the accounts.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

# Related Parties

## Matters in relation to Related Parties

Maidstone Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Maidstone Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Maidstone Borough Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Maidstone Borough Council or of any body that is a related party of the Council.

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A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Maidstone Borough Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Maidstone Borough Council's 2021/22 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Maidstone Borough Council whether Maidstone Borough Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	No
<p>2. What controls does Maidstone Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	All Members and Officers are required to complete an annual declaration of interests to identify related party relationships. The Register of Interests is maintained by Mid Kent Legal Services. Related party transactions are (where material) disclosed in the Statement of Accounts.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	Payments to a single supplier exceeding £40,000 are subject to separate authorisation by bank signatories. Adequate segregation of duties exist for the disbursement of funds via any route.
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	Significant transactions outside of the normal course of business would be referred to the Corporate Leadership Team or Policy and Resources Committee as appropriate.



# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

## Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Maidstone Borough Council will no longer continue?	The Corporate Leadership Team meets twice a month and receives reports on significant issues relating to service delivery, so it will be appraised if it is likely that a statutory service will cease to be delivered and will take appropriate action.
2. Are management aware of any factors which may mean for Maidstone Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	Management is not aware of any factors likely to impact the ongoing delivery of statutory services or the funding required to enable statutory services to be delivered.
3. With regard to the statutory services currently provided by Maidstone Borough Council, does Maidstone Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Maidstone Borough Council to cease to exist?	The Council expects to continue delivering the existing statutory services for the foreseeable future. Accordingly there are no plans for them to be transferred to other public authorities.
4. Are management satisfied that the financial reporting framework permits Maidstone Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Management is satisfied that the financial reporting framework allows it to prepare accounts on a going concern basis, and that preparing accounts in this way provides a faithful representation of the items in the financial statements.

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- 309 The body's information system as it relates to accounting estimates;
- 9 The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Property valuations, depreciation, pensions liability, arrears and provisions for business rates appeals.
2. How does the Maidstone Borough Council's risk management process identify and address risks relating to accounting estimates?	<p>It should be noted that although the accounting estimates relating to property and pensions represent some of the most significant numbers in the financial statements in terms of value, the statutory accounting arrangements for local authorities mean that variations in these estimates would be unlikely to impact on the Council's spending power and are therefore not considered to pose a significant risk to financial resilience.</p> <p>The corporate risk register recognises a significant risk in relation to the recoverability of business rates and council tax.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Key management staff engage with the experts, where they are involved, in clearly defining and reviewing the basis and appropriateness of assumptions and source data for use in key accounting estimates used in the financial statements, such as the valuation of property, plant and equipment and pensions liabilities. This is done on an annual basis as part of the preparation for closedown. Discussion and challenge is documented. In other areas, where other key accounting estimates are material, senior finance staff ensure there is a robust system of review and challenge in assuring the appropriateness of methods, assumptions and source data of those estimates.
4. How do management review the outcomes of previous accounting estimates?	<p>Year on year variance analysis is conducted as part of the review of the financial statements prior to publication, in order to assess the reasonableness of current and prior years' estimates, and to understand any significant movements.</p> <p>The process for writing off irrecoverable debt and issuing refunds following a successful rateable value appeal also enables management to carry out an in year assessment of the adequacy of the impairment and provision entries.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Where the estimation techniques involved require input from a qualified professional with reference to technical guidance, management determine whether or not these skills are available in house.</p> <p>Property valuations are undertaken by a suitably qualified external valuer, Harrisons and IAS19 calculations for pensions are supplied by the actuary to Kent Pension Fund, Barnett Waddingham. Provisions for business rates appeals are calculated by finance officers with reference to contextual information supplied by the VOA and Analyse Local. The Council's external treasury management advisor, Link also assists with the provision of fair value information regarding loans and investments where required.</p> <p>Management consider that other estimates referred to in this document can be made by the in house team, under the oversight of the Head of Finance and the Director of Finance and Business Improvement, both of whom are qualified accountants.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Property and pension related valuations are prepared on an annual basis and control activities include thorough analysis of the reports and outputs prepared by experts and review for consistency with internal records. Useful lives are estimated for depreciation purposes and are safeguarded through regular review and maintenance by the corporate property team.</p> <p>Arrears are reported to budget managers on a monthly basis, and reviewed in quarterly meetings with service Heads.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Management derives assurance over the inputs and internal records used in calculating these estimates from periodic internal audit reviews. The relationship with the external valuer, Harrisons, is managed by the Property Services Manager, working closely with the Senior Finance Manager. The relationship with the pensions actuary, Barnett Waddingham is managed by Kent County Council as the pension fund manager, who maintain regular communication with member authorities.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting</p>	<p>The nature and extent of the oversight in relation to accounting estimates includes:</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Audit, Governance and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Details of accounting estimates and significant judgements are disclosed to members of the Audit, Governance and Standards committee within this paper, and through the financial statements. Committee members are given the opportunity to review and comment on the draft financial statements prior approving the audited document.</p> <p>Budget risks are also regularly reported to the committee, and this report incorporates future uncertainty and the likelihood and impact of adverse events arising.</p> <p>In the event that significant accounting estimates were so inaccurate as to compromise financial resilience, this would be reported to members through regular budget monitoring updates throughout the year.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Valuations provided by a qualified external valuer for selected properties on an annual basis.	Operational assets need to be revalued at least every five years, but larger value assets are assessed either annually or bi-annually.	The Council engages the services of a suitably qualified valuer.	The impact of a 10% reduction in estimated values is modelled in the Statement. This is considered to be appropriate in the context of the overall value of the properties.	No
Heritage assets	Heritage asset values disclosed in the accounts are based on 2011 valuations undertaken for insurance purposes with reference to information from auction houses. The values are reviewed annually for insurance purposes.	The majority of heritage assets are located at the Council's museums and are identified from records obtained from officers from this area.	No	Updating the valuations for the heritage assets on the balance sheet may produce different results to the 2011 values. However, the cost of such an exercise is not commensurate to the benefits of this information to users of the accounts. This approach is allowed by the Code and has been disclosed in the notes to the accounts.	No
Investment property valuations	Valuations provided by a qualified external valuer for selected properties on an annual basis.	Investment properties are revalued on an annual basis.	The Council engages the services of a suitably qualified valuer.	The impact of a 10% reduction in estimated values is modelled in the Statement. This is considered to be appropriate in the context of the overall value of the properties.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities  314	The liability is assessed by a pensions actuary.	The actuary uses professional judgement and actuarial data to assess the extent of the liability.	The actuary is appointed by the Kent County Council Pension Fund on behalf of the Council who are one of the members of the scheme.	A 0.1% increase in the discount rate and a 0.1% increased in the assumed level of pension increases is modelled, along with an increase of one year in life longevity. This is considered to be appropriate in the context of the overall value of the properties.	No
Accruals	Accruals of income and expenditure are recognised where the value exceeds £10,000.	Accruals are identified through commitment accounting and by service accountants in consultation with budget managers.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Provisions (including NNDR appeals)	An assessment based on data around current and potential losses from appeals against the rateable values of business premises. Other provisions are not material.	Valuation information is provided by the Valuation Office Agency (VOA)	The Council's appeals provision is made with reference to an assessment of potential losses by an external adviser.	A 10% increase in the yield losses from successful appeals is assessed to show the potential impact. Consideration will be given to alternative figures depending on the underlying economic conditions.	No





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# Agenda Item 21

## Audit, Governance & Standards Committee

26 July 2022

### Treasury Management Annual Review 2021/22

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

#### Executive Summary

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code requires that authorities report on the performance of the treasury management function at least twice a year (at mid-year and year-end).

Council has delegated the role of considering these reports to the Audit, Governance and Standards Committee. This report sets out the activities of the Treasury Management function for 2021/22 financial year.

#### Purpose of Report

This report requires noting from the Committee.

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

1. That the review of the financial year 2021/22 in accordance with CIPFA's Code of Practice on Treasury Management along with the prudential and treasury indicators is noted.
2. That no amendments to the current treasury management procedures are necessary as a result of the review of activities in 2021/22.

#### Timetable

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	28 July 2022

# Treasury Management Annual Review 2021/22

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	The Treasury Management Function ensures the safeguarding of Council finances and the liquidity of funds when liabilities become due to support the strategic plan objectives.	Head of Finance
<b>Cross Cutting Objectives</b>	The report recommendations support the achievements of all the cross cutting objectives in the way stated above.	Head of Finance
<b>Risk Management</b>	Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2021/22 report. This report is purely for information purposes and has no risk management implications.	Head of Finance
<b>Financial</b>	This report relates to the financial activities of the council in respect of treasury management and specific financial implications are therefore detailed within the body of the report.	Section 151 Officer & Finance Team
<b>Staffing</b>	None.	Head of Finance
<b>Legal</b>	<p>Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.</p> <p>The legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities.</p>	Interim Team Leader (Contentious and Corporate Governance)
<b>Privacy and Data Protection</b>	None.	Policy and Information Team
<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	Equalities & Communities Officer

<b>Public Health</b>	None.	Public Health Officer
<b>Crime and Disorder</b>	None.	Head of Finance
<b>Procurement</b>	None.	Head of Finance & Section 151 Officer
<b>Biodiversity and Climate Change</b>	There are no implications on biodiversity and climate change.	Biodiversity and Climate Change Officer

## 2. INTRODUCTION AND BACKGROUND

2.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

2.1.1 The Treasury Management Strategy Statement (TMSS) for 2021/22 states the reporting requirements for the following reports:

- an annual treasury strategy in advance of the year (Full Council 24th February 2021)
- a mid-year treasury update report (Audit, Governance & Standards Committee 15th November 2021)
- an annual review following the end of the year describing the activity compared to the strategy (Audit Governance & Standards Committee - this report).

2.1.2 This report sets out the activities of the treasury management function for the 2021/22 financial year in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities. It also sets this in the context of the economic environment over the past 12 months.

2.1.3 The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

2.1.4 The Authority's Treasury Management Strategy Statement for 2021/22 was approved by full Council on 24th February 2021. The key elements of the Strategy are:

- Increase counterparty investment limits with highly rated institutions due to additional funding of COVID-19 grants received from Central Government in 2020/21 and 2021/22;
- 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;
- Further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments is considered. Greater use of local authority investments will be used where the borrowers offer a high level of security; and
- Borrowing options to be reviewed during the year, where cash balances are likely to be fully utilised, which will include long term and short borrowing.

## 2.2 Economic Overview

2.2.1 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022 (Bank rate is currently at 1.25% June 2022).

2.2.2 The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% year on year Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% in March 2022. CPI was 9.1% in May 2022 and is looking to increase further during 2022.

2.2.3 Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022 at 1.38%, 2-year yields and 10-year yields of 1.65%. These have now peaked at 2.37% for 2-year yields and 2.62% 10-year yields in June 2022. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

2.2.4 From 1st April 2022, employees will pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

2.2.5 Average inflation targeting was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a

new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

### 2.3 Investment Activity

2.3.1 The CIPFA Code and Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The Council has adhered to these principles during 2021/22.

2.3.2 The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2021/22 the Authority's investment balances have ranged between £14.37m and £70.2m. The average investment balance for the year was £44.5m. The Council held investments totalling £38.75m as at 31st March 2022. This final investment balance is an increase on previous year due to slippage within the capital programme and the influx of Government grant funding. A full list of the investments can be found within **Appendix A**.

2.3.3 Investment income for the year totalled £71.8k. Rates had improved throughout the year as bank rate started to rise however, investments have been kept short term for liquidity purposes. Maximum duration of funds have been for 6 months with an average rate of 0.16%.

2.3.4 The Council has invested its funds within the parameters set within the Treasury Management Strategy for 2021/22.

### 2.4 Borrowing Activity

2.4.1 During 2021/22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as this reduces cost of carry and minimises counterparty risk on placing investments.

2.4.2 The Council started the year with £11m of short-term loan debt funded by other local authorities. £2m had been repaid and £5m was transferred to long term borrowing with the PWLB, due to rates being advantageous and to mitigate refinancing and interest rate risk. The total amount of loan debt as at 31st March 2022 was £9m, which a full list of can also be found in **Appendix A**.

2.4.3 Due to the economic climate of rising interest rates and the need for future borrowing to fund the existing 5 year capital programme, the Council has entered into an agreement to forward borrow of £80m with Aviva Life and Pensions UK Limited. The funds will be available within 2023/24 (£40m), 2024/25 (£20m) and 2025/26 (£20m). The rates for

these were secured at 2.89% over a 50 year term. 50 year rates with PWLB rates are currently at 3.25%.

2.4.4 The Council has borrowed funds within the parameters set within the Treasury Management Strategy for 2021/22.

## 2.5 Prudential and Treasury Indicators

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

2.5.2 The Council has operated within its Prudential and Treasury Indicators set out in the Treasury Management Strategy 2021/22 and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **Appendix B**.

## 2.6 Compliance Report

2.6.1 The Director of Finance & Business Improvement can confirm that all treasury management activities undertaken during 2021/22 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

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## **3. AVAILABLE OPTIONS**

3.1 The Audit, Governance and Standards Committee agrees that that the review of the financial year 2021/22 in accordance with CIPFA's Code of Practice on Treasury Management along with the prudential and treasury indicators is noted and that no amendments to the strategy are required in consequence.

3.2 The Audit, Governance and Standards Committee could propose changes to the current procedures as a result of the review of activities in 2021/22.

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

4.1 The Audit, Governance and Standards Committee agrees that that the review of the financial year 2021/22 in accordance with CIPFA's Code of Practice on Treasury Management along with the prudential and treasury indicators is noted and no amendments to the strategy are required as there is no justification to make any changes.

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## **5. RISK**

- 5.1 Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2020/21 report. This report is purely for information purposes and has no risk management implications.
- 

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

- 6.1 None.
- 

## **7. REPORT APPENDICES**

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

- Appendix A: List of Investments and Borrowing as at 31st March 2022.
  - Appendix B: Prudential and Treasury Indicators.
- 

## **8. BACKGROUND PAPERS**

- 8.1 None.



## Maidstone Borough Council Investments/Borrowing as a 31st March 2022

### Investments

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Interest Rate	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Handelsbanken	Call account	5,000,000			0.30%	12 Months	£5,000,000
Goldman Sachs International Bank	Call account	2,000,000			0.23%	6 Months	£5,000,000
Lloyds Bank Plc	Call account	1,000,000			0.10%	6 Months	£5,000,000
Santander Bank Plc	Call account	5,000,000			0.70%	6 Months	£5,000,000
HSBC Bank Plc	Call account	5,000,000			0.70%	6 Months	£5,000,000
Aberdeen Standard Liquidity Fund Sterling Fund	Money Market Fund	1,420,000			0.51%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	8,330,000			0.51%		£10,000,000
Landesbank Hessen Thuringen Girozentrale	Fixed Term Deposit	2,000,000	26/10/2021	26/04/2022	0.43%	6 Months	£5,000,000
Landesbank Hessen Thuringen Girozentrale	Fixed Term Deposit	3,000,000	31/01/2022	29/07/2022	0.62%	6 Months	£5,000,000
Goldman Sachs International Bank	Fixed Term Deposit	3,000,000	15/10/2021	14/04/2022	0.37%	6 Months	£5,000,000
Nationwide Building Society	Fixed Term Deposit	3,000,000	07/01/2022	06/05/2022	0.15%	6 Months	£5,000,000

323 38,750,000

### Borrowing

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Middlesbrough Teeside Pension Fund	Local Authority	4,000,000	20/08/2021	19/08/2022	0.08%
PWLB	Government	2,000,000	11/11/2021	11/11/2071	1.73%
PWLB	Government	3,000,000	30/12/2021	30/12/2071	1.56%

9,000,000

## Prudential and Treasury Indicators

### Prudential Indicators

#### Ratio of Financing Costs to Net Revenue Stream

2020/21 Actual %	2021/22 Estimate %	2021/22 Actual %
0.04	0.36	-0.17
2020/21 Actual £000	2021/22 Estimate £000	2021/22 Actual £000
9.00	72.00	-33.70

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. A negative figure shows investment income is higher than borrowing costs. This indicator is shown as a percentage and as a monetary value of the net revenue budget. Expected borrowing was not fully utilised during 2021/22 which is the reason there is a negative result.

#### Capital Expenditure

2020/21 Actual £m	2021/22 Estimate £m	2021/22 Actual £m
26.730	33.179	26.431

This indicator shows the total capital expenditure against budget.

#### Capital Financing Requirement

2020/21 Actual £m	2021/22 Estimate £m	2021/22 Actual £m
50.982	75.093	66.203

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. Borrowing can be made external or using the Council's own resources (internal borrowing). This includes the current year's capital expenditure.

#### Actual External Debt

2020/21 Actual £m	2021/22 Estimate £m	2021/22 Actual £m
13.527	15.582	9.000

This indicator shows the Council level of gross debt as at 31st March 2022.

## Treasury Indicators

#### Authorised Limit for External Debt

	2020/21 Actual £m	2021/22 Estimate £m	2021/22 Actual £m
Borrowing	11.000	40.582	11.000
Other Long Term Liabilities	2.527	2.010	2.010
Total	13.527	42.592	13.010

This is the main limit which is set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003. This includes the level of external borrowing and the financial liability in regards to the leisure centre.

#### Operational Limit for External Debt

	2020/21 Actual £m	2021/22 Estimate £m	2021/22 Actual £m
Borrowing	11.000	30.582	11.000
Other Long Term Liabilities	2.527	2.010	2.010
Total	13.527	32.592	13.010

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

#### Maturity structure of fixed rate borrowing

	Original Limits £m	Actual £m
Under 12 months	11	2
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	0

£2m of the £11m borrowing had been repaid. The additional £9m has been rolled over as £4m short term borrowing and £5m long term.

## AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

**26 July 2022**

### Budget Strategy – Risk Assessment Update

<b>Final Decision-Maker</b>	Audit, Governance and Standards Committee
<b>Lead Head of Service/Lead Director</b>	Mark Green, Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Mark Green, Director of Finance and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

#### **Executive Summary**

The Council delivered a modest revenue budget surplus in 2021/22. At this early stage in 2022/23, we expect to remain within budget for the year. However, future prospects are more uncertain. There are two key variables – the risk of continued stagflation, and how the government responds to the UK’s economic position, in particular how much flexibility it allows local authorities in setting Council Tax. Initial work in developing a budget for 2023/24 has therefore addressed a range of potential scenarios and quantified the impact on the revenue budget under each, in terms of the level of savings that would be required.

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

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

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 July 2022

# Budget Strategy – Risk Assessment Update

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance and Business Improvement
<b>Cross Cutting Objectives</b>	The cross cutting objectives are reflected in the MTFS and the budget.	Director of Finance and Business Improvement
<b>Risk Management</b>	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. Specific risks are set out in Appendix A.	Director of Finance and Business Improvement
<b>Financial</b>	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Director of Finance and Business Improvement
<b>Staffing</b>	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance and Business Improvement
<b>Legal</b>	The Council has a statutory obligation to set a balanced budget and development of	Director of Finance and Business Improvement

	the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	
<b>Privacy and Data Protection</b>	No implications.	Director of Finance and Business Improvement
<b>Equalities</b>	The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance and Business Improvement
<b>Public Health</b>	None identified.	Director of Finance and Business Improvement
<b>Crime and Disorder</b>	None identified.	Director of Finance and Business Improvement
<b>Procurement</b>	None identified.	Director of Finance and Business Improvement
<b>Biodiversity and Climate Change</b>	None identified.	Director of Finance and Business Improvement

## 2. INTRODUCTION AND BACKGROUND

- 2.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Members have requested that the Budget Risk Matrix and Risk Register be updated and reported to each meeting of the

Committee, so that it continues to be fully briefed on factors likely to affect the Council's budget position.

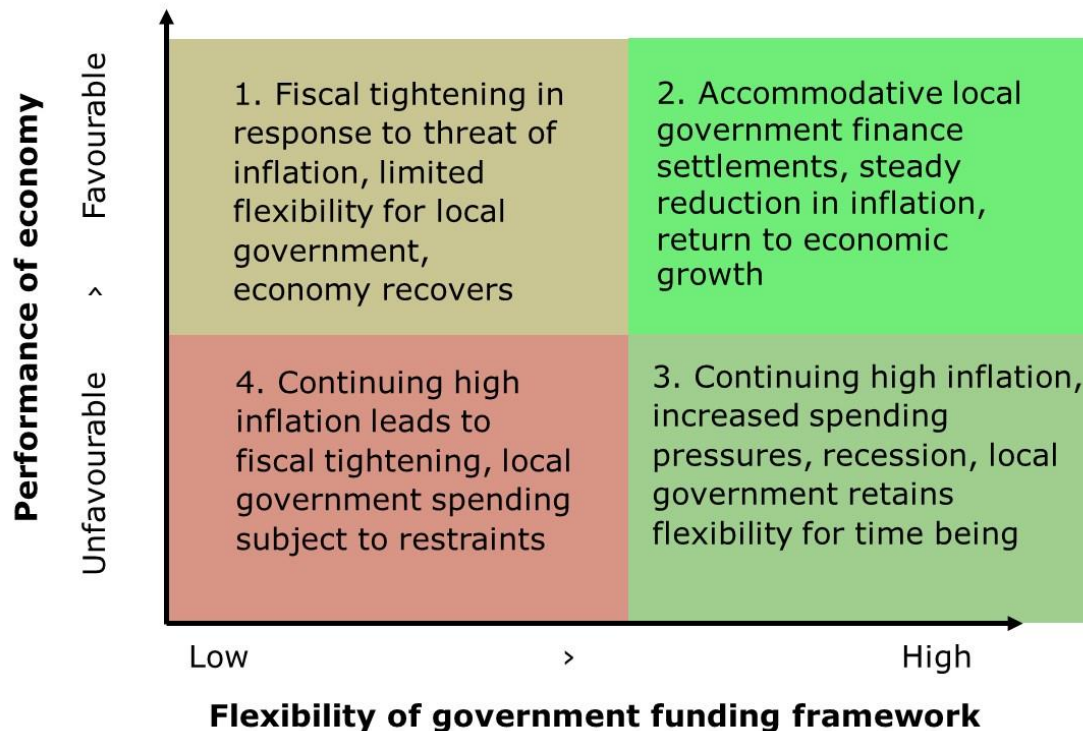
### **Current financial position**

- 2.2 In 2021/22, income recovered more strongly than expected from the pandemic and the Council generated a modest surplus compared with budget. For 2022/23, there is no more direct government funding to cover the costs of Covid, but the Council has been able to set a balanced budget. Additional provision of £1.3 million was made within the 2022/23 budget for the expected impact of higher inflation on the Council's input costs. At this early stage in the financial year, it is expected that, with this provision, the Council will remain within budget for the year. If at any stage it appears that an overspend is likely, measures will need to be taken in-year to bring the budget back into balance.
- 2.3 The Council's balance sheet position remains strong. As at the end of the financial year 2021/22, unallocated General Fund reserves amount to £9 million. Short-term investments – cash or equivalent – amounted to £41 million. Long term borrowing remained modest, at £9 million.
- 2.4 The Council has an ambitious capital programme, amounting to £230 million over five years. This will largely be funded from external sources, so borrowing will increase rapidly from the current low levels. In anticipation of higher interest rates, the Council has committed to forward borrowing of £80 million, which will be drawn down between 2024 and 2026. This provides a measure of assurance that the Capital Programme remains deliverable, notwithstanding increases in finance costs and potential future constraints on local authority borrowing from the Public Works Loan Board.
- 2.5 In summary, the Council currently enjoys a sound financial position, with a balanced budget and a strong balance sheet.

### **Future financial position**

- 2.6 The prospects for the broader UK economy over the five years of the MTFS period are extremely challenging. The Bank of England projects negligible growth over the next two years and any subsequent recovery will be modest.
- 2.7 Stagnant economic growth will be accompanied, in the short term at least, by high inflation. The Bank of England forecasts that inflation will peak at over 10% later in 2022 before falling subsequently. However, many commentators have challenged whether current policies will be successful in bringing down inflation. The implications of this analysis are that the government and the Bank of England would need to tighten policy more sharply than is currently the case in order to be sure of bringing down inflation. If inflation does not come down in line with projections, policy will have to be tightened eventually in any case.
- 2.8 The two variables which must therefore be considered in constructing budget strategies are therefore (a) the performance of the economy, which is closely linked to the global economy and subject to all the pressures of

war and constraints on energy supplies, and (b) how aggressively the government and the Bank of England respond to rising inflation. The combination of these two variables gives four possible scenarios, as shown below.



Projections for the Council’s finances under each of the four scenarios have been prepared for the purpose of updating the Medium Term Financial Strategy.

2.9 Government policy, as expressed by the funding framework, is a crucial determinant of the Council’s future financial position. This is primarily because central government restricts the amount by which Council Tax can be increased through the referendum limit and it determines the share of business rates that can be retained locally.

2.10 The MTFs projections indicate that the budget can be balanced in 2023/24 without making more savings, provided that the government increases the referendum limit to 5% and the Council takes advantage of this to put up Council Tax by this amount. On the other hand, if the referendum limit is only 2%, as would be the case if the government adopted a stricter approach to local government funding, then the Council would have to find an additional £800,000 of savings, even if it increased Council Tax by 2%, because of the impact of inflation. If it did not increase Council Tax at all, it would have to find £1.1 million of savings to balance the budget.

2.11 It can therefore be seen that the future budget position of the Council is heavily dependent on government policy in relation to the referendum limit on the one hand, and its ability to deliver budget savings on the other.

## **Delivering the capital budget**

- 2.12 There are two main risks associated with the capital programme.
- 2.13 Firstly, the availability of funding is essential to delivery of the programme. Currently, funding for the capital programme is readily available: in the short term, through the market in borrowing and lending between local authorities; and over the longer term, through the Public Works Loan Board (PWLB). There is no indication that the government will withdraw this facility for local authorities, so long as the lending is not for purely commercial investment purposes.
- 2.14 However, it is appropriate to mitigate the risk of dependency on the PWLB, and as set out in paragraph 2.4 above the Council has sourced £80 million of forward borrowing from a private sector lender. This also allows the Council to lock in interest rates as at March 2022 for a portion of its debt.
- 2.15 A second risk to the capital budget is the impact of inflation and supply blockages. Over time, the impact of higher input costs should be reflected in higher returns from capital investment and increases in the value of capital assets. However, the Council is likely to see severe budget pressures in the short term at the level of individual capital projects, requiring additional funding to be transferred within the overall capital budget envelope and reducing the overall amount of funding available. These risks are likely to be exacerbated by Russia's invasion of Ukraine and the consequent impact on energy prices.

## **External factors**

- 2.16 The Covid-19 pandemic shows how vulnerable the Council is to external factors, although in the event the financial impact has been mitigated through government support. The corporate risk register includes risks relating to (a) major emergencies such as a new pandemic and (b) a resurgence of the Covid-19 pandemic. This has been mirrored in the Budget Risk Register.
- 2.17 As already indicated above, the overall performance of the economy impacts both the revenue budget and the capital programme. Higher levels of inflation affect the Council in a variety of ways. The most direct is through contracts which are linked to inflation. The main item of Council expenditure, comprising around 50% of the total, is pay. A recent benchmarking exercise indicates that salaries at Maidstone have fallen behind the policy target of the local government median level for any given grade. It is estimated that an additional £675,000 growth would be required to bring salaries into line.
- 2.18 In light of the risks described above, the following changes are proposed to the budget risk register.



Ref	Risk	Factor considered	Implications for risk profile
I	Constraints on Council Tax increases	If the Council Tax referendum limit remains at 2% this would create a large budget gap	Impact – major (increased) Likelihood – probable (increased)
L	Collection targets for Council Tax and Business rates missed	Collection levels have been maintained more successfully than anticipated at the outset of the Covid-19 pandemic	Impact – major (no change) Likelihood – possible (reduced)
P	Financial impact from a resurgence of Covid-19	The financial impact from the original Covid-19 pandemic was mitigated through central government support	Impact – major (no change) Likelihood – possible (reduced)

2.19 Appendix A sets out the budget risks in the form of a Risk Matrix and Risk Register. Additionally, at the Committee’s request, the possible monetary impact of the risks has been indicated. Note that it is very difficult to quantify the financial impact of risks in precise terms. The information is provided simply to give an indication of the order of the risks’ financial magnitude. The information is also set out in the form of a bar chart.

2.20 Members are invited to consider further risks or to propose varying the impact or likelihood of any risks.

### **3. AVAILABLE OPTIONS**

3.1 Option 1 - The Committee may wish to consider further risks not detailed in Appendix A or vary the impact or likelihood of any risks. This may impact the Council’s service planning and/or be reflected in the developing Medium Term Financial Strategy.

3.2 Option 2 - The Committee notes the risk assessment set out in this report and makes no further recommendations.

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

4.1 Option 2 – It is recommended that the Committee notes the risk assessment.

## **5. RISK**

- 5.1 Risk is addressed throughout this report so no further commentary is required here.
- 

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

- 6.1 Each year the council as part of the development of the MTFS and the budget carries out consultation on the priorities and spending of the council. A Residents' Survey was completed for the 2022/23 budget and the results were reported to Service Committees as part of the budget setting process.
- 

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

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

## **8. REPORT APPENDICES**

The following document is to be published with this report and forms part of the report:

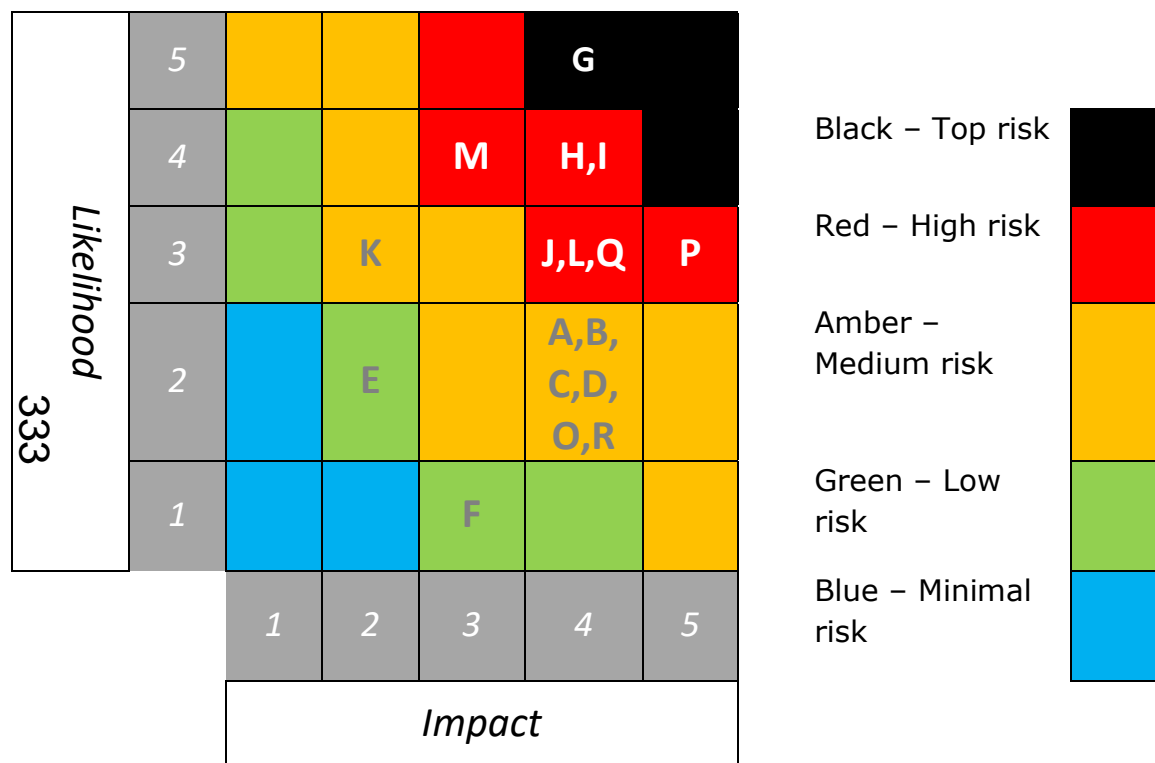
- Appendix A: Budget Strategy Risks
- 

## **9. BACKGROUND PAPERS**

None.

## Budget Strategy Risks

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

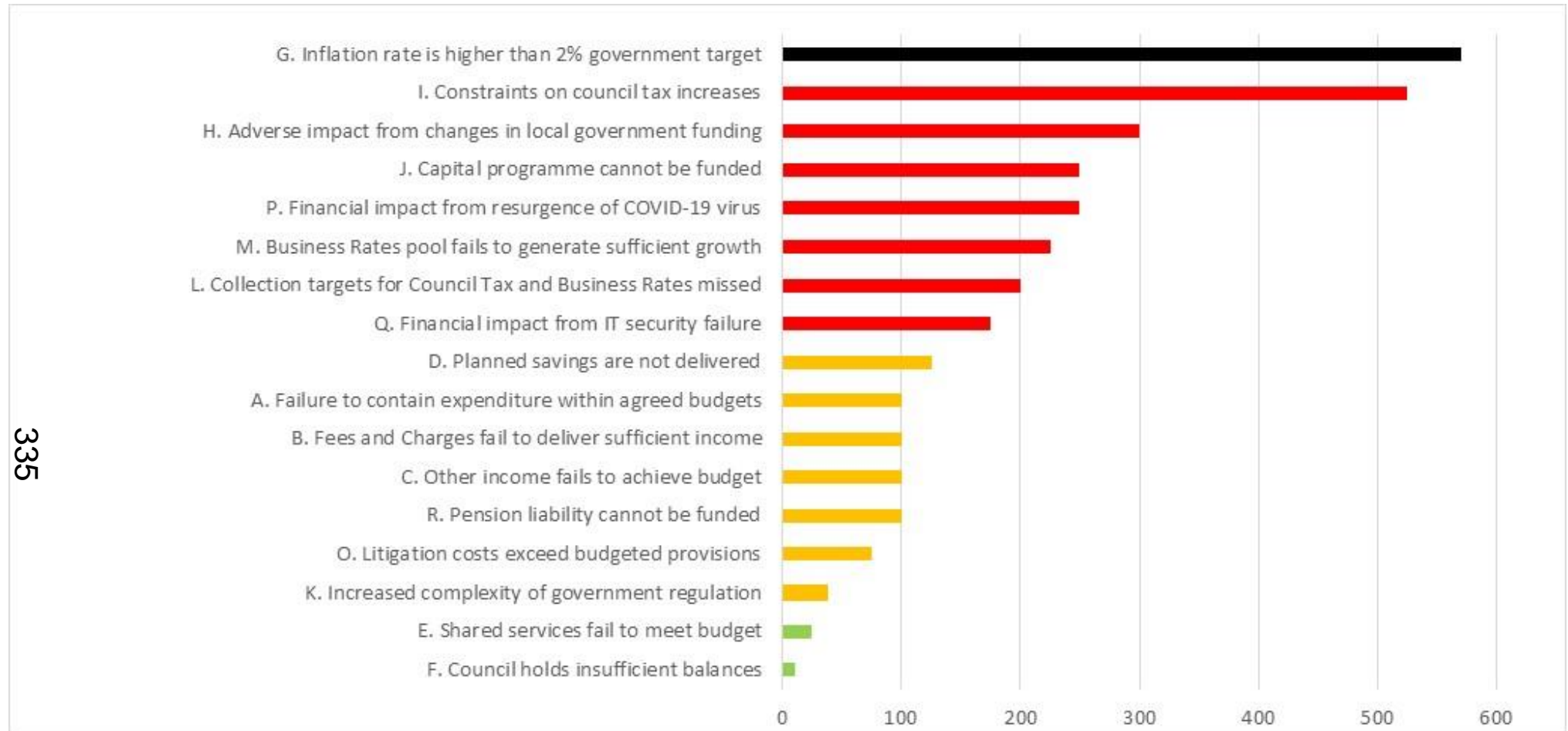


<b>A. Failure to contain expenditure within agreed budgets</b>	<b>J. Capital programme cannot be funded</b>
<b>B. Fees and Charges fail to deliver sufficient income</b>	<b>K. Increased complexity of government regulation</b>
<b>C. Other income fails to achieve budget</b>	<b>L. Collection targets for Council Tax and Business Rates missed</b>
<b>D. Planned savings are not delivered</b>	<b>M. Business Rates pool fails to generate sufficient growth</b>
<b>E. Shared services fail to meet budget</b>	<b>O. Litigation costs exceed budgeted provisions</b>
<b>F. Council holds insufficient balances</b>	<b>P. Financial impact from a resurgence of Covid-19</b>
<b>G. Inflation rate is higher than 2% government target</b>	<b>Q. Financial impact from IT security failure</b>
<b>H. Adverse impact from changes in local government funding</b>	<b>R. Pension liability cannot be funded</b>
<b>I. Constraints on council tax increases</b>	

The budget risks may be ranked, based on the scores shown below, as follows:

Risk	Ranking	Financial impact (in any one financial year)				
		Lower £000	Upper £000	Mid- point £000	Likelihood %	Weighted £000
G. Inflation rate is higher than 2% government target	1	400	800	600	95	570
I. Constraints on council tax increases	2	500	900	700	75	525
H. Adverse impact from changes in local government funding	3	100	900	400	75	300
J. Capital programme cannot be funded	4=	250	750	500	50	250
P. Financial impact from resurgence of COVID-19 virus	4=	250	750	500	50	250
M. Business Rates pool fails to generate sufficient growth	6	150	450	300	75	225
W. Collection targets for Council Tax and Business Rates missed	7	200	600	400	50	200
Q. Financial impact from IT security failure	8	100	600	350	50	175
D. Planned savings are not delivered	9	250	750	500	25	125
A. Failure to contain expenditure within agreed budgets	10=	200	600	400	25	100
B. Fees and Charges fail to deliver sufficient income	10=	200	600	400	25	100
C. Other income fails to achieve budget	10=	200	600	400	25	100
R. Pension liability cannot be funded	10=	200	600	400	25	100
O. Litigation costs exceed budgeted provisions	14	100	500	300	25	75
K. Increased complexity of government regulation	15	50	100	75	50	38
E. Shared services fail to meet budget	16	50	150	100	25	25
F. Council holds insufficient balances	17	100	300	200	5	10

## Chart - Budget risks



## Budget Strategy Risk Register

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

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
336	<p><b>A</b></p> <p><b>Failure to contain expenditure within agreed budgets</b> The Council overspends overall against its agreed budget for the year</p>	<p>Failure to meet the budget makes it more likely that the Council will have to rely on short term expedients to balance the budget from year to year, rather than following a coherent long term strategy.</p>	<ul style="list-style-type: none"> <li>- Embedded and well established budget setting process</li> <li>- Medium Term Financial Strategy</li> <li>- Balanced budget agreed by Council for 2022/23.</li> <li>- Strong controls over expenditure and established process for recovering from overspends</li> </ul>	4	2	8
	<p><b>B</b></p> <p><b>Fees &amp; Charges fail to deliver sufficient income</b> Fee charging services may be affected if there is a downturn in the economy, resulting in Fees and Charges failing to deliver the expected level of income.</p>	<p>The total value of all Council income from fees and charges is around £20 million. A loss of income for service budgets will require restrictions on expenditure levels and delivery of all objectives may not be met.</p>	<ul style="list-style-type: none"> <li>- Fees and charges are reviewed each year, paying careful attention to the relevant market conditions</li> <li>- Where the Council is operating in a competitive market, the aim is to ensure price sensitivity does not lead to a loss of income.</li> <li>- Procedures are in place to ensure that fees and charges are billed promptly (or in advance) and that collection is maximised.</li> </ul>	4	2	8
	<p><b>C</b></p> <p><b>Other income fails to achieve budget</b> In addition to fees and charges, the Council relies on other income from capital investment, which may not deliver the expected level of income.</p>	<p>The medium term financial strategy includes a contribution from investment opportunities, so any shortfall would have an impact on the overall strategy.</p> <p>Income generation from investment activities supports the revenue budget and is required in order to pay back capital investment.</p>	<ul style="list-style-type: none"> <li>- The Council set aside a provision of £0.5m against losses from activities that do not deliver. This provision is cash limited but available to cover short term losses.</li> <li>- Individual risks associated with specific projects within the capital strategy will be assessed, both as part of the project</li> </ul>	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
			appraisal process and during the course of delivering the projects.			
337 D	<p><b>Planned savings are not delivered</b></p> <p>Failure to deliver savings and / or failure to monitor savings means that the Council cannot deliver a balanced budget</p>	<p>The level of saving required to achieve a balanced budget is significant and non-delivery of these savings will have a major consequence on managing financial viability of the organisation.</p> <p>Not achieving savings will impact the overall delivery of the Medium Term Financial Strategy and would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>- The risks associated with delivery of savings proposed in the current Medium Term Financial Strategy have been reviewed as part of the budget setting process.</p> <p>- Savings proposals are separately identified and monitored in the Council's general ledger.</p> <p>- The ability to achieve the targeted savings is monitored quarterly in budget monitoring reports to the Corporate Leadership Team and to Service Committees.</p>	4	2	8
E	<p><b>Shared Services</b></p> <p>Shared services, which are not entirely under the Council's control, fail to perform within budgeted levels.</p>	<p>Failure of a shared service to manage within the existing budget will have the same consequences as for any overspending budget, ie it would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>The arrangements governing shared services include a number of controls that minimise the risk of budget overspends and service failure, including quarterly reporting to a Shared Service Board comprising representatives of the authorities involved. The shared services are required to report regularly on financial performance and key indicators.</p>	2	2	4
F	<p><b>Insufficient Balances</b></p> <p>Minimum balance is insufficient to cover unexpected events</p> <p>OR</p> <p>Minimum balances exceed the real need and resources are held without identified purpose with low investment returns</p>	<p>Additional resources would be needed which would result in immediate budget reductions or use of earmarked reserves.</p> <p>The Council would not gain best value from its resources as Investment returns are low in the current market.</p>	<p>- The Council has set a lower limit below which General Fund balances cannot fall of £4 million.</p> <p>- At the beginning of the 2021/22 financial year unallocated General Fund reserves stood at £9.2 million.</p>	3	1	3
G	<p><b>Inflation rate is higher than 2% government target</b></p>	<p>Unexpected rises will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p>	<p>- Allowances for inflation are developed from three key threads:</p>	4	5	20

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	Actual levels are significantly above or below target	Services have supported the budget strategy through savings. Levels below those expected would result in an increase in balances or unused resources that could be used to achieve strategic priorities.	<ul style="list-style-type: none"> <li>○ The advice and knowledge of professional employees</li> <li>○ The data available from national projections</li> <li>○ An assessment of past experience both locally and nationally</li> </ul> <p>- MTFS core inflation projections are based on the government's 2% inflation target but an additional contingency of £1.3 million is included in the 22/23 budget</p>			
338 H	<p><b>Adverse impact from changes in local government funding</b></p> <p>The financial implications of the new local government funding regime, now unlikely to be introduced until 2022/23, remain unclear.</p>	The Council no longer receives Revenue Support Grant (RSG), but the amount of Business Rates that it retains depends on the funding regime set by central government.	<p>- The Medium Term Financial Strategy to 2026/27 includes an adverse scenario which allows for a significant impact on the Council's resources,</p> <p>- The Council has developed other sources of income to ensure it can maximise its resources while dealing with the consequences of government strategy.</p>	4	4	16
I	<p><b>Constraints on council tax increases</b></p> <p>The limit on Council Tax increases means that the Council must manage expenditure pressures even if these potentially give rise to cost increases greater than the referendum limit.</p>	The limit on Council Tax increases means that additional pressures, such as those arising from providing temporary accommodation, have to be absorbed by making savings elsewhere.	<p>- The budget for 2022/23 incorporates a Council Tax increase of 2%.</p> <p>- Budget planning is based around the assumption that Council Tax increases will be maximised within the constraints of the referendum limit in subsequent years.</p>	4	4	16
J	<p><b>Capital Programme cannot be funded</b></p> <p>Reduction or total loss of funding sources means that the capital programme cannot be</p>	<p>The main sources of funding are:</p> <ul style="list-style-type: none"> <li>○ Internal borrowing</li> <li>○ PWLB borrowing</li> </ul>	- Council has access to borrowing.	4	3	12



Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	delivered or demands on funding exceed available supply	<ul style="list-style-type: none"> <li>○ New Homes Bonus</li> <li>○ Capital Grants</li> <li>○ Developer contributions (S106)</li> </ul> <p>A reduction in this funding will mean that future schemes cannot be delivered.</p>	<p>- Council has confirmed in the past that borrowing is acceptable if it meets the prudential criteria.</p> <p>- Capital expenditure is monitored carefully against the borrowing limits that the Council sets itself.</p>			
K 339	<p><b>Increased volume and complexity of government regulation</b></p> <p>Covid-19 and the range of government support for local authorities and the community have led to a rapid increase in the volume and complexity of reporting and regulation.</p>	<p>Scaling up administrative resources to address the increased volume and complexity of reporting and regulation may divert attention from other priorities.</p> <p>Ultimately, failure to comply with new regulatory requirements could pose financial and reputational risk for the Council.</p>	<p>- The Council has formal procedures for monitoring new legislation, consultations and policy / guidance documents.</p> <p>- Our relationships with organisations such as the Council's external auditor provide access to additional knowledge regarding relevant future events.</p>	2	3	6
L	<p><b>Business Rates &amp; Council Tax collection</b></p> <p>Council fails to maintain collection targets for business rates and council tax</p>	<p>Failure to achieve collection targets will reduce the level of key resources to ensure a balanced budget. This will mean further cuts in other budgets or the cost of financing outgoing cash flow to other agencies in relation to taxes not yet collected.</p> <p>Business rates amount to around £50 million in 2022/23 and Council Tax due amounts to around £120 million.</p>	<p>- The Council has a good track record of business rates and Council Tax collection.</p> <p>- Steps are taken to maximise collection rates, such as active debt collection, continual review of discounts, etc.</p>	4	3	12
M	<p><b>Business Rates pool</b></p> <p>Changes to rateable value (RV) or instability of business rates growth within the pool may not generate projected levels of income</p>	<p>Changes in RV or instability in growth will result in a reduction in income from business rates and a potential consequence for the Council.</p>	<p>- The pool is monitored quarterly Kent wide and Maidstone is the administering authority. The projected benefit of the pool across Kent as a whole is projected to be around £14m in 2022/23.</p>	3	4	12

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
			- Provisions have been made when projecting business rates income for bad debts and losses on appeal so any loss of income would relate to the excess over the provisions already made.			
O	<b>Litigation costs exceed budgeted provisions.</b> The Council is often engaged in litigation and generally the costs of any award against the Council and associated costs of legal advice can be met from within budgets. However, it is prudent to acknowledge the risk that provisions may not in fact be sufficient to cover all likely costs.	Costs in excess of budget would require a drawing on reserves and the identification of savings in subsequent years in order to replenish the level of reserves.	<ul style="list-style-type: none"> <li>- Corporate Leadership Team is updated regularly on outstanding legal cases.</li> <li>- Appropriate professional advice is taken at all times.</li> </ul>	4	2	8
340 <sub>P</sub>	<b>Financial impact from a resurgence of COVID-19</b> A resurgence of the pandemic would see similar impact to those experienced in the first wave, eg reduction in fees and charges income arising from lower levels of economic activity and the effect of a broad reduction in economic growth on public finances.	In the short term the Council would need to draw on reserves to cover the financial costs, but in the longer term savings would be required to replenish reserves.	<ul style="list-style-type: none"> <li>- Senior officer group mobilised to address short term impacts</li> <li>- Mitigations to be developed over longer term</li> </ul>	5	3	15
Q	<b>Financial impact from IT security failure</b> Local authorities have been subject to cyber attacks over the past few years, often with severe financial and service implications.	The Council might have to suspend normal financial transactions for a period of time.	<ul style="list-style-type: none"> <li>- Anti-virus software</li> <li>- Regular communications with staff to warn about risks</li> <li>- Back-up arrangements with neighbouring authorities</li> </ul>	4	3	12
R	<b>Pension liability cannot be funded</b> There are a range of risks associated with the pension liability, including pension fund investment performance, inflation in salaries and pensions, changes in longevity, and capacity of the organisation to support pension fund contributions.	Additional revenue costs will arise from an increased pension liability	<ul style="list-style-type: none"> <li>- Regular actuarial valuations</li> <li>- Mitigating actions in the form of increases to employer pension contributions</li> </ul>	4	2	8

# Impact & Likelihood Scales

## RISK IMPACT

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

## RISK LIKELIHOOD

Type	Probability	Detail description
Almost certain (5)	90%+	Without action is likely to occur; frequent similar occurrences in local government/Council history
Probable (4)	60%-90%	Strong possibility; similar occurrences known often in local government/Council history
Possible (3)	40%-60%	Might occur; similar occurrences experienced in local government/Council history
Unlikely (2)	10%-40%	Not expected; rare but not unheard of occurrence in local government/Council history
Rare (1)	0%-10%	Very unlikely to occur; no recent similar instances in local government/Council history

<b>Audit, Governance &amp; Standards Committee</b>
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**26 July 2022**

<b>Annual Internal Audit Report and Opinion 2021/22</b>
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<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Andrew Townsend, Interim Head of Audit Partnership
<b>Lead Officer and Report Author</b>	Andrew Townsend, Interim Head of Audit Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	<i>All</i>

<b>Executive Summary</b>
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The Annual Internal Audit report includes the Interim Head of Audit Partnership’s overall opinion on the Council’s internal control, risk management and governance for the year ended 31 March 2022. Based on the work completed, as summarised in the report, the opinion is positive and informs the Council’s Annual Governance Statement.

<b>Purpose of Report</b>
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Noting

<b>This report makes the following recommendations to this Committee:</b>
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1. That the Interim Head of Audit Partnership’s opinion be noted.
2. That the work underlying the opinion and the Interim Head of Audit Partnership’s assurance of its independent completion in conformance with proper Standards be noted.

<b>Timetable</b>
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<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	26 July 2022

# Annual Internal Audit Report and Opinion 2021/22

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	We present this report for noting. Mid Kent Audit's work supports all Council activity and the wider Corporate Priorities in evaluating governance.  The audit plan draws on the Council's risk management in considering the areas for audit examination. In turn, audit findings will provide feedback on the identification, management and controls operating within risk management.  Mid Kent Audit delivered the 2020/21 audit plan within the set operating budget.  Mid Kent Audit delivered the 2020/21 audit plan within agreed staffing, supplementing vacancies through short-term market contractor engagements.	Andrew Townsend, Interim Head of Audit Partnership. 1 June 2022
<b>Cross Cutting Objectives</b>		
<b>Risk Management</b>		
<b>Financial</b>		
<b>Staffing</b>		
<b>Legal</b>	This report fulfils the Council's responsibility under the Accounts & Audit Regulations 2015 for maintaining an effective internal audit.	Interim Deputy Head of Legal Partnership
<b>Privacy and Data Protection</b>	All information collected by the service was handled in line with the data protection policy of Maidstone BC, as the service's host authority.	Andrew Townsend, Interim Head of Audit Partnership. 1 June 2022
<b>Equalities</b>	No direct implications.	
<b>Public Health</b>	No direct implications.	
<b>Crime and Disorder</b>	No direct implications.	
<b>Procurement</b>	Completing the plan involved procurement of services from two external contractors.	
<b>Biodiversity and Climate Change</b>	No direct implications. 344	

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 Internal audit is a compulsory service for authorities as set out by Regulation 5 of the Accounts and Audit Regulations 2015. The principal objective of internal audit as described in that Regulation is: “[to] undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking into account public sector internal auditing standards and guidance”.
- 1.2 This report delivers the Head of Internal Audit annual reporting directed by the Public Sector Internal Audit Standards (the “Standards”). The report includes the Interim Head of Audit Partnership’s annual opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. This opinion feeds into the Annual Governance Statement for 2021/22.
- 1.3 The Standards, in particular Standard 2450 (Overall Opinions) direct the annual report to include:
- The annual audit opinion
  - A summary of work completed that supports the opinion, and
  - A statement on conformation with Standards.
- 1.4 We have completed the work set out in the plan in full conformance with the Standards. We have also worked independently, free from undue influence of either officers or Members.
- 

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

- 2.1 The Interim Head of Audit Partnership is satisfied the Council can place assurance on the system of control in place during 2021/22. The Committee is asked to note this opinion.
- 2.2 The full Annual Report for 2021/22 is attached as an Appendix. This report includes a summary of all work conducted to support the opinion and affirms the independence and effectiveness of the internal audit service.
- 2.3 We present the opinion and associated report for noting and for Members to consider alongside their evaluation of associated year end reports into the Council’s finance and governance. This report does not seek any substantive decision or action from the Council as a direct result.
- 

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

- 3.1 We consult and agree with relevant Heads of Service before finishing all

findings and recommendations arising from individual audit engagements. The headline messages in our report have been discussed with the Management Board and have been shared to help prepare the Annual Governance Statement.

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#### **4. REPORT APPENDICES**

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

- Appendix 1: Internal Audit Annual Report 2021/22
- 

#### **5. BACKGROUND PAPERS**

5.1 Full reports which support the audit engagements summarised in this annual report are available.



**Annual Internal Audit Report  
and  
Opinion 2021/22**

**May 2022**

**Maidstone Borough Council**



## Introduction

1. This is the 2021/22 Annual Report by Mid Kent Audit on the internal control environment at Maidstone Borough Council ('the Council'). The annual internal audit report summarises the outcomes of the reviews that have carried out on the Council's framework of governance, risk management and internal control and is designed to assist the Council making its annual governance statement.
2. This report provides the annual head of audit opinion ('Opinion statement') and a summary of the key factors taken into consideration in arriving at the Head of Audit Opinion statement, as at 31 May 2022. This includes incorporation of the CIPFA guidance on the potential limitation of scope brought about by the impact of COVID-19.

## Head of Internal Audit Opinion statement

3. The Head of Audit Opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within the agreed work programme. For risks not directly examined reliance has been taken, where appropriate, from other associated sources of assurance to support the Opinion statement (an explanatory note is included at Annex A).
4. The Head of Audit Opinion statement for 2021/22 is:

**The planned programme of work delivered by internal audit was constrained by the impact of the COVID pandemic restrictions and significant staffing changes within the internal audit team. The results of the reduced level of internal audit work concluded during the year required me to seek additional assurances to form my opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I am able to draw a positive conclusion as to the adequacy and effectiveness of Maidstone Borough Council's risk management, control and governance processes. In my opinion, Maidstone Borough Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.**

## Matters impacting upon the Opinion statement

5. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. Consequently, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing

# MID KENT AUDIT

internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.

6. Mid Kent Audit recognises the considerable challenges and the difficult decisions that the Council had to deal with during 2021/22, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements, including providing the annual Opinion statement, conform with the Public Sector Internal Audit Standards (PSIAS) have not changed.
7. Factors that need to be taken in to account in reaching the Opinion statement include:
  - Changes in ways of working: Have these led to gaps in the governance, risk management and control arrangements?
  - Independence of internal audit: Have any limitations in the scope of individual audit assignments resulted in it only being possible to place partial assurance on the outcome?
  - Internal audit coverage: Has any reduction in internal audit coverage compared to what was planned resulted in insufficient assurance work?

## Changes in ways of working

8. The following are the main considerations which impacted upon the provision of the Opinion statement for 2021/22. These are not in any priority order and in a number of cases there is an inter-relationship between two or more of these considerations.
  - The impact of COVID-19 on many organisations has continued to be felt throughout 2021/22 with restrictions continuing to be applied. These have impacted staff availability and organisational capacity.
  - Remote working and greater use of digital forms of operation and communication had to be instigated in a period of months, rather than the years which would normally be the case for such major changes.
  - New systems to assist in mitigating the impact of the pandemic on the local community had to be implemented at short notice using existing staff resources, which diverted them from their normal duties. It is acknowledged that this has affected some organisations more than others.
  - The significant increase in cyber attacks against all organisations to obtain

# MID KENT AUDIT

unauthorised access to data and the consequential need for ongoing updating and vigilance in terms of security of data held.

## **Independence of internal audit**

9. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each Council supervises the service under a collaboration agreement.
10. Within the Council during 2021/22 Mid Kent Audit has continued to enjoy complete and unfettered access to officers and records to complete its work. On no occasion have officers or Members sought or gained undue influence over the scope or findings of any of the work carried out.

## **Internal audit coverage**

11. Mid Kent Audit has experienced significant turnover of staff throughout the financial year, including the departure of both the Head of Audit and Deputy Head of Audit. Timely action was taken to appoint interims to all the senior management positions, but it is acknowledged that a significant level of local knowledge and experience of the Council was lost during the year.
12. The Council's Audit, Governance and Standards Committee approved the 2021/22 Audit & Assurance Plan on 15 March 2021. The selection, prioritising and scoping of the audit reviews in this Plan was overseen by the then Head of the Audit Partnership.
13. There has been impairment in terms of the planned internal audit coverage for 2021/22. This has been due to the knock-on effect of the late completion of the 2020/21 planned work and the significant churn in terms of staff within Mid Kent Audit. There were also a number of reviews which have either been deferred or cancelled at the request of management. As a consequence a number of the audit reviews set out in the 2021/22 Internal Audit Plan have not been completed in time to inform the 2021/22 Opinion Statement. One such impairment is that no ICT internal audit reviews were completed in the year. This is a timing matter, rather than systematic of any issue in respect to the Council's governance, risk and control framework. The team at Mid Kent Audit has worked diligently at the delivering the work and this timing issue is not a reflection upon the efforts of the current team.

# MID KENT AUDIT

## Arriving at the Opinion statement

### Reliance on internal audit work performed

14. Audit evidence to support the Opinion statement on internal control is derived principally through completing the reviews set out within the agreed Audit Plan. The 2021/22 Audit & Assurance Plan provided for 18 reviews to be carried out.
15. For the reasons explained in paragraph 13, above, only 11 of these reviews were completed in time to inform the 2021/22 Opinion statement. These reviews are shown in the table below. Of these there were four reviews where the assurance grading was either 'Poor' or 'Weak'. There were no Priority 1 (Critical) Actions which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority.

Audit Review	Priority	Assurance assessment	Number of Actions by priority grading			
			1	2	3	4
Financial Planning	H	Sound	-	-	1	2
Home Finder Scheme	H	Weak	-	4	1	6
Property Income (Residential)	H	Sound/Weak	-	1	2	1
Residents' Parking	H	Sound	-	-	3	1
Climate Emergency Response	H	Sound	-	-	1	4
Procurement (X-Cut)	H	Sound	-	-	5	2
Apprenticeships	M	Sound	-	-	1	5
Local Plan Budget & Spending	M	Weak	-	2	2	2
Performance Management	M	Sound	-	-	2	3
Planning Administration	M	Sound	-	-	-	-
Street Scene	M	Weak	-	1	4	1-

16. A summary of the Assurance assessments and Action priority level definitions is provided in Annex B of this report.
17. An overview of the key findings from each of the finalised reviews for which details have not been previously provided in the 2021/22 Progress Report to the Audit, Governance and Standards Committee is provided in Annex C. These finding do not indicate any significant Council-wide weaknesses in the corporate governance, risk or control framework.
18. A reconciliation to the work performed to the approved Audit & Assurance Plan for 2021/22 is provided in Annex D.

# MID KENT AUDIT

## Reliance on other sources of assurance

19. Where appropriate, reliance has been placed upon previous internal audit work and other work performed by Mid Kent Audit, including:
- The unqualified 2020/21 Opinion statement is dated July 2021 and therefore effectively includes coverage of the first four months of the 2021/22 financial year. Furthermore, the equivalent of an interim head of audit opinion for the Council was obtained from the then Head of the Audit Partnership at the time of their departure. This interim opinion covered the period April – December 2021 and raised no matters of concern.
  - The findings of previous years’ internal audit work carried out (paras 20 & 21 below refers).
  - The outcomes of the follow up work carried out to confirm control weaknesses identified by internal audit have been effectively mitigated (paras 22 - 23 below refers).
  - The outcomes of the consultancy, investigations and counter fraud work carried out by Mid Kent Audit for the Council (paras 24 - 26 below refers).
  - Mid Kent Audit’s interim Deputy Head of Audit’s work on the risk management arrangements at the Council (para 27 below refers).
20. **Previous years’ internal audit work:** The Annual Internal Audit Report for 2020/21 reported that there have only been one audit review carried out by Mid Kent Audit where there were assurance assessments of ‘Weak’ or ‘Poor’.
21. There were two reviews from the 2020/21 Audit Assurance Plan which were not completed until 2021/22 and therefore these reviews have been used to assist in informing the 2021/22 Opinion statement. Summaries of the findings arising from these reviews were reported to the November 2021 meeting of the Audit, Governance and Standards Committee. These reviews are:

Audit Review	Assurance assessment	Number of Actions by priority grading			
		1	2	3	4
Bailiff Services	Sound	-	-	-	2
Public Consultations	Sound	-	-	1	1

22. **Following up Actions:** Recommendations are made in the audit reports to further strengthen the control environment in the area reviewed. Management provide responses as to how the risk identified is to be mitigated. Throughout the year Mid Kent Audit carried out checks to ascertain the extent to which the agreed audit recommendations (Actions) had been addressed by management and that the risk

# MID KENT AUDIT

exposure identified has been mitigated.

23. During 2021/22 37 Actions were followed up and the table below summarises the extent to which the identified risk exposures have been mitigated. These 37 Actions include all those either made in 2020/21, or carried forward from a previous financial year. There were no Priority 1 (Critical) and 6 Priority 2 (High) Actions and as set out below these Actions have now all been cleared. This indicates that there are no high risk exposure Actions made in 2020/21, or earlier, where there remains a material unmitigated controls risk position.

Extent of control risk mitigation	Number of Actions by priority grading			
	1	2	3	4
Opening number	-	6	18	13
Current status: Cleared	-	6	11	7
Not yet due to be actioned	-	-	6	5
Not yet actioned	-	-	1	1
Closed - Council accepts risk	-	-	-	-

24. **Outcomes of other work carried out by Mid Kent Audit:** Mid Kent Audit provides an independent counter fraud service for the Council. This service excludes benefits investigation work which is carried out by Mid Kent Services. The following counter fraud work was carried out during 2021/22:
- No matters were raised with Mid Kent Audit in relation to concerns under the Public Interest Disclosure Act.
  - Significant levels of checking on data matching matters arising as part of the National Fraud Initiative have been carried out and reported to the Council. From the work to date no material internal control deficiencies were identified from this data matching work.
25. There were no matters identified through the counter fraud work carried out which have a material impact upon the corporate governance, risk and internal control framework of the Council.
26. Work was carried out on the COVID-19 Local Authority Compliance and Enforcement Grant for Lower Tier and Unitary Authorities Determination 2020 No31/5216 Certification - Consultancy. The then Head of the Audit Partnership reviewed the certification completed by the Council on COVID grant spend and in May 2021 provided a formal audit opinion which confirmed it was in line with COVID 19 related enforcement and compliance activity.

27. **Outcomes of risk management work carried out by Mid Kent Audit:** Mid Kent Audit provides an independent risk management service for the Council, specifically in relation to operational risk management. A separate report, the Annual Risk Management Report (2021/22), was presented to the Audit, Governance and Standards Committee at its March 2022 meeting. The purpose of that report was to provide assurance that the Council has in place effective risk management arrangements, and that risks identified through this process are managed, and monitored appropriately.

## Reliance on other sources of assurance

28. For the reasons set out earlier in the Report it has been necessary for 2021/22 to place some reliance upon a number of 'other assurance providers' and these are summarised below:
- The work of the MKS benefits fraud team and other corporate monitoring teams (para 29 below refers).
  - The outcomes of an external review of the Council's ICT cyber security arrangements (para 30 refers).
29. The MKS Fraud and Compliance team has advised that their work during 2021/22 did not identify any diminution in the overall control environment for the Council's systems, in terms of the existence of internal controls, including segregation of duties and that no significant internal controls failures which have led to fraud losses were identified.
30. Assurance on the cyber security arrangements has been obtained from the Public Services Network Code of Connection Internal Security Report which were carried out in 2021/22 by an independent external organisation. This technical review which focussed on network vulnerabilities did not highlight any material matters relating to the overall ICT infrastructure internal control environment.
31. Whilst the Council's 2021/21 statutory accounts have not yet been signed off by the external auditor it is understood that this is not as a result of any material governance or internal control issues.
32. No matters of any significant strategic control weaknesses or failures for 2021/22 have been reported to Mid Kent Audit. However the 'Informing the audit risk assessment for Maidstone Borough Council 2021/22' which is prepared by the Council for the external auditor was not available at the time of completing this Report and as a consequence limited reliance has instead had to be placed upon the risk assessment compiled for 2020/21.



# MID KENT AUDIT

## MKA

33. Information on Mid Kent Audit which supports the delivery of the internal audit and other work carried out in the financial year is summarised in Annex E. Overall, despite the significant staffing changes during the year Mid Kent Audit has maintained a PSIAS compliant service and there has been no diminution in the robustness of the work performed.

## Acknowledgements

34. Managers, Officers and Members are thanked for their continued support throughout the year which has assisted in the efficient delivery of the audit work.

### Other sources of assurance for 2021/22

#### The corporate governance, risk and control framework

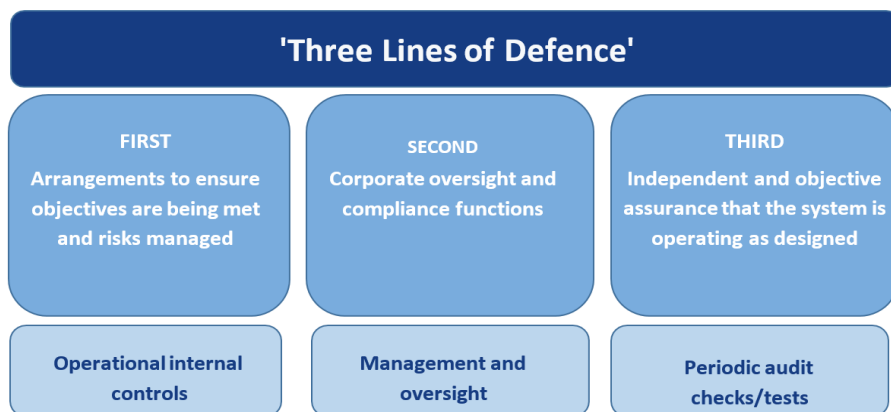
The corporate governance, risk and control framework for the Council is dynamic and there will be changes to the processes throughout the year. The key consideration for arriving at the annual Head of Audit Opinion is the materiality of any changes in terms of possibly increasing the exposure of the Council to activities and decisions which do not conform with the approved strategies and policies.

#### Obtaining additional sources of assurance

Due to the impact of the COVID Pandemic CIPFA has provided guidance on utilising other forms of assurance to support arriving at a Head of Audit Opinion. This means that where the agreed internal audit plan of work has not been fully carried out additional assurances can be obtained from 'other assurance providers' (this being the CIPFA terminology).

#### Three lines of defence

The three lines of defence model, below, explains how the level of assurance that can be taken by the Head of Audit reduces if the source of assurance is from the second line of defence and reduces even further if it is from the third line of defence.



As a consequence the additional assurance utilised to assist in supporting the 2021/22 Head of Audit Opinion has only relied upon second line of defence sources of assurance (i.e. where the author is not directly involved in the day-to-day operation of the corporate governance, risk and control arrangements they are reporting upon).

# MID KENT AUDIT

## **Reduction in reliance due to passage of time**

Due to the dynamic nature of the corporate governance, risk and control framework for the Council the reliance which can be placed on forms of assurance reduces as time passes. This has particularly been the case over the last two financial years with all the short-notice changes that were made to respond to the business disruption due to the COVID 19 pandemic.

As a consequence the additional assurance placed on work carried out prior to the start of 2021/22 has been kept to a minimum.

### Assurance & Priority level definitions

#### Assurance Ratings 2021/22 (Unchanged from 2014/15)

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

#### Finding Gradings 2021/22 (Unchanged from 2014/15)

**Priority 1 (Critical)** – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

**Priority 2 (High)** – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council’s aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

**Priority 3 (Medium)** – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic

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risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

**Priority 4 (Low)** – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

**Advisory** – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

### Summary of Audit Findings

#### Planning Administration

##### Sound

We found the Council's Planning Administration Validation controls are well designed and operating effectively. We conducted a wide range of tests which returned largely positive results.

We noted during fieldwork, the Services internal data reporting arrangements required attention to become more business resilient where knowledge has dissipated due to officer secondment. However, the Service rectified this between the draft and final reporting audit stage, and as such it is no longer an issue.

While we identified no uncontrolled risks and can report that the Service have addressed the one finding identified we were also made aware that the service is having trouble attracting suitable candidates into vacant positions, which is affecting internally set deadlines. For this reason, and the relatively narrow scope of the audit, we are issuing the audit with sound assurance rather than strong.

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## Annex D

### Reconciliation to the approved 2021/22 Internal Audit Plan

The Position column provides the position as at 31 May 2022 and with the exception of the shaded reviews, does not warrant that this will be the final position for any of these reviews. The shaded rows, below, are the reviews which informed the 2021/22 Head of Audit Opinion statement.

As part of Project Clean Sweep it was acknowledged that there can be a time-lag between issue and the draft and then finalisation of an audit report. The 'Agreed Draft' status signifies that management has accepted the assurance grading provided for the review and is substantially in agreement with the detailed findings. The management responses to the Actions have not yet been provided. Consequently, for the purposes of providing the Head of Audit Opinion audit reviews which have reached Agreed Draft have been included.

Audit Review	Priority	Position at 31 May 2022
Financial Planning	H	Agreed Draft
Home Finder Scheme	H	Agreed Draft
IT Development	H	Work in progress
Phishing Response (X-Cut)	H	Deferred
Pre-Application Planning	H	Work in progress
Property Income (Residential)	H	Agreed Draft
Residents' Parking (X-Cut)	H	Agreed Draft
Climate Emergency Response	H	Agreed Draft
Procurement (X-Cut)	H	Agreed Draft
Property Income (Commercial)	H	Deferred
Apprenticeships	M	Agreed Draft
Local Plan Budget & Spending	M	Agreed Draft
Performance Management	M	Agreed Draft
Planning Administration	M	Finalised
Street Scene	M	Agreed Draft
Leisure Services	M	Dropped
Licensing Enforcement	M	Dropped
(no topic agreed)	M	Dropped

(X-cut) signifies that the review was carried out over two or more of the Councils to which Mid Kent Audit provides the internal audit service.

### About Mid Kent Audit

#### Standards and ethical compliance

- A. Government sets out the professional standards that Mid Kent Audit must work to in the Public Sector Internal Audit Standards (the “PAIAS”). These Standards are a strengthened version of the Institute of Internal Audit’s global internal audit standards, which apply across public, private and voluntary sectors in more than 170 countries around the world.
- B. The Standards include a specific demand for reporting to Senior Management and the Audit, Governance and Standards Committee on Mid Kent Audit’s conformance with the Standards.

#### Conformance with the PSIAS

- C. CIPFA carried out a comprehensive External Quality Assessment (EQA) in May 2020 which confirmed that MKA was in full conformance with the PSIAS and the CIPFA Local Government Application Note (LGAN). The PSIAS requires an EQA to be carried out at least once every five years, but does not stipulate specific time intervals for Internal Quality Self-Assessments (ISA) in the intervening period.
- D. In February 2021 the interim Head of Audit for Mid Kent Audit carried out an ISA of conformance with the PSIAS. This review confirmed conformance with the PSIAS and raised 13 advisory or low priority action points. It has been agreed by the Mid Kent Audit management board that these action points will be progressed by the substantive Head of Audit, once this person is in post.
- E. The scope of this ISA did not include consideration of either the risk management or counter fraud work carried out by MKA. The scope did not include consideration of the resourcing of MKA, the audit risk prioritisation process or the appropriateness of the times allocated to the different stages of individual audit assignments.

#### Project Clean Sweep

- F. Project Clean Sweep was a pragmatic strategy put in place by Mid Kent Audit to deliver as much as possible of the 2021/22 planned work outstanding and ensuring there were no delivery ‘surprises’ at the time the Opinion statement for 2021/22 was presented to the Audit, Governance and Standards Committee.
- G. There were two key objectives for Project Clean Sweep. These were:
  - To enable the interim Head of Audit to provide the Head of Audit opinion



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for 2021/22 in a timely manner; and

- To ensure there is no a knock-on effect on the delivery of the 2022/23 Audit Plan and thereby meaning the incoming substantive Head of Audit is arriving to an internal audit service which is on track to deliver the 2022/23 audit plan, rather than still focussed on 2021/22.
- H. Project Clean Sweep included nine actions which were taken to assist in achieving a 16<sup>th</sup> May 2022 deadline, which was subsequently extended to 31 May 2022. The key consideration was that all the Mid Kent Audit team were clearly sighted on the fact that achieving a deadline was not to be through any impairment of either audit quality or thoroughness.
- I. All of the Mid Kent Audit team who were in post during February to May 2022 rose to the challenge of delivering Project Clean Sweep and their effort and commitment needs to be recognised. The success in delivering Project Clean Sweep demonstrates the high calibre, can do ethos which confirms that the confidence the Council has with the Mid Kent Audit is not misplaced.

## Resources

- J. 2021/22 was a year of unprecedented staff change within Mid Kent Audit. Details of a number of these changes have been previously been reported to the Audit, Governance and Standards Committee in the reports submitted by Mid Kent Audit. By the end of the financial year all the management positions at Mid Kent Audit were filled by interims. The use of interims demonstrates that Mid Kent Audit has made good endeavours to minimise the impact of staff turnover during a period when the market for internal audit personnel has been the most difficult for over three decades. The staffing position is likely to remain an issue for 2022/23.

## Use of an external provider to assist with audit reviews

- K. In December 2021 following a procurement process BDO was appointed to carry out a number of the audit reviews for which Mid Kent Audit did not have the available resources in-house. This reflects that Mid Kent Audit has ensured the difficulties with staffing experienced during the year have been partially mitigated.