

2015/16

# Statement of Accounts



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# NARRATIVE REPORT

## 1. INTRODUCTION

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

The Accounts should enable the reader to find out:

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

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

## 2. CHANGES IN PRESENTATION AND ACCOUNTING

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. The Code is based on a hierarchy of approved accounting standards, further details can be found on page 19.

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

The Council's Accounts for the year 2015/16 are set out on pages 15 to 68.

## 3. OVERVIEW OF STATEMENT OF ACCOUNTS

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

### **Narrative Report**

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

### **Statement of Responsibilities for the Statement of Accounts**

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

### **Core Financial Statements**

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

- **Movement in Reserves Statement**

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

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

- **Comprehensive Income and Expenditure Statement**

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

- **Balance Sheet**

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

- **Cash Flow Statement**

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

- **Notes to the Core Financial Statements**

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

## **Supplementary Financial Statements**

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

- **Collection Fund and Associated Notes**

The Collection Fund for English Authorities is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

## Annual Governance Statement

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

## Independent Auditor's Report

The Council's 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.

## Glossary

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

## 4. FINANCIAL REVIEW OF 2015/16

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 2015 the Council set a net revenue budget of £14,906,000. This was to be met from council tax income of £8,794,000, business rates of £1,994,000, revenue support grant of £1,589,000, New Homes Bonus of £3,101,000, other grants and contributions of £116,000 and council tax surplus of £92,000; offset by a net contribution to specific revenue reserves for specific projects/purposes of £707,000 and a contribution of £73,000 to the general revenue reserve.

The revised net revenue budget of £14,843,000 prepared in the year was £63,000 less than the original budget set by the Council in February 2015. This, together with an increase of £60,000 in other grants and contributions; offset by an increase in the planned net contribution to specific revenue reserves of £103,000 and a decrease of £19,000 in respect of business rates, led to a contribution to the general revenue reserve of £74,000 compared to the estimated contribution to the reserve of £73,000 when the budget was set in February 2015, a difference of £1,000.

The actual net revenue spend for the year of £14,280,000 was £626,000 less than the original budget set by the Council in February 2015. This, together with an increase of £115,000 in other grants and contributions; offset by an increase in the planned net contribution to specific revenue reserves of £291,000 and a decrease of £154,000 in respect of business rates, led to a contribution to the general revenue reserve of £369,000 compared to the estimated contribution to the reserve of £73,000 when the budget was set in February 2015, a difference of **£296,000**.

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

2014/15 Actual £'000		Original Budget £'000	2015/16 Revised Budget £'000	Actual £'000
2,932	Corporate Services	3,072	2,586	2,609
1,075	Chief Executive	826	931	865
114	Director of Central Services	25	(47)	(83)
2,211	Director of Finance & Transformation	2,052	2,092	1,958
3,565	Director of Planning, Housing & Environmental Health	3,899	4,180	3,625
8,124	Director of Street Scene, Leisure & Technical Services	8,019	8,116	7,713
<b>18,021</b>	<b>Cost of Services</b>	<b>17,893</b>	<b>17,858</b>	<b>16,687</b>
(2,571)	Depreciation, Amortisation & Impairment	(2,509)	(2,587)	(2,347)
(238)	Revenue Expenditure Funded from Capital	(478)	(428)	(60)
<b>15,212</b>	<b>Sub-total</b>	<b>14,906</b>	<b>14,843</b>	<b>14,280</b>
(2,396)	New Homes Bonus	(3,101)	(3,101)	(3,101)
(234)	Other Grants & Contributions	(116)	(176)	(231)
546	Contributions to or (from) Specific Revenue Reserves	707	810	998
<b>13,128</b>	<b>Sub-total</b>	<b>12,396</b>	<b>12,376</b>	<b>11,946</b>
(1,242)	Contribution to or (from) General Revenue Reserve	73	74	369
<b>11,886</b>	<b>Budget Requirement</b>	<b>12,469</b>	<b>12,450</b>	<b>12,315</b>
(1,061)	Business Rates Retention Scheme	(1,994)	(1,975)	(1,840)
(2,307)	Revenue Support Grant	(1,589)	(1,589)	(1,589)
(97)	Council Tax (Surplus) / Deficit	(92)	(92)	(92)
<b>8,421</b>	<b>BALANCE TO BE MET FROM COUNCIL TAX PAYERS</b>	<b>8,794</b>	<b>8,794</b>	<b>8,794</b>
<b>£183.85</b>	<b>Council Tax at Band D (Borough Council only)</b>	<b>£187.51</b>	<b>£187.51</b>	<b>£187.51</b>

The table below provides in more detail the reasons for the variation of £296,000 in the contribution to the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Cost of Employees (see table below)	11,571	11,368	(203)
Refuse, Recycling & Street Cleansing Contract	3,581	3,499	(82)
Land Charges Grant	0	(73)	(73)
Major Income Streams	(4,294)	(4,357)	(63)
Investment Income	(168)	(226)	(58)
Street / House Naming & Numbering	(25)	(67)	(42)
Appeals & Applications	45	15	(30)
Postage	167	138	(29)
Members Allowances	429	401	(28)
Summons Costs Recovered	(250)	(275)	(25)
Plastic Recycling	110	89	(21)
Electoral Registration Grant	(39)	(59)	(20)
Legal Expenses	38	78	40
Leisure Trust Receipts	(153)	(103)	50
Housing Benefits	(23)	67	90
Business Rates Retention Scheme	(1,994)	(1,840)	154
Building Repairs Reserve	500	850	350
Other	(774)	(1,080)	(306)
<b>TOTAL</b>	<b>8,721</b>	<b>8,425</b>	<b>(296)</b>

As can be seen from the table above the favourable variance can in large part be attributed to a wide range of individual service budgets, together with management savings on the salary bill, lower contract payments in respect of our major contract, better than budgeted income from our major income streams and higher than anticipated investment income. Offset by an increase in the contribution to the Building Repairs reserve, the shortfall to be met by the Council under the Business Rates Retention scheme and pressure on the housing benefits budget as a result of government initiatives.

An analysis of the cost of employees is given in the table below. At 31 March 2016 (2015) the Council employed 269 (284) permanent staff, equating to 227 (236) full-time equivalents.

2014/15 Actual £'000		Original Budget £'000	2015/16 Actual £'000	Variance £'000
8,005	Salaries	7,971	7,829	(142)
588	Employers' National Insurance Contributions	601	572	(29)
1,068	Employers' Superannuation Contributions	1,108	1,038	(70)
1,322	Superannuation Lump Sum Contribution	1,388	1,381	(7)
388	Termination Payments	331	381	50
82	Training	75	74	(1)
10	Health Care	7	4	(3)
15	Recruitment	2	7	5
89	Leased Car Costs	72	65	(7)
19	Professional Subscriptions	16	17	1
<b>11,586</b>	<b>TOTAL</b>	<b>11,571</b>	<b>11,368</b>	<b>(203)</b>

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

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

## **5. CAPITAL EXPENDITURE**

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

In February 2015 the Council set a capital budget of £1,870,000 net of specific government grants and other contributions of which £1,869,000 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 2014/15 and progress made on our capital projects. The revised budget total was £2,025,000 of which £1,675,000 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 on an accruals basis was £1,341,000 (including the purchase of a vehicle at a cost of £31,000 and subject to an insurance claim) of which £1,017,000 is to be met from the revenue reserve for capital schemes and the balance from capital receipts. The underspend of £715,000 can largely be attributed to a lower than anticipated spend on capital renewals at our leisure facilities and in respect of information technology; and due to the nature of capital expenditure the rescheduling / reprofiling and review of future budgetary provision.

Capital projects completed in the year included a joint project with the Environment Agency to provide a new flood wall, high quality public open space and new boater facilities at Tonbridge Town Lock; and refurbishment of the Lifestyles Health Suite to provide a wider range of facilities and investment in a new system that uses ultraviolet technology to treat the water in all three pools at Larkfield Leisure Centre.



A summary of Capital Expenditure by service is shown in the table below.

2014/15 Actual	Service	Scheme	2015/16		Actual
			Original Budget	Revised Budget	
£'000			£'000	£'000	£'000
157	Planning, Housing & Env Health	House Renovation Grants	235	340	23
0		Other Schemes	0	16	0
<b>157</b>		<b>Total</b>	<b>235</b>	<b>356</b>	<b>23</b>
33	Street Scene, Leisure & Technical	Larkfield Leisure Centre	445	499	474
75		Tonbridge Town Lock	200	222	259
79		Refuse / Green Waste Bins	94	92	91
29		Car Parking	70	77	10
133		Sports Grounds	0	0	1
85		Other Schemes	28	53	31
<b>434</b>		<b>Total</b>	<b>837</b>	<b>943</b>	<b>866</b>
36	Corporate	I.T. Initiatives	30	38	17
0		Other Schemes	0	2	5
<b>36</b>		<b>Total</b>	<b>30</b>	<b>40</b>	<b>22</b>
6	Capital Renewals	Planning, Housing & Env Health	0	1	0
166		Street Scene, Leisure & Technical	481	317	169
367		Corporate	287	368	261
<b>539</b>		<b>Total</b>	<b>768</b>	<b>686</b>	<b>430</b>
<b>1,166</b>	<b>TOTAL CAPITAL EXPENDITURE</b>		<b>1,870</b>	<b>2,025</b>	<b>1,341</b>
1,050	Funding	Revenue Reserve for Capital Sch	1,869	1,675	1,017
1		Grants & Contributions b/fwd	0	0	0
0		Grants & Contributions c/fwd	0	0	0
115		Capital Receipts	1	350	324
<b>1,166</b>	<b>TOTAL FUNDING</b>		<b>1,870</b>	<b>2,025</b>	<b>1,341</b>

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

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

## 6. BALANCE SHEET

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 to other parties.

	£'000
Council Assets	76,083
Stock	20
Cash and Investments held	24,711
Money owed to the Council	3,954
Money owed by the Council	(6,383)
Long Term Liabilities	(6,509)
Pension Liability	(58,377)
<b>Total</b>	<b>33,499</b>

The Council's net worth is £33.499m as at 31 March 2016, this is represented by revenue balances and reserves of £19.190m available to fund services and £14.309m of other balances. A breakdown of the revenue balances and reserves is shown below.

	£'000
Revenue Reserve for Capital Schemes	6,582
General Revenue Reserve	5,040
Other Usable Reserves	6,318
Revenue Balances - General Fund	1,250
<b>Total</b>	<b>19,190</b>

## 7. NON-CURRENT ASSETS

In accordance with the rolling programme council offices were the subject of revaluation by our external valuers. In addition to council offices, the Council's larger car parks and leisure premises 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 £3,739,000, of which £3,528,000 is recognised in the revaluation reserve and a net £211,000, representing largely the reversal of revaluation losses in previous years, is recognised in cost of services in the Comprehensive Income and Expenditure Statement. Investment property experienced an increase in fair value of £435,000 which is recognised 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 notable 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 2016 the total value of the Council's non-current assets (made up of Property Plant and Equipment, Heritage Assets, Intangible Assets and Investment Property) was £76.1m (£72.3m at 31 March 2015).

## 8. BORROWING AND INVESTMENTS

### Investments

Investments are broken down into internally managed core funds and cash flow investments (including cash equivalents). The Council prepares a Treasury Management Strategy Statement and Annual Investment Strategy as part of the Budget Setting Process each year. The Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16 was approved by full Council on 17 February 2015 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.

The Council achieved an investment return of 0.82% on its core funds for the year, compared to a 3-month Libid benchmark of 0.46%. This equates to investment income of £116,250. At the end of March 2016 the value of the fund stood at £15.6m.

The Council achieved an investment return of 0.65% on its internal cash flow investments (including cash equivalents) for the year, compared to a 7-day Libid benchmark of 0.36%. This equates to investment income of £109,850. At the end of March 2016 the value of cash flow funds managed internally stood at £8.6m.

Further information on Treasury Management performance for the year ended 31 March 2016 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2016.

### External Borrowing

The Council remained debt-free at 31 March 2016 and, at least in the short term, does not expect to borrow to support its capital programme.

## 9. CASH FLOW STATEMENT

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

	£'000	£'000
<b>Operating Activities</b>		
Cash Inflows (Income)	(86,895)	
Cash Outflows (Expenditure)	82,439	
<b>Net Inflow from Operating Activities</b>		<b>(4,456)</b>
<b>Investing Activities</b>		
Cash Inflows (Income)	(31,557)	
Cash Outflows (Expenditure)	35,040	
<b>Net Inflow from Investing Activities</b>		<b>3,483</b>
<b>Financing Activities - Cash Outflows</b>		<b>(2,163)</b>
<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,136)</b>
<b>Cash &amp; cash equivalents at the beginning of the reporting period</b>		<b>8,791</b>
<b>Cash &amp; cash equivalents at the end of the reporting period</b>		<b>11,927</b>

The statement shows that there was a net cash inflow of £3.1m largely as a result of monies held for the outcome of future appeals by business ratepayers.

## 10. 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.

expectations of inflation which when taken together has resulted in a small improvement in the funding position 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 based upon the full valuation of the scheme as at 31 March 2013. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

Further information relating to the assets, liabilities, income and expenditure of the pension scheme can be found in Note 10 to the accounts.

## 11. 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>.

### **Here are some facts and figures:**

- We collected 98.9% of the £73.1m of council tax due for the 2015/16 year.
- We collected 99.4% of the £55.0m of business rates due for the 2015/16 year.
- We paid 99.9% of the 5,800 invoices processed within 30 days of receipt.
- On average it took us 15.3 days to process a new housing benefit claim.
- On average 43% of household waste is recycled, 48% energy recovery and 9% to landfill.
- Of the 1,260 planning applications 84% were determined within the recommended timeframe.
- 9,434 residents and 248 businesses have signed up to My Account, to access services on-line and obtain information important to them. To register please go to <http://www.tmbc.gov.uk/my-account>.

## 12. REVIEW OF THE YEAR

The Council's overall aim is to be: -

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

The Council is facing a considerable period of change and challenge and in response is in the process of developing a new Corporate Strategy. The Strategy will set out the actions we now need to take to maintain and improve the services which are most important to the local community, the Council's priorities, whilst taking into account a much reduced level of funding. The current key priorities are:

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

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

- The Safer Towns Partnership continues to encourage licensed premises to make a positive contribution towards community safety and to reassure the public that local licensed premises are safe and pleasant places for people to visit.
- The Borough Council supported the Food Standards agency campaign to cut the number of cases of campylobacter – common cause of food poisoning in the UK – in half by the end of 2015.
- Six more businesses in the Snodland area were recognised for the work they are doing at reducing littering from their premises and the surrounding area.
- The Borough Council successfully prosecuted a case of fly-tipping asbestos in Tonbridge.
- A national anti-dog fouling campaign scooped down on Hadlow in a bid to raise awareness of dog fouling and eradicate it from the area.
- The number of adults participating in at least one 30-minute , moderate intensity sport per week in Tonbridge and Malling ranked highest in Kent following a recent survey which is testimony to the work carried out by the Council and others to promote healthy living.
- The Borough Council and the Kent Safeguarding Children's Board piloted training sessions on "Safeguarding Children Abused through Sexual Exploitation" for licensed taxi drivers. The training highlighting the signs that drivers should look out for when transporting people around.
- Kent Community Wardens, Ward Members and officers from the Borough Council joined residents for a 'Big Tidy Up' of Woodland Parade in Ditton.
- The Borough Council worked with Energy Deal to launch round three of a collective switching campaign to help residents looking to reduce their gas and electricity bills.

- Haysden Country Park received the Green Flag Award for the tenth consecutive year. The Green Flag Award is the benchmark national standard for parks and green spaces in the UK.
- For the fourth year running, the Borough Council received a Gold Award for Stray Dog Services from the RSPCA. The Award places the Council in the top 15% of local authorities nationally for achieving high standards when dealing with stray dogs.
- Investment in a new system that uses ultraviolet technology to treat the water in all three pools at Larkfield Leisure Centre reducing the amount of chlorine needed to disinfect the pools.
- The Borough Council became the first council in Kent to achieve the National Health and Wellbeing Charter in recognition of its commitment to the health and wellbeing of its staff.
- Refurbishment of Lifestyles Health Suite at Larkfield Leisure Centre to provide a wider range of facilities; and to complement upgraded fitness facilities.
- Woodlands Parade in Ditton one of nine small retail centres allocated funding to support district shopping centres in the borough.
- The Borough Council organised a programme of support for independent retail businesses called a 'Retail Health Check' which comprised a mystery shopping exercise followed by a two-hour workshop and one-to-one support from a business advisor to help boost sales.
- The Borough Council sign up to a new Mental Health Charter for Sport and Recreation with the aim of tackling the stigma that surrounds mental health issues through the power of sport.
- The Borough Council has become the first council in the UK to adopt new app, littergram, to help spot and clean up rubbish.
- A man from Borough Green given a 12-month prison sentence after illegally claiming more than £109,000 in benefits.
- Improvements to Tonbridge Town Lock – joint project with the Environment Agency to tackle the derelict lock-side area by providing a new flood wall, high quality public open space and new boater facilities.

### 13. THE FUTURE

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

- the ongoing impact of the Government's budget deficit reduction programme on the Council's finances;
- 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 ongoing impact of the Business Rates Retention scheme and the implementation of 100% business rates retention;
- 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.

#### **14. MEDIUM TERM FINANCIAL STRATEGY**

The Council's current 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 2016 was £5.0m (£4.7m at 31 March 2015).

Since 2010/11 the Council has seen its core funding, its Settlement Funding Assessment, fall by more than £4.2m or 60% with further cuts planned in future years. Up until now the fall in core funding has to a large extent been negated by the grant award under the New Homes Bonus (NHB) scheme. A major concern has always been what happens when the NHB scheme in its current form ceases or is replaced by something else, and the consequential impact on the Councils' finances. Based on assumptions made on further cuts in grant funding and what might happen to NHB and its impact on us, amongst other things, latest projections point to a 'funding gap' between expenditure and income of circa £1.825m. It should be noted that, depending on what happens to NHB, there is a real risk that the 'funding gap' could be more than that presently reflected in the MTFS and even more again if the scheme was to be withdrawn and not replaced.

The Council has a robust MTFS and the existence and discipline of the same affords us the time to take a constructive and considered approach to budgetary pressures, but with ever increasing pressure this is becoming progressively more difficult and place financial sustainability at risk. Clearly, the absolute size of the 'funding gap' will influence the timescales we afford ourselves to address the problem. Based on the above projection we could, for example, break down the savings target into three tranches (tranche one £625,000, tranche two £500,000 and tranche three £700,000 to be achieved by 2017/18, 2018/19 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 now 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 2016/17, 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>

# 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 2015/16* ('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 2016.

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

Signed



S. J. Shelton CPFA  
Director of Finance and Transformation

Signed

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

Dated 27 May 2016

Dated



## MOVEMENT IN RESERVES STATEMENT

2014/15						2015/16						
General Fund	Reserves & Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes	General Fund	Reserves & Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
1,250	18,515	0	19,765	14,565	34,330		1,250	18,264	0	19,514	6,006	25,520
<b>BALANCE AT 1 APRIL</b>												
<b>Comprehensive Income &amp; Expenditure</b>												
(3,989)			(3,989)		(3,989)		(577)			(577)		(577)
			0	(4,821)	(4,821)					0	8,556	8,556
(3,989)	0	0	(3,989)	(4,821)	(8,810)		(577)	0	0	(577)	8,556	7,979
<b>Total Comprehensive Income &amp; Expenditure</b>												
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>												
2,873			2,873	(2,873)	0	6	2,912			2,912	(2,912)	0
77			77	(77)	0	6	(184)			(184)	184	0
			0		0	6	(435)			(435)	435	0
(467)	161		(306)	306	0		(919)	(154)		(1,073)	1,073	0
1,449			1,449	(1,449)	0	10	1,487			1,487	(1,487)	0
(30)		113	83	(83)	0	6	(324)		324	0	0	0
836			836	(836)	0	11	(784)			(784)	784	0
29			29	(29)	0	13	(9)			(9)	9	0
(379)			(379)	379	0	8	(381)			(381)	381	0
(813)			(813)	813	0		(957)			(957)	957	0
2		(113)	(111)	111	0	14	1		(324)	(323)	323	0
<b>Net Increase / (Decrease) Before Transfers to / from Earmarked Reserves</b>							(170)	(154)	0	(324)	8,303	7,979
<b>Transfers to / from Earmarked Reserves</b>												
(59)	59		0		0	15	(330)	330		0		0
(1,444)	1,444		0		0	15	620	(620)		0		0
672	(672)		0		0	15	249	(249)		0		0
1,243	(1,243)		0		0	15	(369)	369		0		0
<b>0</b>	<b>(251)</b>	<b>0</b>	<b>(251)</b>	<b>(8,559)</b>	<b>(8,810)</b>		<b>0</b>	<b>(324)</b>	<b>0</b>	<b>(324)</b>	<b>8,303</b>	<b>7,979</b>
<b>Increase / (Decrease) in Year</b>												
1,250	18,264	0	19,514	6,006	25,520		1,250	17,940	0	19,190	14,309	33,499
<b>BALANCE AT 31 MARCH</b>												

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2014/15			Notes	2015/16		
	Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
<b>Continuing Operations</b>							
4,612	301	4,311	Cultural & Related Services		4,136	222	3,914
6,939	1,784	5,155	Environmental & Regulatory Services		6,916	1,496	5,420
3,231	1,154	2,077	Planning Services		3,074	1,044	2,030
2,184	2,807	(623)	Highways & Transport Services		2,124	2,938	(814)
39,225	37,324	1,901	Housing Services		39,501	37,910	1,591
3,331	1,367	1,964	Central Services to the Public		3,058	1,440	1,618
2,203	6	2,197	Corporate & Democratic Core		2,229	5	2,224
236	155	81	Public Health		278	188	90
703	505	198	Non-Distributed Costs		464	420	44
<b>62,664</b>	<b>45,403</b>	<b>17,261</b>	<b>Cost of Services</b>		<b>61,780</b>	<b>45,663</b>	<b>16,117</b>
<b>Other Operating Expenditure</b>							
83	113	(30)	Gain on Sale of Non-Current Assets	6		324	(324)
1,961		1,961	Parish Council Precepts		2,043		2,043
381		381	Drainage Board Levies		388		388
3		3	Corporate Impairment Allowance	16	4		4
2		2	Payments to Housing Capital	14	1		1
			Receipts Pool				
<b>Financing &amp; Investing Income &amp; Expenditure</b>							
25	365	(340)	Trading Undertakings	8	28	344	(316)
79		79	Interest Payable & Similar Charges - Leases	8	80		80
	168	(168)	Interest & Investment Income	9		230	(230)
2,091		2,091	Net Interest on Defined Benefit Liability	10	1,938		1,938
		0	(Gain) / Loss Arising from Changes in the Fair Value of Investment Properties	6	5	440	(435)
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>							
	10,510	(10,510)	Council Tax	11		10,960	(10,960)
21,172	22,110	(938)	National Non-Domestic Rates	11	21,346	22,790	(1,444)
	5,328	(5,328)	General Government Grants	12		5,347	(5,347)
	475	(475)	Capital Grants & Contributions	12		938	(938)
<b>88,461</b>	<b>84,472</b>	<b>3,989</b>	<b>(Surplus) / Deficit on Provision of Services</b>		<b>87,613</b>	<b>87,036</b>	<b>577</b>
<b>Other Comprehensive Income &amp; Expenditure</b>							
		(6,823)	(Surplus) / Deficit Arising on Revaluation of Non-Current Assets	6			(3,528)
		(51)	(Surplus) / Deficit Arising on Revaluation of Available-for-Sale Financial Assets	9			2
		11,695	Remeasurement of the Net Defined Benefit Liability (Pensions)	10			(5,030)
<b>8,810</b>			<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(7,979)</b>

## BALANCE SHEET

At 31 March 2015			At 31 March 2016	
£'000	£'000	Notes	£'000	£'000
<b>Long Term Assets</b>				
		6		
	55,620		58,190	
	4,247		3,785	
	1,152		1,035	
	727		1,850	
61,853	107		139	64,999
5,753		6		5,930
4,490		6		4,885
251		6		269
89		16		77
<b>72,436</b>				<b>76,160</b>
<b>Current Assets</b>				
	11,047	9	12,784	
	25		20	
	7,550	16	6,389	
	(2,228)	16	(2,512)	
25,185	8,791	17	11,927	28,608
<b>Current Liabilities</b>				
(3,900)	(3,900)	18	(6,383)	(6,383)
<b>Long Term Liabilities</b>				
	(2,659)	19	(3,285)	
	(61,920)	10	(58,377)	
	(1,913)	20	(1,750)	
(68,201)	(1,709)	8	(1,474)	(64,886)
<b>25,520</b>		<b>NET ASSETS</b>		<b>33,499</b>
<b>Reserves</b>				
	16,723	15	16,553	
	1,541	20	1,387	
	1,250		1,250	
19,514	0	14	0	19,190
<b>Unusable Reserves</b>				
	42,019	21	43,190	
	28,631	22	31,430	
	0	9	(2)	
	6	14	5	
	(2,637)	11	(1,853)	
	(93)	13	(84)	
6,006	(61,920)	10	(58,377)	14,309
<b>25,520</b>		<b>TOTAL RESERVES</b>		<b>33,499</b>

## CASH FLOW STATEMENT

2014/15			2015/16	
£'000	£'000	Notes	£'000	£'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash Inflows</b>				
(31,493)			(32,736)	
(42,657)			(44,734)	
(5,449)			(5,145)	
(97)			(251)	
(4,120)			(4,029)	
(83,816)			(86,895)	
<b>Cash Outflows</b>				
11,215			11,067	
35,513			36,210	
1,961			2,043	
8,789			8,385	
0			0	
25,116			24,734	
82,594			82,439	
(1,222)		23	(4,456)	
<b>NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>				
<b>INVESTING ACTIVITIES</b>				
<b>Cash Inflows</b>				
(113)			(324)	
(17,451)			(31,000)	
(344)			(232)	
(4)			(1)	
<b>Cash Outflows</b>				
1,168			2,289	
13,000			32,750	
2			1	
(3,742)			3,483	
<b>NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES</b>				
<b>FINANCING ACTIVITIES</b>				
<b>Cash Outflows</b>				
131			(2,163)	
131			(2,163)	
<b>NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES</b>				
(4,833)			(3,136)	
<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>				
3,958			8,791	
<b>Cash &amp; cash equivalents at the beginning of the reporting period</b>				
8,791			11,927	
<b>Cash &amp; cash equivalents at the end of the reporting period</b>				

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16*. 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 of Income and Expenditure**

Income and expenditure is accrued to ensure it is accounted for in the period to which it relates.

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

**e) Assets Held for Sale**

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

**f) Cash and Cash Equivalents**

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

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

The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for 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.

In addition, the Comprehensive Income and Expenditure Statement includes 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 next formal valuation is due 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 authorised for issue.

The authorised for issue date is:

- When the Accounts are signed by the Council's Section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 30 September.

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

- could materially alter an estimate of, for example, debtors, creditors or 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.

#### **l) Exceptional Items and Prior Period Adjustments**

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

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

#### **m) Financial Instruments**

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

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

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

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

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

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 £5,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimis level, but the aggregate value of similar items purchased in the year exceed the de-minimis level the expenditure may be treated as capital expenditure.

### Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

#### Land and Buildings

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

<b>Asset Category</b>	<b>Year of Valuation</b>	
Council Offices	2010/11	Completed
Car Parks	2011/12	Completed
Leisure Premises	2012/13	Completed
Properties for Community Use	2013/14	Completed
Public Conveniences	2014/15	Completed
Council Offices	2015/16	Completed

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 in excess of £100,000.

#### Vehicles, Plant and Equipment

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

#### Infrastructure Assets

These are non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of Infrastructure Assets are 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 a tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

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

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

Heritage assets are not subject to depreciation.

#### **Investment Property**

Investment 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. 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.

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. The costs of Corporate Management and Democratic Core, resulting from the Council being a multifunctional organisation, are allocated to a separate objective head and, in accordance with the Code, are not reapportioned.

**t) Provisions**

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

Provisions are recognised when:

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

**u) Reserves**

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

**v) Revenue Expenditure Funded from Capital Under Statute**

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

**w) Value Added Tax (VAT)**

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

**2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED**

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted. There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out at Note 1 the authority has to make judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Council's 2015/16 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.
- 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 8 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 2016. This provision is based on information received from the Valuation Office Agency. Further details are shown within note 4 to the Collection Fund.

### **4. EVENTS AFTER THE BALANCE SHEET DATE**

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2016. No events have occurred that require changes to the accounting statements.

### **5. SEGMENT REPORTING**

The Council is required to present information on reportable segments. Reporting segments are to be based on an authority's internal management reporting arrangements.

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

2014/15							2015/16							
Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene, Leisure & Technical Services £'000	Total £'000	Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene, Leisure & Technical Services £'000	Total £'000	
<b>Income</b>														
436	20	1,044	1,277	1,599	4,016	8,392	Fees, Charges & Other Service Income	367	55	1,106	1,306	1,589	3,943	8,366
			168			168	Interest & Investment Income				230			230
	46		36,267	484	385	37,182	Grants & Contributions	7	59	73	36,431	615	263	37,448
<b>436</b>	<b>66</b>	<b>1,044</b>	<b>37,712</b>	<b>2,083</b>	<b>4,401</b>	<b>45,742</b>	<b>Total Income</b>	<b>374</b>	<b>114</b>	<b>1,179</b>	<b>37,967</b>	<b>2,204</b>	<b>4,206</b>	<b>46,044</b>
<b>Expenditure</b>														
5,166	161	547	1,192	2,975	1,556	11,597	Employee Expenses	4,923	195	589	1,110	3,096	1,485	11,398
718		11			1,002	1,731	Premises	536	13	13			997	1,559
276					153	429	Transport	250					148	398
1,495	708	256	793	1,127	1,459	5,838	Supplies & Services	1,494	481	130	645	1,101	1,489	5,340
				39	4,737	4,776	Third Party Payments					34	4,631	4,665
			381			381	Precepts & Levies				388			388
			357		76	433	Provisions for Bad Debts				419	2		421
			36,008			36,008	Housing Benefits				36,216			36,216
(4,685)	268	333	1,192	1,503	1,388	(1)	Support Service Recharges	(4,770)	285	354	1,147	1,592	1,391	(1)
398	5	11		3	2,154	2,571	Depreciation, Amortisation & Impairment	550	5	11		2	1,778	2,346
<b>3,368</b>	<b>1,142</b>	<b>1,158</b>	<b>39,923</b>	<b>5,647</b>	<b>12,525</b>	<b>63,763</b>	<b>Total Expenditure</b>	<b>2,983</b>	<b>979</b>	<b>1,097</b>	<b>39,925</b>	<b>5,827</b>	<b>11,919</b>	<b>62,730</b>
<b>2,932</b>	<b>1,076</b>	<b>114</b>	<b>2,211</b>	<b>3,564</b>	<b>8,124</b>	<b>18,021</b>	<b>COST OF SERVICES</b>	<b>2,609</b>	<b>865</b>	<b>(82)</b>	<b>1,958</b>	<b>3,623</b>	<b>7,713</b>	<b>16,686</b>

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.

	2014/15 £'000	2015/16 £'000
<b>Cost of Services in Service Analysis</b>	<b>18,021</b>	<b>16,686</b>
add Amounts not Reported to Management		
Pension Adjustments	(642)	(451)
Embedded Lease Depreciation	379	381
Accrued Annual Leave	29	(9)
Miscellaneous Income and Expenditure	(192)	(183)
less Amounts not included in Comprehensive Income & Expenditure Statement		
Embedded Lease Contract Payments	(458)	(461)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(381)	(388)
Corporate Impairment Allowance	(3)	(4)
less Items Included in Financing & Investment		
Trading Undertakings	340	316
Interest & Investment Income	168	230
<b>NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>17,261</b>	<b>16,117</b>



## 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

2014/15					2015/16				
Service Analysis	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
<b>Income</b>									
8,392	201			8,593	Fees, Charges & Other Service Income	8,366	212		8,578
168				168	Interest & Investment Income	230			230
			10,510	10,510	Council Tax			10,960	10,960
			21,530	21,530	National Non-Domestic Rates			22,790	22,790
37,182	(7)		5,803	42,978	Grants & Contributions	37,448	(19)	6,285	43,714
			113	113	Disposal of Non-Current Assets			324	324
				0	Fair Value of Investment Properties			440	440
<b>45,742</b>	<b>194</b>	<b>0</b>	<b>37,956</b>	<b>83,892</b>	<b>Total Income</b>	<b>46,044</b>	<b>193</b>	<b>0</b>	<b>40,799</b>
<b>Expenditure</b>									
11,597	(613)		2,091	13,075	Employee Expenses	11,398	(451)	1,938	12,885
1,731				1,731	Premises	1,559			1,559
429				429	Transport	398			398
5,838	2			5,840	Supplies & Services	5,340	1		5,341
4,776		(458)		4,318	Third Party Payments	4,665		(461)	4,204
			79	79	Interest Payments				0
381			1,961	2,342	Precepts & Levies	388		80	468
433				433	Provisions for Bad Debts	421		2,043	2,464
36,008				36,008	Housing Benefits	36,216			36,216
(1)				(1)	Support Service Recharges	(1)			(1)
2,571	379			2,950	Depreciation, Amortisation & Impairment	2,346	381		2,727
			2	2	Housing Capital Receipts Pool			1	1
			20,592	20,592	National Non-Domestic Rates			21,346	21,346
			83	83	Disposal of Non-Current Assets				0
				0	Fair Value of Investment Properties			5	5
<b>63,763</b>	<b>(232)</b>	<b>(458)</b>	<b>24,808</b>	<b>87,881</b>	<b>Total Expenditure</b>	<b>62,730</b>	<b>(69)</b>	<b>(461)</b>	<b>87,613</b>
<b>18,021</b>	<b>(426)</b>	<b>(458)</b>	<b>(13,148)</b>	<b>3,989</b>	<b>TOTAL</b>	<b>16,686</b>	<b>(262)</b>	<b>(461)</b>	<b>577</b>

## 6. NON-CURRENT ASSETS

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

	Land & Buildings £'000	PROPERTY, PLANT & EQUIPMENT 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
<b>NET BOOK VALUE AT 1 APRIL 2014</b>	51,001	4,760	1,149	464	40	57,414	4,997	4,490	320	67,221
<b>Cost or Valuation</b>										
At 1 April 2014	52,656	10,959	2,850	464	40	66,969	4,997	4,608	944	77,518
Additions	24	601	157	261	107	1,150			84	1,234
Derecognition - Disposals		(532)	(170)			(702)			(255)	(957)
Reclassification		28	10	2	(40)	0				0
Revaluation Recognised in the Revaluation Reserve	6,923					6,923	756			7,679
Net Gains from Fair Value Adjustments	0					0				0
Other Movements in Cost or Valuation	(3,867)	507				(3,360)				(3,360)
<b>At 31 March 2015</b>	<b>55,736</b>	<b>11,563</b>	<b>2,847</b>	<b>727</b>	<b>107</b>	<b>70,980</b>	<b>5,753</b>	<b>4,608</b>	<b>773</b>	<b>82,114</b>
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2014	(1,655)	(6,199)	(1,701)	0	0	(9,555)	0	(118)	(624)	(10,297)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,415)	(1,141)	(164)			(2,720)			(153)	(2,873)
Impairment Recognised in Surplus/Deficit on the Provision of Services	(57)	(20)				(77)				(77)
Impairment Recognised in Revaluation Reserve	(856)					(856)				(856)
Derecognition - Disposals		532	170			702			255	957
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	3,867	(488)				3,379				3,379
<b>At 31 March 2015</b>	<b>(116)</b>	<b>(7,316)</b>	<b>(1,695)</b>	<b>0</b>	<b>0</b>	<b>(9,127)</b>	<b>0</b>	<b>(118)</b>	<b>(522)</b>	<b>(9,767)</b>
<b>NET BOOK VALUE AT 31 MARCH 2015</b>	<b>55,620</b>	<b>4,247</b>	<b>1,152</b>	<b>727</b>	<b>107</b>	<b>61,853</b>	<b>5,753</b>	<b>4,490</b>	<b>251</b>	<b>72,347</b>
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	55,620	2,538	1,152	727	107	60,144	5,753	4,490	251	70,638
Leased		1,709				1,709				1,709

	Land & Buildings £'000	PROPERTY, PLANT & EQUIPMENT Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Assets under Const'n £'000	TOTAL PROPERTY, PLANT & EQUIPMENT £'000	HERITAGE ASSETS £'000	INVESTMENT PROPERTIES £'000	INTANGIBLE ASSETS £'000	TOTAL £'000
<b>NET BOOK VALUE AT 1 APRIL 2015</b>	55,620	4,247	1,152	727	107	61,853	5,753	4,490	251	72,347
<b>Cost or Valuation</b>										
At 1 April 2015	55,736	11,563	2,847	727	107	70,980	5,753	4,608	773	82,114
Additions	539	419	39	1,068	139	2,204			151	2,355
Derecognition - Disposals		(668)	(29)	(15)		(712)			(225)	(937)
Reclassification	40	37		70	(107)	40		(40)		0
Revaluation Recognised in the Revaluation Reserve	3,351					3,351	177			3,528
Net Gains from Fair Value Adjustments						0		440		440
Other Movements in Cost or Valuation	(1,186)	224				(962)		(123)		(1,085)
At 31 March 2016	58,480	11,575	2,857	1,850	139	74,901	5,930	4,885	699	86,415
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2015	(116)	(7,316)	(1,695)	0	0	(9,127)	0	(118)	(522)	(9,767)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,571)	(1,054)	(155)			(2,780)			(132)	(2,912)
Impairment Recognised in Surplus/Deficit on the Provision of Services	211	(10)	(1)	(15)		185		(5)	(1)	179
Impairment Recognised in Revaluation Reserve						0				0
Derecognition - Disposals		655	29	15		699			225	924
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	1,186	(65)				1,121		123		1,244
At 31 March 2016	(290)	(7,790)	(1,822)	0	0	(9,902)	0	0	(430)	(10,332)
<b>NET BOOK VALUE AT 31 MARCH 2016</b>	58,190	3,785	1,035	1,850	139	64,999	5,930	4,885	269	76,083
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	58,190	2,311	1,035	1,850	139	63,525	5,930	4,885	269	74,609
Leased		1,474				1,474				1,474

Intangible assets held consist of IT software and associated costs.

## Depreciation and Amortisation

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

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

Service	2014/15 £'000	2015/16 £'000
Cultural & Related Services	1	1
Environmental & Regulatory Services	0	0
Planning Services	0	0
Highways & Transport Services	0	0
Housing Services	0	0
Central Services to the Public	0	0
Corporate & Democratic Core	0	0
Non-Distributed Costs	152	132
<b>TOTAL</b>	<b>153</b>	<b>133</b>

## 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 council offices were the subject of revaluation.

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

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

The 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 council offices the Council's larger car parks and leisure premises 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 £3,739,000, of which £3,528,000 is recognised in the revaluation reserve and a net impairment reversal of £211,000 is recognised in cost of services in the Comprehensive Income and Expenditure Statement. Investment property experienced a net increase in fair value of £435,000 which is recognised 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 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 Iggulden, MRICS IRRV or BPS Chartered Surveyors, BPS House, Pannells Court, Guilford, Surrey in accordance with the *Statement of Asset Valuation Practice and Guidance Notes* of the Royal Institution of Chartered Surveyors.

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

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

## Valuations of Non-Current Assets carried at current value

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
Valued at current value in:					
2015/16	49,347	3,785	5,900	4,885	63,917
2014/15	1,628				1,628
2013/14	1,037				1,037
2012/13	1,335				1,335
2011/12	4,844				4,844
Prior Years	0		30		30
<b>TOTAL</b>	<b>58,190</b>	<b>3,785</b>	<b>5,930</b>	<b>4,885</b>	<b>72,790</b>

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. Per previous page the Council has revalued council offices, larger car parks and leisure premises; and investment property experienced an increase in fair value in 2015/16. These are reflected in the figures for 2015/16 rather than the year of previous valuation.

### Outstanding Capital Commitments

As at 31 March 2016 the Council had no significant outstanding capital commitments.

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

	2014/15 £'000	2015/16 £'000
Tonbridge Town Lock	75	1,198
Larkfield Leisure Centre	33	535
Capital Renewals	539	428
Refuse / Green Bin Growth / Replacement	80	91
Information Technology Initiatives	36	50
Tonbridge Memorial Gardens	266	10
Sports Grounds	133	1

The Capital Expenditure was financed as follows: -

	2014/15 £'000	2015/16 £'000
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
<b>Capital Investment</b>		
Purchase of Non-Current Assets		
Property, Plant & Equipment	1,150	2,203
Intangible Assets	84	151
<b>Total</b>	<b>1,234</b>	<b>2,354</b>
<b>Sources of Finance</b>		
Revenue	(813)	(957)
Capital Grants & Contributions	(306)	(1,073)
Capital Receipts	(115)	(324)
<b>Total</b>	<b>(1,234)</b>	<b>(2,354)</b>
<b>CLOSING CAPITAL FINANCING REQUIREMENT</b>	<b>0</b>	<b>0</b>

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**

	2014/15 £'000	2015/16 £'000
<b>Net Book Value</b>		
Lamberts Yard Public Convenience	49	0
Ridgeway Public Convenience	34	0
Maisonette, 20 Twisden Road	0	0
St. John's Ambulance Site, 136 Vale Road	0	0
<b>Total</b>	<b>83</b>	<b>0</b>
<b>Sale Proceeds</b>		
Lamberts Yard Public Convenience	(59)	0
Ridgeway Public Convenience	(54)	0
Maisonette, 20 Twisden Road	0	(131)
St. John's Ambulance Site, 136 Vale Road	0	(193)
<b>Total</b>	<b>(113)</b>	<b>(324)</b>
<b>(GAIN) / LOSS ON DISPOSAL</b>	<b>(30)</b>	<b>(324)</b>

## 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 2015 £'000	At 31 March 2016 £'000
Tonbridge Castle Gatehouse	5,610	5,778
Civic Regalia	55	64
Sculptures	50	50
Paintings	38	38
<b>TOTAL</b>	<b>5,753</b>	<b>5,930</b>

## 7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2014/15 £'000    £'000		2015/16 £'000    £'000	
<b>Gross Expenditure</b>				
House Renovation Grants	641		623	
Repair & Renew Grant	384		257	
Other	82	1,107	53	933
<b>Grants &amp; Contributions Received</b>				
Disabled Facilities Grant Subsidy	(424)		(490)	
Repair & Renew Grant	(384)		(257)	
Housing Assistance Grant Repaid	(47)		(81)	
Other	(14)	(869)	(45)	(873)
<b>TOTAL</b>		<b>238</b>		<b>60</b>

## 8. LEASES

### Lessee – Operating Lease

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2015/16 (2014/15) was £40,000 (£60,000). The future cash payments required under these leases are: £20,000 not later than one year; £14,000 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 2015/16 £ 000's	Current Year +1 2016/17 £ 000's	Current Year +2 2017/18 £ 000's	Current Year +3 2018/19 £ 000's	Current Year +4 2019/20 £ 000's
Estimated Lease Value					
Principal	381	381	381	337	-
Interest	80	80	80	71	-
Total	<u>461</u>	<u>461</u>	<u>461</u>	<u>408</u>	<u>-</u>
Estimated Net Book Value Vehicles	1,474	1,093	712	375	-

### 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.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Rental Income Due	393	378	349	323	315	309	285



## 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.

	2014/15 £'000	2015/16 £'000
<b>Commercial Property</b>		
Income	(268)	(272)
less Expenditure	20	23
<b>(Surplus) / Deficit</b>	<b>(248)</b>	<b>(249)</b>
<b>Industrial Estates</b>		
Income	(97)	(72)
less Expenditure	5	5
<b>(Surplus) / Deficit</b>	<b>(92)</b>	<b>(67)</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>(340)</b>	<b>(316)</b>

The Balance Sheet value of these properties at the 31 March 2016 was £4,930,000 (£4,885,000 Investment Properties and £45,000 Land and Buildings). There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

## Lessor – Finance Lease

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

## 9. INTEREST AND INVESTMENTS

### Interest and Investment Income

	2014/15 £'000	2015/16 £'000	Year on Year Change £'000
Externally Managed Funds	(28)	0	28
Internally Managed Funds	(136)	(226)	(90)
Interest on Other Miscellaneous Loans	(4)	(4)	0
<b>TOTAL</b>	<b>(168)</b>	<b>(230)</b>	<b>(62)</b>

## Short Term Investments

	At 31 March 2015				At 31 March 2016			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Certificates of Deposit</b>								
Rabobank	0			0	1,000	(1)	1	1,000
Royal Bank of Scotland	1,000	(1)		999	0			0
Standard Chartered Bank	2,000	1	10	2,011	0			0
Toronto Dominion Bank	0			0	1,000	(1)		999
<b>Total</b>	<b>3,000</b>	<b>0</b>	<b>10</b>	<b>3,010</b>	<b>2,000</b>	<b>(2)</b>	<b>1</b>	<b>1,999</b>
<b>Fixed Interest Deposits</b>								
Bank of Scotland	2,000		12	2,012	2,000		4	2,004
Barclays Bank	2,250		9	2,259	1,250		8	1,258
Goldman Sachs	0			0	2,000		5	2,005
Lloyds Bank	1,500		11	1,511	2,500		14	2,514
Nationwide Building Society	2,250		5	2,255	3,000		4	3,004
<b>Total</b>	<b>8,000</b>	<b>0</b>	<b>37</b>	<b>8,037</b>	<b>10,750</b>	<b>0</b>	<b>35</b>	<b>10,785</b>
<b>TOTAL</b>	<b>11,000</b>	<b>0</b>	<b>47</b>	<b>11,047</b>	<b>12,750</b>	<b>(2)</b>	<b>36</b>	<b>12,784</b>

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

### Cash Equivalents (Note 17 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 2016.
- 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 2015			At 31 March 2016		
	Loans and receivables £'000	Available-for-sale £'000	Total £'000	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Short Term	8,037	3,010	11,047	10,785	1,999	12,784
<b>TOTAL</b>	<b>8,037</b>	<b>3,010</b>	<b>11,047</b>	<b>10,785</b>	<b>1,999</b>	<b>12,784</b>

## Interest Received

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

	2014/15			2015/16		
	Loans and receivables £'000	Available-for-sale £'000	Total £'000	Loans and receivables £'000	Available-for-sale £'000	Total £'000
<b>Interest &amp; Investment Income</b>						
Interest Income	(66)	(28)	(94)	(109)	(1)	(110)
Losses on Derecognition			0			0
<b>TOTAL</b>	<b>(66)</b>	<b>(28)</b>	<b>(94)</b>	<b>(109)</b>	<b>(1)</b>	<b>(110)</b>

## 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 2015		At 31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Deposits with Banks & Building Societies	11,047	11,047	12,784	12,784
<b>TOTAL</b>	<b>11,047</b>	<b>11,047</b>	<b>12,784</b>	<b>12,784</b>

## Management of Risk

### Credit Risk

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

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

	Amounts as at 31 March 2016  £'000	Historical Experience of Default  %	Historical Experience Adjusted for Market Conditions as at 31 March 2016  %	Estimated Maximum Exposure to Default and Uncollectability  £'000
<b>Investments</b>				
Deposits with Banks & Building Societies	12,784	0.5%	0%	0
<b>TOTAL</b>	<b>12,784</b>			<b>0</b>

### 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 £128,000 (£110,000 in 2014/15).

## 10. PENSION COSTS

Employees of Tonbridge & Malling Borough Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme (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

	2014/15 £'000	2015/16 £'000
<b>Amounts Charged to Income and Expenditure Statement</b>		
Net Cost of Services		
Current Service Costs	1,855	2,200
Past Service Costs (Change in Benefit)	144	34
Administration Expenses	50	50
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	2,091	1,938
<b>Net Charge to the Income and Expenditure Statement</b>	<b>4,140</b>	<b>4,222</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,140)	(4,222)
<b>Actual Amount Charged to the General Fund for Pensions in the Year</b>		
Employers' contributions payable to scheme	2,691	2,735
<b>CONTRIBUTION (FROM) / TO PENSIONS RESERVE</b>	<b>(1,449)</b>	<b>(1,487)</b>

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 £5,030,000 in 2015/16 and a loss of £11,695,000 in 2014/15 are included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

## Assets and Liabilities in Relation to Retirement Benefits

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

Reconciliation of the Present Value of Scheme Liabilities	2014/15 £'000	2015/16 £'000
<b>Opening Balance at 1 April - Defined Benefit Obligation</b>	<b>115,266</b>	<b>133,963</b>
Current Service Costs	1,855	2,200
Past Service Costs	144	34
Contributions from Scheme Participants	505	500
Interest Cost	4,979	4,216
Change in Financial Assumptions	16,207	(6,475)
Experience Loss / (Gain) on Defined Benefit Obligation	(72)	(60)
Benefits Paid	(4,626)	(4,702)
Unfunded Pension Payments	(295)	(288)
<b>CLOSING BALANCE AT 31 MARCH - DEFINED BENEFIT OBLIGATION</b>	<b>133,963</b>	<b>129,388</b>

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

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

Reconciliation of the Fair Value of Scheme Assets	2014/15 £'000	2015/16 £'000
<b>Opening Balance at 1 April - Fair Value of Scheme Assets</b>	<b>66,490</b>	<b>72,043</b>
Interest on Assets	2,888	2,278
Return on Assets Less Interest	4,440	(1,505)
Employers' Contributions	2,691	2,735
Contributions from Scheme Participants	505	500
Benefits Paid	(4,921)	(4,990)
Administration Expenses	(50)	(50)
<b>CLOSING BALANCE AT 31 MARCH - FAIR VALUE OF SCHEME ASSETS</b>	<b>72,043</b>	<b>71,011</b>

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 £773,000 (2014/15: gain of £7,328,000).

	2014/15 £'000	2015/16 £'000
Present value of funded obligation	130,473	126,215
Fair value of scheme assets (bid price)	72,043	71,011
<b>Sub-total</b>	<b>58,430</b>	<b>55,204</b>
Present value of unfunded obligation	3,490	3,173
<b>NET PENSION LIABILITY</b>	<b>61,920</b>	<b>58,377</b>

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 small improvement in the funding position 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)	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>(48,776)</b>	<b>(61,920)</b>
Current Service Costs	(1,855)	(2,200)
Past Service Costs	(144)	(34)
Actuarial Gains / (Losses)	(11,695)	5,030
Employers' Contributions	2,396	2,735
Unfunded Pension Payments	295	0
Administration Expenses	(50)	(50)
Other Finance Income	(2,091)	(1,938)
<b>BALANCE AT 31 MARCH</b>	<b>(61,920)</b>	<b>(58,377)</b>

### 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 2015		At 31 March 2016	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Equities	49,234	68	47,356	67
Bonds	8,013	11	7,797	11
Property	8,949	13	10,315	14
Cash	1,970	3	1,828	3
Target Return Portfolio	3,124	4	3,086	4
Gilts	753	1	629	1
<b>TOTAL</b>	<b>72,043</b>	<b>100</b>	<b>71,011</b>	<b>100</b>

### Scheme History

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Present Value of Liabilities	(105,586)	(115,810)	(115,266)	(133,963)	(129,388)
Fair Value of Assets	59,799	67,985	66,490	72,043	71,011
<b>SURPLUS / (DEFICIT) IN THE SCHEME</b>	<b>(45,787)</b>	<b>(47,825)</b>	<b>(48,776)</b>	<b>(61,920)</b>	<b>(58,377)</b>
Experience Gains / (Losses) on Assets	(3,284)	0	(3,346)	0	0
Percentage of Assets	(5.5%)	0.0%	(5.0%)	0.0%	0.0%
Experience Gains / (Losses) on Liabilities	(133)	(170)	3,660	72	60
Percentage of Liabilities	(0.1%)	(0.1%)	3.2%	0.1%	0.0%

### Actuarial Gains and Losses

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	(15,854)	(530)	(346)	(11,695)	5,030
<b>CUMULATIVE ACTUARIAL GAINS / (LOSSES)</b>	<b>(33,733)</b>	<b>(34,263)</b>	<b>(34,609)</b>	<b>(46,304)</b>	<b>(41,274)</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2013.



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

	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.8 Years	22.9 Years
Women	25.2 Years	25.3 Years
Longevity at 65 for future pensioners:		
Men	25.1 Years	25.2 Years
Women	27.6 Years	27.7 Years
RPI Increases	3.1%	3.2%
CPI Increases	2.3%	2.3%
Salary Increases	4.1%	4.1%
Pension Increases	2.3%	2.3%
Discount Rate	3.2%	3.5%

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	127,221	129,388	131,591
Projected Service Cost	1,987	2,031	2,076
Adjustment to Long Term Salary Increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	129,602	129,388	129,173
Projected Service Cost	2,032	2,031	2,030
Adjustment to Pensions Increase and Deferred Revaluation	0.1%	0.0%	-0.1%
Present Value of Total Obligation	131,400	129,388	127,408
Projected Service Cost	2,076	2,031	1,987
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	133,484	129,388	125,419
Projected Service Cost	2,083	2,031	1,980

### Projected Pension Expense for the Year to 31 March 2017

These projections are based on the Actuary's assumptions as at 31 March 2016.

	2016/17 Projection £'000
Service Cost	2,031
Net Interest on the defined liability (asset)	1,995
Administration Expenses	49
Total	<u>4,075</u>
Employers' Contributions	2,488

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

#### 11. COUNCIL TAX AND NATIONAL NON-DOMESTIC RATES INCOME

<b>Council Tax</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Borough Council's Council Tax	(8,421)	(8,794)
Parish Councils' Council Tax	(1,961)	(2,043)
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	(97)	(93)
Council Tax (Surplus) / Deficit	(31)	(30)
<b>TOTAL</b>	<b>(10,510)</b>	<b>(10,960)</b>

<b>National Non-Domestic Rates</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Share of National Non-Domestic Rates	(21,205)	(21,583)
Tariff / (Top-Up)	19,772	20,150
Safety Net	(905)	(452)
Prior Year's Estimated Accumulated Non Domestic Rates (Surplus) / Deficit	533	1,195
National Non-Domestic Rates (Surplus) / Deficit	867	(754)
<b>TOTAL</b>	<b>(938)</b>	<b>(1,444)</b>

<b>Collection Fund Adjustment Account</b>	<b>Balance at 1 April 2014 £'000</b>	<b>2014/15 Surplus / (Deficit) £'000</b>	<b>Balance at 31 March 2015 £'000</b>	<b>2015/16 Surplus / (Deficit) £'000</b>	<b>Balance at 31 March 2016 £'000</b>
Council Tax	106	31	137	30	167
National Non-Domestic Rates	(1,907)	(867)	(2,774)	754	(2,020)
<b>TOTAL</b>	<b>(1,801)</b>	<b>(836)</b>	<b>(2,637)</b>	<b>784</b>	<b>(1,853)</b>

## 12. GRANT INCOME

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

### Credited to Taxation & Non-Specific Grant Income & Expenditure

	2014/15		2015/16	
	£'000	£'000	£'000	£'000
General Government Grants				
New Homes Bonus	(2,396)		(3,101)	
Revenue Support Grant	(2,307)		(1,589)	
Small Business & Empty Property Rate Relief Grant	(346)		(367)	
Retail Relief Grant	(179)		(234)	
Business Rates Flood Relief Grant	(43)		0	
Other	(57)	(5,328)	(56)	(5,347)
Capital Grants & Contributions				
Sovereign House Developer Contribution	0		(311)	
Environment Agency Contribution	0		(205)	
Priory Works Developer Contribution	0		(154)	
Ashby's Yard Developer Contribution	(69)		(102)	
TMLT Contribution	0		(62)	
River Centre Developer Contribution	0		(52)	
Environment Agency Contribution	(150)		0	
Council Tax Reform Grant	(60)		0	
River Walk Developer Contribution	(38)		0	
Tonbridge Memorial Garden Trust Contribution	(35)		0	
SITA Trust Contribution	(32)		0	
Implementing Individual Electoral Registration Grant	(30)		0	
Other	(61)	(475)	(52)	(938)
<b>TOTAL</b>		<b>(5,803)</b>		<b>(6,285)</b>

### Credited to Services

	2014/15	2015/16
	£'000	£'000
Rent Allowance Subsidy	(34,941)	(35,329)
Disabled Facilities Grant Subsidy	(424)	(490)
Benefits Administration Grant	(451)	(403)
Repair & Renew Grant	(383)	(257)
NNDR Cost of Collection Allowance	(168)	(165)
Non-HRA Rent Rebate Subsidy	(137)	(159)
Discretionary Housing Payment Contribution	(165)	(140)
Local Council Tax Support Administration Grant	(109)	(103)
Local Land Charges Grant	0	(73)
Local Benefits Scheme Subsidy	(70)	(58)
Implementing Individual Electoral Registration Grant	(46)	(59)
Council Tax Flood Relief Grant	(150)	0
Other	(138)	(212)
<b>TOTAL</b>	<b>(37,182)</b>	<b>(37,448)</b>

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found on page 60 Note 20.

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

#### Emoluments

Employee remuneration is defined as all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax) and the estimated money value of any other benefits received by an employee otherwise than in cash. The number of employees, whose remuneration, 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	
	2014/15	2015/16
£50,000 - £54,999	15	16
£55,000 - £59,999	6	6
£60,000 - £64,999	2	1
£65,000 - £69,999	2	2
£70,000 - £74,999	-	-
£75,000 - £79,999	1	-
£80,000 - £84,999	-	-
£85,000 - £89,999	2	-
£90,000 - £94,999	2	4
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
<b>TOTAL</b>	<b>31</b>	<b>30</b>

The numbers above include 2 (3) employees included in the exit packages table for 2015/16 (2014/15).

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
2014/15	Chief Executive	109	1	0	6	116	16	132
	Director of Central Services	84	2	0	2	88	13	101
	Director of Finance & Transformation	86	0	0	4	90	13	103
	Director of Planning, Housing & Env Health	86	0	0	5	91	13	104
	Director of Street Scene & Leisure	83	5	0	0	88	13	101
	<b>TOTAL</b>	<b>448</b>	<b>8</b>	<b>0</b>	<b>17</b>	<b>473</b>	<b>68</b>	<b>541</b>
2015/16	Chief Executive	112	0	0	7	119	17	136
	Director of Central Services	86	5	0	0	91	13	104
	Director of Finance & Transformation	87	0	0	4	91	13	104
	Director of Planning, Housing & Env Health	87	0	0	6	93	13	106
	Director of Street Scene, Leisure & Tech Services	86	5	0	0	91	13	104
	<b>TOTAL</b>	<b>458</b>	<b>10</b>	<b>0</b>	<b>17</b>	<b>485</b>	<b>69</b>	<b>554</b>

At 31 March 2016 (2015) the Council employed 269 (284) permanent staff, equating to 227 (236) full-time equivalents.

#### Accrued Annual Leave

The Council is required to accrue for annual leave not taken by staff at the end of the accounting period. At the end of 2015/16 (2014/15) this was estimated to be £84,000 (£93,000).

## 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.

	2014/15		2015/16	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
<b>Compulsory Redundancies</b>				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	2	53	2	55
£40,000 - £59,999	-	-	-	-
<b>Other Agreed Departures</b>				
£0 - £19,999	4	16	3	23
£20,000 - £39,999	-	-	1	33
£40,000 - £59,999	1	43	-	-
<b>TOTAL</b>	<b>7</b>	<b>112</b>	<b>6</b>	<b>111</b>

## 14. CAPITAL RECEIPTS

### Usable Capital Receipts

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

	2014/15			2015/16		
	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	115	4	119	329	1	330
Disposal Costs	(2)		(2)	(5)		(5)
	<u>113</u>	<u>4</u>	<u>117</u>	<u>324</u>	<u>1</u>	<u>325</u>
<b>less Usable Capital Receipts Applied</b>						
Purchase of Non-Current Assets	113	2	115	324		324
Pooled Housing Capital Receipts		2	2		1	1
<b>BALANCE AT 31 MARCH</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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.

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>10</b>	<b>6</b>
Deferred Sale Proceeds	0	0
Receipts	(4)	(1)
<b>BALANCE AT 31 MARCH</b>	<b>6</b>	<b>5</b>

## 15. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2014/15	Revenue Reserve for Capital Schemes	7,503	405	(1,077)	6,831
	General Revenue Reserve	5,914		(1,243)	4,671
	Building Repairs Reserve	17	750	(691)	76
	Earmarked Reserves				
	Business Rates Retention Scheme	1,500	1,335		2,835
	Special Projects	378	700	(145)	933
	Housing Assistance	150	26		176
	Tonbridge & Malling Leisure Trust	200		(19)	181
	Invest to Save	104		(2)	102
	Local Development Framework	106	40	(35)	111
	Election	107	58		165
	Asset Review	149		(22)	127
	Community Development	261		(153)	108
	Flood Recovery & Defence	176		(76)	100
	Business Support Scheme	250		(250)	0
	Other Earmarked Reserves	320	55	(69)	306
<b>TOTAL</b>	<b>17,135</b>	<b>3,369</b>	<b>(3,782)</b>	<b>16,722</b>	
2015/16	Revenue Reserve for Capital Schemes	6,831	791	(1,040)	6,582
	General Revenue Reserve	4,671	369		5,040
	Building Repairs Reserve	76	850	(520)	406
	Earmarked Reserves				
	Business Rates Retention Scheme	2,835		(521)	2,314
	Special Projects	933		(8)	925
	Housing Assistance	176	24		200
	Tonbridge & Malling Leisure Trust	181			181
	Invest to Save	102	50		152
	Local Development Framework	111	45	(7)	149
	Election	165	65	(117)	113
	Asset Review	127		(28)	99
	Community Development	108		(73)	35
Flood Recovery & Defence	100		(75)	25	
Other Earmarked Reserves	306	88	(62)	332	
<b>TOTAL</b>	<b>16,722</b>	<b>2,282</b>	<b>(2,451)</b>	<b>16,553</b>	

## **Reserve**

### **Revenue Reserve for Capital Schemes**

#### **General Revenue Reserve**

#### **Building Repairs Reserve**

#### **Business Rates Retention Scheme**

#### **Special Projects**

#### **Housing Assistance**

#### **Tonbridge & Malling Leisure Trust**

#### **Invest to Save**

#### **Local Development Framework**

#### **Election**

#### **Other Earmarked Reserves**

## **Purpose of the Reserve**

Established to finance future capital expenditure.

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

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

Established, 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.

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

Established to smooth the cost of discretionary housing assistance grant funding between years.

Established to meet obligations on the Council as part of the agreement with the newly created Tonbridge and Malling Leisure Trust.

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

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

Established to meet the costs of administering borough council elections which are held once every four years.

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



## 16. DEBTORS

### Long Term Debtors

	At 31 March 2015 £'000	At 31 March 2016 £'000
Employees	66	55
Mortgagors	23	22
<b>TOTAL</b>	<b>89</b>	<b>77</b>

### Short Term Debtors

	At 31 March 2015			At 31 March 2016		
	Gross Value £'000	Impairment Allowance £'000	Net Value £'000	Gross Value £'000	Impairment Allowance £'000	Net Value £'000
<b>General Fund</b>						
Housing Benefit Claimants (current & former)	2,690	(1,695)	995	3,046	(2,053)	993
Local Authorities	166		166	837		837
Payments in Advance	343		343	369		369
Central Government	2,119		2,119	227		227
National Health Service	2		2	4		4
Other Debtors	606	(145)	461	674	(133)	541
	<b>5,926</b>	<b>(1,840)</b>	<b>4,086</b>	<b>5,157</b>	<b>(2,186)</b>	<b>2,971</b>
<b>Collection Fund</b>						
Council Tax Payers (Borough Council's share)	874	(236)	638	799	(234)	565
NNDR Payers (Borough Council's share)	467	(152)	315	433	(92)	341
Central Government	236		236	0		0
Local Authorities	47		47	0		0
	<b>1,624</b>	<b>(388)</b>	<b>1,236</b>	<b>1,232</b>	<b>(326)</b>	<b>906</b>
<b>TOTAL</b>	<b>7,550</b>	<b>(2,228)</b>	<b>5,322</b>	<b>6,389</b>	<b>(2,512)</b>	<b>3,877</b>

The downward movement in debtors is largely due to the reduction in the amount owed under the Business Rates Retention Scheme including the safety net payment and in respect of housing benefit subsidy. In addition, the safety net payment has been reclassified as a local authority debt.

## Impairment Allowance

		Housing Benefit Claimants £'000	Homeless -ness Debtors £'000	General Debtors £'000	Council Tax Payers £'000	NNDR Payers £'000	Total £'000
<b>2014/15</b>	Balance at 1 April	1,384	88	14	202	164	1,852
	Write-Offs	(45)	(32)	(4)	(13)	(189)	(283)
	Contribution to Allowance	355		79	47	177	658
	Receipts/Adjustments	1					1
	<b>BALANCE AT 31 MARCH</b>	<b>1,695</b>	<b>56</b>	<b>89</b>	<b>236</b>	<b>152</b>	<b>2,228</b>
<b>2015/16</b>	Balance at 1 April	1,695	56	89	236	152	2,228
	Write-Offs	(58)	(10)	(8)	(24)	(112)	(212)
	Contribution to Allowance	415	2	4	22	52	495
	Receipts/Adjustments	1					1
	<b>BALANCE AT 31 MARCH</b>	<b>2,053</b>	<b>48</b>	<b>85</b>	<b>234</b>	<b>92</b>	<b>2,512</b>

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

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 on page 67.

### 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 2015				At 31 March 2016			
	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	421	1	168	590	477	6	775	1,258
1 - 3 months	83	5	0	88	36	5	7	48
3 - 6 months	30	4	0	34	6	4	59	69
6 - 12 months	9	6	0	15	2	8	0	10
1 year +	10	37	0	47	97	32	0	129
<b>TOTAL</b>	<b>553</b>	<b>53</b>	<b>168</b>	<b>774</b>	<b>618</b>	<b>55</b>	<b>841</b>	<b>1,514</b>

## 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 2016	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2016	Estimated Maximum Exposure to Default and Uncollectability £'000
	£'000	%	%	
Debtors				
General Debtors	618	3.3	13.8	85
Homelessness	55	23.7	87.3	48
<b>TOTAL</b>	<b>673</b>			<b>133</b>

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.

## 17. 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 2015 £'000	At 31 March 2016 £'000
<b>Internally Managed Funds</b>		
Santander	3,551	4,792
BNP Paribas MMF	1,855	4,327
Prime Rate	0	2,085
Morgan Stanley	0	254
Handelsbanken	2,000	0
Insight	1,050	0
National Westminster Bank	10	10
	<b>8,466</b>	<b>11,468</b>
<b>Cash in Hand</b>	<b>325</b>	<b>459</b>
<b>TOTAL</b>	<b>8,791</b>	<b>11,927</b>

## 18. SHORT TERM CREDITORS

	At 31 March 2015 £'000	At 31 March 2016 £'000
<b>General Fund</b>		
Central Government	(454)	(703)
Local Authorities	(391)	(358)
Receipts in Advance	(193)	(202)
Employees	(93)	(84)
Mortgagors	(6)	(1)
Other Creditors	(1,404)	(1,945)
	<u>(2,541)</u>	<u>(3,293)</u>
<b>Collection Fund</b>		
Central Government	(103)	(1,510)
Local Authorities	(613)	(1,008)
NNDR Payers (Borough Council's share)	(439)	(353)
Council Tax Payers (Borough Council's share)	(204)	(219)
	<u>(1,359)</u>	<u>(3,090)</u>
<b>TOTAL</b>	<b>(3,900)</b>	<b>(6,383)</b>

The upward movement in creditors is largely due to the increase in the amount owed to central government and local authorities under the Business Rates Retention Scheme and increase in other creditors largely as a result of a payment due to Sainsbury's PLC in respect of car park refunds and payments due to trade suppliers.

### 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 2015 £'000	At 31 March 2016 £'000
<b>General Fund</b>		
Local Authorities	(130)	(95)
Mortgagors	(6)	(1)
Other Creditors	(1,404)	(1,945)
<b>TOTAL</b>	<b>(1,540)</b>	<b>(2,041)</b>

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

## 19. 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	
<b>2014/15</b>	NNDR Appeals	(856)	(2,428)	856	(2,428)	
	Adoption of Amenity Areas	(89)			(89)	
	Personal Search Fees	0	(112)		(112)	
	Municipal Mutual Insurance	(30)			(30)	
	Bryant Homes Play Equipment	(20)			20	0
<b>TOTAL</b>	<b>(995)</b>	<b>(2,540)</b>	<b>856</b>	<b>20</b>	<b>(2,659)</b>	
<b>2015/16</b>	NNDR Appeals	(2,428)	(3,164)	2,428	(3,164)	
	Adoption of Amenity Areas	(89)	(1)		(90)	
	Personal Search Fees	(112)	(31)		112	(31)
	Municipal Mutual Insurance	(30)		30		0
<b>TOTAL</b>	<b>(2,659)</b>	<b>(3,196)</b>	<b>2,458</b>	<b>112</b>	<b>(3,285)</b>	

- 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.
- Adoption of Amenity Areas – repairs to a banked area of the M20 slip road at Junction 4.
- Personal Search Fees – A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim.
- Municipal Mutual Insurance – in 1992 the company failed and went into solvent “run-off”. If a solvent “run-off” is not achieved the Council is liable to repay sums paid out on its behalf to settle claims. The maximum amount liable to clawback is the total claim payments of £352,460 less £50,000. In 2013/14 the appointed administrators, Ernst & Young, set the amount liable to clawback at 15% and as a result a payment was made to MMI in the sum of £45,369. Further information received for 2015/16 increased this clawback to 25% and the balance of £30,246 was paid to MMI.

## 20. 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
2014/15	Medway Wharf Road	(624)		(4)				(628)
	Air Quality	(150)						(150)
	River Walk	0	(168)	(1)		38		(131)
	Peters Village	0	(126)	(1)				(127)
	Discovery Drive	0	(292)					(292)
	Town Lock	(230)						(230)
	Ashby's Yard	(171)				69		(102)
	Holborough Valley	(277)			277			0
	Other	(356)		(2)	54	22	29	(253)
<b>TOTAL</b>	<b>(1,808)</b>	<b>(586)</b>	<b>(8)</b>	<b>331</b>	<b>129</b>	<b>29</b>	<b>(1,913)</b>	
2015/16	Medway Wharf Road	(628)		(4)		13		(619)
	Oakwood Poultry Farm	0	(350)	(1)				(351)
	Air Quality	(150)						(150)
	River Walk	(131)						(131)
	Peters Village	(127)		(1)				(128)
	Discovery Drive	(292)	(33)	(1)	215			(111)
	Town Lock	(230)	25			205		0
	Ashby's Yard	(102)				102		0
	Other	(253)	(543)	(1)	1	536		(260)
<b>TOTAL</b>	<b>(1,913)</b>	<b>(901)</b>	<b>(8)</b>	<b>216</b>	<b>856</b>	<b>0</b>	<b>(1,750)</b>	

### 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
2014/15	Leybourne Lakes	400				400
	Leybourne Lakes	344				344
	Hale Street	248				248
	Castle River Bank	0	147			147
	Medway Wharf Road	101				101
	Other	287	99	(78)	(7)	301
<b>TOTAL</b>	<b>1,380</b>	<b>246</b>	<b>(78)</b>	<b>(7)</b>	<b>1,541</b>	
2015/16	Leybourne Lakes	400				400
	Leybourne Lakes	344			(3)	341
	Hale Street	248				248
	Castle River Bank	147		(6)		141
	Medway Wharf Road	101		(101)		0
	Other	301	20	(48)	(16)	257
<b>TOTAL</b>	<b>1,541</b>	<b>20</b>	<b>(155)</b>	<b>(19)</b>	<b>1,387</b>	

## 21. 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.

	2014/15		2015/16	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>42,905</b>		<b>42,019</b>
<b>Capital Financing applied in year</b>				
Revenue	813		957	
Capital Grants & Contributions	306		1,073	
Capital Receipts	115		324	
Minimum Revenue Provision	379	1,613	381	2,735
<b>Reversal of items charged to the Comprehensive Income and Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,873)		(2,912)	
Impairment of Non-Current Assets	(77)		184	
Net Book Value of Assets Disposed	(60)	(3,010)	0	(2,728)
<b>Amounts Written-out of the Revaluation Reserve</b>				
Difference between fair value & historical cost depreciation	511		729	
Accumulated Gains on Assets Disposed	0	511	0	729
<b>Movement in the Fair Value of Investment Properties</b>		0		435
<b>BALANCE AT 31 MARCH</b>		<b>42,019</b>		<b>43,190</b>

## 22. 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.

	2014/15		2015/16	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>22,342</b>		<b>28,631</b>
<b>Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services</b>				
Upward revaluations	7,679		3,528	
Downward revaluations / impairments	(856)	6,823	0	3,528
<b>Amounts Written-Off to the Capital Adjustment Account</b>				
Difference between fair value & historical cost depreciation	(511)		(729)	
Accumulated gains on assets sold or scrapped	(23)	(534)	0	(729)
<b>BALANCE AT 31 MARCH</b>		<b>28,631</b>		<b>31,430</b>

## 23. RECONCILIATION OF OPERATING ACTIVITIES CASH FLOW

	2014/15		2015/16	
	£'000	£'000	£'000	£'000
<b>(Surplus) / Deficit on Provision of Services</b>		<b>3,989</b>		<b>577</b>
<b>less Non-Cash Transactions included within Comprehensive Income &amp; Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,873)		(2,912)	
Impairment of Non-Current Assets	(77)		184	
Service Cost	(1,999)		(2,234)	
Administration Expenses	(50)		(50)	
Net Interest on Defined Benefit Liability	(2,091)		(1,938)	
Embedded Lease Finance Charge	(80)		(80)	
Movement in the Fair Value of Investment Properties	0		435	
Provision Set Aside in the Year	(732)		(626)	
Grants & Contributions in Advance / Unapplied	(235)	<b>(8,137)</b>	(247)	<b>(7,468)</b>
<b>plus Cash Transactions excluded from Comprehensive Income &amp; Expenditure Statement</b>				
Employer's Pension Contributions	2,691		2,735	
Refuse, Recycling & Street Cleansing Contract Payments	458	<b>3,149</b>	461	<b>3,196</b>
<b>plus Items on an Accruals Basis</b>				
Increase / (Decrease) in Investments	(4,422)		1,738	
Increase / (Decrease) in Inventories	(3)		(5)	
Increase / (Decrease) in Debtors	323		(2,495)	
(Increase) / Decrease in Creditors	(1,074)	<b>(5,176)</b>	490	<b>(272)</b>
<b>less Items Classified in Another Classification in the Cash Flow Statement</b>				
Proceeds from Short-Term & Long-Term Investments	17,451		31,000	
Purchase of Short-Term & Long-Term Investments	(13,000)		(32,750)	
Gain / (Loss) on Disposal of Non-Current Assets	30		324	
Capital Grants & Contributions	474		938	
Housing Capital Receipts to Government Pool	(2)	<b>4,953</b>	(1)	<b>(489)</b>
<b>OPERATING ACTIVITIES NET CASH FLOW</b>		<b>(1,222)</b>		<b>(4,456)</b>

## 24. 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 5 on segmental reporting and in the analysis of grant income in Note 12.



## Members and Chief Officers

All Members and Chief Officers of the Council are required to disclose where they or any member of their family or household has an interest in a company, partnership or trust that has had transactions with the Council. Disclosures of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

The Council make a number of appointments of Councillors to local outside bodies to act as the Council's representatives. During 2015/16 (2014/15) the Council funded some of these organisations the total sum of £330,000 (£344,000).

In addition, under the Council's Code of Conduct for Members ([http://www.tmbc.gov.uk/\\_data/assets/pdf\\_file/0015/13209/codeofconduct.pdf](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 for the 2015/16 financial year and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosure in the Accounts.

## 25. MEMBERS' ALLOWANCES

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

	2014/15	2015/16
	£'000	£'000
Basic Allowance	270	277
Special Responsibility Allowance	125	108
Travel & Subsistence Expenses	8	5
Carers Allowance	0	0
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	9	8
<b>TOTAL</b>	<b>419</b>	<b>405</b>

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.

## 26. EXTERNAL AUDIT FEES

The Council's auditors are Grant Thornton UK LLP. The Council incurred the following fees relating to external audit and inspection carried out during 2015/16.

	2014/15 £'000	2015/16 £'000
External audit services	55	46
Certification of grant claims and returns	25	19
<b>TOTAL</b>	<b>80</b>	<b>65</b>

## 27. CONTINGENT LIABILITIES

### **Tonbridge and Malling Leisure Trust**

The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust to permit its entry into the Kent County Council Superannuation Fund. 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 2015 these liabilities, calculated under FRS 17, amounted to £2.1m, however, the Trust remains a going concern and therefore the recourse to such a guarantee remains extremely low; and is not one and the same as the actual liability if the guarantee was to be called on. The Council intends to obtain a formal statement of the actual liability if the guarantee was to be called on at the triennial valuation.

### **Private Finance Initiative**

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £1.1 million, as at year 10 of the scheme. However, the risk of this occurring as at 31 March 2016 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	2014/15 NNDR £'000	Total £'000		Council Tax £'000	2015/16 NNDR £'000	Total £'000
			<b>Income</b>			
70,279	54,065	124,344	Billed to Tax Payers	73,135	55,043	128,178
	1,332	1,332	Contribution towards Previous Years' Collection Fund Deficit		2,988	2,988
<b>70,279</b>	<b>55,397</b>	<b>125,676</b>	<b>Total Income</b>	<b>73,135</b>	<b>58,031</b>	<b>131,166</b>
			<b>Expenditure</b>			
48,949	4,771	53,720	Precepts and Demands			
			Kent County Council	51,121	4,856	55,977
6,609		6,609	Police & Crime Commissioner for Kent	6,902		6,902
3,174	530	3,704	Kent & Medway Fire & Rescue Authority	3,314	540	3,854
8,421	21,205	29,626	Tonbridge & Malling Borough Council	8,794	21,583	30,377
1,961		1,961	Parish Councils	2,043		2,043
	26,507	26,507	Central Government		26,979	26,979
	13	13	Transitional Protection		52	52
645		645	Contribution towards Previous Years' Collection Fund Surplus	614		614
94	471	565	Amounts Written-Off	158	281	439
221	(30)	191	Provision for Non-Payment	(10)	(150)	(160)
	3,930	3,930	Provision for Appeals		1,840	1,840
	168	168	Cost of Collection Allowance		165	165
<b>70,074</b>	<b>57,565</b>	<b>127,639</b>	<b>Total Expenditure</b>	<b>72,936</b>	<b>56,146</b>	<b>129,082</b>
<b>205</b>	<b>(2,168)</b>	<b>(1,963)</b>	<b>Surplus / (Deficit) for the Year</b>	<b>199</b>	<b>1,885</b>	<b>2,084</b>
708	(4,766)	(4,058)	Balance B/fwd at 1 April	913	(6,934)	(6,021)
913	(6,934)	(6,021)	<b>BALANCE C/FWD AT 31 MARCH</b>	1,112	(5,049)	(3,937)

## 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:

	2014/15 £	2015/16 £
Kent County Council	48,949,458	51,121,098
Police & Crime Commissioner for Kent	6,608,676	6,901,412
Kent & Medway Fire & Rescue Authority	3,174,253	3,313,522
Tonbridge & Malling Borough Council	8,421,156	8,794,301
	67,153,543	70,130,333
Parish Councils	1,961,046	2,043,129
<b>TOTAL</b>	<b>69,114,589</b>	<b>72,173,462</b>

#### 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	2014/15 Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	2015/16 Multiplier	Band D Equivalent Dwellings
Disabled A	2.75	5/9ths	1.54	2.75	5/9ths	1.53
A	782.78	6/9ths	521.86	807.07	6/9ths	538.05
B	2,310.09	7/9ths	1,796.71	2,402.24	7/9ths	1,868.40
C	10,971.31	8/9ths	9,752.27	11,309.12	8/9ths	10,052.54
D	10,954.07	9/9ths	10,954.07	11,164.90	9/9ths	11,164.90
E	7,650.67	11/9ths	9,350.83	7,875.00	11/9ths	9,624.99
F	4,541.28	13/9ths	6,559.64	4,621.20	13/9ths	6,675.06
G	4,176.41	15/9ths	6,960.68	4,242.11	15/9ths	7,070.17
H	349.53	18/9ths	699.06	357.99	18/9ths	715.98
			46,596.66			47,711.62
Estimated Collection Rate			98.30%			98.30%
<b>COUNCIL TAX BASE</b>			<b>45,804.52</b>			<b>46,900.52</b>

## Band D Council Tax

	2014/15 £	2015/16 £
Kent County Council	1,068.66	1,089.99
Police & Crime Commissioner for Kent	144.28	147.15
Kent & Medway Fire & Rescue Authority	69.30	70.65
Tonbridge & Malling Borough Council	183.85	187.51
	<u>1,466.09</u>	<u>1,495.30</u>
Parish Councils (average)	42.81	43.56
<b>TOTAL</b>	<b>1,508.90</b>	<b>1,538.86</b>

This basic amount of council tax for a Band D property of £1,495.30 (£1,466.09) for 2015/16 (2014/15) is multiplied by the proportion specified within the *Local Government Finance Act 1992* for the particular band to give an individual amount due. In addition to this, Special Expenses are charged specifically in relation to the precepts of Parish Councils.

## 2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are organised on a national basis. The Government specified a “rate poundage” of 49.3p (48.2p) for large businesses or 48.2p (47.1p) for small businesses in 2015/16 (2014/15) 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 £54,991,000 (£54,052,000) for 2015/16 (2014/15) was based on the total rateable value for the Council’s area which at the year-end was £135,267,956 (£132,716,194 in 2014/15).

## 3. IMPAIRMENT ALLOWANCE

	2014/15			2015/16		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Balance at 1 April	1,350	410	1,760	1,571	380	1,951
Write-Offs	(94)	(471)	(565)	(158)	(281)	(439)
Contribution to Allowance	315	441	756	148	131	279
<b>BALANCE AT 31 MARCH</b>	<b>1,571</b>	<b>380</b>	<b>1,951</b>	<b>1,561</b>	<b>230</b>	<b>1,791</b>

#### 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 2016. This provision has been based upon information received from the Valuation Office Agency for appeals lodged up to 31 March 2016 and an element for appeals in respect of monies received in 2015/16 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, from April 2013, 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 2014/15 in respect of council tax was £614,377 and the estimated deficit for 2014/15 in respect of NNDR was £2,988,226. The actual surplus of £1,111,871 at 31 March 2016 in respect of council tax and the actual deficit of £5,049,517 at 31 March 2016 in respect of NNDR will be taken into account when estimating the surplus/deficit for 2016/17.

#### 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 2015	Council Tax Arrears	2,185	312	156	468	3,121	
	Council Tax Provision for Bad Debts	(1,100)	(157)	(78)	(236)	(1,571)	
	Council Tax Prepayments & Refunds	(951)	(136)	(68)	(203)	(1,358)	
	Council Tax Cash	505	72	36	108	721	
	Council Tax (Surplus) / Deficit	(639)	(91)	(46)		(137)	(913)
	NNDR Arrears	98		11	542	434	1,085
	NNDR Provision for Bad Debts	(34)		(4)	(190)	(152)	(380)
	NNDR Provision for Appeals	(547)		(60)	(3,035)	(2,428)	(6,070)
	NNDR Prepayments & Refunds	(99)		(11)	(548)	(439)	(1,097)
	NNDR Cash	(42)		(5)	(236)	(189)	(472)
	NNDR (Surplus) / Deficit	624		69	3,467	2,774	6,934
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
At 31 March 2016	Council Tax Arrears	2,302	329	165	493	3,289	
	Council Tax Provision for Bad Debts	(1,093)	(156)	(78)	(234)	(1,561)	
	Council Tax Prepayments & Refunds	(1,021)	(146)	(73)	(219)	(1,459)	
	Council Tax Cash	590	84	42	127	843	
	Council Tax (Surplus) / Deficit	(778)	(111)	(56)		(167)	(1,112)
	NNDR Arrears	95		11	528	433	1,067
	NNDR Provision for Bad Debts	(21)		(2)	(115)	(92)	(230)
	NNDR Provision for Appeals	(712)		(79)	(3,955)	(3,164)	(7,910)
	NNDR Prepayments & Refunds	(80)		(9)	(441)	(352)	(882)
	NNDR Cash	264		29	1,458	1,155	2,906
	NNDR (Surplus) / Deficit	454		50	2,525	2,020	5,049
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## **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 code of corporate governance which has been developed in consideration of the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website or can be obtained from the Finance team. This statement explains how the Council has complied with the code and also meets the requirements of 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 2016 and up to the date of approval of this statement.

### **The governance framework**

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

#### **Community Focus**

The Council's vision is to provide excellent public services, good value for money and effective community leadership. This vision is set out and communicated to the residents of the Borough, the Council's partners and Members and Officers in the Council's Corporate Performance Plan 2012/15. The plan spans a three year period and details the Council's Key Priorities and action it will take alongside its partners to deliver the vision.

The Council is facing a considerable period of change and challenge and in response is in the process of developing a new Corporate Strategy. The Strategy will set out the actions we now need to take to maintain and improve the services which are most important to the local community, the Council's priorities, whilst taking into account a much reduced level of funding.

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

#### **Service Delivery Arrangements**

Delivering excellent quality services while providing good value for money is fundamental to the Council's vision and this is demonstrated in the focus within the Corporate Performance Plan on redesigning services and further improving efficiency across all services. The delivery of the Corporate Performance Plan is

supported by detailed operational plans prepared by individual services, which in turn are fed down to team and individual objectives through performance management arrangements.

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.

The decision-making framework of the Council is set out in the Constitution including statutory functions and the scheme of delegation of responsibilities. The Constitution is kept under review by the Monitoring Officer and Management Team with any proposed changes presented to the Council for adoption. The 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 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's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

### Structures & Processes

The Council's Constitution details the roles and responsibilities that are delegated to Members and Officers and specifies which decisions may be made by individuals and which are reserved for either 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.

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

### Risk Management & Internal Control

The core functions of an audit committee as defined by *CIPFA's Audit Committees: Practical Guidance for Local Authorities* 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 Officers and Members in the identification and minimisation of risk.

Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which 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. The framework sets out the responsibility of Officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.

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

The Council has an effective Internal Audit function which operates in line with proper practices; for 2015/16 this is governed by the Public Sector Internal Audit Standards and the CIPFA application note to the Standards. The Review of Effectiveness of the System of Internal Audit for the year 2015/16 concluded that a good system of internal audit is in place within the Council. 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 and corruption



arrangements including whistle-blowing. The Chief Audit Executive is responsible for the maintenance of the Council's Anti-Fraud & Corruption Policy and Confidential Reporting Policy (Whistleblowing) and has arrangements and resources in place to investigate any allegations made under either document.

#### Standards of Conduct

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

The Members' Code of Conduct is based around ethical behaviour 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 Joint 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 (CPD) through their respective Professional Organisations.

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

#### **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 Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

Signed

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

Councillor N. J. Heslop  
Leader of the Council

Dated

Dated

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

We have audited the financial statements of Tonbridge & Malling Borough Council for the year ended 31 March 2016 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Tonbridge & Malling Borough Council as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

### **Respective responsibilities of the Director of Finance and Transformation and auditor**

As explained more fully in the Statement of Responsibilities for 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 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Tonbridge & Malling Borough Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

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

### **Matters on which we report by exception**

We are required to report to you if:

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

We have nothing to report in these respects.

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

### ***Respective responsibilities of the Authority and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for 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 2015.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### ***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Tonbridge & Malling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### ***Certificate***

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

### ***SIGNED BY***

Sarah Ironmonger  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Explorer Building  
Fleming Way  
Manor Royal  
Crawley  
RH10 9GT

## **GLOSSARY**

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

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

### **ACCOUNTS**

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

### **ACCRUALS**

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

### **ANNUAL GOVERNANCE STATEMENT**

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

### **ASSETS**

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

### **CAPITAL ADJUSTMENT ACCOUNT**

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

### **CAPITAL FINANCING**

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

## **CAPITAL RECEIPTS**

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

## **CASH EQUIVALENTS**

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

## **CONTINGENT ASSETS**

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

## **CONTINGENT LIABILITIES**

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

## **CORE / SUPPLEMENTARY FINANCIAL STATEMENTS**

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

## **CREDITORS**

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

## **CURRENT ASSETS**

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

## **CURRENT LIABILITIES**

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

## **DEBTORS**

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

## **DEPRECIATION / AMORTISATION**

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

## **IMPAIRMENT**

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

## **INDEPENDENT AUDITOR'S REPORT**

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

## **INVESTMENTS**

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

## **LEASES**

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

## **LIABILITIES**

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

## **NON-CURRENT ASSETS**

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

## **OVERHEADS**

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

## **PRIVATE FINANCE INITIATIVE (PFI)**

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

## **PROVISIONS**

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

## **RESERVES**

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

## **REVALUATION RESERVE**

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

## **REVENUE / CAPITAL EXPENDITURE**

Revenue expenditure is, for example, the running costs of a vehicle whereas capital expenditure is the purchase of the vehicle.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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







2015/16