

2012/13

Statement of Accounts



This unaudited set of accounts is authorised for release on the date given on page 12

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EXPLANATORY FOREWORD

1. INTRODUCTION

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

The Accounts should enable the reader to find out:

- What did the Council's services cost in the year of account?
- Where did the money come from?
- What were the Council's assets and liabilities at the year-end?

The Accounts are supported by Accounting Policies and by various notes to the Accounts. A Glossary is provided on pages 74 to 77.

2. CHANGES IN PRESENTATION AND ACCOUNTING

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. The Code is based on a hierarchy of approved accounting standards. There have been no material changes in presentation and accounting relevant to this Council.

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

The Council's Accounts for the year 2012/13 are set out on pages 13 to 67.

3. OVERVIEW OF STATEMENT OF ACCOUNTS

The Statement of Accounts consists of, amongst other things, the following financial statements and associated notes; the Movement in Reserves Statement; the Comprehensive Income and Expenditure Statement; the Balance Sheet; the Cash Flow Statement; and the Collection Fund.

Explanatory Foreword

The foreword provides a brief explanation of the financial aspects of the Council's activities for the year; highlights any major events or changes in presentation and accounting that impact on the Accounts; and a review of the year and possible issues for the future.

Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Authority and the Council's responsible financial officer.

Core Financial Statements

The core financial statements consist of the following four statements and associated notes.

- **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus / (deficit) on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts

required to be charged to the General Fund Balance for Council Tax setting. The 'net increase / decrease before transfers to / from earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments Between Accounting Basis and Funding Basis Under Regulations'.

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in the Council's cash and cash equivalent holdings during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **Notes to the Core Financial Statements**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, for example, the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes also disclose information required by the Code that is not presented elsewhere in the financial statements. They also provide information that is not provided elsewhere in the financial statements, but is relevant to understanding them.

Supplementary Financial Statements

In addition to the four core statements the following supplementary statement and associated notes are included within the Accounts.

- **Collection Fund and Associated Notes**

The Collection Fund for English Authorities 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 the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Annual Governance Statement

This Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

Independent Auditor's Report

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Glossary

This is a glossary of terms used in the Statement of Accounts.

4. REVENUE ACCOUNT

The revenue account - known as the General Fund – shows the net cost of providing day-to-day services. The following paragraphs and tables provide details of actual General Fund spend compared to the budget on which the council tax was set. This is different to the accounting cost reflected within the financial statements.

In February 2012 the Council set a net revenue budget of £15,403,000. This was to be met from central government grant of £4,480,000 including non-domestic (business) rates; council tax income of £8,713,000; New Homes Bonus of £1,225,000; a net contribution from specific revenue reserves of £146,000 and a contribution of £839,000 from the general revenue reserve.

The revised net revenue budget of £15,458,000 was £55,000 more than the original budget set by the Council in February 2012. This, together with an increase of £24,000 in general government grants and a decrease in the planned contribution from specific revenue reserves of £129,000, led to a contribution from the general revenue reserve of £999,000 compared to the estimated draw from the reserve of £839,000 when the budget was set in February 2012, a difference of £160,000.

The actual net revenue spend for the year of £14,817,000 was £586,000 less than the original budget set by the Council in February 2012. This, together with an increase in the contribution to specific revenue reserves of £311,000 and a decrease in grants of £74,000, led to a contribution from the general revenue reserve of £638,000 compared to an estimated contribution of £839,000 when the budget was set in February 2012, a difference of £201,000.

The actual net spend compared with the original and revised budget is shown in the table below.

2011/12 Actual £'000		Original Budget £'000	2012/13 Revised Budget £'000	Actual £'000
4,531	Cultural & Related Services	4,588	4,745	4,624
4,676	Environmental & Regulatory Services	5,106	5,137	5,071
2,309	Planning Services	2,507	2,493	2,280
(112)	Highways & Transport Services	(220)	(115)	(231)
1,448	Housing Services	1,716	1,784	1,633
1,764	Central Services to the Public	1,715	1,844	1,819
2,266	Corporate & Democratic Core	2,376	2,362	2,248
141	Non-Distributed Costs	177	416	(18)
17,023	Cost of Services	17,965	18,666	17,426
391	Drainage Board Levies	364	364	364
(303)	Trading Undertakings	(294)	(298)	(297)
16	Corporate Provision for Bad Debts	5	5	3
64	Interest Payable & Similar Charges	12	13	29
(405)	Interest & Investment Income	(303)	(337)	(345)
(93)	Icelandic Investment	0	0	(54)
(1,650)	Current Service Cost, Past Service Cost & Curtailments	(1,740)	(2,154)	(2,076)
2,631	Employers' Pension Contributions	2,481	2,393	2,665
(20)	Employee Benefits - Accrued Annual Leave	0	0	2
(2,950)	Depreciation, Amortisation & Impairment	(2,611)	(2,633)	(2,682)
310	Minimum Revenue Provision - Embedded Lease	53	62	137
(464)	Revenue Expenditure Funded from Capital	(529)	(623)	(355)
14,550	Sub-total	15,403	15,458	14,817
(5)	Grants & Contributions	0	0	(12)
(211)	Council Tax Freeze Grant	0	0	0
(747)	New Homes Bonus	(1,225)	(1,125)	(1,125)
0	Other General Government Grants	0	(124)	(14)
238	Contributions to or (from) Specific Revenue Reserves	(146)	(17)	165
13,825	Sub-total	14,032	14,192	13,831
(510)	Contribution to or (from) General Revenue Reserve	(839)	(999)	(638)
13,315	Budget Requirement	13,193	13,193	13,193
(3,735)	National Non-Domestic Rate Distribution	(4,395)	(4,395)	(4,395)
(1,155)	Revenue Support Grant	(85)	(85)	(85)
0	Collection Fund Adjustment	0	0	0
8,425	BALANCE TO BE MET FROM COUNCIL TAX PAYERS	8,713	8,713	8,713
£171.91	Council Tax at Band D (Borough Council only)	£176.90	£176.90	£176.90

The £54,000 shown against the Landsbanki Investment in the table opposite represents both the impairment reduction and the interest due on the deposit for the year.

The movement in the contribution to or (from) Specific Revenue Reserves of £311,000 is largely due to the Council setting aside £249,000 to meet costs of major projects due in 2013/14.

The table below provides in more detail the reasons for the variation of £201,000 in the contribution from the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Building Repairs Reserve	350	600	250
Applications & Appeals	15	117	102
Tonbridge Town Centre Reserve	0	100	100
New Homes Bonus	(1,224)	(1,125)	99
Invest to Save Reserve	0	88	88
Insurance	284	362	78
Leisure Services Business Unit Reserve	0	61	61
Legal Expenses	18	52	34
Leisure Services Business Unit Purchases	40	69	29
Water & Sewerage	140	167	27
Olympic Torch Relay	0	26	26
Housing & Welfare Reform Reserve	0	22	22
Benefits Grant Funded Expenditure	(2)	(23)	(21)
Development Control Advertising	30	9	(21)
Home Improvement Agency	45	22	(23)
Telephones / Mobiles / Leased Lines	145	120	(25)
Icelandic Investment (Impairment)	0	(26)	(26)
Choosing Health	0	(27)	(27)
Rates	889	861	(28)
Contributions from Kent County Council	(85)	(116)	(31)
Major Income Streams	(8,700)	(8,742)	(42)
Benefits Administration Grant	(613)	(674)	(61)
Interest & Investment Income (exc Icelandic Impairment)	(296)	(368)	(72)
Energy	701	617	(84)
Environmental Health Contract Payments	3,574	3,447	(127)
Cost of Employees (see table below)	14,888	14,540	(348)
Other	3,833	3,652	(181)
TOTAL	14,032	13,831	(201)

An analysis of the cost of employees is given in the table below.

2011/12 Actual		Original Budget	2012/13 Actual	Variance
£'000		£'000	£'000	£'000
11,018	Salaries	11,115	10,884	(231)
774	Employers' National Insurance Contributions	758	760	2
1,181	Employers' Superannuation Contributions	1,249	1,153	(96)
1,150	Superannuation Lump Sum Contribution	1,208	1,210	2
338	Termination Payments	285	305	20
99	Training	139	87	(52)
9	Health Care	14	8	(6)
14	Recruitment	10	18	8
113	Leased Car Costs	94	99	5
17	Professional Subscriptions	16	16	0
14,713	TOTAL	14,888	14,540	(348)

More detailed information on the Council's income and expenditure for the year at service budget level can be found in the Revenue and Capital Outturn booklet on the Council's website at:

<http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/annual-accounts>.

5. CAPITAL PLAN

The Capital Plan is the Council's programme of capital investment that will assist in the achievement of the Council's strategic priorities and objectives. This investment includes the purchase of land and buildings, vehicles plant and equipment and improvements to existing properties.

In February 2012 the Council set a capital budget of £2,690,000 net of specific government grants and other contributions of which £2,689,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts.

The original budget was revised during the year to take account of the position at the end of 2011/12 and progress made on our capital projects. The revised budget total was £2,781,000 of which £2,777,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts and capital grants brought forward.

The Council's capital spending in the year on an accruals basis was £2,160,000. The difference between the actual net spend and the revised budget of £621,000 can largely be attributed to a lower than anticipated spend on capital renewals and rescheduling / reprofiling of budgetary provision.

A summary of capital expenditure by service is shown in the table below.

2011/12 Actual	Service	Scheme	2012/13		
			Original Budget £'000	Revised Budget £'000	Actual £'000
29	Planning & Transportation	Car Parking	126	201	172
5		Land Drainage & Flood Defence	66	80	72
18		Other Schemes	115	86	106
52		Total	307	367	350
74	Env Health	Refuse / Green Waste Bins	101	101	43
74		Total	101	101	43
270	Housing	House Renovation Grants	347	354	209
0		Other Schemes	36	36	0
270		Total	383	390	209
9	Leisure	Larkfield Leisure Centre	100	144	151
14		Angel Centre	0	76	77
71		Tonbridge Swimming Pool	20	48	52
104		Sports Grounds	75	2	2
51		Other Schemes	41	90	26
249		Total	236	360	308
10	Corporate	Land & Property	160	175	186
57		I.T. Initiatives	60	132	107
56		Special Works Grants	0	0	0
12		Other Schemes	339	51	2
135		Total	559	358	295
0	Capital Renewals	Planning & Transportation	225	192	110
27		Environmental Health	53	29	5
181		Leisure	432	550	560
351		Corporate	394	434	280
559		Total	1,104	1,205	955
1,339	TOTAL CAPITAL EXPENDITURE		2,690	2,781	2,160
1,339	Funding	Revenue Reserve for Capital Sch	2,689	2,777	2,165
0		Grants & Contributions b/fwd	0	2	2
(2)		Grants & Contributions c/fwd	0	0	(9)
2		Capital Receipts	1	2	2
1,339	TOTAL FUNDING		2,690	2,781	2,160

More detailed information on the Council's Capital Plan for the year at service budget level can be found in the Revenue and Capital Outturn booklet on the Council's website at:

<http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/annual-accounts>.

6. NON-CURRENT ASSETS

The Council revalue its property assets on a five-year rolling programme (page 23 refers). This revaluation is carried out at the end of each year after accounting for acquisitions and improvements, depreciation and disposals. In liaison with the Council's Estate Service Manager and independent valuers it was determined that other than leisure premises, the property asset class subject to review in 2012/13, no other property asset class required revaluation because of a notable change in value. As at

31 March 2013 the total value of the Council's non-current assets was £62.3m (£54.3m at 31 March 2012).

7. TREASURY MANAGEMENT PERFORMANCE

Investments

Investments are broken down into externally managed funds, internally managed core funds and cash flow investments (including cash equivalents). The Council prepares a Treasury Management Strategy Statement and Annual Investment Strategy as part of the Budget Setting Process each year. The Treasury Management Strategy Statement and Annual Investment Strategy for 2012/13 was approved by full Council on 23 February 2012 and outlined the Council's approach to the management of risk both in terms of security and liquidity of its investments. Investment performance is monitored during the year and reported to the Finance and Property Advisory Board and a more detailed report on treasury management activity including performance is reported to the Audit Committee. In addition, the Treasury Management Strategy Statement and Annual Investment Strategy and any revisions during the year are presented to the Audit Committee prior to consideration by Cabinet and Council approval to provide an independent scrutiny role.

The Council (like a number of other public sector bodies) had money invested in one of the Icelandic banks that in October 2008 went into administration. The Council had £1m deposited with the Icelandic bank Landsbanki at an interest rate of 5.86% and a maturity date of 30 October 2008. UK local authorities' claims have been recognised as deposits with priority status. It is now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers. Further information relating to the impairment is included in Note 9 on page 37.

The Council's Fund Manager Investec Asset Management, achieved a return of 1.21% for the year, compared to a 7-day Libid benchmark of 0.46%. This equates to investment income of £223,200. At the end of March 2013 the value of the fund stood at £15.4m.

At the end of March 2013 the value of core funds managed internally was £Nil.

The Council achieved an investment return of 1.08% on its internal cash flow investments (including cash equivalents) for the year. This equates to investment income of £117,100 excluding interest due on the Landsbanki investment. At the end of March 2013 the value of cash flow funds managed internally stood at £5.4m excluding the Landsbanki investment.

Further information on Treasury Management performance for the year ended 31 March 2013 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2013.

External Borrowing

The Council remained debt-free at 31 March 2013.

8. PENSION FUND

The Council is a member of the Local Government Pension Scheme which is administered on behalf of the Council by Kent County Council. The Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits).

Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Pension Fund. This cost, referred to as the current service cost, is calculated by the Fund's actuary.

The net liability at 31 March 2013 was £47.8m (£45.8m at 31 March 2012). The increase in pension deficit during the year has arisen due to the corporate bonds based method that is used to value the liabilities and market expectations of inflation. Bond yields have mainly fallen during the year and the market currently expect inflation to increase leading to an increase in liabilities. Scheme assets increased steadily over the year to give a positive return to offset in part the increase in liabilities.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The outcome of the recent formal valuation on 31 March 2013 is awaited.

Further information relating to the assets, liabilities, income and expenditure of the pension scheme is included in Note 10 on pages 42 to 47.

9. REVIEW OF THE YEAR

The Council's overall aim is to be: -

An organisation that provides excellent public services, good value for money and effective community leadership

The Council sets numerous improvement priorities and during 2012/15 will work with a range of partners and our local communities towards achieving the following key priorities.

- **Continued delivery of priority services and a financially viable Council.**
- **Sustainable regeneration of Tonbridge town centre and economic development in communities across the Borough.**
- **A continuing supply of homes, including affordable housing to buy and rent, and prevention of homelessness.**
- **Children and young people who are safe, involved, with access to positive activities.**
- **A clean, smart, well maintained and sustainable Borough.**
- **Low levels of crime, anti-social behaviour and fear of crime.**
- **Healthy living opportunities and community well-being.**

Here are some of our improvements / achievements / milestones over the last financial year:

- Families in Tonbridge and Malling were given an opportunity to take part in a fun after-school programme called MEND – a free ten-week after school programme for children aged 7 to 13 and their families. The programme aims to help children who are above a healthy weight learn how to make healthier choices and get active.

- Twenty four organisations in Tonbridge and Malling received funding totalling more than £31,700 to hold events in celebration of the Queen's Diamond Jubilee and the London 2012 Olympics, thanks to the latest grant awards from the £500,000 Community Enhancement Fund, which was set up last year using money allocated to it from the Government's New Homes Bonus Scheme.
- Tonbridge and Malling has produced 'A Manifesto for Improved Rail Services' with the aim of urging the Government to help improve rail services within the borough. One of the key objectives of the Manifesto is to ensure that the new rail franchise includes comprehensive Thameslink services from Maidstone East through East Malling, West Malling and Borough Green to Blackfriars and stations beyond.
- Dame Kelly Holmes delighted thousands of spectators when she held the Olympic Flame aloft at Tonbridge Castle in an unexpected visit to the town and the official Olympic Torch made an unforgettable appearance in Borough Green where around 6,000 excited spectators lined the route in anticipation of the arrival of the three Torchbearers, who proudly carried the Olympic Flame through the village.
- A complete refurbishment of the play equipment at Brindles Field Play Area completed.
- The Council continued with its programme of holiday activities for young people.
- Haysden Country Park received the Green Flag Award again this year – the national standard for parks and green spaces.
- Almost 90 children with special needs, from six different schools attended the 2012 Discovery Day event. The day, which was organised by the Council and sponsored by Fidelity Worldwide Investments and the Tonbridge Lions Club, took on a Paralympian theme.
- Tonbridge Town Team was successful in becoming a Town Team Partner and was awarded £10,000 by the Department for Communities and Local Government to help towards putting their plans into action. Some of the £10,000 awarded is to be spent on holding a Town Day and the Town Team is also looking at other ways to promote Tonbridge Town.
- Kent Community Alcohol Programme (KCAP) launched in Snodland. The KCAP aims to reduce incidents of alcohol sales to young people, reduce proxy purchasing of alcohol for young people who are under 18, reduce anti-social behaviour associated with alcohol consumption and improve the public's general understanding of different alcohol strengths and the number of units in different drinks.
- Tonbridge and Malling Safer Towns Partnership won the national Safer Business Award, passed with distinction, from the Association of Business Crime Partnerships (ABCP). The ABCP is a national, independent, not-for-profit organisation that works with local organisations such as the police and local authorities to help businesses reduce the impact of crime against them, their staff and their local communities.
- Customer advice surgery opens in Borough Green where residents in the area can access a face-to-face service on Wednesdays from 9.00am to 12.30pm and from 1pm to 3.30pm at Borough Green Library.
- Tonbridge and Malling Borough Council to proceed with a legal agreement with Sainsbury's that will bring forward ambitious regeneration plans to revitalise the centre of Tonbridge. The proposals are designed to improve trade for the town's retailers; bring a cinema and new shops, create hundreds of jobs and provide a major uplift in the town for the benefit of local residents. As part of plans, the Council will be providing a new leisure and community centre in the town. This will be built by the Council on the Bradford Street Car Park and will open before the Angel Centre closes. The new development plans are subject to the scheme receiving planning permission.
- A Trust will be formed to operate Tonbridge and Malling's leisure facilities. The aim of the new management arrangements is to ensure that the current level and range of quality services are maintained in the future whilst at the same time save the Council up to £500,000 a year.
- The Council has assessed its CO2 emissions to be 3,720 (3,493) tonnes in 2012/13 (2011/12).

10. THE FUTURE

The Council will need to, amongst others, continue to make progress and / or give due consideration to:

- Welfare Reform and cessation of the administration of housing benefits over a transitional period ending 2017/18;
- the ongoing impact of the localisation of council tax support;
- the ongoing impact of the Business Rates Retention scheme;
- the forthcoming Spending Review and the expected further cuts in government grant funding;
- the ongoing impact of the economic climate on the Council's finances;
- a significant retail-led regeneration project in the Botany area of Tonbridge town centre;
- the transfer of the Council's leisure centres and golf course to a Trust model; and
- further develop partnership arrangements with others in order to achieve cost efficiencies.

11. MEDIUM TERM FINANCIAL STRATEGY

The Council's current Medium Term Financial Strategy (MTFS) covers both capital and revenue budgets over a rolling ten-year period. The Strategy affords the opportunity to take a measured and structured approach to budget pressures rather than a "knee jerk" reaction. The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This currently includes achieving a balanced revenue budget that delivers the Council's priorities and to retain a minimum of £2.0m in the general revenue reserve by the end of the strategy period. The general revenue reserve balance at 31 March 2013 was £5.6m (£6.3m at 31 March 2012).

The Council has seen its government grant funding by way of Formula Grant funding or from April 2013 its replacement, the Business Rates Retention scheme, fall by around £2.0m or 34% over the three-year period 2011/12 to 2013/14 with further cuts expected in future years. The Council's major income streams also continue to feel the effects of the economic climate. Based on the above and assumptions about further cuts in grant funding in future years, amongst other things, latest projections point to a 'funding gap' between expenditure and income of circa £2.8m.

The Council has a robust MTFS and the existence and discipline of the same affords us the time to take a constructive and considered approach to budgetary pressures. Clearly, the absolute size of the 'funding gap' will influence the timescales we afford ourselves to address the problem. Based on the above projection we could, for example, breakdown the savings target into four tranches (a first tranche of £900,000 followed by two equal tranches of £700,000 and a final tranche of £500,000 to be achieved by 2014/15, 2016/17, 2017/18 and 2019/20). Some government-led initiatives in the 'pipeline' that will impact on the Council's finances and, in turn, the MTFS over the medium to longer term are: Welfare Reform and cessation of the administration of housing benefits over a transitional period ending in 2017/18; and proposals to devolve the setting of planning fees.

The Council continues to face a significant financial challenge brought about, in the main, by the Coalition Government's budget deficit reduction programme and the current economic climate, but we believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way. More detailed information on the Council's Budget for 2013/14 and the MTFS can be found on the Council's website at: <http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/council-budgets/the-councils-budget-for-2013-14>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority 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 this Authority, that officer is the Director of Finance and Transformation.
- ❖ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ❖ to approve the Statement of Accounts.

The Director of Finance and Transformation's Responsibilities

The Director of Finance and Transformation is responsible for the preparation of the authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* ('the code').

In preparing this Statement of Accounts, the Director of Finance and Transformation has:

- ❖ selected suitable accounting policies and then applied them consistently;
- ❖ made judgements and estimates that were reasonable and prudent; and
- ❖ complied with the code.

The Director of Finance and Transformation has also:

- ❖ kept proper accounting records which were up to date; and
- ❖ taken reasonable steps for the prevention and detection of fraud and other irregularities.

By signing the Statement of Accounts the Director of Finance and Transformation is stating that the Accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

This Statement of Accounts is authorised for issue by the Director of Finance and Transformation and Chairman of the General Purposes Committee following its approval at the date given below.

Signed

Signed

S. J. Shelton CPFA
Director of Finance and Transformation

Councillor M. Balfour
Chairman, General Purposes Committee

Dated 24 June 2013

Dated 24 June 2013

MOVEMENT IN RESERVES STATEMENT

2011/12							2012/13					
General Fund	Reserves & Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves		General Fund	Reserves & Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
£'000	£'000	£'000	£'000	£'000	£'000	Notes	£'000	£'000	£'000	£'000	£'000	£'000
1,250	21,319	0	22,569	25,184	47,753	BALANCE AT 1 APRIL	1,250	19,691	0	20,941	8,331	29,272
Comprehensive Income & Expenditure												
(3,201)			(3,201)		(3,201)	Surplus / (Deficit) on Provision of Services	(3,788)			(3,788)		(3,788)
			0	(15,280)	(15,280)	Other Comprehensive Income & Expenditure				0	7,026	7,026
(3,201)	0	0	(3,201)	(15,280)	(18,481)	Total Comprehensive Income & Expenditure	(3,788)	0	0	(3,788)	7,026	3,238
Adjustments Between Accounting Basis & Funding Basis Under Regulations												
2,741			2,741	(2,741)	0	Depreciation & Amortisation of N-C Assets	6	2,619		2,619	(2,619)	0
209			209	(209)	0	Impairment of Non-Current Assets	6	63		63	(63)	0
(61)	(17)		(78)	78	0	Grants & Contributions		(343)	264	(79)	79	0
0			0		0	Impairment of Icelandic Investment	9	0		0		0
(168)			(168)	168	0	Net Charges made for Retirement Benefits	10	763		763	(763)	0
			0		0	Gain on Disposal of Non-Current Assets		(7)		(7)	7	0
32			32	(32)	0	Council Tax Income - Actual Surplus / Deficit	11	2		2	(2)	0
20			20	(20)	0	Employee Benefits - Accrued Annual Leave	13	(2)		(2)	2	0
(310)			(310)	310	0	Minimum Revenue Provision	8	(137)		(137)	137	0
(875)			(875)	875	0	Capital Exp. Charged to the General Fund		(1,810)		(1,810)	1,810	0
2			2	(2)	0	Capital Receipts	14	2		0	2	0
(1,611)	(17)	0	(1,628)	(16,853)	(18,481)	Net Increase / (Decrease) Before Transfers to / from Earmarked Reserves	(2,638)	264	0	(2,374)	5,612	3,238
Transfers to / from Earmarked Reserves												
148	(148)		0		0	Building Repairs Reserve	15	(26)	26	0		0
(36)	36		0		0	Earmarked Reserves	15	220	(220)	0		0
989	(989)		0		0	Revenue Reserve for Capital Schemes	15	1,806	(1,806)	0		0
510	(510)		0		0	General Revenue Reserve	15	638	(638)	0		0
0	(1,628)	0	(1,628)	(16,853)	(18,481)	Increase / (Decrease) in Year	0	(2,374)	0	(2,374)	5,612	3,238
1,250	19,691	0	20,941	8,331	29,272	BALANCE AT 31 MARCH	1,250	17,317	0	18,567	13,943	32,510

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2011/12 Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	2012/13 Income £'000	Net Expenditure £'000
Continuing Operations							
9,372	4,841	4,531	Cultural & Related Services		9,482	4,858	4,624
6,289	1,613	4,676	Environmental & Regulatory Services		6,598	1,527	5,071
3,226	917	2,309	Planning Services		3,291	1,011	2,280
2,384	2,496	(112)	Highways & Transport Services		2,293	2,524	(231)
34,394	32,946	1,448	Housing Services		36,585	34,952	1,633
9,708	7,944	1,764	Central Services to the Public		10,058	8,239	1,819
2,274	8	2,266	Corporate & Democratic Core		2,257	9	2,248
645	504	141	Non-Distributed Costs		410	428	(18)
68,292	51,269	17,023	Cost of Services		70,974	53,548	17,426
Other Operating Expenditure							
0		0	Gain on Sale of Non-Current Assets	6	46	53	(7)
1,948		1,948	Parish Council Precepts		1,943		1,943
391		391	Drainage Board Levies		364		364
16		16	Corporate Provisions for Bad Debts	17	3		3
2		2	Payments to Housing Capital Receipts Pool	14	2		2
Financing & Investing Income & Expenditure							
28	331	(303)	Trading Undertakings	8	30	327	(297)
64		64	Interest Payable & Similar Charges - Leases	8	29		29
(49)		(49)	Impairment of Icelandic Investment	9	(26)		(26)
	450	(450)	Interest & Investment Income	9		373	(373)
4,897		4,897	Pensions Interest Cost	10	4,771		4,771
	4,084	(4,084)	Expected Return on Pension Assets	10		3,419	(3,419)
Taxation & Non-Specific Grant Income							
	10,341	(10,341)	Council Tax Income	11		10,654	(10,654)
	3,735	(3,735)	National Non-Domestic Rate Distribution	12		4,395	(4,395)
	2,113	(2,113)	General Government Grants	12		1,224	(1,224)
	65	(65)	Capital Grants & Contributions	12		355	(355)
75,589	72,388	3,201	(Surplus) / Deficit on Provision of Services		78,136	74,348	3,788
Other Comprehensive Income & Expenditure							
		(520)	(Surplus) / Deficit Arising on Revaluation of Property, Plant & Equipment Assets	6			(8,321)
		(54)	(Surplus) / Deficit Arising on Revaluation of Available-for-Sale Financial Assets	9			20
		15,854	Actuarial (Gains) / Losses on Pension Assets & Liabilities	10			1,275
18,481			TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(3,238)	

BALANCE SHEET

At 31 March 2012			At 31 March 2013	
£'000	£'000	Notes	£'000	£'000
Long Term Assets				
		6		
	42,542		49,789	
	2,722		3,423	
	1,305		1,226	
	446		446	
47,170	155		82	54,966
3,590		6		3,768
3,208		6		3,208
363		6		399
2,103		9		449
112		17		130
56,546				62,920
Current Assets				
	19,805	9	17,449	
	46	16	45	
	4,280	17	4,447	
	(1,317)	17	(1,401)	
27,452	4,638	18	3,793	24,333
Current Liabilities				
(6,857)	(6,857)	19	(4,315)	(4,315)
Long Term Liabilities				
	(135)	20	(211)	
	(45,787)	10	(47,825)	
	(1,788)	21	(1,845)	
(47,869)	(159)	8	(547)	(50,428)
29,272		NET ASSETS		32,510
Reserves				
Usable Reserves				
	18,584	15	15,946	
	1,107	21	1,371	
	1,250		1,250	
20,941	0	14	0	18,567
Unusable Reserves				
	43,160	22	42,710	
	11,023	23	19,094	
	18	9	(2)	
	17	14	66	
	(32)	11	(34)	
	(68)	13	(66)	
8,331	(45,787)	10	(47,825)	13,943
29,272		TOTAL RESERVES		32,510

CASH FLOW STATEMENT

2011/12			2012/13	
£'000	£'000	Notes	£'000	£'000
OPERATING ACTIVITIES				
Cash Inflows				
(10,303)			(10,635)	
(44,977)			(47,323)	
(9,478)			(9,413)	
(259)			(182)	
(2,559)			(2,974)	
(67,576)			(70,527)	
Cash Outflows				
14,374			14,397	
38,225			40,668	
1,948			1,943	
9,357			9,898	
0			0	
5,073			4,804	
68,977			71,710	
1,401		24	1,183	
NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES				
INVESTING ACTIVITIES				
Cash Inflows				
(3,501)			(6,174)	
(49)			(217)	
(4)			(4)	
Cash Outflows				
1,183			1,965	
2,500			2,000	
2			2	
131			(2,428)	
NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES				
FINANCING ACTIVITIES				
Cash Outflows				
(2,853)			2,090	
(2,853)			2,090	
NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES				
(1,321)			845	
NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS				
3,317			4,638	
Cash & cash equivalents at the beginning of the reporting period				
4,638			3,793	
Cash & cash equivalents at the end of the reporting period				

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13*. The Code is based on a hierarchy of approved accounting standards:

- International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB).
- International Accounting Standards (IAS) approved by the International Accounting Standards Committee (IASC).
- Interpretations originating from the International Financial Reporting Interpretations Committee (IFRIC).
- Interpretations originating from the Standing Interpretations Committee (SIC).
- International Public Sector Accounting Standards (IPSAS) approved by the International Public Sector Accounting Standards Board (IPSASB).
- Financial Reporting Standards (FRS) approved by the Accounting Standards Board (ASB).
- Statements of Standard Accounting Practice (SSAP) approved by the Accounting Standards Committee (ASC).
- Urgent Issues Task Force's (UITF) Abstracts.

The accounting convention adopted for the preparation of these Accounts is an historical cost basis modified for the revaluation of certain categories of assets.

b) Qualitative Characteristics of Financial Information

- Relevance - in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the objective of the principal statements is to provide information on the Council's financial performance that is useful for assessing the stewardship of public funds and for making economic decisions.
- Reliability - the financial information can be depended upon to represent accurately the substance of the transactions that have taken place. The Accounts are unbiased, free from material error, have been prepared in a prudent manner and have included all issues that would assist users to make adequate decisions on the Council's financial standing.
- Comparability - the Accounts contain comparative information about the Council so that performance may be compared with a prior period.
- Understandability - although a reasonable knowledge of accounting and local government is required, all efforts have been made in the preparation of the financial statements to ensure that they are as easy to understand as possible.
- Materiality - an item of information is material to the Accounts if its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship and economic decisions.

c) Accounting Concepts

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.
- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

d) Accruals of Income and Expenditure

Income and expenditure is accrued to ensure it is accounted for in the period to which it relates. Exceptions to this principle, for example, are electricity, gas and similar periodical payments which are charged at the date of meter reading rather than being apportioned between financial years; and penalty charge notices and licensing fees which are accounted for on the day of receipt. This policy is consistently applied each year and its effect on the Accounts is not considered to be material.

e) Assets Held for Sale

Non-current assets that have been identified for sale by the Council will be reclassified as current assets when the asset is being actively marketed and has a high probability of sale within twelve months of the Balance Sheet date.

f) Cash and Cash Equivalents

Internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value). Externally Managed funds normally comprise of investments that cannot be easily realised and are excluded from this heading.

g) Council Tax and National Non-Domestic (Business) Rates

The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for the three major precepting authorities (Kent County Council, Kent Police and Kent Fire and Rescue) in respect of Council Tax and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Council Tax and the major precepting authorities as a net debtor or creditor.

Similarly, the Council acts as an agent for the Government in respect of National Non-Domestic Rates and as such the Accounts show a net debtor or creditor in respect of amounts received and paid over to the Government.

In addition, the Comprehensive Income and Expenditure Statement includes our share of the Collection Fund surplus/deficit for the year, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet.

h) Contingent Assets and Liabilities

Contingent assets should not be recognised in the accounting statements, they should be disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures should indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities should not be recognised in the accounting statements, they should be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability the Council should disclose the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

i) Debt Write-Off

The Director of Finance and Transformation approves and or recommends the write-off of debt where efforts to collect the sums have failed and any further action would be uneconomic or impractical or in the opinion of the Director of Finance and Transformation there is a valid reason for not pursuing the debt. In order to mitigate the financial impact of write-offs the Director of Finance and Transformation makes a provision for bad debt taking into account the size and age of the debt outstanding and the likelihood of recovery.

j) Employee Benefits

Under the Code employee benefits are accounted for when the Council is committed to pay an employee. Employee benefits are split into three categories.

Benefits Payable during Employment

This covers:

- Short-term employee benefits, such as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- Benefits earned by current employees, but payable twelve months or more after the end of the reporting period (e.g. long-service awards).

Termination Benefits

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee redundancy costs are accrued to the year that the notice is served and any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

Post-Employment Benefits

This not only covers pensions, but also other benefits payable post-employment such as life insurance and medical care which are not offered to staff at this Council.

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County

Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Under IAS 19, the employer recognises as an asset or liability the surplus / deficit in a pension scheme. The surplus / deficit in a pension scheme is the excess / shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. The Balance Sheet will show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The outcome of the recent formal valuation on 31 March 2013 is awaited.

k) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

The authorised for issue date can be either:

- When the responsible Financial Officer certifies that the Accounts present a 'true and fair view' which should be by no later than the 30 June.
- When the Accounts are approved by Members and published with the audit opinion and certificate which should be by no later than 30 September.

Events arising after the Balance Sheet date and before either of the two dates above will be reflected in the Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included (adjusting events). Such events:

- could materially alter an estimate of, for example, debtors, creditors or a bad debt provision previously identified in the accounting processes;
- could substitute a materially different actual figure for an estimate; or
- could reflect a permanent impairment or betterment in the financial position, but only where the originating event took place prior to the year-end and the amounts are considered material to the Accounts.

l) Exceptional Items and Prior Period Adjustments

Exceptional items, when they occur, are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the Accounts. A description of each exceptional item is given within the notes to the Accounts.

Prior period adjustments arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified and are accounted for accordingly. Material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the appropriate opening balances for the cumulative effect.

m) Financial Instruments

Financial instruments are broken down between financial assets (cash, investments and some categories of debtors) and financial liabilities (loans payable and some categories of creditors).

Debtors and creditors are measured at fair value and are carried in the Balance Sheet at amortised cost.

Investments are broken down in two ways. Firstly, by maturity, in that any investment with a maturity date of more than 364 days after the Balance Sheet date will be classed as long-term and less than as short-term; and secondly by class of asset such as loans and receivables or available-for-sale.

Loans and receivables are assets that have fixed or determinable payments, but are not quoted in an active market, these are measured at fair value and are carried on the Balance Sheet at amortised cost.

Available-for-sale assets have a quoted active market price and do not have fixed or determinable payments. These are measured and carried on the Balance Sheet at fair value using determinations from our Fund Manager.

Accrued interest is shown as part of the investment balance. This is a departure from the Code which requires accrued interest to be shown as part of the debtors balance. Accrued interest receivable within 364 days of the Balance Sheet date will be recognised as part of the short-term investment balance on the Balance Sheet, irrespective of the date of maturity of the investment.

Realised gains and losses in relation to investments are recognised within the Comprehensive Income and Expenditure Statement under interest and investment income. Unrealised gains and losses are recognised in the Balance Sheet under the appropriate investment heading offset by an adjustment to Available-for the -Sale Financial Instruments Reserve.

n) Foreign Currency Transactions

Any gains or losses arising from exchange rate fluctuations will be charged to the Comprehensive Income and Expenditure Statement in the year of payment or receipt.

o) Government Grants and Other Contributions

Revenue grants received are accrued and credited to the Comprehensive Income and Expenditure Statement in the same period as the related expenditure was incurred.

Grants specific to a service will be shown against that service expenditure line. General grant, e.g. Revenue Support Grant and the contribution from the National Non-Domestic Rate Pool are credited and disclosed separately in the Comprehensive Income and Expenditure Statement under taxation and non-specific grant income.

Capital grants and contributions (such as Section 106 developer contributions) received will be credited in full to the Comprehensive Income and Expenditure Statement on receipt where there are no conditions attached to its use and in the year that the capital expenditure is incurred where there are conditions attached to its use.

p) Inventories

Inventories are valued at the latest price paid. This is a departure from the requirements of the Code and IAS 2 (Inventories), which require stocks to be shown at actual cost or net realisable value, if lower. The difference in value is not considered to be material.

q) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

A definition of a lease includes hire purchase arrangements.

Finance Leases

The Council currently has no finance lease arrangements where it is the lessor or where it is a lessee other than in respect of what is termed embedded leases as explained below.

Embedded leases are where assets, although not owned by the Council, are used primarily by the Council for service delivery. An example of this would be vehicles used by the Council's Refuse Collection and Recycling and Street Cleansing contractor. In this case an estimated value and useful life has been used. Assets are recognised in the Balance Sheet at the net depreciated value and offset by a deferred liability.

Operating Leases

Lease payments under an operating lease shall be recognised as income or an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council where the Council is a lessor or lessee respectively.

r) Non-Current Assets

The Council has set a de-minimis level of £10,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimis level, but the aggregate value of similar items purchased in the year exceed the de-minimis level the expenditure may be treated as capital expenditure.

Property, Plant and Equipment

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services or for administrative purposes and expected to be used during more than one period.

Property, plant and equipment is split into five categories as described below.

- Land and Buildings
- Vehicles, Plant and Equipment
- Infrastructure Assets
- Community Assets
- Assets Under Construction

The policy for each type of asset is explained below.

Land and Buildings

The Borough Council has a policy of revaluing its property assets on a rolling programme such that the intervals between valuations do not exceed 5 years. The programme is as follows:

Asset Class	Year of Valuation	
Leisure Premises	2007/08	Completed
Properties for Community Use	2008/09	Completed
Public Conveniences	2009/10	Completed
Council Offices	2010/11	Completed
Car Parks	2011/12	Completed
Leisure Premises	2012/13	Completed

The valuations are carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institution of Chartered Surveyors (RICS) and based on the market value for existing use or where a market value cannot be determined as the property is of a specialist nature the depreciated replacement cost. The method used on the current year's valuation will be explained in the notes to the Accounts. Items of plant that are integral to the operation of a building are included in the valuation for that building.

All buildings are subject to straight line depreciation over their estimated useful lives which range between 15 and 50 years depending on the building. In accordance with the Code land is not depreciated.

Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. The Council, following a review of the property, plant and equipment asset registers has decided that the Council's offices and major leisure facilities will be the subject of componentisation if the replacement value of the component is in excess of £100,000.

Vehicles, Plant and Equipment

Vehicles, Plant and Equipment, other than plant that is integral to the operation of a building, are recognised in the Balance Sheet at historic cost and are subject to straight line depreciation over a period of between 2 and 30 years.

Infrastructure Assets

These are non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of Infrastructure Assets are footpaths and signage.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation. These assets are subject to straight line depreciation over a period of between 3 and 40 years.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community Assets are parks and open spaces.

These assets are carried on the Balance Sheet at historic cost and are not subject to revaluation or depreciation.

Assets under Construction

This covers assets not yet ready for operational use, but expected to be operational within twelve months of the Balance Sheet date. Assets under Construction are not subject to revaluation or depreciation.

Heritage Assets

Heritage assets are defined as a tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

Heritage assets where the Council holds information on their cost or value, via insurance or valuation records are to be recognised on the Balance Sheet. Where the Council does not hold information on the cost or value and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts such details as the Council holds are to be included in the notes to the financial statements.

The value of Heritage assets recognised on the Balance Sheet is to be subject to review at intervals not exceeding 5 years.

Heritage assets are not subject to depreciation.

Investment Property

Investment property is property (land and / or buildings) held solely to earn rental income or for capital appreciation, or both.

Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period with gains/losses recognised in the Comprehensive Income and Expenditure Statement. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value.

Investment property is not subject to depreciation.

Intangible Assets

These are non-current assets that do not have physical substance, but are identifiable and controlled by the Council through custody or legal rights. Intangible Assets held by this Council currently consist of IT software and associated costs.

Intangible Assets are recognised on the Balance Sheet at historic cost, are not subject to revaluation, but are amortised over their useful economic life assessed to be 5 years for IT software and associated costs.

Impairment of Non-Current Assets

A review for impairment of a non-current asset whether carried at historical cost or valuation should be carried out if events or changes in circumstances indicate that the carrying amount of the non-current asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in a non-current asset's market value during the period;
- evidence of obsolescence or physical damage to the non-current asset;
- a significant adverse change in the statutory or other regulatory environment in which the Council operates; and
- a commitment by the Council to undertake a significant reorganisation.

In the event that impairment is identified the value will either be written off to the revaluation reserve, where sufficient reserve levels for that asset exist or written off to revenue through the Comprehensive Income and Expenditure Statement. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer assessing the value of the impairment.

Gains or Losses on Disposal of Non-Current Assets

When an asset is disposed of or de-commissioned, the net book value of the asset and the receipt from the sale are both charged to the Comprehensive Income and Expenditure Statement which could result in a net gain or loss on disposal.

Receipts in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure. Receipts below £10,000 are considered de-minimus and treated as revenue.

The net gain or loss on disposals has no impact on taxation requirements as the financing of non-current assets is provided for under separate arrangements.

s) Overheads

The majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on Services and costs of buildings are apportioned on a floor area basis. The costs of Corporate Management and Democratic Core, resulting from the Council being a multifunctional organisation, are allocated to a separate objective head and, in accordance with the Code, are not reapportioned.

t) Provisions

The Council sets aside provisions for liabilities or losses that are either likely to, or certain to be incurred, but uncertain as to the amount or the date on which they will arise.

Provisions are recognised when:

- the Council has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

u) Reserves

The Council maintains both general and earmarked reserves. General reserves are to meet general rather than specific future expenditure and earmarked reserves, such as the building repairs reserve are for specific purposes. No expenditure is charged directly to a reserve, but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement, this is then offset by a reserve appropriation within the Movement in Reserves Statement.

v) Revenue Expenditure Funded from Capital Under Statute

This is expenditure of a capital nature on non-current assets not owned by the Council, for example house renovation grants. Under the Code this is revenue expenditure and as such the expenditure is charged in full to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year it is incurred. Statute, however, allows such expenditure to be funded from capital resources. In our case such expenditure is mainly funded from reserves.

w) Value Added Tax (VAT)

VAT is included within the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted. This applies to the revision to International Accounting Standard 19 in respect of pension costs, and the expected impact is included within the relevant note.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out at Note 1 the authority has to make judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Council's 2012/13 accounts are as follows:

- The Council continues to face a significant financial challenge brought about by, in the main, the Coalition Government's budget deficit reduction programme and the economic climate, as well as some specific government-led initiatives that will impact on the Council's finances. The impact of these pressures is not considered to require any impairment in the valuation of the Council's assets.
- The Council has concluded that its Refuse Collection and Recycling and Amenity & Street Cleansing contracts contain lease type arrangements in respect of the vehicles used by the contractor. These vehicles have been included on the Council's balance sheet. Further details are provided at Note 8 to the accounts.

4. EVENTS AFTER THE BALANCE SHEET DATE

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2013. No events have occurred that require changes to the accounting statements.

5. SEGMENT REPORTING

The Council is required to present information on reportable segments. Reporting segments are to be based on an authority's internal management reporting arrangements. In our case segmental reporting is based on the Service analysis used for the Revenue and Capital Budgets and Outturn Booklets as described below.

Corporate Services: Services under this heading include democratic representation including payments to members, local land charges and council tax benefits.

Environmental Services: Services under this heading include refuse collection and recycling, amenity and street cleansing and environmental protection.

Housing Services: Services under this heading include homelessness, housing benefits and housing advice.

Leisure Services: Services under this heading include leisure centres, parks and open spaces and youth and play development.

Planning and Transportation Services: Services under this heading include planning and building control and on and off-street parking.

The following tables provide an analysis of the Council's revenue income and expenditure on a segmental reporting basis and reconciliations to the Comprehensive Income and Expenditure Statement.

Service Analysis

2011/12						2012/13						
Corporate Services £'000	Environmental Health Services £'000	Housing Services £'000	Leisure Services £'000	Planning & Transportation Services £'000	Total £'000	Corporate Services £'000	Environmental Health Services £'000	Housing Services £'000	Leisure Services £'000	Planning & Transportation Services £'000	Total £'000	
Income												
1,544	1,353	611	4,905	3,343	11,756	Fees, Charges & Other Service Income	1,378	1,350	569	4,927	3,412	11,636
450					450	Interest & Investment Income	373					373
7,486		32,216		28	39,730	Grants & Contributions	7,850		34,280			42,130
9,480	1,353	32,827	4,905	3,371	51,936	Total Income	9,601	1,350	34,849	4,927	3,412	54,139
Expenditure												
6,616	1,004	939	3,881	2,403	14,843	Employee Expenses	6,275	1,073	989	3,910	2,403	14,650
543	117		1,819	288	2,767	Premises	953	121	1	1,761	310	3,146
335	128		30	10	503	Transport	309	137		28	9	483
2,905	148	1,135	960	741	5,889	Supplies & Services	3,224	131	1,028	964	846	6,193
3	3,523	56	572	166	4,320	Third Party Payments		3,616	31	622	201	4,470
390					390	Precepts & Levies	(364)					(364)
16		193			209	Provisions for Bad Debts	3		222			225
6,833		31,374			38,207	Housing Benefits & Council Tax Benefits	7,097		33,559			40,656
(3,461)	543	629	834	1,440	(15)	Support Service Recharges	(3,763)	622	699	855	1,569	(18)
574	162		1,531	371	2,638	Depreciation, Amortisation & Impairment	653	164		1,554	174	2,545
14,754	5,625	34,326	9,627	5,419	69,751	Total Expenditure	14,387	5,864	36,529	9,694	5,512	71,986
5,274	4,272	1,499	4,722	2,048	17,815	COST OF SERVICES	4,786	4,514	1,680	4,767	2,100	17,847

Detailed information on the Council's income and expenditure for the year at a service budget level can be found in the Revenue and Capital Outturn booklet on the Council's website at: <http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/annual-accounts>.

Reconciliation to Cost of Services in the Comprehensive Income and Expenditure Statement

The table below reconciles the Cost of Services above to the Cost of Services shown within the Comprehensive Income and Expenditure Statement.

	2011/12 £'000	2012/13 £'000
Cost of Services in Service Analysis	17,815	17,847
add Amounts not Reported to Management		
Pension Adjustments	(981)	(589)
Embedded Lease Depreciation	311	138
Accrued Annual Leave	20	(2)
Miscellaneous Income and Expenditure	(113)	(105)
less Amounts not included in Comprehensive Income & Expenditure Statement		
Embedded Lease Contract Payments	(375)	(166)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(391)	(364)
Corporate Provisions for Bad Debts	(16)	(3)
less Items Included in Financing & Investment		
Trading Undertakings	303	297
Interest & Investment Income	450	373
NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	17,023	17,426

Reconciliation to (Surplus) / Deficit on Provision of Services in Comprehensive Income and Expenditure Statement (Subjective Analysis)

The table below reconciles the Cost of Services above to the (Surplus) / Deficit on Provision of Services shown within the Comprehensive Income and Expenditure Statement

Service Analysis	2011/12				Surplus / Deficit on Provision of Services	Service Analysis	2012/13				Surplus / Deficit on Provision of Services
	Not Reported to Management	Not Included in Comprehensive Income & Expenditure Statement	Corporate Amounts	£'000			Not Reported to Management	Not Included in Comprehensive Income & Expenditure Statement	Corporate Amounts	£'000	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income											
11,756	117			11,873	Fees, Charges & Other Service Income	11,636	117		7	11,760	
450				450	Interest & Investment Income	373				373	
0			10,341	10,341	Income from Council Tax				10,654	10,654	
39,730			5,913	45,643	Grants & Contributions	42,130			5,974	48,104	
51,936	117	0	16,254	68,307	Total Income	54,139	117	0	16,635	70,891	
Expenditure											
14,843	(961)		813	14,695	Employee Expenses	14,650	(591)		1,352	15,411	
2,767				2,767	Premises	3,146				3,146	
503				503	Transport	483				483	
5,889				5,889	Supplies & Services	6,193				6,193	
4,320	4	(375)		3,949	Third Party Payments	4,470	12	(166)		4,316	
0			64	64	Interest Payments	0			29	29	
390			1,948	2,338	Precepts & Levies	(364)			1,943	1,579	
209				209	Provisions for Bad Debts	225				225	
38,207				38,207	Housing Benefits & Council Tax Benefits	40,656				40,656	
(15)				(15)	Support Service Recharges	(18)				(18)	
2,638	311			2,949	Depreciation, Amortisation & Impairment	2,545	138			2,683	
0			(49)	(49)	Impairment of Icelandic Impairment	0			(26)	(26)	
0			2	2	Housing Capital Receipts Pool	0			2	2	
69,751	(646)	(375)	2,778	71,508	Total Expenditure	71,986	(441)	(166)	3,300	74,679	
17,815	(763)	(375)	(13,476)	3,201	TOTAL	17,847	(558)	(166)	(13,335)	3,788	

6. NON-CURRENT ASSETS

Movements in non-current assets during the year were as follows.

	Land & Buildings	PROPERTY, PLANT & EQUIPMENT			Assets under Const'n	TOTAL PROPERTY, PLANT & EQUIPMENT	HERITAGE ASSETS	INVESTMENT PROPERTIES	INTANGIBLE ASSETS	TOTAL
	£'000	Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	£'000	£'000	£'000	£'000	£'000	£'000
NET BOOK VALUE AT 1 APRIL 2011	43,595	2,851	1,393	446	370	48,655	3,424	3,208	441	55,728
Cost or Valuation										
At 1 April 2011	53,958	9,687	2,589	446	370	67,050	3,424	3,326	1,187	74,987
Additions	27	570	86	0	155	838	0	0	117	955
Derecognition - Disposals	0	(741)	(16)	0	0	(757)	0	0	(315)	(1,072)
Reclassification	84	267	19	0	(370)	0	0	0	0	0
Revaluation Recognised in the Revaluation Reserve	874	0	0	0	0	874	166	0	0	1,040
Other Movements in Cost or Valuation	(1,915)	214	0	0	0	(1,701)	0	0	0	(1,701)
At 31 March 2012	<u>53,028</u>	<u>9,997</u>	<u>2,678</u>	<u>446</u>	<u>155</u>	<u>66,304</u>	<u>3,590</u>	<u>3,326</u>	<u>989</u>	<u>74,209</u>
Depreciation, Amortisation & Impairment										
At 1 April 2011	(10,363)	(6,836)	(1,196)	0	0	(18,395)	0	(118)	(746)	(19,259)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,321)	(1,037)	(188)	0	0	(2,546)	0	0	(195)	(2,741)
Impairment Recognised in Surplus/Deficit on the Provision of Services	(197)	(7)	(5)	0	0	(209)	0	0	0	(209)
Impairment Recognised in Revaluation Reserve	(520)	0	0	0	0	(520)	0	0	0	(520)
Derecognition - Disposals	0	741	16	0	0	757	0	0	315	1,072
Other Movements in Depreciation, Amortisation and Impairment	1,915	(136)	0	0	0	1,779	0	0	0	1,779
At 31 March 2012	<u>(10,486)</u>	<u>(7,275)</u>	<u>(1,373)</u>	<u>0</u>	<u>0</u>	<u>(19,134)</u>	<u>0</u>	<u>(118)</u>	<u>(626)</u>	<u>(19,878)</u>
NET BOOK VALUE AT 31 MARCH 2012	42,542	2,722	1,305	446	155	47,170	3,590	3,208	363	54,331
NATURE OF ASSET HOLDINGS										
Owned	42,542	2,563	1,305	446	155	47,011	3,590	3,208	363	54,172
Leased	0	159	0	0	0	159	0	0	0	159

	Land & Buildings	PROPERTY, PLANT & EQUIPMENT			Assets under Const'n	TOTAL PROPERTY, PLANT & EQUIPMENT	HERITAGE ASSETS	INVESTMENT PROPERTIES	INTANGIBLE ASSETS	TOTAL
	£'000	Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	£'000	£'000	£'000	£'000	£'000	£'000
NET BOOK VALUE AT 1 APRIL 2012	42,542	2,722	1,305	446	155	47,170	3,590	3,208	363	54,331
Cost or Valuation										
At 1 April 2012	53,028	9,997	2,678	446	155	66,304	3,590	3,326	989	74,209
Additions	403	1,056	109	0	82	1,650	0	0	241	1,891
Derecognition - Disposals	(170)	(1,920)	(7)	0	0	(2,097)	0	0	(194)	(2,291)
Reclassification	70	85	0	0	(155)	0	0	0	0	0
Revaluation Recognised in the Revaluation Reserve	9,746	0	0	0	0	9,746	178	0	0	9,924
Other Movements in Cost or Valuation	(11,599)	541	0	0	0	(11,058)	0	0	0	(11,058)
At 31 March 2013	<u>51,478</u>	<u>9,759</u>	<u>2,780</u>	<u>446</u>	<u>82</u>	<u>64,545</u>	<u>3,768</u>	<u>3,326</u>	<u>1,036</u>	<u>72,675</u>
Depreciation, Amortisation & Impairment										
At 1 April 2012	(10,486)	(7,275)	(1,373)	0	0	(19,134)	0	(118)	(626)	(19,878)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,317)	(909)	(188)	0	0	(2,414)	0	0	(205)	(2,619)
Impairment Recognised in Surplus/Deficit on the Provision of Services	(52)	(11)	0	0	0	(63)	0	0	0	(63)
Impairment Recognised in Revaluation Reserve	(1,603)	0	0	0	0	(1,603)	0	0	0	(1,603)
Derecognition - Disposals	170	1,874	7	0	0	2,051	0	0	194	2,245
Other Movements in Depreciation, Amortisation and Impairment	11,599	(15)	0	0	0	11,584	0	0	0	11,584
At 31 March 2013	<u>(1,689)</u>	<u>(6,336)</u>	<u>(1,554)</u>	<u>0</u>	<u>0</u>	<u>(9,579)</u>	<u>0</u>	<u>(118)</u>	<u>(637)</u>	<u>(10,334)</u>
NET BOOK VALUE AT 31 MARCH 2013	49,789	3,423	1,226	446	82	54,966	3,768	3,208	399	62,341
NATURE OF ASSET HOLDINGS										
Owned	49,789	2,876	1,226	446	82	54,419	3,768	3,208	399	61,794
Leased	0	547	0	0	0	547	0	0	0	547

Intangible assets held consist of IT software and associated costs.

Depreciation and Amortisation

The depreciation and amortisation methods and useful lives used in the preparation of the accounts have been specified within the accounting policies.

The amortisation of intangible assets shown above is included within cost of services under the following service areas.

Service	2011/12 £'000	2012/13 £'000
Cultural & Related Services	0	1
Environmental & Regulatory Services	0	0
Planning Services	0	0
Highways & Transport Services	0	0
Housing Services	0	0
Central Services to the Public	0	0
Corporate & Democratic Core	0	0
Non-Distributed Costs	195	204
TOTAL	195	205

Non-Current Asset Valuation

The Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed 5 years as detailed in the accounting policies.

In 2012/13 the Council's leisure premises were the subject of revaluation which resulted in some leisure premises experiencing an increase (gain) in value amounting to £9,746,000 and others a decrease (loss) in value amounting to £1,608,000 producing a net increase in value (gain) of £8,138,000. £1,603,000 of the decrease (loss) in value was charged to the revaluation reserve and the balance of £5,000 to cost of services within the Comprehensive Income and Expenditure Statement. The revaluation also resulted in the reversal of accumulated depreciation in the sum of £11,599,000.

In arriving at the valuation BPS have made the following assumptions:

- That the valuations given are based upon existing use values or depreciated replacement costs.
- That the properties are repaired and maintained to a reasonable standard.
- That no significant Planning or Highways applications exist that could affect the value.

The freehold and leasehold properties which comprise the Council's portfolio have been assessed as at each review date, being 31 March each year, by the Council's Estate Service Manager, Katie Iggulden, MRICS IRRV or BPS Chartered Surveyors, BPS House, Pannells Court, Guilford, Surrey in accordance with the *Statement of Asset Valuation Practice and Guidance Notes* of the Royal Institution of Chartered Surveyors.

Plant and machinery is included in the valuation of the buildings.

Property assets are valued on the basis of market value for existing use or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost.

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. In liaison with the Council's Estate Service Manager and the Council's independent valuers it was

determined that other than leisure premises, the property asset class subject to review in 2012/13, no other property asset class required revaluation because of a notable change in value.

Valuations of Non-Current Assets carried at current value

	Land & Buildings	Vehicles, Plant & Equipment	Heritage Assets	Investment Properties	Total
	£'000	£'000	£'000	£'000	£'000
Valued at current value in:					
2012/13	34,104	3,423	178		37,705
2011/12	7,563		166		7,729
2010/11	6,887		96		6,983
2009/10	1,915		3,328		5,243
2008/09	(681)			3,208	2,527
TOTAL	49,788	3,423	3,768	3,208	60,187

For vehicles, plant and equipment, depreciated historic cost is used as a proxy of current value due to the short term nature of the majority of assets held in this class.

Outstanding Capital Commitments

As at 31 March 2013 the Council had no significant outstanding capital commitments.

The Council held the following assets as at 31 March 2013: -

Land:	Pleasure Grounds & Open Spaces	300 hectares
	Sportsgrounds	56 hectares
	Golf Course (inc. Club House)	49 hectares
	Cemetery (inc. Chapel)	6 hectares
	Allotments	6 hectares
	Industrial Estate (Residue)	1 hectare
	Car Parks	31
Buildings:	Council Offices	2
	Depots	1
	Public Conveniences	16
	Leisure Centres	2
	Swimming Pool	1
	Shops / Offices	29
	Maisonettes/Residential	8
	Historic Monument	1
Vehicles:	Heavy / Med' / Light Commercials	2
	Embedded Lease Vehicles	38
	Light Vans	3
	Other	5

The main items of capital expenditure during the year were: -

	2011/12 £'000	2012/13 £'000
Capital Renewals	559	955
Land & Property	10	186
Information Technology Initiatives	82	169
Larkfield Leisure Centre	9	151
Car Parks	26	143
Angel Centre	14	77
Tonbridge Castle	0	72
Tonbridge Swimming Pool	71	52

The Capital Expenditure was financed as follows: -

	2011/12 £'000	2012/13 £'000
Opening Capital Financing Requirement	0	0
Capital Investment		
Purchase of Non-Current Assets		
Property, Plant & Equipment	838	1,650
Intangible Assets	117	241
Total	955	1,891
Sources of Finance		
Revenue	(875)	(1,810)
Capital Grants & Contributions	(78)	(79)
Capital Receipts	(2)	(2)
Total	(955)	(1,891)
CLOSING CAPITAL FINANCING REQUIREMENT	0	0

The capital financing requirement reflects the extent to which the Council had to borrow to support its capital programme.

(Gain) / Loss on Disposal of Non-Current Assets

	2011/12 £'000	2012/13 £'000
Net Book Value		
Larkfield Leisure Centre Fitness Equipment	0	23
Angel Centre Fitness Equipment	0	23
Total	0	46
Sale Proceeds		
Larkfield Leisure Centre Fitness Equipment	0	(28)
Angel Centre Fitness Equipment	0	(25)
Total	0	(53)
(GAIN) / LOSS ON DISPOSAL	0	(7)

Heritage Assets

Heritage assets where the Council holds information on their cost or value have been recognised on the Balance Sheet and are detailed in the table below. Tonbridge Castle Gatehouse has been included using Insurance Valuations. Heritage assets, where the Council does not hold information on the cost or value and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts, comprise Tonbridge Castle Gatehouse exhibits; Tonbridge Castle curtain wall; cannons; and war memorials.

	At 31 March 2012 £'000	At 31 March 2013 £'000
Tonbridge Castle Gatehouse	3,474	3,648
Civic Regalia	51	53
Paintings	35	37
Sculptures	30	30
TOTAL	3,590	3,768

7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Represents capital expenditure on non-current assets not owned by the Council. The Code considers this to be revenue expenditure and as such the expenditure is charged in full to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year it is incurred. Statute allows the expenditure to be funded from capital resources but this Council funds the expenditure entirely from revenue resources.

	2011/12 £'000 £'000		2012/13 £'000 £'000	
Gross Expenditure				
House Renovation Grants	838		723	
Other Capital Grants	56		0	
Other	166	1,060	146	869
	<u> </u>		<u> </u>	
Grants & Contributions Received				
Disabled Facilities Grant Subsidy	(452)		(485)	
Regional Housing Board Grant	(81)		0	
Other	(63)	(596)	(29)	(514)
	<u> </u>		<u> </u>	
TOTAL		464		355

8. LEASES

Lessee – Operating Lease

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2012/13 (2011/12) was £81,000 (£78,000). The future cash payments required under these leases are: £40,000 not later than one year; £18,000 later than one year but not later than five years; and £nil later than five years.

Lessee – Finance Lease

The Council does not normally lease assets under a finance lease. The Council's policy is to purchase operational vehicles and equipment from capital renewals within the Capital Plan. These purchases are funded from capital receipts or revenue reserves.

However, under IFRIC 4 (Determining whether an arrangement contains a lease) there is a lease type arrangement if a third party (such as a contractor) uses an asset mainly for the delivery of Council services. The Council has concluded that its Refuse Collection and Recycling and Amenity & Street Cleansing contracts contain lease type arrangements (embedded leases) in respect of the vehicles used by the contractor. The estimated lease payments for these vehicles are provided in the table below.

	Current Year 2012/13 £ 000's	Current Year +1 2013/14 £ 000's	Current Year +2 2014/15 £ 000's	Current Year +3 2015/16 £ 000's	Current Year +4 2016/17 £ 000's
Estimated Lease Value					
Prinicpal	137	110	104	86	86
Interest	29	23	22	19	19
Total	<u>166</u>	<u>133</u>	<u>126</u>	<u>105</u>	<u>105</u>
Estimated Net Book Value Vehicles	547	437	333	247	161

In 2012/13 the contractor acquired a number of vehicles. Some of the vehicles are over 7 years old and as a result have been included on the asset register at a net book value of zero. This is reflected in Note 6 on page 31 under other movements in cost and other movements in depreciation.

Lessor – Operating Lease

The Council owns a number of properties which are leased out under the terms of an operating lease. A projection of the current rental income, based on existing leases, is provided in the table below.

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Rental Income Due	370	221	176	162	155	155	155

Trading Undertakings

The majority of these properties are treated as Trading Undertakings within the Comprehensive Income and Expenditure Statement, the financial results of which are given below.

	2011/12 £'000	2012/13 £'000
Commercial Property		
Income	(270)	(265)
less Expenditure	20	25
(Surplus) / Deficit	(250)	(240)
Industrial Estates		
Income	(61)	(62)
less Expenditure	8	5
(Surplus) / Deficit	(53)	(57)
TOTAL (SURPLUS) / DEFICIT	(303)	(297)

The Balance Sheet value of these properties at the 31 March 2013 was £3,212,000 (£3,208,000 Investment Properties and £4,000 Land and Buildings). There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

Lessor – Finance Lease

The Council does not lease out assets under a finance lease.

9. INTEREST AND INVESTMENTS

Icelandic Investments

Early in October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £1m deposited with Landsbanki at an interest rate of 5.86% and a maturity date of 30 October 2008.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

In April 2011 the Icelandic District Court ruled that such deposits have priority status. Following an appeal, this ruling was upheld by the Icelandic Supreme Court in September 2011. Agreement to the Council's settlement was approved by the Icelandic District Court in May 2012 and payment of our first distribution of funds received in June 2012. A further distribution of funds was made in October 2012 bringing the total recovery to date to just under £491,000. Under the terms of the distribution proposal, payment of each depositor's claim is to be made in a basket of currencies. The distribution currencies are Icelandic kroner, Euros, US dollars and sterling.

Subject to exchange rates we anticipate that we will recover all of the £1m we had on deposit with Landsbanki, together with the interest that was due had the deposit been repaid on time plus the award of additional interest for the period October 2008 to April 2009. The future pattern of distributions by the winding-up-board is not known, but based on available information and that the distributions to date represent about 49% of the total claim the assumed future profile of distributions is detailed below.

December 2013	7%	December 2016	7%	December 2019	9%
December 2014	7%	December 2017	7%		
December 2015	7%	December 2018	7%		

CIPFA issued the latest update on Icelandic Banks in May 2013 which did not represent a significant change from the previous update, i.e. changes to the payment profile and rates for accrued interest. The effect of the changes on the Accounts is not considered material.

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

The way in which the Local Government Association and our legal advisors have co-ordinated the legal action with other local authorities has minimised legal costs whilst enabling us to advance the strongest possible arguments to secure this excellent result. The cost of the litigation to date amounts to less than 1 per cent of the amount we expect to recover.

As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

In 2011/12 the accumulated impairment was £203,000. Based upon updated information this impairment has been reduced by £26,000 and has been reflected within the Comprehensive Income and Expenditure Statement.

Interest and Investment Income

	2011/12	2012/13	Year on Year Change
	£'000	£'000	£'000
Externally Managed Funds			
Gross Interest	(255)	(170)	85
Realised (Gains) / Losses	(23)	(53)	(30)
Net Yield	(278)	(223)	55
Internally Managed Funds			
Interest on Core Funds	(24)	0	24
Interest on Deposits	(140)	(145)	(5)
Interest on Other Miscellaneous Loans	(8)	(5)	3
Net Yield	(172)	(150)	22
TOTAL	(450)	(373)	77

Long Term Investments

	At 31 March 2012				At 31 March 2013			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Externally Managed Funds								
European Bank	479	8	3	490	0			0
UK Government	1,026	8	4	1,038	0			0
Total	1,505	16	7	1,528	0	0	0	0
Internally Managed Funds								
Landsbanki	689	(301)	187	575	613	(275)	111	449
Total	689	(301)	187	575	613	(275)	111	449
TOTAL	2,194	(285)	194	2,103	613	(275)	111	449

Short Term Investments

	At 31 March 2012				At 31 March 2013			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Externally Managed Funds								
Bank of Nova Scotia	2,940			2,940	2,856		1	2,857
Barclays Bank	800		12	812	1,700			1,700
Commercial Bank of Australia	1,200			1,200	0			0
Deutsche Bank	0			0	2,500		1	2,501
European Bank	0			0	488	(3)	3	488
HSBC	2,200		12	2,212	100			100
Investec Liquidity Funds	0			0	1,008			1,008
Lloyds Bank	1,600	2	22	1,624	0			0
Nationwide Building Society	4,800	5	51	4,856	0			0
Nordea Group	700		1	701	3,000		2	3,002
Rabobank	5,100	(5)	21	5,116	808	1	4	813
Svenska Handelsbanken	0			0	2,500		1	2,501
UK Government	0			0	399			399
Cash on Deposit	33			33	22			22
Total	19,373	2	119	19,494	15,381	(2)	12	15,391
Internally Managed Funds								
Bank of Scotland	0			0	1,000		29	1,029
Landsbanki Escrow	311			311	0			0
Lloyds Bank	0			0	1,000		29	1,029
Total	311	0	0	311	2,000	0	58	2,058
TOTAL	19,684	2	119	19,805	17,381	(2)	70	17,449

The amount shown on the Available-for-Sale Financial Instruments Reserve represents unrealised gains/losses in respect of our externally managed investments.

Transactions in the Year in respect of Externally Managed Funds

Short & Long Term	2011/12 £'000	2012/13 £'000
Balance at 1 April	19,224	21,022
Net Yield on Externally Managed Funds	332	203
Contributions to Fund	2,500	0
Withdrawal of Funds Held	(1,000)	(5,800)
Management Fee	(34)	(34)
BALANCE AT 31 MARCH	21,022	15,391

Cash Equivalents (Note 18 refers)

Investments which are considered to be of a 'liquid' nature are to be included under the category of cash and cash equivalents. Under the Council's accounting policies any internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value).

Disclosure Requirements under IFRS 7 (Financial Instruments: Disclosure)

Investments are classified as financial assets and as such require additional disclosures on:

- Class of investment.
- Interest received by class of investment.
- Market valuation of each type of investment as at 31 March 2013.
- Management of risk.

Investment Classification

The Council's investments have been classified as either loans and receivables or available-for-sale as detailed in the table below.

	At 31 March 2012			At 31 March 2013		
	Loans and receivables £'000	Available- for-sale £'000	Total £'000	Loans and receivables £'000	Available- for-sale £'000	Total £'000
Long Term						
Externally Managed Funds		1,528	1,528			0
Internally Managed Funds	575		575	449		449
	<u>575</u>	<u>1,528</u>	<u>2,103</u>	<u>449</u>	<u>0</u>	<u>449</u>
Short Term						
Externally Managed Funds	2,973	16,521	19,494	3,094	12,297	15,391
Internally Managed Funds	311		311	2,058		2,058
	<u>3,284</u>	<u>16,521</u>	<u>19,805</u>	<u>5,152</u>	<u>12,297</u>	<u>17,449</u>
TOTAL	3,859	18,049	21,908	5,601	12,297	17,898

Interest Received

Interest received by class of investment is detailed in the table below.

	Loans and receivables £'000	2011/12 Available- for-sale £'000	Total £'000	Loans and receivables £'000	2012/13 Available- for-sale £'000	Total £'000
Interest & Investment Income						
Interest Income	(26)	(253)	(279)	(9)	(161)	(170)
Losses on Derecognition		47	47		1	1
Gains on Derecognition		(70)	(70)		(54)	(54)
TOTAL	(26)	(276)	(302)	(9)	(214)	(223)

Market Valuation

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.

	At 31 March 2012		At 31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash held by External Fund Manager	33	33	22	22
Externally Managed Funds	20,989	20,989	15,369	15,369
Deposits with Banks & Building Societies	886	886	2,507	2,507
TOTAL	21,908	21,908	17,898	17,898

Management of Risk

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The Council prepares an Investment Strategy as part of the budget setting process each year. This strategy sets out the approach the Council will take to the management of risk both in terms of the security and liquidity of its investments.

The table below examines the Council's exposure to risk of failure of the banks or building societies and investments that we or our fund manager invest in.

	Amounts as at 31 March 2013	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2013	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
Investments				
Deposits with Banks & Building Societies	2,507	11%	0%	0
Externally Managed Funds	15,391	0%	0%	0
TOTAL	17,898			0

Interest Rate Risk

Interest rate movements will clearly have an impact on investment returns. To put this into context, 1% would currently generate investment income of about £180,000 (£220,000 in 2011/12).

Exchange Rate Risk

Foreign currency transactions relate solely to the Landsbanki Investment in respect of the repayment of funds by the Winding-Up-Board. Gains or losses arising from exchange rate fluctuations will be charged to the Comprehensive Income and Expenditure Statement in the year of receipt.

10. PENSION COSTS

Employees of Tonbridge & Malling Borough Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by KCC in accordance with the *Local Government Pension Scheme Regulations 1997* as amended. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The outcome of the recent formal valuation on 31 March 2013 is awaited.

The pension costs charged to the Comprehensive Income and Expenditure Statement in accordance with International Accounting Standard 19 are given below.

Transactions Relating to Retirement Benefits

	2011/12 £'000	2012/13 £'000
Amounts Charged to Income and Expenditure Statement		
Net Cost of Services		
Current Service Costs	1,653	2,076
Past Service Costs (Change in Benefit)	0	0
Curtailments and Settlements	(3)	0
Net Operating Expenditure		
Expected Return on Pension Assets	(4,084)	(3,419)
Pensions Interest Cost	4,897	4,771
Net Charge to the Income and Expenditure Statement	2,463	3,428
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(2,463)	(3,428)
Actual Amount Charged to the General Fund for Pensions in the Year		
Employers' contributions payable to scheme	2,631	2,665
CONTRIBUTION (FROM) / TO PENSIONS RESERVE	168	(763)

As required under IAS 19 the valuation method used is the projected unit method of valuation. With this method where the age profile of the active membership is rising the current service cost will increase as the members of the scheme approach retirement.

In addition, an actuarial loss of £1,275,000 in 2012/13 and a loss of £15,854,000 in 2011/12 are included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

Assets and Liabilities in Relation to Retirement Benefits

The table below summarises the reconciliation of the present value of scheme liabilities.

LIABILITIES	2011/12 £'000	2012/13 £'000
Balance at 1 April	89,937	105,586
Current Service Costs	1,653	2,076
Past Service Costs	0	0
(Gains) / Losses on Settlements and Curtailments	(18)	0
Interest Cost	4,897	4,771
Actuarial (Gains) / Losses	12,570	7,137
Contributions from Scheme Participants	564	545
Benefits Paid	(3,731)	(4,010)
Unfunded Pension Payments	(286)	(295)
BALANCE AT 31 MARCH	105,586	115,810

The liability shows the underlying commitment that the Council has in the long run to pay retirement benefits.

The table below summarises the reconciliation of the present value of scheme assets.

ASSETS	2011/12 £'000	2012/13 £'000
Balance at 1 April	59,836	59,799
Expected Rate of Return	4,084	3,419
Actuarial Gains / (Losses)	(3,284)	5,862
Employers' Contributions	2,631	2,665
Gains / (Losses) on Settlements and Curtailments	(15)	0
Contributions from Scheme Participants	564	545
Benefits Paid	(3,731)	(4,010)
Unfunded Pension Payments	(286)	(295)
BALANCE AT 31 MARCH	59,799	67,985

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year: gain of £9,281,000 (2011/12: gain of £801,000).

	2011/12 £'000	2012/13 £'000
Present value of funded obligation	102,396	112,537
Fair value of scheme assets (bid price)	59,799	67,985
Sub-total	42,597	44,552
Present value of unfunded obligation	3,190	3,273
NET PENSION LIABILITY	45,787	47,825

The increase in pension deficit during the year has arisen due to the corporate bonds based method that is used to value the liabilities and market expectations of inflation. Bond yields have mainly fallen during the year and the market currently expect inflation to increase leading to an increase in liabilities. Scheme assets increased steadily over the year to give a positive return to offset in part the increase in liabilities.

The figures presented are prepared only for the purpose of IAS 19. They are not relevant for calculations undertaken for funding purposes. IAS 19 does not have any impact on the actual level of employer contributions paid to Kent County Council Pension Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The outcome of the recent formal valuation on 31 March 2013 is awaited.

Reconciliation of Opening & Closing Surplus / Deficit

The table below reconciles the opening and closing deficit on the scheme.

SURPLUS / (DEFICIT)	2011/12 £'000	2012/13 £'000
Balance at 1 April	(30,101)	(45,787)
Current Service Costs	(1,653)	(2,076)
Past Service Costs	0	0
(Gains) / Losses on Settlements and Curtailments	3	0
Actuarial Gains / (Losses)	(15,854)	(1,275)
Employers' Contributions	2,345	2,370
Unfunded Pension Payments	286	295
Other Finance Income	(813)	(1,352)
BALANCE AT 31 MARCH	(45,787)	(47,825)

Breakdown of Assets Held by Pension Fund shown at Fair Value

Assets are valued at fair value, principally market value for investments. The fair value of the attributable scheme assets is £67,985,000 as at 31 March 2013 and £59,799,000 as at 31 March 2012. The fair values of the attributable assets and expected rates of return are given below.

Assets	At 31 March 2012		At 31 March 2013	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Equities	44,251	74	48,270	71
Bonds	5,980	10	8,838	13
Property	5,980	10	5,439	8
Cash	1,794	3	2,719	4
Target Return Portfolio	1,196	2	2,719	4
Gilts	598	1	0	0
TOTAL	59,799	100	67,985	100

Scheme History

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present Value of Liabilities	(74,771)	(113,602)	(89,937)	(105,586)	(115,810)
Fair Value of Assets	39,890	53,676	59,836	59,799	67,985
SURPLUS / (DEFICIT) IN THE SCHEME	(34,881)	(59,926)	(30,101)	(45,787)	(47,825)
Experience Gains / (Losses) on Assets	(13,150)	11,297	2,859	(3,284)	5,862
Percentage of Assets	(33.0%)	21.0%	4.8%	(5.5%)	8.6%
Experience Gains / (Losses) on Liabilities	0	760	7,259	(133)	(170)
Percentage of Liabilities	0.0%	0.7%	8.1%	(0.1%)	(0.1%)

Actuarial Gains and Losses

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	(6,820)	(24,393)	22,394	(15,854)	(1,275)
CUMULATIVE ACTUARIAL GAINS / (LOSSES)	(15,880)	(40,273)	(17,879)	(33,733)	(35,008)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2010.

The financial assumptions used for the purposes of IAS 19 calculations are given below.

	2011/12	2012/13
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.0 Years	20.1 Years
Women	24.0 Years	24.1 Years
Longevity at 65 for future pensioners:		
Men	22.0 Years	22.1 Years
Women	25.9 Years	26.0 Years
RPI Increases	3.3%	3.4%
CPI Increases	2.5%	2.6%
Salary Increases	4.7%	4.8%
Pension Increases	2.5%	2.6%
Discount Rate	4.6%	4.4%

It has also been assumed that members will exchange half of their commutable pension for cash at retirement.

Sensitivity Analysis

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	113,430	115,810	118,265
Projected Service Cost	2,325	2,410	2,498
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	111,504	115,810	120,167
Projected Service Cost	2,300	2,410	2,522

Projected Pension Expense for the Year to 31 March 2014

These projections are based on the Actuary's assumptions as at 31 March 2013.

	2013/14 Projection £'000
Service Cost	2,410
Net Interest on the defined liability (asset)	2,052
Administration Expenses	56
Total	<u>4,518</u>
Employers' Contributions	2,497

Revision to Internationals Accounting Standard 19

The International Accounting Standards Board have published a final version of the revised IAS19 standard, which will apply for accounting periods beginning on or after 1 January 2013.

In summary, the main changes that affect the charges to Income and Expenditure are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.
- Some labelling changes to the charges to Income and Expenditure e.g. "Service cost" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailements" plus any "Settlements".
- Administration expenses are now accounted for within the charges to Income and Expenditure; previously a deduction was made to the actual and expected returns on assets.

The changes set out above are effective for accounting periods beginning on or after 1 January 2013 so do not affect the disclosures for 2012/13.

The table below shows the charges to Income and Expenditure had the revised standard applied to the 2012/13 financial year.

	2012/13 £'000
Service Cost	2,076
Net Interest on the defined liability (asset)	2,046
Administration Expenses	52
Total	<u>4,174</u>
Actual Return on Scheme Assets	9,333

Information can also be found in Kent County Council's Superannuation Fund Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent, ME14 1XQ.

11. COUNCIL TAX INCOME

	2011/12 £'000	2012/13 £'000
Borough Council's Council Tax	(8,425)	(8,713)
Parish Councils' Council Tax	(1,948)	(1,943)
Prior Year's Estimated Accumulated Collection Fund (Surplus) / Deficit	0	0
Collection Fund (Surplus) / Deficit	32	2
TOTAL	(10,341)	(10,654)

12. GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement.

Credited to Taxation and Non-Specific Grant Income

	2011/12		2012/13	
	£'000	£'000	£'000	£'000
National Non-Domestic Rate Distribution		(3,735)		(4,395)
General Government Grants				
New Homes Bonus	(747)		(1,125)	
Revenue Support Grant	(1,155)		(85)	
Council Tax Freeze Grant	(211)		0	
Other	0	(2,113)	(14)	(1,224)
Capital Grants & Contributions				
Hale Street Developer Contribution	0		(248)	
Council Tax Reform Grant	0		(63)	
Pinnacles PH Developer Contribution	0		(35)	
Frantschach Developer Contribution	(48)		15	
Other	(17)	(65)	(24)	(355)
TOTAL		(5,913)		(5,974)

Credited to Services

	2011/12 £'000	2012/13 £'000
Rent Allowance Subsidy	(31,018)	(33,185)
Council Tax Benefit Subsidy	(6,927)	(7,206)
Benefits Administration Grant	(728)	(674)
Disabled Facilities Grant Subsidy	(452)	(485)
NNDR Cost of Collection Allowance	(167)	(169)
High Street Innovation Fund	0	(100)
Local Benefits Scheme Subsidy	(70)	(65)
Homelessness Grant	(57)	(57)
Non-HRA Rent Rebate Subsidy	(38)	(55)
Discretionary Housing Payment Contribution	(33)	(42)
Council Tax Reform Grant	0	(21)
Regional Housing Board Grant	(81)	0
Personal Search Fees Grant	(34)	0
Other	(125)	(71)
TOTAL	(39,730)	(42,130)

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found on page 59 Note 21.

13. OFFICERS' EMOLUMENTS, ACCRUED ANNUAL LEAVE AND EXIT PACKAGES

Emoluments

Employee remuneration is defined as all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash. The number of employees, whose remuneration, excluding employers' pension contributions, was £50,000 or more in bands of £5,000 is given in the table below.

Remuneration Band	Number of Employees	
	2011/12	2012/13
£50,000 - £54,999	11	11
£55,000 - £59,999	9	7
£60,000 - £64,999	1	-
£65,000 - £69,999	-	2
£70,000 - £74,999	1	1
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	4	2
£90,000 - £94,999	1	2
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
TOTAL	28	26

We are also required to disclose additional information about the remuneration of senior officers as set out below, together with the value of the employers' pension contribution for the financial year. The employees shown in the table below are also included within the banding table.

	Post Title	Salary, Fees & All'ces £'000	Expenses All'ces £'000	Comp for Loss of Office £'000	Benefits in Kind £'000	Total Excl Pension £'000	Pension Contrib's £'000	Total Including Pension £'000
2011/12	Chief Executive	112	0	0	4	116	17	133
	Central Services Director	85	0	0	5	90	12	102
	Director of Finance	85	0	0	2	87	12	99
	Director of Health and Housing	85	0	0	5	90	12	102
	Director of Planning, Transport and Leisure	85	0	0	5	90	12	102
	TOTAL	452	0	0	21	473	65	538
2012/13	Chief Executive	95	0	0	4	99	14	113
	Central Services Director / Chief Executive	88	0	0	5	93	13	106
	Chief Solicitor / Director of Central Services	67	0	0	3	70	9	79
	Director of Finance and Transformation	85	0	0	3	88	12	100
	Director of Health and Housing	85	0	0	5	90	13	103
	Director of Planning, Transport and Leisure	85	0	0	5	90	12	102
	TOTAL	505	0	0	25	530	73	603

The Council had entered into a formal agreement with Gravesham Borough Council to share the Council's Chief Executive for a two-year period commencing 1 August 2011. The Chief Executive's salary and associated costs were apportioned equally between the two councils, but Tonbridge & Malling Borough Council continued to be his employing authority and as such his full remuneration is reflected in the tables above.

This arrangement ended on 31 January 2013 when the Chief Executive stood down from his position to take up the role of full-time Chief Executive of Gravesham Borough Council. The Central Services Director was subsequently appointed as this Council's Chief Executive and the Chief Solicitor appointed to the re-designated post of Director of Central Services; and the post of Director of Finance was re-designated Director of Finance and Transformation.

At 31 March 2013 (2012) the Council employed 409 (418) permanent staff, equating to 344 (353) full-time equivalents.

Accrued Annual Leave

The Council is required to accrue for annual leave not taken by staff at the end of the accounting period. At the end of 2012/13 (2011/12) this was estimated to be £66,000 (£68,000).

Exit Packages

Exit packages include compulsory and voluntary redundancy payments, added-years pension contributions, ex-gratia payments and other departure costs. The number of employees receiving exit packages in bands of £20,000 is given in the table below.

	2011/12		2012/13	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
Compulsory Redundancies				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	-	-
Other Agreed Departures				
£0 - £19,999	6	26	2	13
£20,000 - £39,999	2	69	-	-
TOTAL	8	95	2	13

14. CAPITAL RECEIPTS

Usable Capital Receipts

These are proceeds from the sale of capital assets that have not yet been used to finance new capital expenditure. Capital receipts are as defined in the *Local Government Act 2003* and the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003*. The latter provides for the payment to the Secretary of State of a proportion of the capital receipts from the sale of Housing Revenue Account assets. In our case this relates to mortgages advanced under right-to-buy legislation in the 1980's.

	2011/12			2012/13		
	General Fund £'000	Housing £'000	Total £'000	General Fund £'000	Housing £'000	Total £'000
Balance at 1 April	0	0	0	0	0	0
Usable Capital Receipts Received	0	4	4	0	3	3
	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>	<u>3</u>	<u>3</u>
less Usable Capital Receipts Applied						
Purchase of Non-Current Assets	0	2	2	0	1	1
Pooled Housing Capital Receipts	0	2	2	0	2	2
BALANCE AT 31 MARCH	0	0	0	0	0	0

Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of council houses, which will be received in instalments over agreed periods of time. Deferred sales proceeds is income received in 2013/14 in respect of fitness equipment sold in 2012/13.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	21	17
Deferred Sale Proceeds	0	52
Receipts	(4)	(3)
BALANCE AT 31 MARCH	17	66

15. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2011/12	Revenue Reserve for Capital Schemes	11,136	350	(1,339)	10,147
	General Revenue Reserve	6,765		(510)	6,255
	Building Repairs Reserve	188	400	(548)	40
	Earmarked Reserves				
	Special Projects	429	73	(31)	471
	Community Enhancement Fund	0	500	(114)	386
	Medium Term Financial Strategy	750		(250)	500
	Tonbridge Town Centre	235		(3)	232
	Invest to Save	0	50		50
	Local Development Framework	65	40	(23)	82
	Leisure Services Business Unit	39			39
	Other Earmarked Reserves	587	25	(230)	382
TOTAL	20,194	1,438	(3,048)	18,584	
2012/13	Revenue Reserve for Capital Schemes	10,147	359	(2,165)	8,341
	General Revenue Reserve	6,255		(638)	5,617
	Building Repairs Reserve	40	600	(574)	66
	Earmarked Reserves				
	Special Projects	471	10	(35)	446
	Community Enhancement Fund	386		(122)	264
	Medium Term Financial Strategy	500		(250)	250
	Tonbridge Town Centre	232	100	(148)	184
	Invest to Save	50	87	(25)	112
	Local Development Framework	82	40	(16)	106
	Leisure Services Business Unit	39	61		100
	High Street Innovation Fund	0	100		100
Other Earmarked Reserves	382	57	(79)	360	
TOTAL	18,584	1,414	(4,052)	15,946	

Reserve

Revenue Reserve for Capital Schemes

General Revenue Reserve

Building Repairs Reserve

Special Projects

Community Enhancement Fund

Medium Term Financial Strategy

Tonbridge Town Centre

Invest to Save

Local Development Framework

Leisure Services Business Unit

High Street Innovation Fund

Other Earmarked Reserves

Purpose of the Reserve

Established to finance future capital expenditure.

We maintain a financial cushion should something unexpected happen that leads to significant unplanned expenditure or reduced income. The General Revenue Reserve is also intrinsically linked to the objectives of the Council's Medium Term Financial Strategy.

Established to finance general repairs and maintenance expenditure to Council owned buildings.

Established to enhance or progress specific projects or activities within the Council.

Established for the delivery and support of local projects.

Established to underpin and support the Council's finances over the medium term.

Established to meet costs in respect of the redevelopment of Tonbridge town centre.

Established to meet costs associated with service reviews with the aim of identifying savings opportunities.

Established to meet costs in respect of the Local Development Framework.

Established to fund specific projects or activities in respect of the Leisure Services Business Unit.

Established to progress High Street innovation initiatives following government grant received for this purpose.

Other earmarked reserves established to enhance or progress specific projects or activities within the Council.

16. INVENTORIES

	1 April 2011 £'000	Purchases £'000	Expense in Year £'000	31 March 2012 £'000	Purchases £'000	Expense in Year £'000	31 March 2013 £'000
Tourist Information Centre	12	6	(4)	14	3	(4)	13
Postages	5	63	(57)	11	35	(41)	5
Walk Cards	6			6			6
Catering / Vending / Bar	6	106	(109)	3	109	(107)	5
Other	9	27	(24)	12	34	(30)	16
TOTAL	38	202	(194)	46	181	(182)	45

17. DEBTORS

Long Term Debtors

	At 31 March 2012 £'000	At 31 March 2013 £'000
Employees	69	90
Mortgagors	43	40
TOTAL	112	130

Short Term Debtors

	At 31 March 2012			At 31 March 2013		
	Gross Value £'000	Provision for Bad Debt £'000	Net Value £'000	Gross Value £'000	Provision for Bad Debt £'000	Net Value £'000
General Fund						
Housing Benefit Claimants (current & former)	1,793	(1,058)	735	1,846	(1,122)	724
Payments in Advance	430		430	409		409
Local Authorities	327		327	371		371
Central Government	292		292	117		117
National Health Service			0	2		2
Public Corporations			0	1		1
Other Debtors	419	(105)	314	505	(103)	402
	3,261	(1,163)	2,098	3,251	(1,225)	2,026
Collection Fund						
Council Tax Payers (Borough Council's share)	594	(154)	440	683	(176)	507
Local Authorities	425		425	513		513
	1,019	(154)	865	1,196	(176)	1,020
TOTAL	4,280	(1,317)	2,963	4,447	(1,401)	3,046

The upward movement in debtors is largely due to an increase in the amounts owed by council tax payers and major precepting authorities in respect of the Collection Fund and other debtors offset by a reduction in the amounts owed by central government.

Provision for Bad Debts

		Housing Benefit Claimants £'000	Homeless -ness Debtors £'000	General Debtors £'000	Council Tax Payers £'000	Total £'000
2011/12	Balance at 1 April	981	60	40	146	1,227
	Write-Offs	(87)	(5)	(36)	(10)	(138)
	Contribution to Provision	164	30	16	18	228
BALANCE AT 31 MARCH		1,058	85	20	154	1,317
2012/13	Balance at 1 April	1,058	85	20	154	1,317
	Write-Offs	(138)	(26)	0	(9)	(173)
	Contribution to Provision	201	21	3	20	245
	Receipts/Adjustments	1			11	12
BALANCE AT 31 MARCH		1,122	80	23	176	1,401

The increase in provision for bad debts is largely due to the increase in outstanding housing benefit overpayments and council tax arrears.

The provision for bad debts in respect of council tax represents the Borough Council's share only. The total provision for bad debts in respect of council tax, together with the bad debt provision in respect of national non-domestic rates, can be found on page 66.

Disclosure Requirements under IFRS 7 (Financial Instruments: Disclosures)

Some debtors meet the definition of financial instruments under IAS 32. These debtors are all classified as loans and receivables financial instruments. The carrying amount is deemed to be the fair value (being the amount that the market is willing to exchange assets). For these debtors additional disclosures are required on the age profile and collectability of the debt.

Age of Debt

An analysis of the age profile of debtors which fall under financial assets is given in the table below.

Age of Debt	At 31 March 2012				At 31 March 2013			
	General Debtors £'000	Homeless -ness £'000	Public Sector Bodies £'000	Total £'000	General Debtors £'000	Homeless -ness £'000	Public Sector Bodies £'000	Total £'000
< 1 month	257	5	557	819	350	9	278	637
1 - 3 months	8	11	0	19	24	13	94	131
3 - 6 months	14	18	0	32	10	5	1	16
6 - 12 months	5	33	0	38	5	10	1	16
1 year +	30	38	0	68	23	56	0	79
TOTAL	314	105	557	976	412	93	374	879

Collectability of Debt

The Council does not generally allow credit for customers, however it is prudent to establish a provision for non payment of debt. This calculation is based upon the type of debtor and the size and age of the debt adjusting for individual cases where appropriate. The Council's potential maximum exposure to default and uncollectability of the debt based on experience over the last five financial years is shown in the table below.

	Amounts as at 31 March 2013	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2013	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
Debtors				
General Debtors	412	4	6	23
Homelessness	93	30	86	80
TOTAL	505			103

The variation between the historical experience and the adjustment for market conditions is due to the nature and age of the debt outstanding which can take several years to recover prior to any write-off action being taken.

The levels held within the provision for bad debt will be reviewed by the Director of Finance and Transformation on an annual basis and will take into account the effect of the prevailing economic climate when calculating the required provision.

18. CASH & CASH EQUIVALENTS

Investments which are considered to be of a 'liquid' nature are to be included under the category of cash and cash equivalents. Under the Council's accounting policies any internally managed investments of three months or less from the date of acquisition will be recognised as cash equivalents (short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value). These are considered as financial assets under IAS 32.

	At 31 March 2012 £'000	At 31 March 2013 £'000
Internally Managed Funds		
National Westminster Bank	1,954	2,500
Prime Rate Money Market Fund	2,000	940
Svenska Handelsbanken	250	0
	<u>4,204</u>	<u>3,440</u>
Cash in Hand	<u>434</u>	<u>353</u>
TOTAL	4,638	3,793

19. SHORT TERM CREDITORS

	At 31 March 2012 £'000	At 31 March 2013 £'000
General Fund		
Central Government	(1,181)	(730)
Local Authorities	(530)	(458)
Receipts in Advance	(225)	(305)
Employees	(121)	(66)
Public Corporations	(28)	(17)
Mortgagors	(14)	(15)
Other Creditors	(1,125)	(1,045)
	<u>(3,224)</u>	<u>(2,636)</u>
Collection Fund		
Central Government	(3,486)	(1,521)
Council Tax Payers (Borough Council's share)	(147)	(158)
	<u>(3,633)</u>	<u>(1,679)</u>
TOTAL	(6,857)	(4,315)

The downward movement in creditors is largely due to a decrease in amounts owed to Central Government in respect of National Non-Domestic Rates and housing benefit and council tax benefit subsidy.

Disclosure Requirements under IFRS 7 (Financial Instruments: Disclosures)

Creditors meeting the definition of financial instruments under IAS 32 are disclosed below. For these creditors the carrying amount is also deemed to be the fair value (being the amount that the market is willing to settle liabilities).

	At 31 March 2012 £'000	At 31 March 2013 £'000
General Fund		
Central Government	(13)	(9)
Local Authorities	(386)	(320)
Employees	(121)	(66)
Public Corporations	(28)	(17)
Mortgagors	(14)	(15)
Other Creditors	(1,125)	(1,045)
TOTAL	(1,687)	(1,472)

All liabilities are paid as soon as possible after the end of the financial year.

20. PROVISIONS

Provisions are required for liabilities or losses that are likely to be incurred, or certain to be incurred, but uncertain as to the amount or the date on which they will arise. They are charges to the appropriate revenue account and when the expenditure occurs it is charged to the provision. They should only be used for the purpose for which they were established.

		Balance at 1 April £'000	Additions in Year £'000	Expenditure in Year £'000	Reversal £'000	Balance at 31 March £'000
2011/12	Adoption of Amenity Areas	(86)	(2)			(88)
	Performance Bonds	(27)				(27)
	Bryant Homes Play Equipment	(20)				(20)
	Maintenance of Graves	(1)			1	0
	TOTAL	(134)	(2)	0	1	(135)
2012/13	Adoption of Amenity Areas	(88)	(1)			(89)
	Performance Bonds	(27)				(27)
	Bryant Homes Play Equipment	(20)				(20)
	Municipal Mutual Insurance	0	(75)			(75)
	TOTAL	(135)	(76)	0	0	(211)

- Adoption of Amenity Areas – repairs to a banked area of the M20 slip road at Junction 4.
- Performance Bonds – amounts provided by contractors for non compliance with contract conditions.
- Bryant Homes Play Equipment – development of play areas in the Hilltop area.
- Municipal Mutual Insurance – in 1992 the company failed and went into solvent “run-off”. If a solvent “run-off” is not achieved the Council is liable to repay sums paid out on its behalf to settle claims. The maximum amount liable to clawback is the total claim payments of £352,460 less £50,000.

21. GRANTS AND CONTRIBUTIONS IN ADVANCE AND GRANTS AND CONTRIBUTIONS UNAPPLIED

These are grants and contributions received but which as yet have not been applied to revenue and capital projects. Those with conditions are treated as receipts in advance under long term liabilities and those without conditions are treated as a reserve.

Transactions in the Year in respect of Grants and Contributions in Advance

		Balance at 1 April £'000	Receipts £'000	Interest £'000	Transfer to Third Parties £'000	Applied to Capital £'000	Applied to Revenue £'000	Balance at 31 March £'000
2011/12	Holborough Valley	(675)		(9)	98			(586)
	Medway Wharf Road	(591)		(9)				(600)
	Town Lock	0	(230)					(230)
	Frantschach	(177)		(1)	101	48		(29)
	Other	(243)	(96)	(4)				(343)
TOTAL	(1,686)	(326)	(23)	199	48	0	(1,788)	
2012/13	Holborough Valley	(586)		(6)	202			(390)
	Medway Wharf Road	(600)		(7)				(607)
	Town Lock	(230)						(230)
	Frantschach	(29)			4	(15)		(40)
	Ashby's Yard	0	(130)					(130)
	Air Quality	0	(150)					(150)
	Other	(343)	(20)	(7)	72			(298)
TOTAL	(1,788)	(300)	(20)	278	(15)	0	(1,845)	

Transactions in the Year in respect of Grants and Contributions Unapplied

		Balance at 1 April £'000	Receipts £'000	Applied to Capital £'000	Applied to Revenue £'000	Balance at 31 March £'000
2011/12	Leybourne Lakes	400				400
	Leybourne Lakes	344				344
	Medway Wharf Road	101				101
	Other	280	2	(16)	(4)	262
TOTAL	1,125	2	(16)	(4)	1,107	
2012/13	Leybourne Lakes	400				400
	Leybourne Lakes	344				344
	Medway Wharf Road	101				101
	Hale Street	0	248			248
	Other	262	55	(27)	(12)	278
TOTAL	1,107	303	(27)	(12)	1,371	

22. CAPITAL ADJUSTMENT ACCOUNT

The capital adjustment account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system. The account is credited with the amounts set aside to finance the cost of acquiring/enhancing non-current assets. It is debited with the cost of acquisition/enhancement as the assets are depreciated/impaired to the Comprehensive Income and Expenditure Statement. The account also contains accumulated gains/losses on investment properties and operational land and buildings pre-dating 1 April 2007.

	2011/12		2012/13	
	£'000	£'000	£'000	£'000
Balance at 1 April		44,587		43,160
Capital Financing applied in year				
Revenue	875		1,810	
Capital Grants & Contributions	79		79	
Capital Receipts	2		2	
Minimum Revenue Provision	310	1,266	137	2,028
Reversal of items charged to the Comprehensive Income and Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(2,741)		(2,619)	
Impairment of Non-Current Assets	(209)		(63)	
Net Book Value of Assets Disposed	0	(2,950)	(46)	(2,728)
Amounts Written-out of the Revaluation Reserve				
Difference between fair value & historical cost depreciation	257		250	
Accumulated Gains on Assets Disposed	0	257	0	250
BALANCE AT 31 MARCH		43,160		42,710

23. REVALUATION RESERVE

The revaluation reserve records unrealised revaluation gains arising since 1 April 2007 from holding operational land and buildings. The balance on the reserve is reduced when assets with accumulated gains are revalued downwards or impaired and the gains lost; used in the provision of services and the gains consumed through depreciation; disposed and the gains realised. Accumulated gains pre-dating 1 April 2007 were transferred to the Capital Adjustment Account.

	2011/12		2012/13	
	£'000	£'000	£'000	£'000
Balance at 1 April		10,761		11,023
Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services				
Upward revaluations	1,040		9,924	
Downward revaluations / impairments	(521)	519	(1,603)	8,321
Amounts Written-Off to the Capital Adjustment Account				
Difference between fair value & historical cost depreciation	(257)		(250)	
Accumulated gains on assets sold or scrapped	0	(257)	0	(250)
BALANCE AT 31 MARCH		11,023		19,094

24. RECONCILIATION OF OPERATING ACTIVITIES CASH FLOW

	2011/12		2012/13	
	£'000	£'000	£'000	£'000
(Surplus) / Deficit on Provision of Services		3,201		3,788
less Non-Cash Transactions included within Comprehensive Income & Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(2,741)		(2,619)	
Impairment of Non-Current Assets	(209)		(63)	
Current Service Costs	(1,653)		(2,076)	
Curtailments and Settlements	3		0	
Pensions Interest Cost	(4,897)		(4,771)	
Expected Return on Pension Assets	4,084		3,419	
Embedded Lease Finance Charge	(64)		(29)	
Provision Set Aside in the Year	(1)		(77)	
Grants & Contributions in Advance / Unapplied	(149)	(5,627)	(186)	(6,402)
plus Cash Transactions excluded from Comprehensive Income & Expenditure Statement				
Employer's Pension Contributions	2,631		2,665	
Refuse, Recycling & Street Cleansing Contract Payments	375	3,006	166	2,831
plus Items on an Accruals Basis				
Increase / (Decrease) in Investments	(796)		(3,989)	
Increase / (Decrease) in Inventories	8		(1)	
Increase / (Decrease) in Debtors	348		(81)	
(Increase) / Decrease in Creditors	197	(243)	503	(3,568)
less Items Classified in Another Classification in the Cash Flow Statement				
Proceeds from Short-Term & Long-Term Investments	3,501		6,174	
Purchase of Short-Term & Long-Term Investments	(2,500)		(2,000)	
Gain / (Loss) on Disposal of Non-Current Assets	0		7	
Capital Grants & Contributions	65		355	
Housing Capital Receipts to Government Pool	(2)	1,064	(2)	4,534
OPERATING ACTIVITIES NET CASH FLOW		1,401		1,183

25. RELATED PARTY TRANSACTIONS

The Authority 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.

United Kingdom Central Government

United Kingdom Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are included in the subjective analysis in Note 5 on segmental reporting and in the analysis of grant income in Note 12.

Members and Chief Officers

All Members and Chief Officers of the Council are required to disclose where they or any member of their family or household has an interest in a company, partnership or trust that has had transactions with the Council. Disclosures of these transactions allow 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.

When completing the disclosure both Members and Chief Officers are asked to confirm that their register of interests held by the Council's Monitoring Officer (<http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/councillors-declaration-of-interest/index-to-register-of-declarations-of-interest>) is up to date.

The Council make a number of appointments of Councillors to local outside bodies to act as the Council's representatives. During 2012/13 the Council grant funded some of these organisations the total sum of £137,000.

In addition, under the Council's Code of Conduct for Members (http://www.tmbc.gov.uk/_data/assets/pdf_file/0015/13209/codeofconduct.pdf) they are required to declare at Council meetings any interest they may have in an item on the agenda. If it is considered that the interest is prejudicial the Member is required to leave the meeting and not take part in the discussion or decision.

Returns were received from all 53 current Councillors and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosure in the Accounts.

26. MEMBERS' ALLOWANCES

The total paid in Members' allowances, including travel and subsistence expenses, is shown in the table below.

	2011/12	2012/13
	£'000	£'000
Basic Allowance	266	266
Special Responsibility Allowance	140	139
Travel & Subsistence Expenses	12	12
Carers Allowance	1	1
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	13	12
TOTAL	439	437

The Council also produce a statement, in accordance with provision 1021 15(3) of the *Local Authorities (Members Allowance) (England) Regulations 2003*, giving details of allowances paid to individual Members for the year. The statement may be seen on the Council's website at: <http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/councillors-allowances-and-expenses> and on notice boards at the Council's main offices and its Tonbridge Castle offices.

27. EXTERNAL AUDIT FEES

The Council's auditors are Grant Thornton UK LLP, an independent body responsible for ensuring that money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. The Council incurred the following fees relating to external audit and inspection carried out during 2012/13.

	2011/12 £'000	2012/13 £'000
External audit services	92	55
Certification of grant claims and returns	39	51
TOTAL	131	106

28. CONTINGENT LIABILITIES

Personal Search Fees

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £123,717.91 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Private Finance Initiative

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £1.1 million, as at year 10 of the scheme. However, the risk of this occurring as at 31 March 2013 was considered remote.

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. The Collection Fund is consolidated with the other accounts of the billing authority.

INCOME AND EXPENDITURE ACCOUNT

2011/12			2012/13	
£'000	£'000		£'000	£'000
		Income		
		Council Tax		
	64,932	Billed to Council Tax Payers	65,468	
71,764	6,832	Council Tax Benefits	7,097	72,565
51,581		Non-Domestic Rates		52,889
123,345		Total Income		125,454
		Expenditure		
		Precepts and Demands		
	51,351	Kent County Council	51,610	
	6,797	Kent Police	6,831	
	3,330	Kent & Medway Fire and Rescue Authority	3,347	
	8,425	Tonbridge & Malling Borough Council	8,713	
71,851	1,948	Parish Councils	1,943	72,444
	51,414	Non-Domestic Rates		
		Payment to National Pool	52,720	
51,581	167	Cost of Collection Allowance	169	52,889
		Contribution towards Previous Years' Collection Fund Surplus		
0		Council Tax		0
68		Council Tax Written-Off		65
58		Provision for Non-Payment of Council Tax		69
123,558		Total Expenditure		125,467
(213)		Surplus / (Deficit) for the Year		(13)
0		Balance Brought Forward at 1 April		(213)
(213)		BALANCE CARRIED FORWARD AT 31 MARCH		(226)

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at 1 April 1991 values for this specific purpose. The property valuations are carried out by the Valuation Office Agency. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, Kent Police, Kent and Medway Fire and Rescue Authority and the Borough Council and dividing this by the Council Tax Base.

Precepts

Authorities who made a precept on the Collection Fund are:

	2011/12 £	2012/13 £
Kent County Council	51,351,048	51,610,164
Kent Police	6,796,621	6,830,916
Kent & Medway Fire and Rescue Authority	3,330,187	3,346,991
Tonbridge & Malling Borough Council	8,425,193	8,713,281
	69,903,049	70,501,352
Parish Councils	1,948,265	1,943,031
TOTAL	71,851,314	72,444,383

Council Tax Base

The Council Tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted where discounts apply) converted into an equivalent number of Band D dwellings was calculated as follows:

Band	Estimated no. of Properties	2011/12 Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	2012/13 Multiplier	Band D Equivalent Dwellings
Disabled A	1.75	5/9ths	0.97	2.75	5/9ths	1.53
A	1,326.16	6/9ths	884.11	1,287.99	6/9ths	858.66
B	3,188.77	7/9ths	2,480.15	3,179.72	7/9ths	2,473.12
C	12,626.57	8/9ths	11,223.59	12,744.09	8/9ths	11,328.06
D	11,669.15	9/9ths	11,669.15	11,719.96	9/9ths	11,719.96
E	7,695.30	11/9ths	9,405.34	7,746.74	11/9ths	9,468.21
F	4,471.07	13/9ths	6,458.21	4,488.84	13/9ths	6,483.88
G	4,037.28	15/9ths	6,728.80	4,050.72	15/9ths	6,751.20
H	327.05	18/9ths	654.10	334.80	18/9ths	669.60
			49,504.42			49,754.22
Estimated Collection Rate			99.00%			99.00%
COUNCIL TAX BASE			49,009.38			49,256.68

Band D Council Tax

	2011/12 £	2012/13 £
Kent County Council	1,047.78	1,047.78
Kent Police	138.68	138.68
Kent & Medway Fire and Rescue Authority	67.95	67.95
Tonbridge & Malling Borough Council	171.91	176.90
	<u>1,426.32</u>	<u>1,431.31</u>
Parish Councils (average)	39.75	39.44
TOTAL	1,466.07	1,470.75

This basic amount of council tax for a Band D property of £1,431.31 (£1,426.32) for 2012/13 (2011/12) is multiplied by the proportion specified within the *Local Government Finance Act 1992* for the particular band to give an individual amount due. In addition to this, Special Expenses are charged specifically in relation to the precepts of Parish Councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are organised on a national basis. The Government specified a “rate poundage” of 45.8p (43.3p) for large businesses or 45.0p (42.6p) for small businesses in 2012/13 (2011/12) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on a basis determined by the Secretary of State as part of the Local Government Finance Settlement.

From April 2013 business rates income collected above or below a pre-determined baseline funding level will be shared between central government, the billing authority and other major precepting authorities covered by the Business Rates Retention scheme subject to safety net and levy arrangements.

The NNDR income after relief and provisions of £52,889,000 (£51,581,000) for 2012/13 (2011/12) was based on the total rateable value for the Council’s area which at the year-end was £135,306,331 (£136,698,115 in 2011/12).

3. PROVISION FOR BAD AND DOUBTFUL DEBTS

	2011/12			2012/13		
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	1,044	480	1,524	1,102	300	1,402
Write-Offs	(68)	(86)	(154)	(65)	(192)	(257)
Contribution to Provision	126	(94)	32	134	222	356
BALANCE AT 31 MARCH	1,102	300	1,402	1,171	330	1,501

4. COLLECTION FUND SURPLUSES AND DEFICITS

The Borough Council is required to estimate on 15 January the amount of the surplus or deficit on the Collection Fund for the financial year in respect of Council Tax. The estimated surplus or deficit is to be shared in the following year between the Borough Council, Kent County Council, Kent Police and Kent and Medway Fire and Rescue Authority in proportion to the value of their respective precepts. The estimated surplus/deficit for 2011/12 was £Nil. The actual deficit of £225,521 at 31 March 2013 will be taken into account when estimating the surplus/deficit for 2013/14. Each of the major precepting authorities' share of the surplus/deficit is shown in the table below.

	Surplus at 1 April 2011 £'000	Movement in Year £'000	Deficit at 31 March 2012 £'000	Movement in Year £'000	Deficit at 31 March 2013 £'000
Kent County Council	0	(151)	(151)	(7)	(158)
Kent Police	0	(19)	(19)	(4)	(23)
Kent & Medway Fire and Rescue Authority	0	(11)	(11)	0	(11)
Tonbridge & Malling Borough Council	0	(32)	(32)	(2)	(34)
TOTAL	0	(213)	(213)	(13)	(226)

5. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

Each of the major precepting authorities' share of the arrears, pre-payments / refunds and other balances, together with the balances in respect of NNDR, is shown in the table below.

	KCC £'000	KP £'000	KMFRA £'000	TMBC £'000	Gov't £'000	Total £'000	
At 31 March 2012	Council Tax Arrears	1,755	219	122	341	2,437	
	Council Tax Provision for Bad Debts	(793)	(99)	(55)	(154)	(1,101)	
	Council Tax Prepayments & Refunds	(757)	(94)	(53)	(147)	(1,051)	
	Council Tax Cash	(356)	(45)	(25)	(72)	(498)	
	Collection Fund (Surplus) / Deficit	151	19	11	32	213	
	NNDR Pool					(2,990)	(2,990)
	NNDR Arrears					2,219	2,219
	NNDR Provision for Bad Debts					(300)	(300)
	NNDR Prepayments & Refunds					(2,415)	(2,415)
	NNDR Cash					3,486	3,486
TOTAL	0	0	0	0	0	0	
At 31 March 2013	Council Tax Arrears	1,848	234	130	390	2,602	
	Council Tax Provision for Bad Debts	(831)	(105)	(59)	(176)	(1,171)	
	Council Tax Prepayments & Refunds	(749)	(95)	(52)	(158)	(1,054)	
	Council Tax Cash	(426)	(57)	(30)	(90)	(603)	
	Collection Fund (Surplus) / Deficit	158	23	11	34	226	
	NNDR Pool					(1,474)	(1,474)
	NNDR Arrears					1,883	1,883
	NNDR Provision for Bad Debts					(330)	(330)
	NNDR Prepayments & Refunds					(1,510)	(1,510)
	NNDR Cash					1,431	1,431
TOTAL	0	0	0	0	0	0	

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Tonbridge & Malling 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, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a code of corporate governance which has been developed in consideration of the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website or can be obtained from the Finance team. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2013 and up to the date of approval of this statement.

The governance framework

The Council's Local Code of Corporate Governance sets out the arrangements in place to govern the Council's activities in five key areas.

Community Focus

The Council's vision is to provide excellent public services, good value for money and effective community leadership. This vision is set out and communicated to the residents of the Borough, the Council's partners and Members and Officers in the Council's Corporate Performance Plan 2012/15. The plan spans a three year period and details the Council's Key Priorities and action it will take alongside its partners to deliver the vision. The plan is reviewed and updated every year to ensure the priorities and actions detailed remain current and to provide an overview of performance and achievements in the previous year. The Plan is considered and approved by Members prior to publication.

The Council has established arrangements to communicate and consult with members of the public on the Council's work and key policy changes and this informs the development of strategic priorities and the Corporate Performance Plan.

Service Delivery Arrangements

Delivering excellent quality services while providing good value for money is fundamental to the Council's vision and this is demonstrated in the focus within the Corporate Performance Plan on redesigning services and further improving efficiency across all services. The delivery of the Corporate Performance Plan is supported by detailed operational plans prepared by individual services, which in turn are fed down to team and individual objectives through performance management arrangements. During the 2012-13 financial year the Council underwent a senior management restructure; this resulted in the appointment of a Director with specific responsibilities for Transformation within the organisation.

Performance of the Council and its partners in achieving its objectives is measured against the Key Indicators documented within the Corporate Performance Plan. Performance is monitored by the Corporate Management Team and the Executive on a quarterly basis giving details of the progress to date and what management action is being taken to correct any adverse performance. This is supplemented by operational performance monitoring and measurement for which individual services are accountable to the Corporate Management Team.

The decision-making framework of the Council is set out in the Constitution including statutory functions and the scheme of delegation of responsibilities. The Constitution is kept under review by the Monitoring Officer and Management Team with any proposed changes presented to the Council for adoption. The Executive are responsible for taking most operational decisions. Key decisions are published in advance via the Forward Plan, which is published at monthly intervals. All Member meetings held by the Council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing and legal matters and those of a contractual nature.

The Overview and Scrutiny Committee is responsible for reviewing and scrutinising the decisions made by and performance of the executive and/or committees and council officers. Decisions made by Cabinet, Committee or a Cabinet Member at an Advisory Board can be subjected to scrutiny via a call-in procedure allowing challenge within five working days of the decision being taken.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Structures & Processes

The Council's Constitution details the roles and responsibilities that are delegated to Members and Officers and specifies which decisions may be made by individuals and which are reserved for the collective. The Constitution includes the Council's Financial and Contracts Procedure Rules setting out the Council's standing orders and financial regulations. The specific roles and responsibilities of officers are set out through the scheme of delegation including the specific responsibilities of the Chief Executive (as Head of Paid Service), the Section 151 Officer and the Monitoring Officer, ensuring effective arrangements are in place for the discharge of these functions.

Effective communication between officers and Members is ensured through the Protocol on Member/Officer Relations documented within the Constitution. Arrangements are in place ensuring both Members and officers declare any interests that may impact on the Council's decision making process. Such interests are recorded on a register which is maintained and monitored by the Monitoring Officer and is available on the Council's website.

Risk Management & Internal Control

The core functions of an audit committee as defined by *CIPFA's Audit Committees: Practical Guidance for Local Authorities* are fulfilled by the Council's Audit Committee though some aspects are shared with the General Purposes Committee. The Council's Constitution sets out the responsibility of the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment. To do so, the Committee has adopted a Risk Management Strategy that sets out the roles of officers and Members in the identification and minimisation of risk.

Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which ensure that risks to the achievement of the Council's objectives are identified and managed appropriately. All risks identified are scored on the basis of their likelihood and impact and existing controls and required actions to further mitigate risks are captured in risk registers. The framework sets out

the responsibility of officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.

The Council's standard report template requires officers and Members to carry out a risk assessment of the action recommended in the report ensuring risk is considered in all decision-making of the authority. This assessment also covers legal, financial and value for money considerations and equality issues where relevant.

The Council has an effective Internal Audit function which operates in line with proper practices; for 2012-13 this is governed by the CIPFA Code of Practice for Internal Audit in Local Government, 2006. The Review of Effectiveness of the System of Internal Audit conducted in 2012 concluded that a good system of internal audit is in place within the Council. The Chief Internal Auditor role as delivered in the Council meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud and corruption arrangements including whistle-blowing. The Chief Internal Auditor is responsible for the maintenance of the Council's Anti-Fraud & Corruption Strategy and Confidential Reporting Code and has arrangements and resources in place to investigate any allegations made under either document. All staff are required to read and accept the Strategy and Code through the Council's IT Solution and both are available on the Council's website for referrals from the public.

Standards of Conduct

Standards of conduct among officers and Members are governed through the Council's Officer Code of Conduct and Members' Code of Conduct.

The Members' Code of Conduct is based around ethical behaviour as dictated in the seven principles of public life and requires objective and impartial decision making. The Code is communicated to all new Members on induction and upholding standards of Member conduct is the responsibility of the Council's Standards & Training Committee. The Committee are also responsible for ensuring Members receive suitable induction and ongoing training and support.

All staff are required to read and understand the Officer Code of Conduct through the Council's IT Solution and all employees are bound by it as detailed in employee contracts. The Council has an appraisal scheme in place for all staff that seeks to ensure staff achieve agreed levels of performance and the monitoring and management of officer performance is the responsibility of line managers. In addition the Council's statutory officers are subject to Continuing Professional Development (CPD) through their respective Professional Organisations.

The Council's duty to ensure that all activities undertaken are in accordance with the law is discharged in part by the Council's Constitution including its Financial Procedure Rules and Contracts Procedure Rules and supported by strategies/policies relevant to council activities that are made available to staff and the public via the Council's intranet and internet sites respectively. All strategies/policies are allocated to a lead officer who is responsible for their periodic review and updating.

Update on emerging issues identified in the 2011-12 Annual Governance Statement and further impacts for 2013/14 and beyond.

The Council's 2011-12 Annual Governance Review Process and the Annual Governance Statement did not identify any governance issues arising requiring action. In the context of new legislation including the Localism Act and significant changes in Government funding, four specific emerging issues were identified in the 2011-12 Annual Governance Statement for the Council to continue to make progress and give consideration to. An update for each of these is provided below together with further impacts identified for 2013/14 and beyond:

- Budget issues – The Council achieved the savings target set for the 2013/14 budget; however the implementation of the Government-led initiatives below and the ongoing reduction in formula funding have increased the savings to be achieved in the remainder of the Medium Term Financial Plan.
- Government-led initiatives impacting on the Council's finances – The issues surrounding the implementation of council tax support and business rates retention scheme have been included within the budget for 2013/14 and beyond. Other issues raised in the 2011/12 Annual Governance Statement continue to be considered for financial impact.

- Icelandic bank investment – During 2012/13 the Council has recovered 49% of the original investment made with the Icelandic Bank Landsbanki. The expectation is that the full sum will be recovered from the bank's Administrators over the forthcoming years.
- Localism Act 2011 – We continue to monitor the potential impact of the Localism Act 2011 on the Council's activities.
- Tonbridge and Malling Leisure Trust – The Council has decided to outsource its leisure facilities to a newly established Trust during 2013/14, the revenue impact to the authority will assist in the savings targets identified within the Medium Term Financial Strategy.
- Tonbridge Town Centre Redevelopment – The recent proposals put forward by Sainsbury's to redevelop Tonbridge Town Centre will have resource implications for the authority.
- Evaluation of the forthcoming Spending Review – This is due to be announced during 2013/14 and its impact will be assessed and reported to Members at that time.

Review of effectiveness

Tonbridge & Malling Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the Council's governance arrangements has been evaluated through a self assessment against the detailed principles and arrangements suggested in CIPFA's *Delivering Good Governance in Local Government, Guidance Note for English Authorities*, 2012 Edition.

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas to be specifically addressed with new actions planned are outlined below.

Enhancements to the Governance Framework identified in the 2012-13 Review

It should be noted that no significant governance issues were identified in the Annual Governance Review; however the review did identify areas where the governance arrangements could be further enhanced and it is considered that this demonstrates the robustness of the review process. The areas for enhancement are detailed below:

- Overview & Scrutiny Committee annual reporting – the Council is considered to have a robust and active scrutiny function, however it is considered that transparency could be further improved if this Committee published an annual report on its activities.
- Monitoring Officer Review – the Council is to consider the implementation of a Monitoring Officer Review similar to that carried out by the Chief Internal Auditor in order to demonstrate effective and adequate legal monitoring arrangements.

We propose over the coming year to take steps to address the above to further enhance our governance arrangements. We are satisfied that this will address the need for improvements that were identified in our review of effectiveness and will monitor implementation and operation as part of our next annual review

Signed

J. E. Beilby Bsc (Hons) MBA
Chief Executive

Dated

Signed

Councillor N. J. Heslop
Leader of the Council

Dated

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TONBRIDGE & MALLING BOROUGH COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Tonbridge & Malling Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Tonbridge & Malling Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and Transformation and auditor

As explained more fully in the Statement of the Director of Finance and Transformation's Responsibilities, the Director of Finance and Transformation is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Transformation; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Tonbridge & Malling Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Tonbridge & Malling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

I certify that I have completed the audit of the accounts of Tonbridge & Malling Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Darren Wells
Grant Thornton UK LLP,
The Explorer Building,
Fleming Way, Manor Royal,
Crawley, RH10 9GT

September 2013

GLOSSARY

ACCOUNTING PERIOD

This is the period covered by the Accounts which is the 12 month period commencing 1 April each year.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Accounts, for example, the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs.

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. Authorities are required to publish a Statement of Accounts as specified in the *Accounts and Audit Regulations (England) 2011*.

ACCRUALS

This is an accounting concept where income and expenditure is accounted for in the period to which it relates, not when cash has been received or paid.

ANNUAL GOVERNANCE STATEMENT

This Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

ASSETS

An asset is something the Council owns that has a monetary value. Assets are either 'current' or 'long-term', for example, non-current assets.

CAPITAL ADJUSTMENT ACCOUNT

This account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

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, proceeds from the sale of capital assets, capital grants, reserves and other contributions.

CAPITAL RECEIPTS

Funds received by the Council from the sale of non-current assets. Capital receipts are used to repay the debt on assets financed from loan or to finance new capital expenditure, subject to compliance with statutory requirements.

CASH EQUIVALENTS

Cash equivalents is defined as internally managed short-term highly liquid investments of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CONTINGENT ASSETS

A contingent asset is defined as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control.

CONTINGENT LIABILITIES

A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control or a present obligation that arises from past events, but is not recognised because either it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

CORE / SUPPLEMENTARY FINANCIAL STATEMENTS

The core financial statements consist of the following four statements: Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet and Cash Flow Statement. A supplementary statement: Collection Fund is also prepared. A description of each can be found in the Overview of Statement of Accounts section of the Explanatory Foreword.

CREDITORS

Amounts owed by the Council, but not paid at the date of the Balance Sheet.

CURRENT ASSETS

A current asset is one that is expected to be consumed or realised by the end of the next accounting period.

CURRENT LIABILITIES

A current liability is one that is expected to be paid or discharged by the end of the next accounting period.

DEBTORS

Amounts owed to the Council, but not paid at the date of the Balance Sheet.

DEPRECIATION / AMORTISATION

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

IMPAIRMENT

Impairment is where the value of an asset exceeds the amount that could be recovered through use or sale of the asset.

INDEPENDENT AUDITOR'S REPORT

The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

INVESTMENTS

Investments fall into two categories. Short-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year and long-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year. Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.

LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases fall into two categories. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

LIABILITIES

A liability is something the Council owes that has a monetary value. Liabilities are either 'current' or 'long-term', for example, provisions.

NON-CURRENT ASSETS

Assets that yield benefits to the Council and the services it provides for a period of more than one year made up of tangible assets (property, plant and equipment and investment property) and intangible assets that do not have a physical substance, for example, computer software licences. Investment property is property (land and / or buildings) held solely to earn rental income or for capital appreciation or both, for example, commercial property. Non-Current Assets also include heritage assets that are held by the Council principally for its contribution to knowledge or culture.

OVERHEADS

Management and administrative costs including buildings. The majority of management and administrative costs including buildings are allocated to services.

PRIVATE FINANCE INITIATIVE (PFI)

PFI arrangements involve the operator undertaking an obligation to provide infrastructure and/or related services that is used to provide services to the public (irrespective of who provides those services to the public).

PROVISIONS

Amounts set aside in the accounts for liabilities which are anticipated in the future, but which often cannot be accurately quantified.

RESERVES

Reserves fall into two categories. Usable reserves, those that can be applied to fund expenditure including capital expenditure and / or to reduce local taxation. Unusable reserves, those that the Council is not able to use to provide services, for example, the revaluation reserve.

REVALUATION RESERVE

This reserve records unrealised revaluation gains arising (since 1 April 2007) from holding land and / or buildings.

REVENUE / CAPITAL EXPENDITURE

Revenue expenditure is, for example, the running costs of a leisure centre whereas capital expenditure is the costs of building and fitting out the leisure centre.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Capital payments that do not give rise to an asset such as house renovation grants.

2012/13