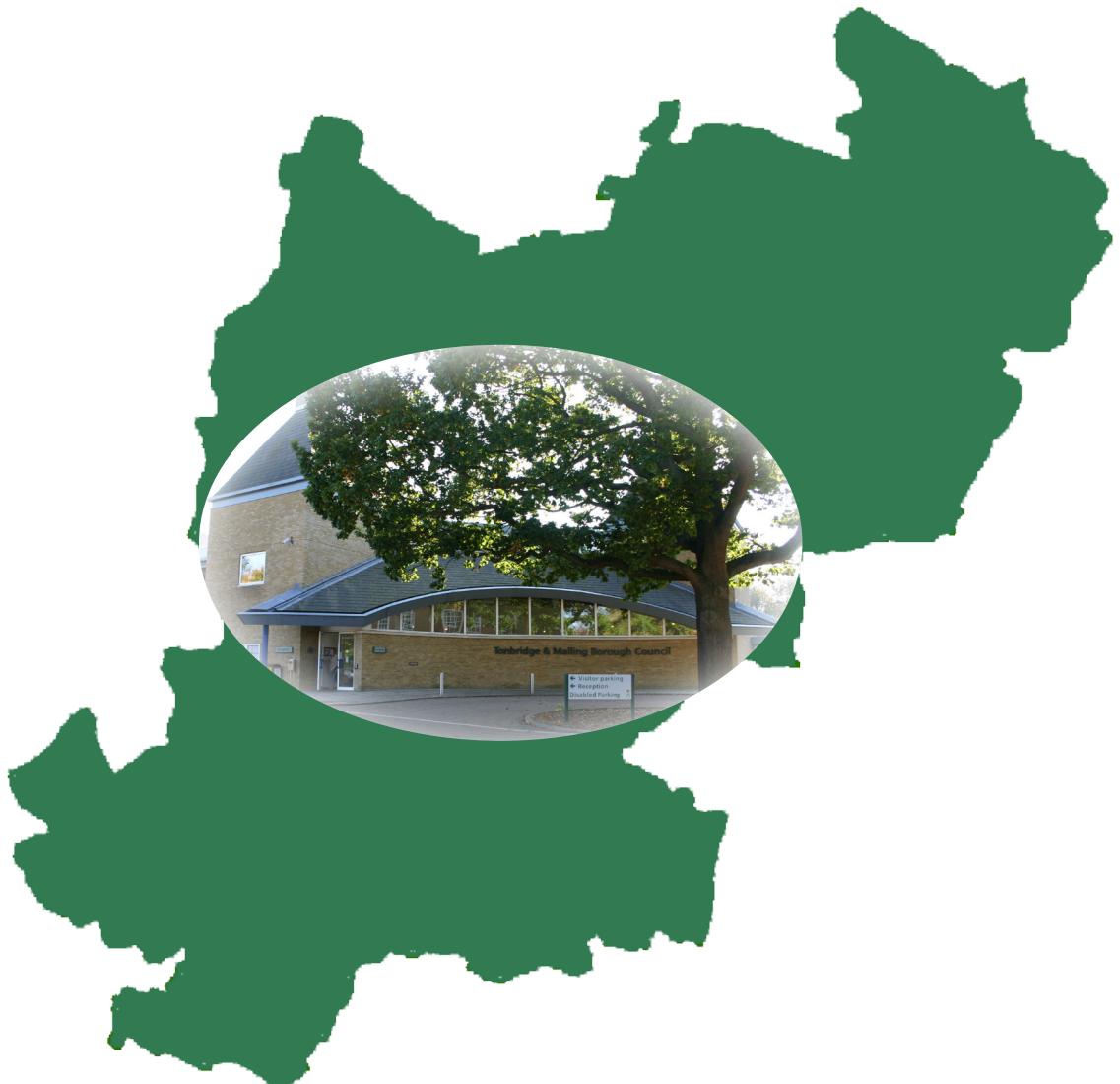


2017/18

Statement of Accounts



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NARRATIVE REPORT

1. INTRODUCTION

The Council has published a [Corporate Strategy](#). The Strategy sets out Our Vision: To be a financially sustainable Council that delivers good value services, provides strong and clear leadership and, with our partners, addresses the needs of our Borough guided by the following core values:

- Taking a business-like approach;
- Promoting fairness;
- Embracing effective partnership working; and
- Valuing our environment and encouraging sustainable growth.

The Narrative Report provides, amongst other things, an overview of the Borough Council; a brief explanation of the financial aspects of the Council's activities for the year 2017/18; a review of the year; and possible issues for the future.

2. OVERVIEW OF TONBRIDGE AND MALLING BOROUGH COUNCIL

The Borough

The Borough of Tonbridge and Malling is one of 12 districts in the County of Kent. It was established in 1974 by the merger of the Urban District of Tonbridge, the Rural District of Malling and parts of the Rural District of Tonbridge.

The Borough, with a population of 125,000, covers an area of 240km² and is located in west Kent. Immediately to the east lies the county town of Maidstone. Sevenoaks lies some 10km to the west and Tunbridge Wells is located to the south close to the market town of Tonbridge. The Borough does not have a single urban focus but comprises a number of diverse, contrasting settlements and neighbourhoods.

It stretches north, beyond the M2 motorway, encompassing Blue Bell Hill village and parts of Walderslade on top of the North Downs. To the south of the M2 is an area of the Borough known locally as the 'Medway Gap' where the River Medway cuts through the North Downs. This area includes a number of villages on the east and west banks of the River Medway which are based on a history of cement and papermaking. The urban area immediately to the south, which has resulted from the amalgamation of a series of former villages, comprises the parishes of Leybourne, East Malling and Larkfield, Ditton and Aylesford, and looks predominantly eastwards to Maidstone for other than day-to-day services.

Most of the Borough is rural in character, with villages and small towns of varying size and character, many of which are of architectural or historic interest. The largest rural settlements are West Malling, Borough Green, Hadlow, Hildenborough and East Peckham. Kings Hill is a new mixed use community constructed on the former West Malling Airfield.

The Council

The Borough of Tonbridge and Malling is served by 54 Councillors, representing 24 wards. Local Councillors are elected by the community to decide how the Council should carry out its various activities. They represent public interest as well as individuals living within the ward in which he or she has been elected to serve a term of office. Elections of the whole Council are held every four years and the last election took place in May 2015 when 48 Conservative, 4 Liberal Democrat and 2 Independent Councillors were elected.

The Council operates on a system of Cabinet decision-making whereby the Leader and five Cabinet members are responsible for most day-to-day decisions. The Leader and each member of the Cabinet have responsibility for particular service areas. Members of the Cabinet are appointed annually by full Council.

Cabinet comprises the following Councillors:

Cllr N Heslop	Leader and Economic Regeneration
Cllr M Coffin	Finance, Innovation and Property and Deputy Executive Leader
Cllr Mrs M Heslop	Community Services
Cllr D Lettington	Street Scene and Environment Services
Cllr P Montague	Housing
Cllr H Rogers	Strategic Planning and Infrastructure

In addition to Cabinet there are a number of Committees with delegated responsibility for specific functions such as planning decisions. The Council also has a system of Advisory Boards which gives all Councillors the chance to discuss matters as they arise and assist the Cabinet in its decision-making. Members of Committees and Advisory Boards are appointed annually by full Council.

The full Council of 54 members approves and adopts the budget and key policies within which Cabinet decisions are taken. Council holds the Cabinet and Committees to account for the decisions they take.

Further information on how the Council works can be found at:

<http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/councillors-committee-membership>

Senior Management and Services

The Chief Executive is the most senior officer with overall responsibility to the Council for the management of its affairs and leads the Council's Corporate Management Team. The Chief Executive and four Directors make up the Council's Corporate Management Team.

Service areas are aligned with the Corporate Management Team as follows:

- Chief Executive and Head of Paid Service and Returning Officer for elections, Julie Beilby. Service responsibilities include conduct of elections, corporate policy, economic development / regeneration and electoral registration.
- Director of Central Services and Monitoring Officer, Adrian Stanfield. Service responsibilities include customer services, local land charges, licences, personnel and property.

- Director of Finance and Transformation and Section 151 Officer, Sharon Shelton. Service responsibilities include accountancy, business rates, council tax, housing benefits, information technology and local council tax support.
- Director of Planning, Housing and Environmental Health, Steve Humphrey. Service responsibilities include building control, development control, environmental protection, homelessness, housing advice and local plan.
- Director of Street Scene, Leisure and Technical Services, Robert Styles. Service responsibilities include car parking, leisure centres, parks and open spaces, refuse collection and recycling and street cleansing.

Further information on the Council's senior management can be found at:

<http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/transparency-senior-salaries>

3. OVERVIEW OF STATEMENT OF ACCOUNTS

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Code is based on a hierarchy of approved accounting standards.

There have been no changes to the presentation of the Accounts for 2017/18.

The accounting convention adopted for the preparation of the Accounts is an historical basis modified for the revaluation of certain categories of assets. The Accounts are supported by Accounting Policies and by various notes to the Accounts.

The Council's Accounts for the year 2017/18 in addition to the Narrative Report consists of the following sections.

Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Authority and the Council's responsible financial officer. The Statement is signed when the Accounts are authorised for audit and again following the audit of the Accounts.

Core Financial Statements

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

- **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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and Expenditure and Funding Analysis.

- **Movement in Reserves Statement**

This Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. It shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets 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 cash and cash equivalents of the Council 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 independent 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.

4. FINANCIAL PERFORMANCE

Day to Day Expenditure and Income

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 whose format is set out under the accounting code.

In February 2017 the Council set a net revenue budget of £14,474,000. This was to be met from council tax income of £9,654,000, business rates of £1,977,000, New Homes Bonus of £3,485,000, other grants and contributions of £202,000 and council tax surplus of £148,000; offset by a net contribution to specific revenue reserves for specific projects/purposes of £557,000 and a contribution of £435,000 to the general revenue reserve.

The revised net revenue budget of £13,731,000 prepared in the year was £743,000 less than the original budget set by the Council in February 2017. This, together with an increase of £83,000 in other grants and contributions; offset by an increase in the planned net contribution to specific revenue reserves of £703,000, led to a contribution to the general revenue reserve of £558,000 compared to the estimated contribution to the reserve of £435,000 when the budget was set in February 2017, a difference of £123,000.

The actual spend (net) for the year of £13,328,000 was £1,146,000 less than the original budget set by the Council in February 2017. This, together with an increase of £102,000 in other grants and contributions and an increase of £277,000 in respect of business rates; offset by an increase in the planned net contribution to specific revenue reserves of £1,262,000, led to a contribution to the general revenue reserve of £698,000 compared to the estimated contribution to the reserve of £435,000 when the budget was set in February 2017, a difference of **£263,000**.

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

2016/17 Actual		Original Budget £'000	2017/18 Revised Budget £'000	Actual £'000
2,840	Corporate Services	3,722	3,532	3,575
716	Chief Executive	680	702	640
53	Director of Central Services	15	105	41
1,678	Director of Finance & Transformation	1,660	1,557	1,308
3,462	Director of Planning, Housing & Environmental Health	3,478	3,182	3,054
7,831	Director of Street Scene, Leisure & Technical Services	7,591	7,469	7,351
16,580	Cost of Services	17,146	16,547	15,969
(2,260)	Depreciation, Amortisation & Impairment	(2,619)	(2,725)	(2,628)
(196)	Revenue Expenditure Funded from Capital	(53)	(91)	(13)
14,124	Sub-total	14,474	13,731	13,328
(3,843)	New Homes Bonus	(3,485)	(3,485)	(3,485)
(298)	Other Grants & Contributions	(202)	(285)	(304)
1,041	Contributions to or (from) Specific Revenue Reserves	557	1,260	1,819
11,024	Sub-total	11,344	11,221	11,358
909	Contribution to or (from) General Revenue Reserve	435	558	698
11,933	Budget Requirement	11,779	11,779	12,056
(1,961)	Business Rates Retention Scheme	(1,977)	(1,977)	(2,254)
(655)	Revenue Support Grant	0	0	0
(148)	Council Tax (Surplus) / Deficit	(148)	(148)	(148)
9,169	BALANCE TO BE MET FROM COUNCIL TAX PAYERS	9,654	9,654	9,654
£192.51	Council Tax at Band D (Borough Council only)	£197.51	£197.51	£197.51

The favourable variance can in large part be attributed to savings on the salary bill arising from establishment reviews and vacant posts, retained income under the Business Rates Retention Scheme better than expected, sum due in respect of Angel Car Park ticket refunds resolved generating a one-off saving for prior years and a reduction in ongoing payments and better than budgeted investment income due to higher cash balances and November Bank Rate increase. Offset by contributions to a number of specific earmarked reserves.

The table below provides in more detail the reasons for the variation of £263,000 in the contribution to the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Property Investment Fund Reserve	0	500	500
Building Repairs Reserve	575	900	325
Revenue Reserve for Capital Schemes	732	1,037	305
Tonbridge & Malling Leisure Trust Reserve	0	100	100
Building Control Partnership	10	85	75
Rates	587	632	45
Information Technology	565	602	37
Tonbridge & Malling Leisure Trust Pension Costs	0	28	28
Trees	13	40	27
Leisure Development	89	56	(33)
Government Grants	0	(36)	(36)
Under-indexing Business Rates Multiplier	0	(37)	(37)
Insurance	249	206	(43)
Housing Benefits	112	68	(44)
Contributions from KCC	(85)	(135)	(50)
Major Income Streams	(5,175)	(5,255)	(80)
Investment Income	(126)	(292)	(166)
Business Rates Retention Scheme Reserve	0	(200)	(200)
Payments to Principals / Car Park Ticket Refunds	570	335	(235)
Business Rates Retention Scheme	(1,977)	(2,254)	(277)
Cost of Employees (see table below)	11,405	11,011	(394)
Other	1,676	1,566	(110)
TOTAL	9,220	8,957	(263)

Major income streams include income from Planning and Building Control Applications, Car Parking and Licensing.

An analysis of the cost of employees is given in the table below. At 31 March 2018 the Council employed 275 permanent staff (31 March 2017: 270) or 224 full-time equivalents (31 March 2017: 220).

2016/17 Actual £'000		Original Budget £'000	2017/18 Actual £'000	Variance £'000
7,658	Salaries	7,760	7,408	(352)
721	Employers' National Insurance Contributions	743	697	(46)
1,008	Employers' Superannuation Contributions	1,115	1,023	(92)
1,443	Superannuation Lump Sum Contribution	1,374	1,374	0
360	Termination Payments	279	356	77
61	Training	70	65	(5)
6	Health Care	6	6	0
5	Recruitment	2	7	5
47	Leased Car Costs	39	37	(2)
17	Professional Subscriptions	17	15	(2)
0	Apprenticeship Levy	0	23	23
11,326	TOTAL	11,405	11,011	(394)

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>.

Capital Expenditure

The Council has a 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 2017 the Council set a capital budget of £2,130,000 net of specific government grants and other contributions of which £2,129,000 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 2016/17 and progress made on our capital projects. The revised budget total was £1,885,000 of which £1,884,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts.

The Council's capital spending in the year including work completed, but not yet billed was £1,094,000 all of which was met from the revenue reserve for capital schemes. The underspend of £791,000 can largely be attributed to a lower than anticipated spend on renewal of vehicles, plant and equipment at our leisure facilities and renewal of IT equipment; and due to the nature of capital expenditure and funding the rescheduling / re-profiling and review of future budgetary provision.

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

2016/17 Actual			Original Budget £'000	2017/18 Revised Budget £'000	Actual £'000
£'000	Service	Scheme			
(18)	Planning, Hsg & Env Health	House Renovation Grants	30	30	6
(18)		Total	30	30	6
79	Street Scene,	Refuse / Green Waste Bins	92	105	113
44	Leisure &	Car Parking	50	114	73
1	Technical	Sports Grounds	92	32	4
(296)		Tonbridge Town Lock	(155)	0	0
42		Other Schemes	40	78	41
(130)		Total	119	329	231
249	Corporate	I.T. Initiatives	325	402	198
5		Other Schemes	0	3	0
254		Total	325	405	198
1	Capital Renewals	Planning, Housing & Env Health	0	1	5
126		Street Scene, Leisure & Technical	1,115	935	575
107		Corporate	541	185	79
234		Total	1,656	1,121	659
340	TOTAL CAPITAL EXPENDITURE		2,130	1,885	1,094
340	Funding	Revenue Reserve for Capital Sch	2,129	1,884	1,078
0		Capital Receipts	1	1	16
340	TOTAL FUNDING		2,130	1,885	1,094

Capital projects completed / commenced in the year included extension of car park at Leybourne Lakes Country Park to meet demand; ongoing capital investment in our off-street car parks to ensure that their condition is adequate; ‘virtual’ desktop IT infrastructure project to enhance security and facilitate remote and alternative working arrangements to deliver efficiency savings; and replacement of the ageing microphone and projector systems in the Council Chamber and Committee Room for use at Council and other meetings.

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>.

Net Worth

The Balance Sheet gives details of what the Council owns in the way of assets such as property, plant and equipment; what the Council has invested; and amounts of money owed to and by the Council (Net Worth). The table below shows the Council’s Net Worth is £45.6m as at 31 March 2018 (31 March 2017: £36.6m).

	At 31 March 2017 £'000	At 31 March 2018 £'000
82,059	Council Assets	84,825
17	Stock	20
30,582	Cash and Investments held	29,765
3,813	Money owed to the Council	5,546
(10,762)	Money owed by the Council	(9,633)
(5,993)	Long Term Liabilities	(6,046)
(63,132)	Pension Liability	(61,775)
36,584	TOTAL	42,702

This is represented by revenue balances and reserves of £20.5m available to fund services and £25.1m of other balances. A breakdown of the revenue balances and reserves is shown below.

	At 31 March 2017 £'000	At 31 March 2018 £'000
6,748	Revenue Reserve for Capital Schemes	6,812
5,949	General Revenue Reserve	6,647
319	Building Repairs Reserve	492
0	Property Investment Fund Reserve	500
3,527	Earmarked Reserves	3,591
1,250	Revenue Balances - General Fund	1,250
1,255	Grants & Contributions Unapplied	1,267
19,048	TOTAL	20,559

Council Assets

The Council's assets comprise Property, Plant and Equipment, Heritage Assets, Investment Property and Intangible Assets.

- Property, plant and equipment are assets 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.
- Heritage assets are defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.
- Investment property are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- Intangible assets 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.

The Council has a policy of revaluing its property assets on a five-year rolling programme and in the interim where there is a material change in value. In accordance with the rolling programme leisure premises were the subject of revaluation by our external valuers. In addition to leisure premises, car parks and council offices were also the subject of revaluation by our external valuers. Heritage asset values have been reviewed and uplifted to reflect the insured value of the property. The resulting revaluation was a net gain of £4,617,000, of which £4,598,000 is recognised in the revaluation reserve and a net impairment reversal of £19,000 is recognised in cost of services in the Comprehensive Income and Expenditure Statement.

In liaison with the Council's Estate Service Manager and our external valuers it was determined that no other property asset class required revaluation because of a material change in value. The revaluation is carried out at the end of each year after accounting for acquisitions and improvements, depreciation and disposals. As at 31 March 2018 the total value of the Council's Assets was £84.8m (31 March 2017: £82.1m).

Borrowing

The Council had no recourse for short term or long term borrowing during the financial year and remained debt-free at 31 March 2018 and, at least in the short term, does not expect to borrow to support its capital programme.

Investments

Investments are broken down into internally managed core funds and cash flow surpluses (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 Strategy for 2017/18 was approved by full Council in February 2017 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, Innovation 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.

In 2017/18 the Strategy was updated to include investment in one or more property investment funds and the sum of £3m was subsequently invested in property investment funds during the year. The Council achieved an investment return of 3.73% on its property investment funds for the year. This equates to investment income of £74,643. At the end of March 2018 the value of our property investment funds stood at £2.9m including the entry fee paid at the time the investment was made.

The Council achieved an investment return of 0.67% on its core funds for the year, compared to a 3-month Libid benchmark of 0.29%. This equates to investment income of £147,722. At the end of March 2018 the value of our core fund investments stood at £20.0m.

The Council achieved an investment return of 0.47% on its cash flow investments (including cash equivalents) for the year, compared to a 7-day Libid benchmark of 0.21%. This equates to investment income of £69,357. At the end of March 2018 the value of our cash flow investments stood at £6.4m.

Further information on Treasury Management performance for the year ended 31 March 2018 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2018.

Cash Flow Statement

This summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.

	2016/17 £'000	2017/18 £'000
Operating Activities		
(85,301)	Cash Inflows (Income)	(83,400)
82,664	Cash Outflows (Expenditure)	83,167
<u>(2,637)</u>		<u>(233)</u>
Investing Activities		
(21,407)	Cash Inflows (Income)	(35,023)
30,938	Cash Outflows (Expenditure)	34,094
<u>9,531</u>		<u>(929)</u>
(3,493) Financing Activities - Cash (Inflows) / Outflows		(95)
3,401 NET (INCREASE) / DECREASE IN CASH RESOURCES		(1,257)

The statement shows that there was a net cash inflow of £1.3m largely as a result of an increase in cash flow investments as opposed to short term deposits and a net cash inflow on operating activities.

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) (IAS19).

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 2018 was £61.8m (31 March 2017: £63.1m). The change in the pension fund deficit over the year is mainly dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in a decrease in the pension fund deficit compared to the previous year.

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 scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council. The most recent valuation was undertaken in March 2016 and gave a pension fund deficit of £19.2m and set the employers' contribution rate at 15.6% for the period 1 April 2017 to 31 March 2020. Employee contribution rates are prescribed by regulation and range from 5.5% to 12.5%.

Further information relating to the assets, liabilities, income and expenditure of the pension scheme can be found in [Note 11](#) to the accounts.

5. REVIEW OF THE YEAR

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

- Event organised by Tonbridge and Malling's Community Safety Partnership and the Snodland Community Alcohol Partnership to raise awareness of their work to reduce drinking among under 18s in the area.
- Women and girls in Tonbridge and Malling invited to take part in Women's Sports Week as a number of sports venues across the borough open their doors and play host to a range of free sporting events and activities.
- The Council worked with partners in staging Job Fairs throughout the Borough, putting business leaders in direct contact with job seekers.
- Tonbridge and Malling residents can look forward to a number of improvements to their refuse and recycling services from March 2019 if a new South West Kent Joint Waste Project goes ahead. It is hoped that, if the proposed new services go ahead, savings could be generated and recycling performance increase.
- The Borough Council continues to make good progress in the production of a new Local Plan.
- The Village Stores Initiative had supported local stores in East Peckham, Wateringbury, Plaxtol and Wouldham.
- Borough Council signs up to national campaign to help save summer food waste binned each year as people head off on holiday.

- Haysden Country Park and Leybourne Lakes Country Park again awarded a Green Flag Award from Keep Britain Tidy.
- Council pull together a wide range of activities provided by a host of groups across the borough and coordinated by the Borough Council to keep children and young people entertained over the Summer and Easter holidays.
- Tonbridge Dog Show organised by the Dog Warden for Tonbridge and Malling and the Council's Cleaner Borough Team with support from Ward Security had a serious side, promoting responsible dog ownership and encouraging dog owners to help keep the borough's parks clean and tidy for all to enjoy.
- The Borough Council continues to support Energy Deal, a collective switching scheme which aims to help householders to access cheaper energy tariffs.
- The West Kent Hospital Discharge Scheme introduced by Sevenoaks District Council, Tunbridge Wells Borough Council and Tonbridge and Malling Borough Council to help patients ready for discharge return home more quickly wins awards.
- Kent Woodland Employment Scheme working with the Borough Council to add a host of improvements and activities to Council owned ancient woodland at Holly Hill thanks to a grant from Postcode Local Lottery.
- Larkfield Leisure Centre and Tonbridge Swimming Pool awarded Quest Outstanding, of the 706 leisure centres in the UK independently inspected by Quest only 12 had achieved this rating.
- Local schools visit Council at the invitation of the Mayor to learn more about local government and decision making and to express their views on issues that matter to them.
- Funding again made available to help residents eligible for assistance to keep their homes warm in the Winter.
- The Borough Council encourage local residents and community groups to take part in the 'Great British Spring Clean' as part of the Council's ongoing commitment to the national 'Love Where You Live' Campaign.
- Kent wide bid to pilot 100% Business Rates Retention was one of ten to be approved.
- Working with its registered social landlord partners, in 2017/18, the Council secured 315 homes for affordable rent, social rent, shared ownership and extra care accommodation.
- The Council commit up to £1.6m of development contributions for the purchase of temporary accommodation which would give the Council more options to assist people to whom it had a duty to house temporarily and help to manage and reduce costs.

Financial and Performance Statistics

- We collected 98.6% of the £82.3m of council tax due for the 2017/18 year (2016/17: 99.0% of the £77.3m due).
- We collected 99.7% of the £54.7m of business rates due for the 2017/18 year (2016/17: 99.1% of the £53.8m due).
- We paid 99.9% of the 5,600 invoices processed within 30 days of receipt in 2017/18 (2016/17: 99.9% of the 5,500 invoices processed).

- On average it took us 12.9 days to process a new housing benefit claim in 2017/18 (2016/17: 14.9 days).
- On average 43% (2016/17: 42%) of household waste is recycled, 53% (2016/17: 52%) energy recovery and 4% (2016/17: 6%) to landfill in 2017/18.
- Of the 1,245 (2016/17: 1,140) planning applications 89% (2016/17: 91%) were determined within the recommended timeframe in 2017/18.
- 14,800 (2016/17: 11,925) residents and 380 (2016/17: 314) businesses have signed up to My Account, to access services on-line and obtain information important to them, at the end of 2017/18. To register please go to <http://www.tmbc.gov.uk/my-account>.

Transparency

As part of its commitment to openness and accountability the Council publishes a number of datasets under the heading Transparency in Local Government. Information provided includes:

- Payments the Council has made to suppliers.
- Senior officer remuneration.
- Allowances paid to Members.
- Prompt payment statistics.

Further details can be found on the Council's website at:

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

6. THE COUNCIL'S MEDIUM TERM FINANCIAL STRATEGY AND ISSUES FOR THE FUTURE

The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital 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 2018 was £6.6m (31 March 2017: £5.9m).

Since 2010/11 the Council has seen its core funding decrease by £4.4m from £6.6m to £2.2m in 2018/19, or 67% with further cuts expected. Indeed, the indicative figure for 2019/20 is £1.3m. The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2018/19 is around £3.3m. However, NHB funding is expected to fall sharply in future years as the changes made to the scheme in 2017 work their way through the system, and the high levels of housing growth seen in recent years fall out of the calculation. For medium term financial planning purposes it is assumed that in 2021/22 the Council will receive via NHB and or alternative funding source in the order of £1.3m. This gives overall grant funding at that time of circa £2.7m compared to £6.6m some eleven years earlier.

It can be seen from the above that the ongoing reduction in government grant funding and the changes to NHB continues to place ever increasing pressure on the Council's finances. Based on the indicative figures provided by the government on future funding levels, amongst other things, latest projections point to a 'funding gap' between expenditure and income of circa £1.0m to be addressed over the short to medium term. It should be noted, that depending on the extent to which NHB is subject to further

changes, there is a real risk that the ‘funding gap’ could be more than that currently reflected in the MTFS.

We do believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but with ever increasing pressure this is becoming progressively more difficult and places financial sustainability at risk. That said, based on the above projection we can and propose to breakdown the savings target into three tranches (tranche one £350,000, tranche two £350,000 and tranche three £300,000 to be achieved by 2019/20, 2020/21 and 2021/22 respectively).

It is clear from what is, undoubtedly, a significant financial challenge, some radical and certainly difficult choices will have to be made. Alongside the MTFS sits a Savings and Transformation Strategy (STS). Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead and, in so doing, recognise there is no one simple solution and we will need to adopt a number of ways to deliver the savings within an agreed timetable. A number of key themes have been identified, together with outline targets and an indicative year of implementation for each.

More detailed information on the Council’s Budget for 2018/19, the MTFS and the STS 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 Council going forward, amongst other issues, will need to give due consideration to:

- the ongoing impact of the Government’s budget deficit reduction programme on the Council’s finances;
- the impact of ‘Brexit’ on the Council’s finances / financial assumptions in respect of inflation, interest rates, income levels, etc. and the scale of the impact over the medium term;
- Welfare Reform and cessation of the administration of housing benefits for working age claimants over a transitional period in the lead up to the introduction of Universal Credit;
- the sustainability of the NHB scheme and what will follow;
- the ongoing impact of the localisation of council tax support;
- the Fair Funding Review and proposed move to 75% business rates retention in 2020/21 followed by 100% at a future date;
- proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees; and
- further develop partnership arrangements with others in order to achieve cost efficiencies.

The increased volatility and uncertainty attached to a number of these issues is such that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections. As a result we will need to closely monitor the impact of these issues on the Council’s finances.

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 2017/18* ('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 2018.

This Statement of Accounts is authorised for issue by the Director of Finance and Transformation at the date given below.

Signed

Signed

S. J. Shelton FCPFA
Director of Finance and Transformation

Councillor V. M. C. Branson
Chairman, Audit Committee

Dated 22 May 2018

Dated

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17			2017/18		
Gross Expenditure	Income	Net Expenditure	Notes	Gross Expenditure	Income
£'000	£'000	£'000		£'000	£'000
Continuing Operations					
2,619	360	2,259	Corporate Services	3,924	321
770	54	716	Chief Executive	700	60
1,101	722	379	Director of Central Services	1,042	686
38,043	36,587	1,456	Director of Finance & Transformation	37,758	36,602
			Director of Planning, Housing & Environmental Health	5,839	2,785
			Director of Street Scene, Leisure & Technical Services	11,654	4,474
12,111	4,446	7,665			7,180
60,602	44,647	15,955	Cost of Services	60,917	44,928
Other Operating Expenditure					
		0	Gain on Sale of Non-Current Assets	7	5
2,230		2,230	Parish Council Precepts		2,666
391		391	Drainage Board Levies		395
1		1	Payments to Housing Capital Receipts Pool	15	1
					1
Financing & Investing Income & Expenditure					
23	348	(325)	Trading Undertakings	9	28
84		84	Interest Payable & Similar Charges - Leases	9	89
		234	Interest & Investment Income	10	
1,999		1,999	Net Interest on Defined Benefit Liability	11	1,672
					1,672
Taxation & Non-Specific Grant Income & Expenditure					
			Council Tax	12	28
22,307	11,549	(11,549)	National Non-Domestic Rates	12	20,011
	23,920	(1,613)	General Government Grants	13	
	5,135	(5,135)	Capital Grants & Contributions	13	27
	515	(515)			(27)
87,637	86,348	1,289	(Surplus) / Deficit on Provision of Services	85,812	84,367
Other Comprehensive Income & Expenditure					
		(7,720)	(Surplus) / Deficit Arising on Revaluation of Non-Current Assets	7	(4,618)
		1	(Surplus) / Deficit Arising on Revaluation of Available-for-Sale Financial Assets	10	92
		3,345	Remeasurement of the Net Defined Benefit Liability (Pensions)	11	(3,037)
(3,085)	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				(6,118)

MOVEMENT IN RESERVES STATEMENT

General Fund & Reserve Balances	2016/17						Notes	2017/18					
	Contrib's Unapplied Receipts	Usable Capital	Total Usable	Unusable Reserves	Total Reserves			Contrib's Unapplied Receipts	Usable Capital	Total Usable	Unusable Reserves	Total Reserves	
	£'000	£'000	£'000	£'000	£'000			£'000	£'000	£'000	£'000	£'000	
17,803	1,387	0	19,190	14,309	33,499	BALANCE AT 1 APRIL		17,793	1,255	0	19,048	17,536	36,584
(1,289)		(1,289)	4,374	3,085	Total Comprehensive Income & Expenditure Adjustments Between Accounting Basis & Funding Basis Under Regulations				(1,445)		(1,445)	7,563	6,118
2,996		2,996	(2,996)	0	Depreciation & Amortisation of N-C Assets	7	3,060			3,060	(3,060)	0	
(340)		(340)	340	0	Impairment of Non-Current Assets	7	(8)			(8)	8	0	
(493)	(132)	(625)	625	0	Grants & Contributions		(24)	12		(12)	12	0	
1,410		1,410	(1,410)	0	Net Charges made for Retirement Benefits	11	1,680			1,680	(1,680)	0	
0		0	0	0	Gain on Disposal of Non-Current Assets	7	(19)			(19)	19	0	
(1,762)		(1,762)	1,762	0	Council Tax / NNDR - Actual Surplus / Deficit	12	(276)			(276)	276	0	
7		7	(7)	0	Employee Benefits - Accrued Annual Leave	14	19			19	(19)	0	
(397)		(397)	397	0	Minimum Revenue Provision	9	(424)			(424)	424	0	
(143)		(143)	143	0	Capital Exp. Charged to the General Fund		(1,065)			(1,065)	1,065	0	
1		1	(1)	0	Capital Receipts	15	1			1	(1)	0	
(10)	(132)	0	(142)	3,227	3,085	Net Increase / (Decrease) in Reserves		1,499	12	0	1,511	4,607	6,118
17,793	1,255	0	19,048	17,536	36,584	BALANCE AT 31 MARCH		19,292	1,267	0	20,559	22,143	42,702

BALANCE SHEET

At 31 March 2017		Notes	At 31 March 2018	
£'000	£'000		£'000	£'000
Long Term Assets				
70,839	Property, Plant & Equipment	7	72,575	
6,108	Heritage Assets	7	6,351	
4,885	Investment Properties	7	4,885	
227	Intangible Assets	7	264	
0	Long Term Investments	10	2,934	
82,104	Long Term Debtors	17	11	87,020
				<hr/>
Current Assets				
0	Assets Held for Sale	7	750	
22,056	Short Term Investments	10	17,048	
17	Inventories		20	
6,490	Short Term Debtors	17	8,505	
(2,722)	less Impairment Allowance	17	(2,970)	
34,367	Cash & Cash Equivalents	18	9,783	33,136
				<hr/>
Current Liabilities				
(10,762)	Short Term Creditors	19	(9,583)	(9,583)
				<hr/>
Long Term Liabilities				
0	Long Term Creditors	19	(50)	
(3,091)	Provisions	20	(3,035)	
(63,132)	Pensions Liability	11	(61,775)	
(1,682)	Grants & Contributions in Advance	21	(2,102)	
(69,125)	Deferred Liabilities - Embedded Leases	9	(909)	(67,871)
				<hr/>
36,584	NET ASSETS			42,702
 Reserves				
Usable Reserves				
16,543	Reserves	16	18,042	
1,250	General Fund		1,250	
1,255	Grants & Contributions Unapplied	21	1,267	
0	Usable Capital Receipts Reserve	15	0	20,559
				<hr/>
Unusable Reserves				
42,547	Capital Adjustment Account	22	41,988	
38,302	Revaluation Reserve	23	41,923	
(3)	Available-for-Sale Financial Ins. Reserve	10	(94)	
4	Deferred Capital Receipts	15	26	
(91)	Collection Fund Adjustment Account	12	185	
(91)	Employee Benefits - Accrued Leave	14	(110)	
17,536	Pensions Reserve	11	(61,775)	22,143
				<hr/>
36,584	TOTAL RESERVES			42,702

CASH FLOW STATEMENT

2016/17		Notes	2017/18		
£'000	£'000		£'000	£'000	
OPERATING ACTIVITIES					
Cash Inflows					
(33,309)	Taxation (Borough & Parish only)		(34,202)		
(41,492)	Grants		(37,634)		
(5,602)	Sales of Goods & Rendering of Services		(5,302)		
(212)	Interest Received		(272)		
(4,686)	Other Receipts from Operating Activities		(5,990)		
<u>(85,301)</u>				<u>(83,400)</u>	
Cash Outflows					
10,980	Cash Paid to & on Behalf of Employees & Members		10,737		
35,651	Housing Benefits Paid Out		35,210		
20,318	National Non-Domestic Rate Tariff & Levy Payments		19,971		
2,230	Parish Precepts Paid		2,666		
9,189	Cash Paid to Suppliers of Goods & Services		8,552		
0	Interest Paid		0		
4,296	Other Payments for Operating Activities		6,031		
<u>82,664</u>				<u>83,167</u>	
(2,637)	NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES	24		(233)	
INVESTING ACTIVITIES					
Cash Inflows					
0	Proceeds from the Sale of Property, Plant & Equipment, Investment Property and Intangible Assets		0		
(20,750)	Proceeds from Short-Term & Long-Term Investments		(35,000)		
(656)	Capital Grants & Contributions Received		(6)		
(1)	Other Receipts from Investing Activities		(17)		
<u>9,531</u>				<u>(929)</u>	
Cash Outflows					
937	Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets		1,093		
30,000	Purchase of Short-Term & Long-Term Investments		33,000		
1	Other Payments for Investing Activities		1		
(3,493)	NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES			(95)	
FINANCING ACTIVITIES					
Cash (Inflows) / Outflows					
(3,493)	Other Payments for Financing Activities		(95)		
(3,493)	NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES			(95)	
3,401	NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS			(1,257)	
11,927	Cash & cash equivalents at the beginning of the reporting period			8,526	
8,526	Cash & cash equivalents at the end of the reporting period			9,783	

NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS

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

	2016/17			2017/18			
	Net Expenditure Chargeable to the General Fund & Reserve Balances £'000	Adjustments Between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund & Reserve Balances £'000	Adjustments Between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
23	2,375	(116)	2,259	Corporate Services	3,163	440	3,603
	711	5	716	Chief Executive	635	5	640
	367	12	379	Director of Central Services	345	11	356
	1,456	0	1,456	Director of Finance & Transformation	1,156	0	1,156
	3,460	20	3,480	Director of Planning, Housing & Environmental Health	3,051	3	3,054
	5,971	1,694	7,665	Director of Street Scene, Leisure & Technical Services	5,069	2,111	7,180
	14,340	1,615	15,955	Net Cost of Services	13,419	2,570	15,989
	2,621	1	2,622	Other Operating Expenditure	3,061	(18)	3,043
	(416)	1,940	1,524	Financing & Investing Income & Expenditure	458	695	1,153
	(16,535)	(2,277)	(18,812)	Taxation & Non-Specific Grant Income & Expenditure	(18,437)	(303)	(18,740)
	10	1,279	1,289	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES	(1,499)	2,944	1,445
	17,803			OPENING GENERAL FUND & RESERVE BALANCES	17,793		
	10			(Surplus) / Deficit on Provision of Services	(1,499)		
21	17,793			CLOSING GENERAL FUND & RESERVE BALANCES	19,292		

Further information on the adjustments between the funding and accounting basis can be found in the [Movement in Reserves Statement](#).

2. 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 2017/18*. The Code is based on levels 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 and Revenue Recognition

Income and expenditure is accrued to ensure that it is accounted for in the year to which it relates, not when cash payments are made or received. In particular:

- Revenue from the sale or provision of goods and services is recognised when it is probable that the economic benefit will flow to the Council.
- Supplies are recorded as expenditure when they are consumed, where supplies remain unconsumed as at the balance sheet date they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant investment rather than the cash flows for the redemption of the investment or interest due dates.

Where income or expenditure has been recognised within the income and expenditure account, but cash has not been received or paid, a debtor or creditor for the amount stated will be recorded on the Balance Sheet. Where debts raised may not be settled, the balance of debtors will be adjusted by an impairment adjustment charged to the revenue account.

Exceptions to these principles 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 Kent County Council, Police and Crime Commissioner for Kent 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, Kent County Council and Kent Fire and Rescue in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor. The Council is a member of the Kent Business Rates Pool as approved by the Secretary of State in December 2015 where payments to Kent County Council and Kent Fire and Rescue are made via the administering authority, Maidstone Borough Council. As a member of the Business Rates Pool where the business rates income exceeds our baseline funding level the levy payable to central government is less than it would otherwise be, and where a safety net payment is due this is to be met by the Pool rather than central government.

In addition, included in the Comprehensive Income and Expenditure Statement is our share of the Collection Fund surplus/deficit for the year in respect of Council Tax and Business Rates, 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 an impairment allowance 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 the known liability is recognised at the earlier of when the authority can no longer withdraw the offer of these benefits or when the authority recognises the costs of a restructure will involve the payment of termination benefits, any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

Post-Employment Benefits

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 employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement, 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 most recent actuarial valuation to determine contributions was on 31 March 2016.

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 signed by the Council's responsible financial officer and approved by Members and published with the audit opinion and certificate which should be by no later than 31 July.

Events arising after the Balance Sheet date and before the relevant date 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 an impairment allowance 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.

I) 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 any exceptional items will be 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.

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-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 New Homes Bonus 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. IT equipment 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 classes as follows:

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 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 Category	Year of Valuation
Leisure Premises	2012/13
Properties for Community Use	2013/14
Public Conveniences	2014/15
Council Offices	2015/16
Car Parks	2016/17
Leisure Premises	2017/18

In addition to the valuation of the asset category above the Code requires the Council to consider material changes in other assets not due for revaluation in year under the five year rolling programme. The Council's external valuers will undertake interim valuations in respect of our major assets, i.e. council offices, leisure premises and car parks where appropriate. Where the interim valuation shows a movement of £100,000 or more the Balance Sheet values will be updated accordingly. The Council's external valuers will also advise annually on any further work required to identify material changes in asset valuations.

The valuations reviews 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.

The Note to the Core Financial Statements in respect of Non-Current Assets provides details of the asset class, Land and Buildings, rather than for each of the categories listed above that make up that asset class. This departure from the requirements of the Code has no financial impact and is not considered to detract from the message being given to the reader of the accounts.

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 significant in relation to the gross book value of the asset.

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 street furniture, footpaths and signage.

These assets are carried on the Balance Sheet at historic cost.

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 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 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.

Heritage assets are not subject to depreciation.

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. The fair value of these assets can be attributed in three ways.

- Level 1 - Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

For the purposes of investment property fair value will be determined at level 2 using market knowledge and indices on market values of compatible properties.

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end. 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 is considered.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the

Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are 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-minimis 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.

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.

3. 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.

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

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out at [Note 2](#) the authority has to make estimates and judgements about complex transactions or those involving uncertainty about future events. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The critical judgements made in preparing the Council's 2017/18 accounts are as follows:

- The Council continues to face a significant financial challenge brought about by, in the main, the 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.

- An assessment is to be made in respect of the requirement to value separately (componentisation) parts of an asset where the replacement value of the component is significant in relation to the gross book value of the asset. No single component required to be the subject of componentisation in 2017/18.
- The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust. In the event that the Trust fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. As at the 31 March 2018 these liabilities, calculated under FRS 102, amounted to £4.36m, however, the Trust remains a going concern and recourse to such a guarantee is considered remote; and is not one and the same as the actual liability if the guarantee was to be called on. An indicative cessation report of the estimated liability is obtained at each triennial valuation. The next triennial valuation is to be undertaken in March 2019.
- 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 on the value of these leased type vehicles are provided at [Note 9](#) to the accounts.
- An assessment is to be made of the potential liability of valuation appeals arising from business rate premises in respect of monies received by the Council up to 31 March 2018. This provision is based on information received from the Valuation Office Agency. Further details are shown within [Note 4](#) to the Collection Fund.

5. 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 2018. No events have occurred that require changes to the accounting statements.

6. 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.

Corporate Services: Services under this heading include democratic representation including payments to members and corporate management.

Chief Executive: Services under this heading include elections and economic development.

Director of Central Services: Services under this heading include local land charges and licences.

Director of Finance and Transformation: Services under this heading include housing benefits and local council tax support.

Director of Planning, Housing and Environmental Health: Services under this heading include planning and building control, homelessness, housing advice and environmental protection.

Director of Street Scene, Leisure and Technical Services: Services under this heading include refuse collection and recycling, amenity and street cleansing, leisure centres, parks and open spaces, youth and play development 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

2016/17											2017/18						
Corporate Services	Chief Executive	Director of Central Services	Director of Finance & Transformation	Director of Planning, Housing & Env Health	Director of Street Scene, Leisure & Technical Services	Total	Corporate Services	Chief Executive	Director of Central Services	Director of Finance & Transformation	Director of Planning, Housing & Env Health	Director of Street Scene, Leisure & Technical Services	Total	£'000	£'000	£'000	£'000
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income																	
354	30	1,065	1,017	1,747	4,365	8,578	Fees, Charges & Other Service Income	320	39	1,008	1,151	1,700	4,392	8,610			
			234			234	Interest & Investment Income			293				293			
2	24	6	35,504	749		36,285	Grants & Contributions	1	22	20	35,400	1,085		36,528			
356	54	1,071	36,755	2,496	4,365	45,097	Total Income	321	61	1,028	36,844	2,785	4,392	45,431			
Expenditure																	
5,062	244	552	1,018	3,038	1,464	11,378	Employee Expenses	5,405	210	511	928	2,657	1,351	11,062			
493		41			1,302	1,836	Premises	580		71		4	1,301	1,956			
214					186	400	Transport	211					167	378			
1,409	295	179	682	1,325	1,364	5,254	Supplies & Services	1,411	269	138	260	1,504	852	4,434			
				95	4,842	4,937	Third Party Payments	2				145	4,850	4,997			
				391		391	Precepts & Levies						395	395			
				208	9	217	Provisions for Bad Debts						306	25	331		
				35,005		35,005	Housing Benefits						35,219		35,219		
(4,448)	226	341	1,129	1,489	1,263	0	Support Service Recharges	(4,125)	217	338	1,044	1,501	1,025	0			
466	5	11		2	1,775	2,259	Depreciation, Amortisation & Impairment	412	5	11		3	2,197	2,628			
3,196	770	1,124	38,433	5,958	12,196	61,677	Total Expenditure	3,896	701	1,069	38,152	5,839	11,743	61,400			
2,840	716	53	1,678	3,462	7,831	16,580	COST OF SERVICES	3,575	640	41	1,308	3,054	7,351	15,969			

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.

	2016/17 £'000	2017/18 £'000
Cost of Services in Service Analysis	16,580	15,969
add Amounts not Reported to Management		
Pension Adjustments	(589)	8
Embedded Lease Depreciation	397	424
Accrued Annual Leave	7	19
Miscellaneous Income and Expenditure	(127)	(131)
less Amounts not included in Comprehensive Income & Expenditure Statement		
Embedded Lease Contract Payments	(481)	(513)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(391)	(395)
less Items Included in Financing & Investment		
Trading Undertakings	325	315
Interest & Investment Income	234	293
NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	15,955	15,989

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	2016/17					2017/18				
	Not Reported to Management	Not Included in Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus / Deficit on Provision of Services		Service Analysis	Not Reported to Management	Not Included in Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus / Deficit on Provision of Services
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
8,578 234	154			8,732 234		8,610 293	135			8,745 293
				11,549	11,549					
				23,920	23,920					12,468 12,468
36,285	(22)			5,650	41,913 0	36,528	(3)			21,652 4,659 24 24
45,097	132	0	41,119	86,348		45,431	132	0	38,803	84,366
Total Income										
Expenditure										
11,378	(582)			1,999	12,795	11,062	27			1,672 12,761
1,836					1,836	1,956				1,956
400					400	378				378
5,254					5,254	4,434	1			4,435
4,937	5	(481)			4,461	4,997		(513)		4,484
				84	84					89 89
391				2,230	2,621	395				2,666 3,061
217					217	331				331
35,005 0					35,005	35,219				35,219
2,259	397				0	0				0
				1	1	2,628	424			3,052
					0					1 1
				1						27 27
					22,307	22,307				20,011 6 6
					0					
61,677	(180)	(481)	26,621	87,637		61,400	452	(513)	24,472	85,811
16,580	(312)	(481)	(14,498)	1,289	TOTAL	15,969	320	(513)	(14,331)	1,445

7. NON-CURRENT ASSETS

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

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Assets under Const'ion £'000	TOTAL PROPERTY, PLANT & EQUIPMENT £'000	HERITAGE ASSETS £'000	INVESTMENT PROPERTIES £'000	INTANGIBLE ASSETS £'000	TOTAL £'000
NET BOOK VALUE AT 1 APRIL 2016	58,190	3,785	1,035	1,850	139	64,999	5,930	4,885	269	76,083
Cost or Valuation										
At 1 April 2016	58,480	11,575	2,857	1,850	139	74,901	5,930	4,885	699	86,415
Additions	41	343	243	58		685			82	767
Derecognition - Disposals		(325)	(53)			(378)			(113)	(491)
Reclassification	1			138	(139)	0				0
Revaluation Recognised in the Revaluation Reserve	7,891					7,891	178			8,069
Net Gains from Fair Value Adjustments						0				0
Other Movements in Cost or Valuation	(1,621)	143				(1,478)				(1,478)
At 31 March 2017	64,792	11,736	3,047	2,046	0	81,621	6,108	4,885	668	93,282
Depreciation, Amortisation & Impairment										
At 1 April 2016	(290)	(7,790)	(1,822)	0	0	(9,902)	0	0	(430)	(10,332)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,693)	(1,029)	(149)			(2,871)			(124)	(2,995)
Impairment Recognised in Surplus/Deficit on the Provision of Services	347	(2)	(4)			341				341
Impairment Recognised in Revaluation Reserve	(349)					(349)				(349)
Derecognition - Disposals		325	53			378			113	491
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	1,621					1,621				1,621
At 31 March 2017	(364)	(8,496)	(1,922)	0	0	(10,782)	0	0	(441)	(11,223)
NET BOOK VALUE AT 31 MARCH 2017	64,428	3,240	1,125	2,046	0	70,839	6,108	4,885	227	82,059
NATURE OF ASSET HOLDINGS										
Owned	64,428	2,020	1,125	2,046		69,619	6,108	4,885	227	80,839
Leased		1,220				1,220				1,220

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Assets under Const'ion £'000	TOTAL PROPERTY, PLANT & EQUIPMENT £'000	HERITAGE ASSETS £'000	INVESTMENT PROPERTIES £'000	INTANGIBLE ASSETS £'000	TOTAL £'000
NET BOOK VALUE AT 1 APRIL 2017	64,428	3,240	1,125	2,046	0	70,839	6,108	4,885	227	82,059
Cost or Valuation										
At 1 April 2017	64,792	11,736	3,047	2,046	0	81,621	6,108	4,885	668	93,282
Additions	96	1,017	19			1,132			143	1,275
Derecognition - Disposals		(1,138)	(16)			(1,154)			(240)	(1,394)
Reclassification	(750)					(750)				(750)
Revaluation Recognised in the Revaluation Reserve	4,374					4,374	243			4,617
Net Gains from Fair Value Adjustments						0				0
Other Movements in Cost or Valuation	(1,779)					(1,779)				(1,779)
At 31 March 2018	<u>66,733</u>	<u>11,615</u>	<u>3,050</u>	<u>2,046</u>	<u>0</u>	<u>83,444</u>	<u>6,351</u>	<u>4,885</u>	<u>571</u>	<u>95,251</u>
Depreciation, Amortisation & Impairment										
At 1 April 2017	(364)	(8,496)	(1,922)	0	0	(10,782)	0	0	(441)	(11,223)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,834)	(982)	(138)			(2,954)			(106)	(3,060)
Impairment Recognised in Surplus/Deficit on the Provision of Services	19	(10)				9				9
Impairment Recognised in Revaluation Reserve						0				0
Derecognition - Disposals		1,133	16			1,149			240	1,389
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	1,779	(70)				1,709				1,709
At 31 March 2018	<u>(400)</u>	<u>(8,425)</u>	<u>(2,044)</u>	<u>0</u>	<u>0</u>	<u>(10,869)</u>	<u>0</u>	<u>0</u>	<u>(307)</u>	<u>(11,176)</u>
NET BOOK VALUE AT 31 MARCH 2018	66,333	3,190	1,006	2,046	0	72,575	6,351	4,885	264	84,075
NATURE OF ASSET HOLDINGS										
Owned	66,333	2,281	1,006	2,046	0	71,666	6,351	4,885	264	83,166
Leased		909				909				909

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	2016/17 £'000	2017/18 £'000
Corporate Services	123	106
Chief Executive	0	0
Director of Central Services	0	0
Director of Finance & Transformation	0	0
Director of Planning, Housing & Environmental Health	0	0
Director of Street Scene, Leisure & Technical Services	1	0
TOTAL	124	106

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 accordance with the rolling programme leisure premises were the subject of revaluation.

In arriving at the valuation the Council's valuers have made the following assumptions:

- That the valuations given are based on existing use values or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost.
- 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 Code requires the Council to consider material changes in other assets not due for revaluation in the current year under the five year rolling programme. In addition to leisure premises, car parks and council offices were also the subject of revaluation by our external valuers. Heritage asset values have been reviewed and uplifted to reflect the insured value of the property. The resulting revaluation was a net gain of £7,557,000, of which £7,538,000 is recognised in the revaluation reserve and a net impairment reversal of £19,000 is recognised in cost of services in the Comprehensive Income and Expenditure Statement.

In assessing fair value of Investment Properties the Council's valuers have determined a market value given the sites location and likelihood of achieving such values. Under the standard the higher of the valuations is reported within the statements.

In liaison with the Council's Estate Service Manager and our external valuers it was determined that no other property asset class required revaluation because of a notable change in 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 Iggleston, 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.

Valuations of Non-Current Assets carried at current / fair value

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
Valued at current/fair value in:	at Current Value				at Fair Value
2017/18	47,750	3,190	6,321		57,261
2016/17	16,083				16,083
2015/16	39			4,885	4,924
2014/15	1,441				1,441
2013/14	1,020				1,020
Prior Years	0		30		30
TOTAL	66,333	3,190	6,351	4,885	80,759

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. The Council has revalued leisure premises, car parks and council offices. These are reflected in the figures for 2017/18 rather than the year of previous valuation.

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. 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 2017 £'000	At 31 March 2018 £'000
Tonbridge Castle Gatehouse	5,952	6,190
Civic Regalia	66	69
Sculptures	51	51
Paintings	39	41
TOTAL	6,108	6,351

Outstanding Capital Commitments

As at 31 March 2018 the Council had no outstanding capital commitments.

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

	2016/17 £'000	2017/18 £'000
Capital Renewals	234	662
IT Initiatives	73	200
Refuse / Green Bin Growth / Replacement	79	113
Car Parks	39	74
Open Spaces	109	16
Land Drainage and Flood Defence	111	15
Tonbridge Town Lock	75	0

The Capital Expenditure was financed as follows: -

	2016/17 £'000	2017/18 £'000
Opening Capital Financing Requirement	0	0
Capital Investment		
Purchase of Non-Current Assets		
Property, Plant & Equipment	686	950
Intangible Assets	82	143
Total	768	1,093
Sources of Finance		
Revenue	(143)	(1,065)
Capital Grants & Contributions	(625)	(12)
Capital Receipts	0	(16)
Total	(768)	(1,093)
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

	2016/17			2017/18		
	Net Book Value £'000	Sale Proceeds £'000	Net (Gain) / Loss £'000	Net Book Value £'000	Sale Proceeds £'000	Net (Gain) / Loss £'000
Angel Centre Fitness Equipment	0	0	0	5	(24)	(19)
TOTAL	0	0	0	5	(24)	(19)

The Council is also in the latter stages of selling the Teen & Twenty site in Tonbridge which is reflected in the Balance Sheet under Current Assets as Assets Held for Sale.

8. 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.

	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Gross Expenditure				
House Renovation Grants	631	734		
IT Initiatives	200	0		
Other	32	7		741
	<hr/>	<hr/>		
Grants & Contributions Received				
Disabled Facilities Grant Subsidy	(583)	(666)		
Housing Assistance Grant Repaid	(55)	(53)		
Other	(29)	(9)		(728)
	<hr/>	<hr/>		
TOTAL	196	13		

9. LEASES

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.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Rental Income Due	428	400	391	384	337	337	240

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.

Commercial Properties and Industrial Estates	2016/17 £'000	2017/18 £'000
Income	(348)	(343)
Expenditure	23	28
TOTAL	(325)	(315)

The Balance Sheet value of these properties at the 31 March 2018 was £4,929,000 (£4,885,000 Investment Properties and £44,000 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.

Lessee – Operating Lease

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2017/18 was £21,000 (2016/17: £30,000). The future cash payments required under these leases are: £12,000 not later than one year; £6,000 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. The contract is due to be retendered in 2018/19.

	Current Year 2017/18 £ 000's	Current Year +1 2018/19 £ 000's	Current Year +2 2019/20 £ 000's	Current Year +3 2020/21 £ 000's	Current Year +4 2021/22 £ 000's
Estimated Lease Value					
Prinicpal	424	379	-	-	-
Interest	89	79	-	-	-
Total	<u>513</u>	<u>458</u>	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Net Book Value					
Vehicles	909	-	-	-	-

10. INTEREST AND INVESTMENTS

Interest and Investment Income

	2016/17 £'000	2017/18 £'000	Year on Year Change £'000
Property Investment Funds	0	(75)	(75)
Certificates of Deposit	(31)	(44)	(13)
Fixed Interest Deposits	(127)	(111)	16
Call Accounts	(73)	(62)	11
Miscellaneous Interest	(3)	(1)	2
TOTAL	(234)	(293)	(59)

Long Term Investments

	At 31 March 2017				At 31 March 2018			
	Capital £'000	Gain / (Loss) £'000	Accrued Interest £'000	Total £'000	Capital £'000	Gain / (Loss) £'000	Accrued Interest £'000	Total £'000
Property Investment Funds								
Hermes Property Unit Trust	0			0	1,000	(25)	9	984
Local Authorities' Property Fund	0			0	1,000	(41)	10	969
Lothbury Property Trust	0			0	1,000	(27)	8	981
Total	0	0	0	0	3,000	(93)	27	2,934
TOTAL	0	0	0	0	3,000	(93)	27	2,934

Short Term Investments

	At 31 March 2017				At 31 March 2018			
	Capital £'000	Gain / (Loss) £'000	Accrued Interest £'000	Total £'000	Capital £'000	Gain / (Loss) £'000	Accrued Interest £'000	Total £'000
Certificates of Deposit								
Barclays Bank	1,000	(1)		999	2,000	(1)	12	2,011
Royal Bank of Scotland	2,000	(2)		1,998	2,000		10	2,010
Toronto Dominion Bank	2,000		12	2,012	0			0
Total	5,000	(3)	12	5,009	4,000	(1)	22	4,021
Fixed Interest Deposits								
Bank of Scotland	2,500		7	2,507	2,000		8	2,008
Barclays Bank	4,000		14	4,014	1,000		4	1,004
Goldman Sachs	4,000		14	4,014	4,000		9	4,009
Lloyds Bank	2,500		5	2,505	1,000		5	1,005
North Kesteven District Council				0	5,000		1	5,001
Standard Chartered Bank	4,000		7	4,007	0			0
Total	17,000	0	47	17,047	13,000	0	27	13,027
TOTAL	22,000	(3)	59	22,056	17,000	(1)	49	17,048

The amount shown on the Available-for-Sale Financial Instruments Reserve represents unrealised gains/losses.

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 2018.
- 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 2017			At 31 March 2018		
	Loans and receivables £'000	Available-for-sale £'000	Total £'000	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Long Term			0		2,934	2,934
Short Term	17,047	5,009	22,056	13,027	4,021	17,048
TOTAL	17,047	5,009	22,056	13,027	6,955	19,982

Interest Received

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

	2016/17			2017/18		
	Loans and receivables £'000	Available-for-sale £'000	Total £'000	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Interest & Investment Income						
Income	(127)	(31)	(158)	(111)	(119)	(230)
Losses on Derecognition			0			0
TOTAL	(127)	(31)	(158)	(111)	(119)	(230)

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 2017		At 31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Property Investment Funds	0	0	2,934	2,934
Deposits with Banks & Building Societies	22,056	22,056	12,047	12,047
Deposits with Other Local Authorities			5,001	5,001
TOTAL	22,056	22,056	19,982	19,982

Management of Risk

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The Council's Investment 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 and as at 31 March 2018 the risk of default is considered remote.

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 £200,000 (2016/17: £220,000).

11. PENSION COSTS

Employees of Tonbridge & Malling Borough Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme.

The LGPS is a national scheme that is administered locally – all employees have the right to join and the Council cannot prevent this. The scheme is a career average one, with the pension benefits being determined by career average salary and length of service. Employee contribution rates are set by Government and range from 5.5% to 12.5% and the fund actuary, Barnett Waddingham, sets the employer's contribution rate. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees' career average salary and length of service. 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 KCC pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. This Committee is responsible for: setting investment strategy; appointing professional fund managers; carrying out regular reviews; monitoring of investments; monitoring the administration of the pension scheme; and determining pension fund policy in regard to employer admission arrangements. The Committee consists of 12 members with voting rights (nine from KCC and three from district councils) and 5 other members without voting rights. Policy is determined in accordance with the *Local Government Pensions Fund Regulations 1997* as amended.

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

	2016/17 £'000	2017/18 £'000
Amounts Charged to Income and Expenditure Statement		
Net Cost of Services		
Current Service Costs	1,969	2,519
Past Service Costs (Change in Benefit)	197	176
Administration Expenses	46	41
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	1,999	1,672
Net Charge to the Income and Expenditure Statement	4,211	4,408
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,211)	(4,408)
Actual Amount Charged to the General Fund for Pensions in the Year		
Employers' contributions payable to scheme	2,801	2,728
CONTRIBUTION (FROM) / TO PENSIONS RESERVE	(1,410)	(1,680)

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 gain of £3,037,000 in 2017/18 (2016/17: loss of £3,345,000) is 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.

Reconciliation of the Present Value of Scheme Liabilities	2016/17 £'000	2017/18 £'000
Opening Balance at 1 April - Defined Benefit Obligation		
Obligation	129,388	145,263
Current Service Costs	1,969	2,519
Past Service Costs	197	176
Contributions from Scheme Participants	488	481
Interest Cost	4,451	3,864
Change in Financial Assumptions	19,141	(2,434)
Experience Loss / (Gain) on Defined Benefit Obligation	(5,167)	0
Benefits Paid	(4,927)	(4,813)
Unfunded Pension Payments	(277)	(272)
CLOSING BALANCE AT 31 MARCH - DEFINED BENEFIT OBLIGATION	145,263	144,784

The liability shows the underlying commitment that the Council has in the long run to pay retirement benefits. 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 table below summarises the reconciliation of the present value of scheme assets.

Reconciliation of the Fair Value of Scheme Assets	2016/17 £'000	2017/18 £'000
Opening Balance at 1 April - Fair Value of Scheme Assets	71,011	82,131
Interest on Assets	2,452	2,192
Return on Assets Less Interest	12,200	603
Other Actuarial Gains / (Losses)	(1,571)	0
Employers' Contributions	2,801	2,728
Contributions from Scheme Participants	488	481
Benefits Paid	(5,204)	(5,085)
Administration Expenses	(46)	(41)
CLOSING BALANCE AT 31 MARCH - FAIR VALUE OF SCHEME ASSETS	82,131	83,009

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 £2,795,000 (2016/17: gain of £14,652,000).

Net Liabilities in Relation to Retirement Benefits

	2016/17 £'000	2017/18 £'000
Present value of funded obligation	142,118	141,853
Fair value of scheme assets (bid price)	82,131	83,009
Sub-total	59,987	58,844
Present value of unfunded obligation	3,145	2,931
NET PENSION LIABILITY	63,132	61,775

The change in the pension fund deficit over the year is mainly dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in a decrease in the pension fund deficit compared to the previous year.

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).

Reconciliation of Opening & Closing Surplus / Deficit

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

Surplus / (Deficit)	2016/17 £'000	2017/18 £'000
Balance at 1 April	(58,377)	(63,132)
Current Service Costs	(1,969)	(2,519)
Past Service Costs	(197)	(176)
Actuarial Gains / (Losses)	(3,345)	3,037
Employer's Contributions	2,524	2,456
Unfunded Pension Payments	277	272
Administration Expenses	(46)	(41)
Other Finance Income	(1,999)	(1,672)
BALANCE AT 31 MARCH	(63,132)	(61,775)

Breakdown of Assets Held by Pension Fund shown at Fair Value

Assets are valued at fair value, principally market value for investments. The fair values of the attributable assets and expected rates of return are given below.

Assets	At 31 March 2017		At 31 March 2018	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Bonds	8,001	9	7,937	9
Cash	2,098	3	2,751	3
Equities	57,963	71	55,391	67
Gilts	613	1	635	1
Property	10,235	12	10,437	13
Target Return Portfolio	3,221	4	5,858	7
TOTAL	82,131	100	83,009	100

Scheme History

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Present Value of Liabilities	(115,266)	(133,963)	(129,388)	(145,263)	(144,784)
Fair Value of Assets	66,490	72,043	71,011	82,131	83,009
SURPLUS / (DEFICIT) IN THE SCHEME	(48,776)	(61,920)	(58,377)	(63,132)	(61,775)
Experience Gains / (Losses) on Assets	(3,346)	0	0	(1,571)	0
Percentage of Assets	(5.0%)	0.0%	0.0%	(1.9%)	0.0%
Experience Gains / (Losses) on Liabilities	3,660	72	60	5,167	0
Percentage of Liabilities	3.2%	0.1%	0.0%	3.6%	0.0%

Actuarial Gains and Losses

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	(346)	(11,695)	5,030	(3,345)	3,037
CUMULATIVE ACTUARIAL GAINS / (LOSSES)	(34,609)	(46,304)	(41,274)	(44,619)	(41,582)

Basis for Estimating Assets and Liabilities

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 2016.

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

	2016/17	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.0 Years	23.1 Years
Women	25.0 Years	25.2 Years
Longevity at 65 for future pensioners:		
Men	25.1 Years	25.3 Years
Women	27.4 Years	27.5 Years
RPI Increases	3.5%	3.4%
CPI Increases	2.6%	2.4%
Salary Increases	4.1%	3.9%
Pension Increases	2.6%	2.4%
Discount Rate	2.7%	2.6%

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 rate; salary increase; pension increase; and mortality assumptions on the defined benefit obligation and projected service cost.

	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present Value of Total Obligation	142,396	144,783	147,212
Projected Service Cost	2,396	2,451	2,508
Adjustment to Long Term Salary Increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	144,986	144,783	144,581
Projected Service Cost	2,451	2,451	2,451
Adjustment to Pensions Increase and Deferred Revaluation	0.1%	0.0%	-0.1%
Present Value of Total Obligation	147,012	144,783	142,591
Projected Service Cost	2,508	2,451	2,396
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	150,494	144,783	139,295
Projected Service Cost	2,529	2,451	2,375

Projected Pension Expense for the Year to 31 March 2019

These projections are based on the Actuary's assumptions as at 31 March 2018.

	2018/19 Projection £'000
Service Cost	2,451
Net Interest on the defined liability (asset)	1,541
Administration Expenses	41
Total	<u>4,033</u>
Employers' Contributions	2,433

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.

12. COUNCIL TAX AND NATIONAL NON-DOMESTIC (BUSINESS) RATES INCOME

	2016/17 £'000	2017/18 £'000			
Council Tax					
Borough Council's Council Tax	(9,169)	(9,654)			
Parish Councils' Council Tax	(2,230)	(2,666)			
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	(148)	(148)			
Council Tax (Surplus) / Deficit	(2)	28			
TOTAL	(11,549)	(12,440)			
National Non-Domestic Rates					
Share of National Non-Domestic Rates	(21,521)	(21,348)			
Tariff / (Top-Up)	20,318	19,901			
Levy / (Safety Net)	(639)	98			
Prior Year's Estimated Accumulated Non Domestic Rates (Surplus) / Deficit	1,989	12			
National Non-Domestic Rates (Surplus) / Deficit	(1,760)	(304)			
TOTAL	(1,613)	(1,641)			
Collection Fund Adjustment Account	Balance at 1 April 2016 £'000	2016/17 Surplus / (Deficit) £'000	Balance at 31 March 2017 £'000	2017/18 Surplus / (Deficit) £'000	Balance at 31 March 2018 £'000
Council Tax	167	2	169	(28)	141
National Non-Domestic Rates	(2,020)	1,760	(260)	304	44
TOTAL	(1,853)	1,762	(91)	276	185

Business Rates Pool

The Council is a member of the Kent Business Rates Pool. In the event that the Council exceeds its baseline funding level the Council will pay a reduced levy to Central Government. If the Council fails to achieve 92.5% of its baseline a safety net payment is paid by the Pool up to this level.

13. GRANT INCOME

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

Credited to Taxation & Non-Specific Grant Income & Expenditure

	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
General Government Grants				
New Homes Bonus	(3,843)	(3,485)		
Small Business & Empty Property Rate Relief Grant	(407)	(823)		
Transition Grant	(135)	(117)		
Discretionary Relief Grant	0	(110)		
New Build Empty Property Relief Grant	(69)	(3)		
Revenue Support Grant	(655)	0		
Other	<u>(26)</u>	<u>(5,135)</u>	<u>(94)</u>	<u>(4,632)</u>
Capital Grants & Contributions				
Priory Works Developer Contribution	(314)	0		
Suez Communities Contribution	(50)	0		
Other	<u>(151)</u>	<u>(515)</u>	<u>(27)</u>	<u>(27)</u>
TOTAL	(5,650)		(4,659)	

The Council has also received a number of developer contributions but which as yet have not been applied to revenue and capital projects ([Note 21](#) refers).

Credited to Services

	2016/17 £'000	2017/18 £'000
Rent Allowance Subsidy	(34,334)	(34,208)
Disabled Facilities Grant Subsidy	(619)	(743)
Benefits Administration Grant	(339)	(313)
Discretionary Housing Payment Contribution	(163)	(284)
Flexible Homelessness Support Grant	0	(175)
Non-HRA Rent Rebate Subsidy	(227)	(171)
NNDR Cost of Collection Allowance	(166)	(163)
Local Council Tax Support Administration Grant	(116)	(114)
Local Benefits Scheme Subsidy	(62)	(64)
Other	<u>(259)</u>	<u>(294)</u>
TOTAL	(36,285)	(36,529)

14. 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, including exit packages, but 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	
	2016/17	2017/18
£50,000 - £54,999	10	6
£55,000 - £59,999	9	7
£60,000 - £64,999	-	2
£65,000 - £69,999	3	3
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	5	4
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£120,000 - £124,999	1	-
TOTAL	28	24

The numbers above include 2 employees included in the exit packages table for 2017/18 (2016/17: one employee).

Senior Officer Remuneration

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
2016/17	Chief Executive	114	0	0	7	121	17	138
	Director of Central Services	89	5	0	0	94	13	107
	Director of Finance & Transformation	89	0	0	4	93	13	106
	Director of Planning, Housing & Env Health	89	0	0	5	94	13	107
	Director of Street Scene, Leisure & Tech Services	89	5	0	0	94	13	107
	TOTAL	470	10	0	16	496	69	565
2017/18	Chief Executive	114	5	0	0	119	18	137
	Director of Central Services	89	5	0	0	94	14	108
	Director of Finance & Transformation	89	0	0	5	94	14	108
	Director of Planning, Housing & Env Health	89	0	0	6	95	14	109
	Director of Street Scene, Leisure & Tech Services	89	5	0	0	94	14	108
	TOTAL	470	15	0	11	496	74	570

At 31 March 2018 the Council employed 275 permanent staff (31 March 2017: 270) or 224 full-time equivalents (31 March 2017: 220).

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 2017/18 this was estimated to be £110,000 (2016/17: £91,000).

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.

	2016/17		2017/18	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
Compulsory Redundancies				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Other Agreed Departures				
£0 - £19,999	3	21	4	27
£20,000 - £39,999	-	-	1	30
£40,000 - £59,999	-	-	1	46
£60,000 - £79,999	1	76	-	-
TOTAL	4	97	6	103

15. 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.

	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		1	1	16	1	17
Disposal Costs		0	0			0
	0	1	1	16	1	17
less Usable Capital Receipts Applied						
Purchase of Non-Current Assets			0	16	0	16
Pooled Housing Capital Receipts		1	1		1	1
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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	5	4
Sale Proceeds	0	24
Receipts	(1)	(2)
BALANCE AT 31 MARCH	4	26

16. RESERVES

		Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000
2016/17	Revenue Reserve for Capital Schemes	6,582	516	(350)	6,748
	General Revenue Reserve	5,040	909		5,949
	Building Repairs Reserve	406	675	(762)	319
	Earmarked Reserves				
	Special Projects	925		(14)	911
	Business Rates Retention Scheme	2,314		(1,620)	694
	Invest to Save	152	700	(221)	631
	Tonbridge & Malling Leisure Trust	181	120		301
	Local Development Framework	149	85	(9)	225
	Transformation	78	70		148
2017/18	Housing Assistance	200	10	(10)	200
	Election	113	45	(8)	150
	Other Earmarked Reserves	413		(146)	267
	TOTAL	16,553	3,130	(3,140)	16,543
	Revenue Reserve for Capital Schemes	6,748	1,151	(1,087)	6,812
	General Revenue Reserve	5,949	698		6,647
	Building Repairs Reserve	319	900	(727)	492
	Property Investment Fund Reserve	0	500		500
	Earmarked Reserves				
	Special Projects	911	41	(61)	891
2017/18	Business Rates Retention Scheme	694	60	(200)	554
	Invest to Save	631		(139)	492
	Tonbridge & Malling Leisure Trust	301	100		401
	Local Development Framework	225	76	(74)	227
	Transformation	148	60		208
	Housing Assistance	200	9	(9)	200
	Election	150	39	(3)	186
	Homelessness Reduction	0	185	(5)	180
	Other Earmarked Reserves	267	74	(89)	252
	TOTAL	16,543	3,893	(2,394)	18,042

<u>Reserve</u>	<u>Purpose of the Reserve</u>
Revenue Reserve for Capital Schemes	Established to finance future capital expenditure.
General Revenue Reserve	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.
Building Repairs Reserve	Established to finance general repairs and maintenance expenditure to Council owned buildings.
Property Investment Fund Reserve	Established to recognise proceeds from the sale of Council owned assets and other funds set aside for long term investment with the aim of generating a higher rate of return.
Special Projects	Established to enhance or progress specific projects or activities within the Council.
Business Rates Retention Scheme	Established, in the main, to take account of accounting arrangements, e.g. safety net payment accounted for in year and the deficit that triggered the safety net payment in the following year.
Invest to Save	Established to meet costs associated with service reviews with the aim of identifying savings opportunities.
Tonbridge & Malling Leisure Trust	Established to meet obligations on the Council as part of the agreement with the newly created Tonbridge and Malling Leisure Trust.
Local Development Framework	Established to meet costs in respect of the Local Development Framework.
Transformation	Established to fund initiatives that deliver operational efficiencies.
Housing Assistance	Established to smooth the cost of discretionary housing assistance grant funding between years.
Election	Established to meet the costs of administering borough council elections which are held once every four years.
Homelessness Reduction	Established to meet costs associated with the Homelessness Reduction Act.
Other Earmarked Reserves	Other earmarked reserves established to enhance or progress specific projects or activities within the Council.

17. DEBTORS

Long Term Debtors

	At 31 March 2017 £'000	At 31 March 2018 £'000
Employees	25	9
Mortgagors	20	2
TOTAL	45	11

Short Term Debtors

	At 31 March 2017			At 31 March 2018		
	Gross Value £'000	Impairment Allowance £'000	Net Value £'000	Gross Value £'000	Impairment Allowance £'000	Net Value £'000
General Fund						
Central Government	160		160	2,854		2,854
Housing Benefit Claimants (current & former)	3,134	(2,193)	941	3,309	(2,448)	861
Payments in Advance	527		527	336		336
Local Authorities	971		971	334		334
National Health Service	0		0	8		8
Other Debtors	350	(142)	208	521	(151)	370
	5,142	(2,335)	2,807	7,362	(2,599)	4,763
Collection Fund						
Council Tax Payers (Borough Council's share)	799	(243)	556	898	(271)	627
NNDR Payers (Borough Council's share)	549	(144)	405	245	(100)	145
	1,348	(387)	961	1,143	(371)	772
TOTAL	6,490	(2,722)	3,768	8,505	(2,970)	5,535

The upward movement in the gross value of debtors is primarily due to Housing Benefit subsidy owed by the Department for Work and Pensions offset by a reduction in payments owed under the Business Rates Retention Scheme and sums owed by business ratepayers.

Impairment Allowance

	Housing Benefit Claimants £'000	Homeless -ness Debtors £'000	General Debtors £'000	Council Tax Payers £'000	NNDR Payers £'000	Total £'000
2016/17	Balance at 1 April	2,053	48	85	234	92
	Write-Offs	(68)	(2)	(32)	(93)	(195)
	Contribution to Allowance	206	9	2	41	145
	Receipts/Adjustments	2				2
BALANCE AT 31 MARCH		2,193	55	87	243	144
2017/18	Balance at 1 April	2,193	55	87	243	144
	Write-Offs	(47)	(20)	(23)	(159)	(249)
	Contribution to Allowance	302	24	5	51	115
	Receipts/Adjustments					0
BALANCE AT 31 MARCH		2,448	59	92	271	100
						2,970

The increase in the impairment allowance is largely due to a reassessment of the impairment allowance in respect of outstanding housing benefit overpayments.

The impairment allowance in respect of council tax and national non-domestic rates represent the Borough Council's share only. The total impairment allowance in respect of council tax and national non-domestic rates can be found in [Note 3](#) to the Collection Fund Accounts.

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 2017				At 31 March 2018			
	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	109	16	971	1,096	248	14	191	453
1 - 3 months	29	11	0	40	18	14	151	183
3 - 6 months	26	8	0	34	41	25		66
6 - 12 months	3	12	0	15	6	11		17
1 year +	99	38	0	137	100	44		144
TOTAL	266	85	971	1,322	413	108	342	863

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 2018	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2018	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
Debtors				
General Debtors	413	0.9	22.3	92,000
Homelessness	108	22.0	54.6	59,000
TOTAL	521			151,000

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 impairment allowance 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 2017 £'000	At 31 March 2018 £'000
Internally Managed Funds		
BNP Paribas MMF	2,388	3,674
Morgan Stanley	0	250
National Westminster Bank	10	10
Santander	5,700	5,500
	8,098	9,434
Cash in Hand	428	349
TOTAL	8,526	9,783

19. CREDITORS

Long Term Creditors

	At 31 March 2017 £'000	At 31 March 2018 £'000
Local Authorities	0	50
TOTAL	0	50

Short Term Creditors

	At 31 March 2017 £'000	At 31 March 2018 £'000
General Fund		
Local Authorities	(402)	(649)
Central Government	(984)	(286)
Receipts in Advance	(143)	(174)
Employees	(90)	(110)
Mortagors	(2)	0
Other Creditors	(1,871)	(1,009)
	(3,492)	(2,228)
Collection Fund		
Central Government	(4,385)	(4,720)
Local Authorities	(1,804)	(1,720)
NNDR Payers (Borough Council's share)	(843)	(655)
Council Tax Payers (Borough Council's share)	(238)	(260)
	(7,270)	(7,355)
TOTAL	(10,762)	(9,583)

The downward movement in creditors is largely due to Housing Benefit subsidy is owed by the Department for Work and Pensions and a reduction in the amounts owed to retail stores in respect of car park ticket refunds for prior years offset by an increase in the amount owed to central government in respect of the Business Rates Retention Scheme.

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 2017 £'000	At 31 March 2018 £'000
General Fund		
Local Authorities	(120)	(115)
Mortgagors	(2)	0
Other Creditors	(1,871)	(1,009)
TOTAL	(1,993)	(1,124)

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
2016/17	NNDR Appeals	(3,164)	(818)	982	(3,000)
	Other Provisions	(121)	(1)	31	(91)
	TOTAL	(3,285)	(819)	1,013	0
2017/18	NNDR Appeals	(3,000)	(781)	838	(2,943)
	Other Provisions	(91)	(1)		(92)
	TOTAL	(3,091)	(782)	838	0
					(3,035)

- **NNDR Appeals** – business ratepayers can appeal against the rateable value applied to the property by the Valuation Office. This provision represents our share of the cost arising from successful appeals. Due to the appeals being heard by an external party the Council is unable to determine the likely settlement date of any appeal, therefore the provision is recognised as long term rather than short term. See [Note 4](#) to the Collection Fund Accounts for further details.
- **Other Provisions** as at 31 March 2018 comprise:
 - Adoption of Amenity Areas – repairs to a banked area of the M20 slip road at Junction 4.

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
2016/17	Oakwood Poultry Farm	(351)		(2)				(353)
	DFG Subsidy	0	(109)					(109)
	Medway Wharf Road	(619)		(3)				(622)
	Priory Works	0	(725)		411	314		0
	River Walk	(131)		(1)				(132)
	Discovery Drive	(111)		(1)				(112)
	Air Quality	(150)			150			0
	Peter's Pit	(128)		(1)	129			0
	Other	(260)	(185)	(1)	5	63	25	(353)
TOTAL		(1,750)	(1,019)	(9)	695	377	25	(1,681)
2017/18	Oakwood Poultry Farm	(353)		(2)	4			(351)
	A to Z Geographers	0	(320)	(1)				(321)
	DFG Subsidy	(109)	(146)					(255)
	World of Pots	0	(234)					(234)
	Medway Wharf Road	(622)		(2)	400			(224)
	Priory Works	0	(445)		282			(163)
	River Walk	(132)		(1)				(133)
	Discovery Drive	(112)						(112)
	Ryarsh Brickworks	0	(436)		384			(52)
TOTAL		(1,681)	(1,591)	(7)	1,174	3	0	(2,102)

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
2016/17	Leybourne Lakes	741				741
	Hale Street	248				248
	Castle River Bank	141		(110)		31
	Other	257	38	(38)	(22)	235
TOTAL		1,387	38	(148)	(22)	1,255
2017/18	Leybourne Lakes	741				741
	Hale Street	248				248
	Castle River Bank	31		(3)		28
	Other	235	19	(1)	(3)	250
TOTAL		1,255	19	(4)	(3)	1,267

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.

	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Balance at 1 April	43,190	42,547		
Capital Financing applied in year				
Revenue	143	1,065		
Capital Grants & Contributions	625	12		
Capital Receipts	0	16		
Minimum Revenue Provision	<u>397</u>	1,165	<u>424</u>	1,517
Reversal of items charged to the Comprehensive Income and Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(2,996)	(3,060)		
Impairment of Non-Current Assets	339	8		
Net Book Value of Assets Disposed	<u>0</u>	(2,657)	<u>(6)</u>	(3,058)
Amounts Written-out of the Revaluation Reserve				
Difference between fair value & historical cost depreciation	849	997		
Accumulated Gains on Assets Disposed	<u>0</u>	849	<u>997</u>	997
Movement in the Fair Value of Investment Properties		0		0
General Fund Mortgage Receipts		0		(15)
BALANCE AT 31 MARCH		42,547		41,988

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.

	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Balance at 1 April	31,430	38,302		
Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services				
Upward revaluations	8,069	4,618		
Downward revaluations / impairments	<u>(348)</u>	7,721	<u>4,618</u>	4,618
Amounts Written-Off to the Capital Adjustment Account				
Difference between fair value & historical cost depreciation	(849)	(997)		
Accumulated gains on assets sold or scrapped	<u>0</u>	(849)	<u>(997)</u>	(997)
BALANCE AT 31 MARCH		38,302		41,923

24. RECONCILIATION OF OPERATING ACTIVITIES CASH FLOW

	2016/17 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000
(Surplus) / Deficit on Provision of Services	1,289		1,445	
less Non-Cash Transactions included within Comprehensive Income & Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(2,996)		(3,061)	
Impairment of Non-Current Assets	339		8	
Service Cost	(2,166)		(2,695)	
Administration Expenses	(46)		(41)	
Net Interest on Defined Benefit Liability	(1,999)		(1,672)	
Embedded Lease Finance Charge	(84)		(89)	
Movement in the Fair Value of Investment Properties	0		0	
Provision Set Aside in the Year	394		56	
Grants & Contributions in Advance / Unapplied	(23)	(6,581)	(442)	(7,936)
plus Cash Transactions excluded from Comprehensive Income & Expenditure Statement				
Employer's Pension Contributions	2,801		2,728	
Refuse, Recycling & Street Cleansing Contract Payments	481	3,282	513	3,241
plus Items on an Accruals Basis				
Increase / (Decrease) in Investments	9,273		(1,982)	
Increase / (Decrease) in Inventories	(3)		4	
Increase / (Decrease) in Debtors	(284)		1,569	
(Increase) / Decrease in Creditors	(877)	8,109	1,381	972
less Items Classified in Another Classification in the Cash Flow Statement				
Proceeds from Short-Term & Long-Term Investments	20,750		35,000	
Purchase of Short-Term & Long-Term Investments	(30,000)		(33,000)	
Gain / (Loss) on Disposal of Non-Current Assets	0		19	
Capital Grants & Contributions	515		27	
Housing Capital Receipts to Government Pool	(1)	(8,736)	(1)	2,045
NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES	(2,637)		(233)	

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 Council – 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 Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government

departments are included in the subjective analysis in [Note 6](#) on segmental reporting and in the analysis of grant income in [Note 13](#).

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 2017/18 the Council funded some of these organisations the total sum of £314,000 (2016/17: £483,000).

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 54 Councillors elected as at the end of the 2017/18 financial year 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.

	2016/17 £'000	2017/18 £'000
Basic Allowance	279	282
Special Responsibility Allowance	107	100
Travel & Subsistence Expenses	3	3
Carers Allowance	0	0
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	8	7
TOTAL	404	399

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. The Council incurred the following fees relating to external audit carried out during 2017/18.

	2016/17 £'000	2017/18 £'000
External audit services	46	40
Certification of grant claims and returns	18	18
TOTAL	64	58

All work undertaken by the external auditors was carried out under the Code requirements. No non-audit work was undertaken by the external auditors.

28. CONTINGENT LIABILITIES

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 £0.78 million, as at year 20 of the scheme. However, the risk of this occurring as at 31 March 2018 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 central government, precepting authorities and the General Fund as appropriate. The Collection Fund is consolidated with the other accounts of the billing authority.

INCOME AND EXPENDITURE ACCOUNT

Council Tax £'000	2016/17 NNDR £'000	Total £'000		Council Tax £'000	2017/18 NNDR £'000	Total £'000
Income						
77,315	53,751	131,066	Billed to Tax Payers	82,331	54,699	137,030
	4,973	4,973	Contribution towards Previous Years' Collection Fund Deficit		29	29
77,315	58,724	136,039	Total Income	82,331	54,728	137,059
Expenditure						
53,990	4,842	58,832	Precepts and Demands	57,619	4,803	62,422
7,247		7,247	Kent County Council	7,681		7,681
			Police & Crime Commissioner for Kent			
3,429	538	3,967	Kent & Medway Fire & Rescue Authority	3,585	534	4,119
9,169	21,522	30,691	Tonbridge & Malling Borough Council	9,654	21,348	31,002
2,230		2,230	Parish Councils	2,666		2,666
	26,902	26,902	Central Government		26,685	26,685
	401	401	Transitional Protection		291	291
985		985	Contribution towards Previous Years' Collection Fund Surplus	990		990
211	233	444	Amounts Written-Off	131	397	528
58	130	188	Provision for Non-Payment	167	(110)	57
	2,045	2,045	Provision for Appeals not Paid		1,953	1,953
(2,455)	(2,455)	(2,455)	Appeals Paid in Year		(2,095)	(2,095)
	166	166	Cost of Collection Allowance		163	163
77,319	54,324	131,643	Total Expenditure	82,493	53,969	136,462
(4)	4,400	4,396	Surplus / (Deficit) for the Year	(162)	759	597
1,112	(5,049)	(3,937)	Balance B/fwd at 1 April	1,108	(649)	459
1,108	(649)	459	BALANCE C/FWD AT 31 MARCH	946	110	1,056

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, Police and Crime Commissioner for Kent, 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:

	2016/17 £	2017/18 £
Kent County Council	53,990,000	57,619,401
Police & Crime Commissioner for Kent	7,246,772	7,681,316
Kent & Medway Fire & Rescue Authority	3,429,297	3,585,266
Tonbridge & Malling Borough Council	9,169,057	9,654,030
	<hr/> 73,835,126	<hr/> 78,540,013
Parish Councils	2,230,015	2,665,633
TOTAL	76,065,141	81,205,646

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	2016/17 Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	2017/18 Multiplier	Band D Equivalent Dwellings
Disabled A	2.75	5/9ths	1.53	2.75	5/9ths	1.53
A	827.86	6/9ths	551.91	857.10	6/9ths	571.40
B	2,416.03	7/9ths	1,879.13	2,493.48	7/9ths	1,939.37
C	11,480.09	8/9ths	10,204.50	11,924.67	8/9ths	10,599.71
D	11,358.72	9/9ths	11,358.70	11,530.07	9/9ths	11,530.07
E	8,000.63	11/9ths	9,778.54	8,233.79	11/9ths	10,063.52
F	4,653.69	13/9ths	6,721.99	4,733.47	13/9ths	6,837.23
G	4,327.68	15/9ths	7,212.79	4,451.20	15/9ths	7,418.67
H	371.87	18/9ths	743.74	381.35	18/9ths	762.70
			<hr/> 48,452.83			<hr/> 49,724.20
Estimated Collection Rate			98.30%			98.30%
COUNCIL TAX BASE			47,629.13			48,878.88

Band D Council Tax

	2016/17 £	2017/18 £
Kent County Council	1,133.55	1,178.82
Police & Crime Commissioner for Kent	152.15	157.15
Kent & Medway Fire & Rescue Authority	72.00	73.35
Tonbridge & Malling Borough Council	192.51	197.51
	<hr/> 1,550.21	<hr/> 1,606.83
Parish Councils (average)	46.82	54.53
TOTAL	1,597.03	1,661.36

This basic amount of council tax for a Band D property of £1,606.83 for 2017/18 (2016/17: £1,550.21) 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, charges are made 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 47.9p (2016/17: 49.7p) for large businesses or 46.6p (2016/17: 48.4p) for small businesses in 2017/18 and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

Business rates income after taking into account tariffs and top-ups 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 £54,408,000 for 2017/18 (2016/17: £53,350,000) was based on the total rateable value for the Council’s area which at the year-end was £143,796,396 (2016/17: £135,337,264).

3. IMPAIRMENT ALLOWANCE

	2016/17			2017/18		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Balance at 1 April	1,561	230	1,791	1,619	360	1,979
Write-Offs	(211)	(233)	(444)	(131)	(397)	(528)
Contribution to Allowance	269	363	632	298	287	585
BALANCE AT 31 MARCH	1,619	360	1,979	1,786	250	2,036

4. NATIONAL NON-DOMESTIC RATES PROVISION FOR VALUATION APPEALS

An assessment has been made of the potential liability of valuation appeals arising from business rate premises in respect of monies received by the Council up to 31 March 2018. This provision has been based upon information received from the Valuation Office Agency for appeals lodged up to 31 March 2018 and an element for appeals in respect of monies received in 2017/18 but no appeal has yet been lodged. The total amounts are shown in the table under [Note 6](#) below.

5. COLLECTION FUND SURPLUSES AND DEFICITS

The Borough Council is required to estimate the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax and national non-domestic rates. The estimated surplus or deficit is then shared between the Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority, Central Government and the Borough Council as appropriate. The estimated surplus for 2016/17 in respect of council tax was £989,763 and the estimated deficit for 2016/17 in respect of NNDR was £29,785. The actual surplus of £945,944 in respect of council tax and £109,518 in respect of NNDR at 31 March 2018 will be taken into account when estimating the surplus/deficit for 2018/19.

6. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

Each of the bodies' share of the arrears, pre-payments / refunds and other balances for both council tax and NNDR is shown in the table below.

	KCC £'000	PCC £'000	KMFRA £'000	Gov't £'000	TMBC £'000	Total £'000
At 31 March 2017	Council Tax Arrears	2,220	297	141	799	3,457
	Council Tax Provision for Bad Debts	(1,149)	(154)	(73)	(243)	(1,619)
	Council Tax Prepayments & Refunds	(1,127)	(151)	(71)	(238)	(1,587)
	Council Tax Cash	842	113	52	(150)	857
	Council Tax (Surplus) / Deficit	(786)	(105)	(49)	(168)	(1,108)
	NNDR Arrears	122	14	675	549	1,360
	NNDR Provision for Bad Debts	(32)	(4)	(180)	(144)	(360)
	NNDR Provision for Appeals	(675)	(75)	(3,750)	(3,000)	(7,500)
	NNDR Prepayments & Refunds	(190)	(21)	(1,054)	(843)	(2,108)
	NNDR Cash	717	80	3,984	3,178	7,959
	NNDR (Surplus) / Deficit	58	6	325	260	649
TOTAL		0	0	0	0	0
At 31 March 2018	Council Tax Arrears	2,444	327	152	898	3,821
	Council Tax Provision for Bad Debts	(1,266)	(170)	(79)	(271)	(1,786)
	Council Tax Prepayments & Refunds	(1,211)	(162)	(75)	(259)	(1,707)
	Council Tax Cash	705	97	43	(227)	618
	Council Tax (Surplus) / Deficit	(672)	(92)	(41)	(141)	(946)
	NNDR Arrears	54	6	301	245	606
	NNDR Provision for Bad Debts	(23)	(2)	(125)	(100)	(250)
	NNDR Provision for Appeals	(662)	(74)	(3,679)	(2,943)	(7,358)
	NNDR Prepayments & Refunds	(147)	(16)	(819)	(655)	(1,637)
	NNDR Cash	788	87	4,377	3,497	8,749
	NNDR (Surplus) / Deficit	(10)	(1)	(55)	(44)	(110)
TOTAL		0	0	0	0	0

ANNUAL GOVERNANCE STATEMENT

Purpose of this Statement

The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

Scope of responsibility

Tonbridge & Malling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards covering local authority activities, 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 carried out, 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 Local 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 can be obtained from the Legal team. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 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 2018 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 under seven main headings.

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

Standards of conduct among Members and Officers are governed through the Council's Members' Code of Conduct and Officer Code of Conduct. Effective communication between Members and Officers 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 the register of Members' Interests published on the Council's website.

The Members' Code of Conduct is based around ethical behaviour and requires objective and impartial decision making. The Code is communicated to all new Members on induction. Upholding standards of Member conduct is the responsibility of the Standards 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 available through the Council's intranet and 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 performance is the responsibility of line managers. In addition the Council's statutory Officers are subject to Continuing Professional Development 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/polices relevant to Council activities that are made available to staff and the public via the Council's intranet and internet sites respectively. Where it is appropriate strategies/policies are allocated to a lead Officer who is responsible for their periodic review and updating.

Ensuring openness and comprehensive stakeholder engagement

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 where not delegated to the Monitoring Officer. The Cabinet are responsible for taking most operational decisions. Notices of Key Decisions are published in advance via a monthly bulletin on the Council's website. 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 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 Committee, Cabinet or Council. 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.

The Overview and Scrutiny Committee is responsible for reviewing and scrutinising the decisions made by and performance of the Cabinet 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 has established arrangements to communicate and consult with stakeholders on the Council's work and key policy changes and this consultation allows the development of strategic priorities and the Corporate Strategy. In addition, the Council uses its complaints procedure to understand where services can be improved.

Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council has published a Corporate Strategy. The Strategy sets out Our Vision: To be a financially sustainable Council that delivers good value services, provides strong and clear leadership and, with our partners, addresses the needs of our Borough guided by the following core values: Taking a business-like approach; Promoting fairness; Embracing effective partnership working; and Valuing our environment and encouraging sustainable growth.

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 Strategy on redesigning services and further improving efficiency across all services.

The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. Alongside the MTFS sits a Savings and Transformation Strategy. Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead.

Value for money considerations are set out in all Member reports where relevant. The social impact of decisions is considered throughout the decision making process, including the carrying out of an Equalities Impact Assessment. Where relevant, policies are subject to Strategic Environmental Impact Assessment prior to adoption.

Determining the interventions necessary to optimise the achievement of the intended outcomes

Decision making mechanisms are set out in detail in the Council's Constitution. Whether a decision is at Council, Cabinet or Committee level it is informed by a report encompassing advice from relevant services across the Council. Where relevant, alternative options are provided within Member reports, with an assessment of the advantages and disadvantages of those options.

The Corporate Strategy provides a reference point for the actions we take to maintain and improve the services which are most important to the local community whilst taking into account a much reduced level of funding. The delivery of the Corporate Strategy is supported by operational plans prepared by individual services, which in turn are fed down to team and individual objectives through performance management arrangements.

Performance of the Council and its partners in achieving its objectives is monitored and measured by services and their respective Service Management Teams and subsequently Members. Individual services are accountable to the Corporate Management Team for operational performance monitoring and measurement and are responsible for taking action to correct any adverse performance, in the first instance, as appropriate.

Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council works towards improving value for money through exploration of innovative ways of working including potential for joint working and shared services; robust budgeting and financial monitoring arrangements including detailed reviews of budgets and potential savings opportunities and the work of internal and external audit.

The Council has a training programme for Members and holds regular training sessions (both on a programmed and ad hoc basis) on a variety of topics including induction training for all new Members and Committee specific training, e.g. Audit Committee.

The Council has an extensive training programme for officers including mandatory and voluntary training. Staff have access to appropriate induction training, and ongoing training (both on a programmed and ad-hoc basis) relevant to their roles. The annual appraisal process reviews staff performance and also identifies training needs.

Managing risks and performance through robust internal control and strong public financial management

The core functions of an audit committee as defined by *CIPFA's Audit Committees: Practical Guidance for Local Authorities* is fulfilled by the Council's Audit 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 Audit Committee has adopted a Risk Management Strategy that sets out the roles of Members and Officers in the identification and minimisation of risk.

Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which is used to develop the Council's vision and objectives. This ensures that risks to the achievement of the Council's objectives are identified and managed appropriately. 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 and a risk management escalation process in place. 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 Members and Officers 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 2017/18 this is governed by the Public Sector Internal Audit Standards and the CIPFA application note to the Standards. The Chief Audit Executive role 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, bribery and corruption arrangements including whistleblowing. The Chief Audit Executive is responsible for the maintenance of the Council's Anti-Fraud, Bribery & Corruption Policy and Whistleblowing Policy and has arrangements and resources in place to investigate any allegations made under either document.

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. The Council's financial information and reporting arrangements are sound and the external auditor following the 2016/17 audit concluded that the Council continues to have proper arrangements to plan finances effectively to manage the medium term financial position of the Council.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council has implemented the mandatory and (where cost effective) recommended principles set out in the Local Government Transparency Code.

All reports (save those which are exempt) for both historic and prospective meetings of the Council and its Committees and Boards are made available to the public through the Council's website. Where possible, reports are written in a public-facing and non-technical manner.

The annual Statement of Accounts reports the Council's financial performance and is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK and is subject to external audit. Included within the Accounts is an opinion given by the Council's external auditors on value for money through economic, efficient and effective use of resources.

The Review of Effectiveness of the System of Internal Audit for the year 2017/18 concluded that a good system of internal audit is in place within the Council.

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 managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Audit Executive's Annual Report, and also by comments made by the external auditor and other review agencies and inspectorates.

The effectiveness of the Council's governance arrangements has been evaluated through a self-assessment against the principles of the CIPFA/SOLACE document, *Delivering Good Governance in Local Government Framework 2016*.

It should be noted that no significant governance issues were identified in the Annual Governance Review and no other areas were identified for further enhancement.

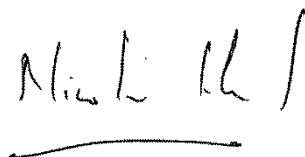
Signed



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

Dated 22 May 2018

Signed



Councillor N. J. Heslop
Leader of the Council

Dated 22 May 2018

Independent auditor's report to the members of Tonbridge and Malling Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tonbridge and Malling Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Transformation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Transformation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Transformation is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 17 to 70, the Narrative Report, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If,

based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Transformation and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, 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. 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance and Transformation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Transformation is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves 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 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Ciaran McLaughlin
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square
London
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July 18

2017/8