

# TONBRIDGE & MALLING BOROUGH COUNCIL



## EXECUTIVE SERVICES

---

### Chief Executive

Julie Beilby BSc (Hons) MBA

Gibson Building  
Gibson Drive  
Kings Hill, West Malling  
Kent ME19 4LZ  
West Malling (01732) 844522

---

**NB - This agenda contains proposals, recommendations and options. These do not represent Council policy or decisions until they have received proper consideration through the full decision making process.**

Contact: Democratic Services  
[committee.services@tmbc.gov.uk](mailto:committee.services@tmbc.gov.uk)

15 September 2023

To: MEMBERS OF THE AUDIT COMMITTEE  
(Copies to all Members of the Council)

Dear Sir/Madam

Your attendance is requested at a meeting of the Audit Committee to be held in the Council Chamber, Gibson Drive, Kings Hill, on Monday, 25th September, 2023 commencing at 7.30 pm.

Members of the Committee are required to attend in person. Other Members may attend in person or participate online via MS Teams.

Information on how to observe the meeting will be published on the Council's website.

Yours faithfully

JULIE BEILBY

Chief Executive

## A G E N D A

1. Guidance on the Conduct of Meetings 5 - 8

### PART 1 - PUBLIC

2. Apologies for absence

3. Notification of Substitute Members 9 - 10
4. Declarations of interest 11 - 12

Members are reminded of their obligation under the Council's Code of Conduct to disclose any Disclosable Pecuniary Interests and Other Significant Interests in any matter(s) to be considered or being considered at the meeting. These are explained in the Code of Conduct on the Council's website at [Code of conduct for members – Tonbridge and Malling Borough Council \(tmbc.gov.uk\)](https://www.tmbc.gov.uk/code-of-conduct-for-members).

Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting.

5. Minutes 13 - 18

To confirm as a correct record the Minutes of the meeting of Audit Committee held on 24 July 2023.

### **Matters for Recommendation to the Cabinet**

6. Auditor's Annual Report 2022/23 19 - 58

The Council's external auditors (Grant Thornton UK LLP) are required to satisfy themselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness of its use of resources and to report on the same to those charged with governance – which for this purpose is the Audit Committee – followed by Cabinet and Full Council.

7. Treasury Management Update and Mid-Year Review 59 - 80

The report provides an update on treasury management activity undertaken during April to July of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2023/24 is also included in this report.

8. Risk Management 81 - 106

This report provides an update on the risk management process and the Strategic Risk Register.

### **Decisions to be taken under Delegated Powers**

9. Statement of Accounts 2022/23 and External Auditors Report on the Outcome of the Audit of the Accounts 107 - 234

This report presents the current set of Accounts for 2022/23 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. Members are invited to approve the Statement of Accounts and the Audit Findings Report. The external auditors report is to be approved by the Engagement Lead signing off the Accounts. The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.

### **Matters submitted for Information**

10. Internal Audit and Counter Fraud Update 235 - 246

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function.

11. Urgent Items 247 - 248

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

### **Matters for consideration in Private**

12. Exclusion of Press and Public 249 - 250

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

### **PART 2 - PRIVATE**

13. Insurance Claims History 251 - 256

(Part 2 Reasons: LGA 1972 - Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

This report provides information as to the nature and volume of liability and property damage insurance claims submitted for the year ended 31 August 2023.

14. Urgent Items 257 - 258

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

## **MEMBERSHIP**

Cllr R I B Cannon (Chair)  
Cllr M R Rhodes (Vice-Chair)

Cllr J Clokey  
Cllr J R S Lark  
Cllr M A J Hood

Cllr B A Parry  
Cllr R V Roud



## **GUIDANCE ON HOW MEETINGS WILL BE CONDUCTED**

- (1) Most of the Borough Council meetings are livestreamed, unless there is exempt or confidential business being discussed, giving residents the opportunity to see decision making in action. These can be watched via our YouTube channel. When it is not possible to livestream meetings they are recorded and uploaded as soon as possible:

<https://www.youtube.com/channel/UCPp-IJISNgoF-ugSzxjAPfw/featured>

- (2) There are no fire drills planned during the time a meeting is being held. For the benefit of those in the meeting room, the fire alarm is a long continuous bell and the exits are via the doors used to enter the room. An officer on site will lead any evacuation.
- (3) Should you need this agenda or any of the reports in a different format, or have any other queries concerning the meeting, please contact Democratic Services on [committee.services@tmbc.gov.uk](mailto:committee.services@tmbc.gov.uk) in the first instance.

### **Attendance:**

- Members of the Committee are required to attend in person and be present in the meeting room. Only these Members are able to move/ second or amend motions, and vote.
- Other Members of the Council can join via MS Teams and can take part in any discussion and ask questions, when invited to do so by the Chair, but cannot move/ second or amend motions or vote on any matters. Members participating remotely are reminded that this does not count towards their formal committee attendance.
- Occasionally, Members of the Committee are unable to attend in person and may join via MS Teams in the same way as other Members. However, they are unable to move/ second or amend motions or vote on any matters if they are not present in the meeting room. As with other Members joining via MS Teams, this does not count towards their formal committee attendance.
- Officers can participate in person or online.

- Members of the public addressing an Area Planning Committee should attend in person. However, arrangements to participate online can be considered in certain circumstances. Please contact [committee.services@tmbc.gov.uk](mailto:committee.services@tmbc.gov.uk) for further information.

Before formal proceedings start there will be a sound check of Members/Officers in the room. This is done as a roll call and confirms attendance of voting Members.

### **Ground Rules:**

The meeting will operate under the following ground rules:

- Members in the Chamber should indicate to speak in the usual way and use the fixed microphones in front of them. These need to be switched on when speaking or comments will not be heard by those participating online. Please switch off microphones when not speaking.
- If there any technical issues the meeting will be adjourned to try and rectify them. If this is not possible there are a number of options that can be taken to enable the meeting to continue. These will be explained if it becomes necessary.

For those Members participating online:

- please request to speak using the 'chat or hand raised function';
- please turn off cameras and microphones when not speaking;
- please do not use the 'chat function' for other matters as comments can be seen by all;
- Members may wish to blur the background on their camera using the facility on Microsoft teams.
- Please avoid distractions and general chat if not addressing the meeting
- Please remember to turn off or silence mobile phones

### **Voting:**

Voting may be undertaken by way of a roll call and each Member should verbally respond For, Against, Abstain. The vote will be noted and announced by the Democratic Services Officer.

Alternatively, votes may be taken by general affirmation if it seems that there is agreement amongst Members. The Chairman will announce the outcome of the vote for those participating and viewing online.

This page is intentionally left blank

**Audit Committee**

	<b>Conservative</b>	<b>Liberal Democratic</b>	<b>Green</b>	<b>Ind. Kent Alliance</b>	<b>Labour</b>
1	Steve Hammond	Bill Banks	Lee Athwal		
2	Dan Harman	Tim Bishop	Kath Barton		
3	Sarah Hudson	Paul Boxall	Anna Cope		
4	Alex McDermott	Garry Bridge	George Hines		
5	Keith Tunstall	Trudy Dean	Robert Oliver		

**Members of Cabinet cannot be appointed as a substitute to this Committee**

This page is intentionally left blank

# Agenda Item 4

Declarations of interest

Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting

This page is intentionally left blank



## TONBRIDGE AND MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

#### MINUTES

Monday, 24th July, 2023

**Present:** Cllr R I B Cannon (Chair), Cllr M R Rhodes (Vice-Chair), Cllr J Clokey, Cllr J R S Lark, Cllr M A J Hood and Cllr K Barton (substitute member).

**Virtual:** Councillors M A Coffin, W E Palmer and K B Tanner participated via MS Teams and joined the discussion when invited to do so by the Chairman in accordance with Council Procedure Rule No 15.21.

An apology for absence was received from Councillor B A Parry.

#### PART 1 - PUBLIC

##### **AU 23/25 NOTIFICATION OF SUBSTITUTE MEMBERS**

Notification of a substitute Member was recorded as set out below:

- Cllr Barton substituting for Cllr Parry

In accordance with Council Procedure Rules 17.5 to 17.9 this Councillor had the same rights as the ordinary member of the committee for whom they were substituting.

##### **AU 23/26 DECLARATIONS OF INTEREST**

There were no declarations of interest made in accordance with the Code of Conduct.

##### **AU 23/27 MINUTES**

**RESOLVED:** That the Minutes of the meeting of the Audit Committee held on 17 April 2023 be approved as a correct record and signed by the Chairman.

##### **AU 23/28 PRESENTATION BY BOROUGH COUNCIL PROPERTY FUND MANAGER**

Members received a presentation from the Head of Local Government Relationships for CCLA. CCLA was a commercial private limited company and its clients were owners indirectly through their investments. Particular reference was made to their Better World report, sustainable investment outcomes and the Local Authorities Property Fund.

**MATTERS FOR RECOMMENDATION TO COUNCIL****AU 23/29 LOCAL CODE OF CORPORATE GOVERNANCE**

The joint report of the Chief Executive and the Director of Central Services informed Members of the outcome of the annual review of the Local Code of Corporate Governance.

The Local Code was last reviewed in July 2022 and at the time required a number of material amendments due to a number of activities that had taken place which had consequences for the Local Code, including the LGA Peer Review Challenge 2022, changes to the executive governance arrangements, the adoption of a new Kent Code of Conduct for Councillors and an internal audit of the Local Code of Corporate Governance.

The proposed changes to the Local Code were relatively minor in nature, with no significant activities having taken place since July 2022 that impacted the Council's corporate governance arrangements. The revised Code was attached as Annex 1 to the report.

In response to Members, section 3.2 of the Local Code would be reviewed to incorporate a reference to the Climate Change action plan for 2023-24.

Members recognised their role as a Committee in sections 6.1, 6.3 and 6.4 of the Local Code.

**RECOMMENDED\*:** That the amendments to the Local Code of Corporate Governance, as set out at Annex 1 to the report, be approved and commended to Council for adoption.

**\*Referred to Council**

**AU 23/30 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT  
2022/23**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to June of the current financial year. The treasury management outturn position for 2022/23 was also set out.

The report provided an assessment of the current economic situation and interest rate forecasts together with a commentary on investments derived from cash flow surpluses, core cash balances and other long term cash balances. A full list of investments held on 30 June 2023 was set out in Annex 1 to the report. Member's attention was drawn to the Revenue and Capital Outturn report for 2022/23 as set out at Annex 4 which provided a summary of the investment performance. The combined performance of the Authority's investments exceeded the

revised estimate by £812,755, and £1.367m when compared to the 2022/23 original estimates mainly due to the level and speed at which Bank Rate had risen throughout 2022/23.

**RECOMMENDED\*:** That the following be commended to Council:

- (1) the action taken in respect of treasury management activity for April to June 2023 be endorsed;
- (2) the 2022/23 outturn position be noted; and
- (3) the Audit Committee's appreciation of the work undertaken by officers in Treasury Management, be noted.

**\*Referred to Council**

### **MATTERS FOR RECOMMENDATION TO THE CABINET**

#### **AU 23/31 RISK MANAGEMENT**

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register.

Following the publication of the Corporate Plan, the decision had been taken to split the previous risk of Corporate Plan and Savings and Transformation Strategy (STS). By itself, the Corporate Strategy was an amber risk and not red as previously categorised when combined with the STS. There were no changes to those risks categorised as red at the time of the last meeting, but Members noted, that following the outcome of the local elections in May, the risk titled 'Political factors including stability of political leadership and decision making' had been escalated to red.

**RECOMMENDED\*:** That the updates to the Strategic Risk Register since the last iteration, with particular emphasis on those risks categorised as RED, be noted.

**\*Referred to Cabinet**

### **DECISIONS TAKEN UNDER DELEGATED POWERS**

#### **AU 23/32 ANNUAL GOVERNANCE STATEMENT**

The report of the Management Team presented the Annual Governance Statement for the year ended 31 March 2023 which was required to be certified by both the Leader of the Council and the Chief Executive to accompany the Council's Statement of Accounts 2022/23.

The Annual Governance Statement had been prepared by way of a self-assessment questionnaire and supporting evidence to demonstrate that

there was a sound system of corporate governance in place throughout the organisation.

Members attention was brought to the responsibility of the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment.

**RESOLVED:** That the Annual Governance Statement for the year ended 31 March 2023, as set out at Annex 1 to the report, be endorsed.

**AU 23/33 STATEMENT OF ACCOUNTS 2022/23 AND PROGRESS UPDATE ON THE AUDIT OF ACCOUNTS**

The report of the Director of Finance and Transformation presented an unaudited set of Accounts for 2022/23 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. Attention was drawn to the Statement of Accounts at Annex 1 which had been circulated separately.

**RESOLVED:** That

- (1) the unaudited set of Accounts for 2022/23 be noted and endorsed;
- (2) the Statement provided by the Director of Finance and Transformation in support of assertions made in the Statement of Responsibilities for the Statement of Accounts, as set out at Annex 3 to the report, be noted;
- (3) the progress update on the audit of Accounts for 2022/23, be noted; and
- (4) the Committee's appreciation of the work undertaken by officers to ensure the submission of the Statement of Accounts 2022/23 by the deadline of 31 May 2023, be noted.

**AU 23/34 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT**

The report of the Chief Audit Executive informed the committee of the findings of the annual review of the effectiveness of the Internal Audit function for the year 2022/23. Members were advised that the Management Team had considered the outcome of the review and concluded that the opinion on the effectiveness of the Internal Audit function in place for the year 2022/23 was Good.

**RESOLVED:** That on the basis of the findings of the review, the opinion that the effectiveness of Internal Audit function for the year 2022/23 was Good be endorsed.

**MATTERS SUBMITTED FOR INFORMATION****AU 23/35 OPINION OF THE CHIEF AUDIT EXECUTIVE ON THE FRAMEWORK OF GOVERNANCE, RISK MANAGEMENT AND CONTROL; ANNUAL INTERNAL AUDIT REPORT AND ANNUAL COUNTER FRAUD REPORT 2022/23**

The report informed the Committee of the opinion of the Chief Audit Executive on the Council's framework for governance, risk management and control together with the Internal Audit work completed during 2022/23 to support that opinion. The report also informed the Committee of the work carried out by the Counter Fraud function in 2022/23.

**RESOLVED:** That the report be noted.

**AU 23/36 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The report of the Director of Finance and Transformation introduced a progress report on the audit of the 2022/23 accounts and update on emerging national issues and developments from the external auditor Grant Thornton.

**RESOLVED:** That the report be noted.

**AU 23/37 EXCLUSION OF PRESS AND PUBLIC**

There were no items considered in private.

The meeting ended at 9.05 pm

This page is intentionally left blank

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

25 September 2023

#### Report of the Management Team

#### Part 1- Public

#### Matters for Recommendation to Cabinet

#### 1 AUDITOR'S ANNUAL REPORT 2022/23

**Our external auditors (Grant Thornton UK LLP) are required to satisfy themselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report on the same to those charged with governance - which for this purpose is the Audit Committee – followed by Cabinet and Full Council.**

**Grant Thornton believes there are two significant weaknesses in the Council's arrangements to improve economy, efficiency and effectiveness. These relate to procurement and performance management, and recommendations are made as to how this might be addressed. In addition, a number of improvement recommendations are also made.**

**Members are invited to consider the report and make any specific recommendations to Cabinet and/or Full Council as the Committee feels appropriate.**

#### 1.1 Introduction

- 1.1.1 The auditor is required to report on the Authority's overall arrangements for securing economy, efficiency and effectiveness in its use of resources, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.
- 1.1.2 Auditors are required to report their commentary on the Authority's arrangements under specified criteria. The criteria are financial sustainability, governance and improving economy, efficiency and effectiveness.
- 1.1.3 The 2021/22 Annual Audit Report was not published by Grant Thornton until December 2022 and was therefore not considered by the Audit Committee until 16 January 2023. There were no significant weaknesses identified in that year's report, but there were some recommendations which we had begun to act upon. Unfortunately, with the short space of time between the two reports and especially given the corporate impact of local elections, progress has been limited.

## **1.2 Auditor's Annual Report 2022/23**

- 1.2.1 A copy of the Auditors Annual Report for 2022/23 is attached at **[Annex 1]**. The Engagement Lead, Sophia Brown, and/or her representative will be at the meeting to present the report and to answer questions.
- 1.2.2 Two significant weaknesses in arrangements have been identified by Grant Thornton relating to performance management and procurement under the heading 'Improving economy, efficiency and effectiveness'. This is discussed in greater details at paragraph 1.3 of the report.
- 1.2.3 For Members' information, 'Significant weakness' is the term used by the National Audit Office Code of Audit Practice. Where auditors identify significant weaknesses as part of their arrangements to secure value for money, it requires that they should make recommendations setting out the actions that should be taken by the Council. These recommendations are shown as 'Key Recommendations' within the report.
- 1.2.4 In addition, a number of 'improvement recommendations' are made which are addressed at paragraph 1.4. In comparison to key recommendations, improvement recommendations (if implemented) should improve the arrangements in place at the Council, but are not made as a result of identifying significant weaknesses in the Council's arrangements.
- 1.2.5 Members are reminded that the 2021/22 annual audit report highlighted some improvement recommendations but no significant weaknesses leading to key recommendations. A list of those previous improvement recommendations and the management response is set out at **[Annex 2]** for information.

## **1.3 Significant Weaknesses/Key Recommendations - Improving economy, efficiency and effectiveness**

### ***Performance Management***

- 1.3.1 The first area identified by Grant Thornton pertains to the arrangements for performance management, with GT noting that '*Cabinet members cannot hold officers to account for performance if reporting is lacking*'; and '*in 2022-23 the Council still lacked a performance framework meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged*'.
- 1.3.2 Grant Thornton concludes that the Council needs to improve its performance management arrangements by:
- 1) Using the reset Corporate Plan to establish a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public;



- 2) Developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place;
- 3) Agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework;
- 4) Ensuring performance reporting include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement;
- 5) Ensuring the Cabinet receives quarterly performance reports to enable it to hold officers to account;
- 6) Using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money;
- 7) Ensuring that the new performance management framework and reporting extends to key contracts such as waste and leisure;
- 8) Developing a strategic approach to assessing the levels of statutory services needed to save money;
- 9) Engaging with hard-to-reach customers to ensure they can still access services given the Council's digital by default approach;
- 10) Ensuring partnership performance management, including outcomes, is reported regularly to Cabinet; and
- 11) Engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.

1.3.3 Management Team fully recognise the importance of the provision of performance management information for Members and work did begin on developing appropriate tools following the last Annual Audit Letter. For information, Members are advised that prior to 2023/24, individual Services did report performance information but it is acknowledged that this was piecemeal. During 2022/23 a suite of KPIs has been reported to Scrutiny Select Committees, but it is acknowledged this is just one part of the 'journey' towards the provision of effective performance management tools.

1.3.4 The management response to the key recommendation made in respect of performance management is as follows:

**“Following both this review and a Peer Challenge undertaken during 2022/23 a range of KPI’s have been introduced and, since the start of 2023/24, are presented to Members of Overview and Scrutiny Committee and the three**

Scrutiny Select Committees at quarterly intervals after their review by Management Team.

Management agrees that KPIs should also be formally shared with Cabinet and it is intended that they will now be introduced to Cabinet agendas as well as making them a standard regular item on all service management teams. The range of information captured and reported will also be reviewed and refined over the coming months.

Management acknowledges, and agrees with, the recommendation about a 'golden thread'. The need for greater focus of resources towards 'Policy and Performance' is also recognised to act as the 'golden thread' between finance and performance across the organisation and to enable officers to understand how they could contribute to corporate delivery or identify savings and achieve value for money.

Benchmarking information is already in use in some service areas (e.g. treasury management and recycling) and is reported to relevant Committees to aid review of performance, but more generally work is already underway to look at a wider range of benchmarking information which can be used to inform areas for transformation and value for money assessments. It is expected that this will be developed over the next 12 to 18 months.

In terms of engagement with residents, a consultation was undertaken to inform the development of the new Corporate Strategy and assess local priorities. Management will liaise further with Cabinet about further engagement with residents on resources and options for savings.”

1.3.5 Members are invited to note and endorse this response.

### ***Procurement***

1.3.6 The second area concerns procurement. Grant Thornton concludes that the Council needs to improve its procurement and contract management arrangement by:

- 1) Updating its procurement strategy;
- 2) Ensuring the contracts register is monitored, kept up to date and used by all services;
- 3) Ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation;
- 4) Having a suitably trained client lead for procurement and contract management;

- 5) Provide training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and value for money; and
- 6) Ensuring the Council's shared arrangements for fraud also include procurement and contract management.

1.3.7 As some Members will be aware, the Council does not have its own procurement expert and has relied upon a working group of officers from across the Council to 'manage' procurement, and has looked to other partner authorities to assist with the letting of larger contracts at appropriate times. This had helped to minimise annual 'corporate' costs to TMBC, but Management Team do recognise that this has meant that we have not progressed as quickly as needed with certain things due to the workloads of officers in their 'day jobs'.

1.3.8 In respect of the 'fraud' recommendation, Member can be assured that the SLA with Kent County Council covers all types of fraud that might affect the Council. Having discussed this with our Fraud lead, it has been agreed that procurement fraud awareness training will be offered to procurement leads during 23/24 and a rolling programme will be established.

1.3.9 The management response to the key recommendation made in respect of performance management is as follows:

"Management Team acknowledges that updating of the procurement strategy has been an outstanding matter for some time. The Council does not have its own procurement resource and has relied on a working group of officers from across the Council to discuss and deliver procurement priorities and monitor/update the contracts register. For the letting of significant contracts, the Council has always sought professional assistance externally, but it acknowledged that a lack of 'in house' expertise in this discipline has led to a lack of progress.

We are now having discussions with another Local Authority with a view to developing a SLA for both the review and revision of the Procurement Strategy along with a named officer for day to day professional advice who could also sit on the Procurement working group. In order to bolster the profile and importance of the procurement function, the Procurement working group will now be chaired by a member of Management Team. Appropriate training for both officers and Members will be developed by the group over the next few months.

With regard to the risk of fraud within procurement, the Council's SLA with Kent County Council's Internal Audit and Fraud team does already cover this activity. Procurement fraud awareness training will be offered to procurement leads during 23/24 and a rolling programme will be established"

1.3.10 Members are invited to note and endorse this response.

## 1.4 Improvement Recommendations

### *Financial sustainability*

- 1.4.1 Two improvement recommendations were made under this heading relating to **transformation** and the **Workforce Strategy**.
- 1.4.2 Dealing firstly with Transformation, Grant Thornton recommends that the Council '*should develop a transformation programme to enable it to reduce spend by looking at different ways of delivering services or by enable others in its system leadership role.*' Full details of the recommendation are shown on page 13 of the Annual Audit Letter itself.
- 1.4.3 Members may be aware that transformation was raised through the Peer Challenge Review process and is an action that is still in progress. The management response is as follows:

*A Management Team/Cabinet LGA Development Day is being arranged for October, themed around transformation. It will look at development of the transformation programme and subsequently the resource requirement.*

*As part of the budgetary process for the Revised Estimate for 2023/24 and Forward Estimates for 2024/25 Services are asked to identify whether services provided were mandatory or discretionary to help develop an overall understanding of cost and priorities.*

- 1.4.4 In terms of workforce strategy, the recommendation is to "*improve the Workforce Strategy to include fully costed strategy over the medium to long term.*" Full details are set out on page 14 of the Annual Audit Letter itself.
- 1.4.5 It is acknowledged that the current workforce strategy is relatively short term and needs to now reflect the ambitions of the Corporate Strategy – i.e. transformation, innovation and delivery. The management response is therefore as follows:

*Future revisions of the Workforce strategy will include medium-term impacts requiring reviews of service delivery, succession planning, resilience as well as financial costing.*

### **Governance**

- 1.4.6 There are two improvement recommendations under the heading Governance in relation to, firstly, **Risk Management** and, secondly, to the **integration of performance and financial reporting**.
- 1.4.7 In respect of **Risk Management**, Grant Thornton have highlighted that there are: '*areas of risk management that need improvement particularly relating to the Strategic Risk Register format, member scrutiny and challenge on risk management, and reporting risk to Members in committee reports*'.

- 1.4.8 Members are aware that the Strategic Risk Register is reported routinely to this Committee and in turn this Committee will advise the Cabinet of red risks. Some improvement to the SRR has been introduced this year including the “direction of travel” indicators. An internal audit report was also undertaken which has highlighted some recommendations which will also be put in place.
- 1.4.9 Following the recommendations in the last Audit Letter, Zurich (the Council’s Insurers) have already been commissioned to undertake a training programme for staff as well as providing an independent review of the Risk Strategy.
- 1.4.10 The management response is as follows:

Some changes have already been made to the SRR to indicate direction of travel and further changes will be made over the next few months. In the light of both last year’s recommendation and an internal audit report (which contained similar recommendations) Zurich, the Council’s insurers, are being asked to review the Risk Management Strategy, formats of risk registers and risk training for new employees.

- 1.4.11 In terms of the integration of performance and financial reporting, Grant Thornton has commented that *‘Revenue reporting is at an appropriate level with clear commentary of the current position, but service and workforce information is not integrated into financial reports’*.

- 1.4.12 At the time of receiving the final draft report from Grant Thornton, consideration was still being given to the management response. Following discussions by Management Team, the proposed management response is:

Management Team are currently considering this recommendation and at the time of responding have not finalised a view. Further discussions will take place with Cabinet and Grant Thornton, as it is important that Members are not overloaded with operational data and can focus their attention on strategic matters.

- 1.4.13 A further, verbal, update will be given at the meeting following discussions with Grant Thornton.

## 1.5 Summary

- 1.5.1 Like Management Team, Audit Committee will no doubt find this a more sobering report given perhaps the ‘lighter touch’ nature of preceding reports. It is important that Members read this thoroughly.
- 1.5.2 Putting this into context, Members will be aware of the ‘turmoil’ within the local government sector with numerous s114 notices being issued by different councils.
- 1.5.3 At the present time, TMBC has an ‘in-year’ balanced budget and is not in immediate danger of this serious action. However, the funding streams for local government are precarious and becoming even more uncertain and with this in

mind our MTFS identifies the need to find savings of circa £1.7m over the next 4 to 5 years. Members agree that £0.5m of this should be identified and implemented by April 2024. Work is underway to deliver this target and it is intended that a progress report will be brought to Cabinet in October/November.

- 1.5.4 The Director of Finance & Transformation maintains a thorough budgetary control and forecasting regime, with regular reports to Members. However, some improvements are needed to our procurement and performance management processes as identified within the External Auditor's Annual Audit Report to strengthen the arrangements we already have in place and ensure that TMBC is delivering effective, efficient and economic services to the public. Above all else we must be able to say that all Services are achieving value for money.
- 1.5.5 A partnership approach between Members and officers will be needed to ensure that we can respond to, and satisfy, the challenges set out above.

## **1.6 Legal Implications**

- 1.6.1 The Council's external auditor is required under s20(1)c) of the Local Audit and Accountability Act 2014 to satisfy themselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 1.6.2 The Code of Audit Practice issued by the National Audit Office in 2020 requires us (Grant Thornton UK LLP) to report to you our commentary relating to proper arrangements.

## **1.7 Financial and Value for Money Considerations**

- 1.7.1 As set out in the Auditor's Annual Report.
- 1.7.2 It has been established that the Auditor will not need to carry out any additional work as a result of identifying the two significant weaknesses above and therefore no additional fees should accrue.

## **1.8 Risk Assessment**

- 1.8.1 Grant Thornton identify two significant weaknesses leading to key recommendations. It is important that both Members and officers actively respond to these matters as quickly as possible in order to protect the Council and its services to residents.

## **1.9 Equality Impact Assessment**

- 1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

**1.10 Policy Considerations**

1.10.1 Business Continuity/Resilience

**1.11 Recommendations**

1.11.1 Members are **RECOMMENDED** to:

- 1) Consider and approve the Auditor’s Annual Report [**Annex 1**] for 2022/23;
- 2) Note the key recommendations made in respect of ‘performance management’ and ‘procurement’ and endorse the management comments;
- 3) Note and endorse the management comments to the improvement recommendations made; and
- 4) Make any specific recommendations to Cabinet and/or Full Council as the Committee feels appropriate in light of the Annual Report.

Background papers:

Nil

contact: Sharon Shelton  
Julie Beilby

Julie Beilby  
Chief Executive

Sharon Shelton  
Director of Finance and Transformation  
on behalf of the Management Team

This page is intentionally left blank



# Auditor's Annual Report on Tonbridge & Malling Borough Council

Page 29 For the period 2022-23  
September 2023





We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



# Contents

Section	Page
Executive summary	03
Key recommendations	06
Opinion on the financial statements and use of auditor's powers	08
Securing economy, efficiency and effectiveness in the Council's use of resources	09
Financial sustainability	10
Financial sustainability improvement recommendations	13
Governance	15
Governance improvement recommendations	18
Improving economy, efficiency and effectiveness	20
Follow-up of previous recommendations	22
<b>Appendices</b>	
Appendix A – Responsibilities of the Council	24
Appendix B – An explanatory note on recommendations	25

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Executive summary



## Value for money arrangements and key recommendations




Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020-21 was the first year that we reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

### Two significant weaknesses are identified in the Council's arrangements to improve economy, efficiency, and effectiveness

Our findings of the VFM audit for 2022-23 identify two significant weaknesses in the Council's arrangements to improve economy, efficiency, and effectiveness. The Council needs to develop a performance framework and use performance management to drive its required transformation as it makes increasingly hard choices to identify savings. It also needs to significantly improve its arrangements for procurement and contract management.

Criteria	Risk assessment	2020-21 Auditor judgment	2021-22 Auditor judgment	2022-23 Auditor judgment	Direction of travel
<b>Financial sustainability</b>	No risks of significant weakness identified from our planning and risk assessment work.	No significant weaknesses in arrangements identified, but three improvement recommendations made.	No significant weaknesses in arrangements or improvement recommendation made.	No significant weakness in arrangements identified, but two improvement recommendations made.	↓
<b>Governance</b>	No risks of significant weakness identified from our planning and risk assessment work.	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No significant weakness in arrangements identified but two improvement recommendations made.	→
<b>Improving economy, efficiency and effectiveness</b>	No risks of significant weakness identified from our planning and risk assessment work.	No significant weaknesses in arrangements identified, but three improvement recommendations made.	No significant weaknesses in arrangements identified, but one improvement recommendation made.	Two significant weaknesses in arrangements identified and two key recommendations made.	↓

 No significant weaknesses in arrangements identified or improvement recommendation made.  
 No significant weaknesses in arrangements identified, but improvement recommendations made.  
 Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary

## Key recommendations

We raised performance management as an improvement recommendation in the Annual Audit Reports (AAR) for both 2020-21 and 2021-22. In 2022-23 the Council still lacked a performance framework meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged. Cabinet members cannot hold officers to account for performance if reporting is lacking. Performance benchmarking is not built into the Council's arrangements. While the Council recognises it needs to look at levels of delivery for statutory services given long-term financial constraints impact on its financial sustainability, this relies on effective performance data.

The Council has an important responsibility to ensure that procurement and contract management arrangements maximise the use of public finances, that value for money is achieved, and procurement delivers strategic priorities. We previously raised this in 2020-21 and in 2021-22 as an improvement recommendation. We find the Council's arrangements for procurement and contract management are not adequate to ensure it is achieving value for money and we consider this to be a significant weakness.



## Financial sustainability

The Council has a ten-year Medium Term Financial Strategy (MTFS). Annual budget setting reflects the impact of key expenditure drivers, such as population changes, pay and other inflationary pressures. As part of the process in 2022-23 budgets were reviewed and changes made to adjust for pressures, new initiatives, expected cost increases and income changes. The 2022-23 expenditure outturn position was £10.231m against an expected £11.213m. Waste, homelessness/temporary accommodation and the Local Plan continue to have significant financial implications for the Council. General Fund Reserves balance on 31 March 2023 was £8.611m compared with £7.661m at the same time in 2022. General Fund working balances were set at £1.25m.

The Council has a Savings and Transformation Strategy, monitored at Cabinet as part of the MTFS report. A transformation approach to savings is needed by the Council as it will struggle to find the more savings by taking its traditional approach. In February 2023, an updated copy of the Strategy was presented to Cabinet, it included the need to save £1.9m, of which £1.7m must be made by 31 March 2028 plus the £200k from back-office savings by April 2024.

Once the new Corporate Plan is in place the Council needs to ensure spending reflects its priorities, particularly discretionary services but also explore the level which statutory services are funded to realise possible savings.

We make two improvement recommendations set out on pages 13-14.





# Executive summary



## Governance

The Council reviews its Risk Management Strategy annually with the last review agreed in January 2023. It outlines responsibility for risk. It is complemented by a risk management guidance document setting out what risk is, how to identify a risk, assess and evaluate it, escalate risk determine risk proximity, risk profile, allocate risk, and risk monitoring. The guidance also outlines the risk register template, a risk assessment form and how to determine likelihood. We see this as guidance as good practice. However, we identified improvements to risk in the 2020-21 AAR and again in 2021-22 saying the Strategic Risk Register could be improved to include direction of travel, sources of risk and assurance, dates of last and next review and we recommended a training module for all staff be developed. We find these issues are still outstanding.

Budgets are discussed with budget holders, senior leadership and Members prior to approval at Council level. But the budget process does not include consultation with the public and this is an area the Council may want to address. Without service data and effective performance management it is unclear how the Council can effectively plan to make £2m savings with limited experience of strategic transformation. This means that performance information, including good quality service data and benchmarking, is more even important to aid effective decision-making. We recommend that the Council fully integrates performance and financial reporting for revenue and capital to improve financial reporting.

We have made two improvement recommendations set out on pages 18-19.



## Improving economy, efficiency and effectiveness

In 2022-23, the Council lacked a performance management framework. The Corporate Plan was being developed during 2022-23 and multiple service strategies were in place which meant there was no compelling narrative and no suite of KPIs being reported to Cabinet. There is no golden thread through the Council and no benchmarking. A lack of a performance framework meant the Council was reactive to challenges, rather than proactively forward planning or anticipating issues before they emerged. The lack of performance management during 2022-23 means the Council could not use performance data to drive improvement or achieve value for money. Without integrated reporting the Council risks not focusing spend on its priorities to deliver improvement. The Council has not yet looked at levels of delivery for statutory services and recognises it needs to plan this work as long-term financial constraints impacts its financial sustainability. The Council needs a strategic approach to assess required service levels, but this relies on effective performance data. Partnership items are regularly reported to Cabinet but given the lack of effective performance management the delivery of outcomes by those partnerships is not actively managed.

The Council's Procurement Strategy is dated 2017 and requires updating, as we recommended in both the 2020-21 and 2021-22 AARs. The Council lacks an intelligent client function for procurement and contract management. It has no specialist trained officer to lead procurement and contract management or ensure regular training is provided to members and officers. The Council's contract standing orders (CSOs) in the constitution are out of date and there is evidence the CSOs are not complied with. The Council has a legal duty to secure value for money and social value in commissioning and procurement.

We find that the Council's arrangements for performance management and procurement and contract management are both significant weaknesses and raise two key recommendations (see pages 6 and 7).

Please note that our report covers budgeted figures for both 2022-23 and 2023-24 as the 2023-24 budget is developed and approved in 2022-23. We are also mindful of the fact that our 2021-22 Auditor's Annual Report (AAR) was issued 6 months ago and the Council has not had a full year to implement the recommendations made in our prior year AAR.

# Key recommendations



## Improving economy, efficiency and effectiveness

- Key recommendation 1** The Council needs to improve its performance management arrangements by:
- Using the reset Corporate Plan to establish a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public;
  - Developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place;
  - Agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework;
  - Ensuring performance reporting include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement;
  - Ensuring the Cabinet receives quarterly performance reports to enable it to hold officers to account;
  - Using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money;
  - Ensuring that the new performance management framework and reporting extends to key contracts such as waste and leisure;
  - Developing a strategic approach to assessing the levels of statutory services needed to save money;
  - Engaging with hard-to-reach customers to ensure they can still access services given the Council's digital by default approach;
  - Ensuring partnership performance management, including outcomes, is reported regularly to Cabinet; and
  - Engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.

### Why/Impact

The Council needs to ensure it is delivering its corporate strategy and without a framework in place, underpinned by effective performance management and data, it will not understand required improvements or have a golden thread to enable officers to understand how they contribute to corporate delivery or identify savings and achieve value for money. The lack of performance management during 2022-23 means the Council could not use performance data to drive improvement or achieve value for money. Without a blended approach between finance and performance the Council could reduce spending in the wrong areas.

### Auditor judgement

The Council's arrangements for performance management is not adequate.

### Summary findings

We raised performance management as an improvement recommendation in the AAR for both 2020-21 and 2021-22. In 2022-23 the Council still lacked a performance framework meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged. Cabinet members cannot hold officers to account for performance if reporting is lacking. Performance benchmarking is not built into the Council's arrangements. While the Council recognises it needs to look at levels of delivery for statutory services given long-term financial constraints impact on its financial sustainability, this relies on effective performance data.

# Key recommendations



## Improving economy, efficiency and effectiveness

**Key recommendation 1** Following both this review and a Peer Challenge undertaken during 2022/23 a range of KPI's have been introduced and, since the start of 2023/24, are presented to Members of Overview and Scrutiny Committee and the three Scrutiny Select Committees at quarterly intervals after their review by Management Team.

### Management comments

Management agrees that KPIs should also be formally shared with Cabinet and it is intended that they will now be introduced to Cabinet agendas as well as making them a standard regular item on all service management teams. The range of information captured and reported will also be reviewed and refined over the coming months.

Management acknowledges, and agrees with, the recommendation about a 'golden thread'. The need for greater focus of resources towards 'Policy and Performance' is also recognised to act as the 'golden thread' between finance and performance across the organisation and to enable officers to understand how they could contribute to corporate delivery or identify savings and achieve value for money.

Benchmarking information is already in use in some service areas (e.g. treasury management and recycling) and is reported to relevant Committees to aid review of performance, but more generally work is already underway to look at a wider range of benchmarking information which can be used to inform areas for transformation and value for money assessments. It is expected that this will be developed over the next 12 to 18 months.

In terms of engagement with residents, a consultation was undertaken to inform the development of the new Corporate Strategy and assess local priorities. Management will liaise further with Cabinet about further engagement with residents on resources and options for savings

# Key recommendations



## Improving economy, efficiency and effectiveness

- Key recommendation 2** The Council needs to improve its procurement and contract management arrangement by:
- Updating its procurement strategy;
  - Ensuring the contracts register is monitored, kept up to date and used by all services;
  - Ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation;
  - Having a suitably trained client lead for procurement and contract management;
  - Provide training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and value for money; and
  - Ensuring the Council's shared arrangements for fraud also include procurement and contract management.

**Why/Impact** The Council has an important responsibility to ensure that procurement and contract management arrangements maximise the use of public finances, that value for money is achieved, and procurement delivers strategic priorities.

**Auditor judgement** The Council's arrangements for procurement and contract management are not adequate to ensure it is achieving value for money.

**Summary findings** We raised an improvement recommendation to update the Council's Procurement Strategy in the 2020-21 and 2021-22 AARs. The Strategy is dated 2017 and needs to consider changes over the last six years including the Procurement Bill, Brexit, the National Procurement Policy Statement June 2021 and the LGA national procurement framework from 2018 that was updated in 2022. The Council lacks an intelligent client function for procurement and contract management. It has no specialist trained officer to lead procurement and contract management or ensure regular training is provided to members and officers, instead it has a procurement group and assigns responsibility to each service. The Council's contract standing orders (CSOs) in the constitution are out of date following the procurement changes since Brexit and need updating and communicating through the organisation. The Council has a legal duty to secure value for money and social value in commissioning and procurement.

**Management comments** Management Team acknowledges that updating of the procurement strategy has been an outstanding matter for some time. The Council does not have its own procurement resource and has relied on a working group of officers from across the Council to discuss and deliver procurement priorities and monitor/update the contracts register. For the letting of significant contracts, the Council has always sought professional assistance externally, but it acknowledged that a lack of 'in house' expertise in this discipline has led to a lack of progress.

We are now having discussions with another Local Authority with a view to developing a SLA for both the review and revision of the Procurement Strategy along with a named officer for day to day professional advice who could also sit on the Procurement working group. In order to bolster the profile and importance of the procurement function, the Procurement working group will now be chaired by a member of Management Team. Appropriate training for both officers and Members will be developed by the group over the next few months.

With regard to the risk of fraud within procurement, the Council's SLA with Kent County Council's Internal Audit and Fraud team does already cover this activity. Procurement fraud awareness training will be offered to procurement leads during 23/24 and a rolling programme will be established.

The range of recommendations that external auditors can make is explained in Appendix B.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether the accounts: present a true and fair view of the Council's financial position; and have been prepared in accordance with the CIPFA/LASAAC Code of Practice on local authority accounting in the United Kingdom 2021-22.

Our work on the audit of the Council's 2022-23 financial statements is in progress.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not issue any statutory recommendations in 2022-23.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest report in 2022-23.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any application to the Court in 2022-23.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure;
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notice in 2022-23.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for any judicial review in 2022-23.

# Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

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



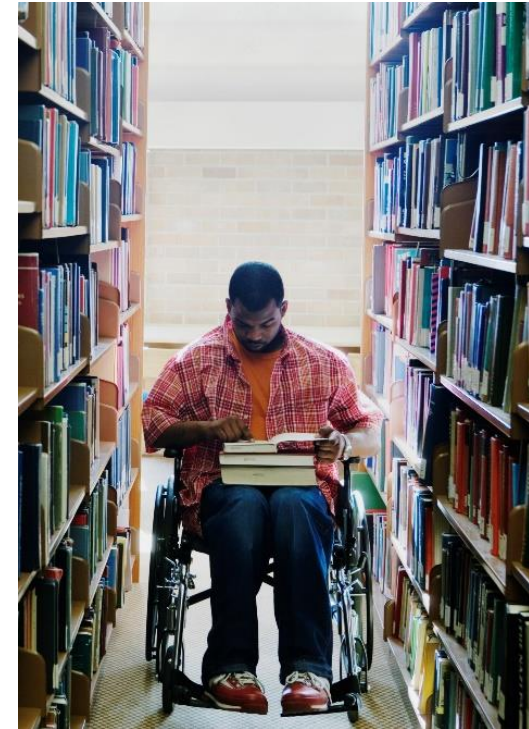
## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 21.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

## How the Council ensures that it identifies all the significant financial pressures that are relevant to its short- and medium-term plans and builds them into its plans

The Council has a ten-year Medium Term Financial Strategy (MTFS). Annual budget setting reflects the impact of key expenditure drivers, such as population changes, pay and other inflationary pressures. As part of the process in 2022-23 budgets were reviewed and changes made to adjust for pressures, new initiatives, expected cost increases and income changes. Waste, homelessness including temporary accommodation, and the Local Plan continue to have significant financial implications for the Council.

In 2022-23 the annual funding settlement was again for one-year creating challenges for financial planning. It included an allocation of £1.19m for New Homes Bonus (NHB) and a one-off Services Grant to cover national insurance increases. The funding decrease on 2021-22 was £0.4m which represented a reduction of 7.6%. The council tax increase in 2022-23 was £5 or 2.3%, taking Band D council tax to £224.50 for district council services. The council tax base in 2022-23 was 52,247 Band D equivalent properties, an increase of 1.7% from 2021-22.

The 2022-23 outturn position was £10.231m spend against an expected £11.213m, but waste, homelessness/temporary accommodation and the Local Plan continue to have significant financial implications for the Council. In June 2023 Cabinet was advised the contribution to the General Revenue Reserve was £949,685, some £432,835 more than the £516,850 previously estimated. The variance was attributed to above profile performance on investment returns due to interest rate rises and improved income from planning application fees, garden waste and car parking.

General Fund reserve balance on 31 March 2023 was £8.611m compared with £7.661m at the same time in 2022. General Fund working balances were set at £1.25m. Plans to use reserves to fund budget deficits in the short term is not of immediate concern but should be monitored closely.

The Section 25 statement, for agreement of the annual budget and precept, reported to Cabinet on 14 February 2022 references the reserve levels,

confirming they are adequate and that external impacts on the budget have been considered.

Financial plans are discussed at Council, Cabinet and Finance, Overview & Scrutiny Committee, and Regeneration & Property Scrutiny Committee. The Council has a history of transparency in financial matters.

## How the body plans to bridge its funding gaps and identifies achievable savings

In 2022-23 Cabinet instructed the Corporate Management Team (CMT) to implement an “Essential Spend Only” ethos again to assist in containing in-year budget pressures. In-year pressures included a £0.249m contribution under the utility cost sharing agreement for the Leisure Trust and support on the Waste Contract with increases in HGV driver costs.

The Council has a Savings and Transformation Strategy that provides structure and direction to address the financial challenges it faces. The Strategy will be delivered in four tranches commencing 2022-23. The Council has a history of delivering savings, delivering over £3.8m of savings in the last seven years. Savings delivery is monitored at Cabinet as part of the regular MTFS report. A transformation approach to savings is important going forward as the Council will struggle to find the savings it needs by taking its traditional approach. **We make an improvement recommendation to develop a transformation programme related to cost savings for the medium to long-term (see page 13).**

In February 2022, an updated copy of the Savings and Transformation Strategy was presented to Cabinet, it included the need to save £2.15m, of which £1.5m must be ‘bridged’ in the next 3 years to protect the Council’s financial integrity. In February 2021, the projected gap was £0.475m. The increase to £2.15m was caused by waste management, the Local Plan costs, and temporary housing plus inflationary pressures. Added to this gap is £0.2m from the scaled back of office accommodation, giving £2.35m to find and deliver over the medium-term.

# Financial sustainability

Of the four tranches in the Savings and Transformation Strategy, by February 2023 full tranche 1 savings of £0.35m were achieved and the funding gap reduced to £1.7m to be delivered in three further tranches: tranche 2 – £0.5m by April 2024; tranche 3 – £0.60m by April 2025; and tranche 4 – £0.60m by April 2028. Plus, the scaling back of office accommodation to save £0.2m by April 2024.

The Savings and Transformation Strategy presented to Cabinet on 14 February 2023, lacks explicit detail and alternatives to consider, with no identified option appraisals. Going forward, as savings become more challenging to deliver, it will be important to develop early ideas for savings/transformation with budget holders and present these to a Members' challenge board to enable early engagement with key stakeholders and to allow Members to see options with associated impact of savings on residents. We address this improvement in the transformation recommendation on page 13.

Page 40

**How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities**

**Financial planning in the Council does not demonstrate a clear understanding of the cost of delivering core statutory services as distinct from discretionary areas of spend and we make an improvement recommendation to address this on page 13.**

In 2022-23 the Council lacked an effective corporate strategy, but we recognise it was being addressed through development and consultation during 2022-23 and was agreed by Council on 22 July 2023. The one-page list of priorities in place from 2020-23 identified finance, climate change and sustainable growth as key priorities, but climate change activities are not costed in the MTFS.

Now the Corporate Plan is in place the Council needs to ensure spending reflects its priorities, particularly discretionary services but also explore the level which statutory services are funded to realise possible savings. **We include the need to link priorities and spending in our improvement recommendation on the development of a transformation programme on page 13.**

There is extensive internal consultation to ensure the annual budget meets the needs of the services provided, ensuring that key services remain funded. **However, financial plans are not discussed with wider stakeholders through an annual consultation exercise, and we make an improvement recommendation to address this on page 13.** We found no evidence of the need to curtail services to support short term funding deficits, but this may be required as savings become more difficult to find.

The Council has the necessary resources for financial management including a financial system able to provide timely financial information, the necessary financial skills, experience and capacity

in the finance team and budget holders in the services, and clearly defined responsibilities for budget management. Corporate Management and Members challenge performance, holding budget holders to account, and making decisive interventions where and when necessary. The finance team is well-established with significant experience of managing the Council's finances. We feel the Council has a positive financial culture and an appropriate 'tone from the top' set by the Chief Executive – the ongoing management of the Council's financial position over recent years is evidence of this.

Budget holders receive monthly budget reports. The onus is on budget holders to raise any issues with finance on an exception basis, rather than regular meetings being held. Any variances of £5,000 and above must be reported to the Director of Finance and Transformation. Finance carries out independent review of significant elements of the budget such as salaries and income to maintain oversight of the financial position.

**How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system**

In June 2022 a new Workforce Strategy was agreed in line with LGA CPC recommendations. This is a 1-year strategy and given the need for additional capacity in performance, transformation, procurement and contract management and the programme office this needs planning over a long-term time horizon and be fully costed. **We make an improvement recommendation to develop a long-term term and costed Workforce Strategy on page 14.**

The Council has a Capital Plan and has adopted a Capital Strategy and capital planning process which are regularly reviewed to reflect changing circumstances. The capital outturn in 2022-23, net of grants, was £0.784m against a budget provision of £1.567m.

In addition to funding for the replacement of assets which deliver services and recurring capital expenditure, there is now an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual capital allowance. Priority is given to those schemes that generate income or reduce costs. The annual capital allowance is currently set at £0.25m.

The Council is risk adverse and debt-free, expected to remain debt free until 2029, and does not seek to invest in commercial assets. The capital programme largely consists of maintenance and improvement items and contains no major schemes. The capital programme is overseen by Cabinet, while projects are subject to a detailed appraisal and approval process.

The Capital budget sets out revenue impacts. There is an annual contribution to the revenue reserve for capital schemes to match the funding required for the replacement of existing assets (vehicles, plant and



# Financial sustainability

equipment) and recurring capital expenditure. The contribution in 2022-23 is £0.908m.

A Treasury Management & Annual Investment Strategy is in place and reported to Council annually. The Council uses external advisors Link Asset Services, to ensure risk is managed. There is an appropriate balance between mitigating risk and optimising opportunities, and the Council has set out the appropriate level of reserves to maintain, as well as the opportunity cost of holding reserves.

## How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

The Council identified the risk of not balancing the budget as a red risk in the latest Strategic Risk Register (SRR). Ways in which the Council is managing this risk include the regular budget monitoring and scrutiny, the Savings and Transformation Strategy, the MTFS and use of reserves. A list of financial risks is included in budget papers sent to Members when setting the Council's annual budget, but these are not aligned with the SRR risk references. [We address this issue in the risk improvement recommendation on page 18.](#)

Page 41



# Improvement recommendations



## Financial sustainability

Page 42

### Improvement recommendation 1

The Council should develop a transformation programme to enable it to reduce spend by looking at different ways of delivering services or by enabling others in its systems leadership role. It needs to:

- Use the Corporate Plan reset to identify its budget priorities and reset the budget;
- Develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear political priorities;
- Identify ways to deliver for less and identify activity that can stop where it does not contribute to statutory services or to Corporate Plan priorities;
- Consult on changes to services and future spending plans with the public and include public engagement annually as part of business planning;
- Ensure it has transformation and programme management skills in place to manage the programme, lead change and explore new ways of working;
- Introduce service user testing, when making service changes as part of prototyping, to ensure groups are not adversely impacted by changes to delivery for example digital by default; and
- Develop early ideas for savings with budget holders and present these to a Members’ challenge board to enable early engagement with key stakeholders and to allow Members to see options and the impact of savings on residents.

### Why/Impact

The Council has traditionally found the savings it requires but the scale of savings required going forward calls for a more transformative approach to achieve value for money and maintain effective services.

### Auditor judgement

The Council will not be able to achieve future savings using historic approaches and a more transformational model will be needed to help ensure financial sustainability while achieving value for money and outcomes for residents.

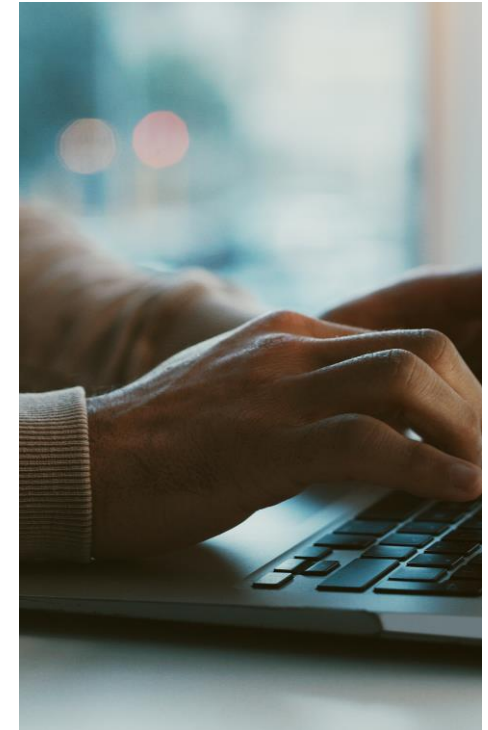
### Summary findings

The Council has a Savings and Transformation Strategy and a history of delivering savings, but a transformation programme would help it to deliver future savings whilst effectively considering value for money.

### Management comments

A Management Team/Cabinet LGA Development Day is being arranged for October, themed around transformation. It will look at development of the transformation programme and subsequently the resource requirement.

As part of the budgetary process for the Revised Estimate for 2023/24 and Forward Estimates for 2024/25 Services are asked to identify whether services provided were mandatory or discretionary to help develop an overall understanding of cost and priorities.



# Improvement recommendations



## Financial sustainability

### Improvement recommendation 2

Improve the Workforce Strategy to include fully costed strategy over the medium to long-term.

### Why/Impact

Costing the workforce requirements over the medium to long term will enable finance to build assumptions into the MTFS and ensure the Council has the right blend of skills for the future.

### Auditor judgement

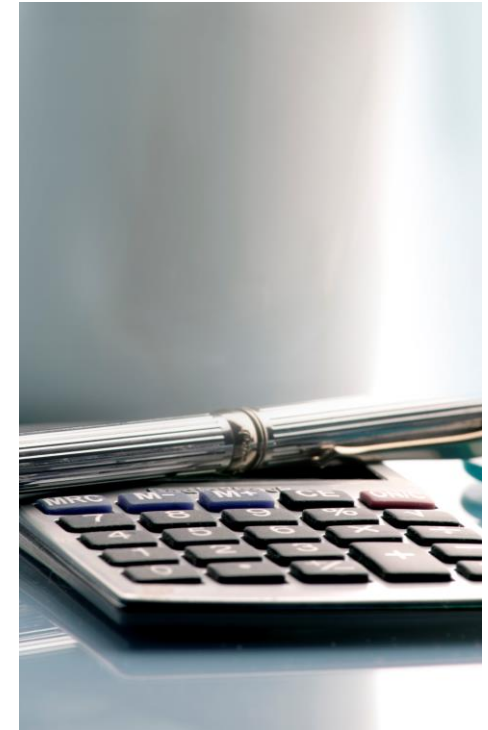
Developing a costed strategy will enable the Council to plan its future workforce requirements and build in medium-to long-term assumptions for budget planning.

### Summary findings

In June 2022, a new Workforce Strategy was agreed in line with LGA CPC recommendations. This is a 1-year strategy and given the need for additional capacity in performance, transformation, procurement and contract management and the programme office this needs planning over a long-term time horizon and be fully costed.

### Management comments

Future revisions of the Workforce strategy will include medium-term impacts requiring reviews of service delivery, succession planning, resilience as well as financial costing.



The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services

## How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council adopted a Risk Management Strategy in February 2022 and agreed a revision in January 2023. It outlines responsibility for risk. It is complemented by a risk management guidance document setting out what risk is, how to identify a risk, assess and evaluate it, escalate risk determine risk proximity, risk profile, allocate risk, and risk monitoring. The guidance also outlines the risk register template, a risk assessment form and how to determine likelihood – we view this guidance to be good practice.

Any risk evaluated as ‘High Risk’ (score of 15 or above) is deemed by the Council to be beyond ‘risk tolerance’ and to have exceeded its ‘risk appetite’ and is escalated immediately. Such risks should be added to the service’s risk register and discussed in the Service Management Team (SMT) to inform a decision as to whether this should be escalated to Corporate Management Team (CMT).

CMT then considers whether to add the risk to the Strategic Risk Register (SRR). The SRR is a critical tool for the Council to capture and report on risk activity and their risk profile. The Council reviews its SRR quarterly. Each team is meant to discuss service risks at weekly meetings, and we have verified that this takes place with the finance team. There is also an element of internal peer challenge on risk.

While we found good practice in this area, we did identify improvements to the Council’s approach to risk management in our 2020-21 and 2021-22 Auditor’s Annual Reports (AAR). We set out how the SRR could be improved by including direction of travel, sources of risk and assurance, and dates of last and next review. We also recommended a training module for all staff be developed to raise awareness of risk. We find these recommendations are still outstanding.

In 2022-23 we have identified additional risk management improvements. The SRR should set out relevant key controls and assurances for each risk, include a direction of travel and have a single named owner. We expect to see the original risk score and likelihood scores after initial mitigation, current risk scores and target risk scores. It would be useful to identify issues, risk and impact separately.

Dates in the SRR mainly start from 2017 and mitigation actions/narrative does not make clear subsequent updates, making scrutiny difficult for Members. The Audit Committee receives the SRR for comment at each meeting, but a quarterly update would be helpful for Cabinet, integrated with reporting on performance and finance.

The Council needs to improve its committee reports to enable risk management and reference strategic risks and their scores and impact in all Council reports. This would also facilitate Member challenge on risk.

## We make an improvement recommendation concerning risk management on page 18.

Internal audit (IA) is provided by Kent County Council and the IA team reports into finance on a monthly basis. IA also leads on the Council’s risk management and fraud activities. During 2022-23 the IA team had a vacancy for a Principal IT Auditor. Council pay grades proved insufficient to attract a permanent in-house specialist IT Auditor and this has led to further delay to the Cyber Security and IT Infrastructure audits. However, this post was filled in 2022/23 and the Cyber Security and IT infrastructure reviews completed receiving substantial assurance.



# Governance

The most recent IA external quality assessment was undertaken in February to March 2021 and an improvement plan developed. The IA annual internal self-assessment against the Public Sector Internal Audit Standards was conducted in December 2022. It recommended eight improvements of which six were actioned in 2022-23. The two remaining actions in July 2023 were to identify a mechanism to review and provide assurance on fraud activity and have regular private meetings with the Chair of the Audit Committee and CAE/Audit and Assurance Manager.

In July 2023, the Audit Committee endorsed the opinion on the effectiveness of the IA function in place for 2022-23 as 'Good' with 92% of the audit plan completed. Of the 63 audit recommendations due for implementation in 2022-23 a fifth are still open, a slight increase of four percentage points from 2021-22. The Audit Committee also approved the 2022-23 Annual Governance Statement (AGS). The AGS is supported by signed Assurance Statements provided by CMT members including the three statutory officers.

The Council takes part in the National Fraud Initiative (NFI), which comprises of a nationwide data matching exercise comparing Council data to other council and third-party datasets. In 2022-23 the Counter Fraud Team delivered activity on the biennial data matches received in the 2021-22 exercise. This led to £151,815 in additional council tax being identified due to changes in discounts and exemptions being either removed or adjusted from council tax accounts. The delay was due to the diversion of resources to support due diligence checks on Covid grant payments made through 2020 to 2022.

The Council continues to benefit from the Kent Intelligence Network, a partnership led by Kent County Council, in place since September 2016. This partnership prevents and detects fraud, reduces risk profiles and supports fraud professionals locally. In 2022-23 it helped identify £0.639m of additional liability across Kent.

The Fraud team has delivered awareness training to Council staff in Revenues and Benefits and Human Resources (HR). HR has written to staff asking them to declare second jobs. The Fraud team also received 112 fraud referrals in 2022-23 mostly related to council tax and benefits.

## How the body approaches and carries out its annual budget setting process

The Council's annual budget setting process is described in the Financial sustainability section of this report, [pages 10-12](#). The Council's budget position is categorised as 'red' on the SRR. Budgets are discussed with budget holders, senior leadership and Members prior to approval at Council level. The budget process starts in August with a finance review of staffing. Budget working papers are circulated to budget holders in September and work their way to the management team for approval in November. When the settlement is received in December required adjustments are made and the budget goes to Members in January and February going through Cabinet to Council for approval. We found that there is no budget consultation with the public and this is one areas where the Council may want to address.

## How the body ensures effective processes and systems are in place to ensure budgetary control

During 2022-23 Cabinet and the Finance, Regeneration and Property Scrutiny Committee reviewed updates on the Council's financial position including the budget and savings position. These reports included reasons for variances and risks to budgets.

There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines or a modified opinion on the financial statements. **Financial performance is a key objective the Council, but performance management is a significant weakness and requires improvement - see key recommendation concerning performance management (see page 6), identified as part of our work on the 3Es, refer to page 20 for detail.**

By understanding the performance of services managers will get better budgetary control.

## How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

In 2022-23 the Council lacked a performance framework meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged. However, the Council has had limited need to transform and restructure but is now faced with a more significant budget gap for 2023-24 which will require transformation capacity and skills. The Council recognises the coming years will be challenging if sustainable and transformative solutions are not identified.

Without service data and effective performance management it is unclear how the Council can effectively plan to make £2m savings with limited experience of strategic transformation. This means that performance information, including good quality service data and benchmarking, is more even important to aid effective decision-making. **We recommendation the Council fully integrates performance and financial reporting for revenue and capital to improve financial reporting (see page 19).** The Leader is keen to increase the pace of change and bring fresh ideas. This leadership style creates an opportunity for the whole Council to innovate and look at how it could do things differently.

The Local Government Association (LGA) is the national membership body for local authorities working on behalf of member councils to support, promote and improve local government. In February 2022, the LGA corporate peer review team identified the Council lacked a shared strategic vision, with no strong sense of priorities being reflected in conversations with a wide range of different stakeholders. There were separate strategies for different parts of the Council but no overarching plan with key priorities. Performance reporting was fragmented during 2022-23 with no corporate overview to allow competing issues or challenges to be proactively evaluated against.

# Governance

each other. While we recognise the Council developed its Corporate Plan during 2022-23 (agreed at Council in July 2023), we raise a key recommendation concerning performance management (see page 6), identified as part of our work on the 3Es, refer to [page 20](#) for detail.

The Council uses complaints data in its services to improve but it does not have a corporate resident satisfaction measures and does not have an annual survey or budget consultation with the public. The LGA report identifies that in delivering digital by default, some customers were finding it increasingly difficult to engage with the Council and further analysis of the impact on service provision and customer interaction should be undertaken.

## How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

Page 46  
During 2022-23 IA reviewed arrangements for Member declarations of interest / expenses allocation. This audit looked at arrangements for Members and staff and was concluded to have substantial assurance. We have not identified any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.



# Improvement recommendations



Governance

## Improvement recommendation 3

The Council needs to improve risk management by:

- Improving the format of the Strategic Risk Register (SRR) to add for each risk: key controls and assurances; direction of travel; a single named owner; the original risk score and likelihood scores after initial mitigation; current risk scores and target risk scores; and provide updated mitigation quarterly. It would be useful to identify issues, risk and impact separately;
- Updating the SRR format to align with our proposed SRR changes;
- Reviewing the SRR risks to ensure they have the right actions and are unique risks;
- Reporting the SRR quarterly to Cabinet alongside performance and finance;
- Improving committee reports to facilitate good risk management, referencing strategic risks and their scores and impact in all Council reports; and
- Developing training for members and staff to raise awareness of risk and responsibilities.

## Why/Impact

Effective risk management enables councils to: improve governance, confidence and trust; set strategy and plans through informed decision-making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

## Auditor judgement

While we found some good practice in relation to risk, we also found areas of risk management that need improvement.

## Summary findings

Areas of risk management that need improvement relate particularly to the SRR format, member scrutiny and challenge on risk management, and reporting risk to Members in committee reports.

## Management comments

Some changes have already been made to the SRR to indicate direction of travel and further changes will be made over the next few months. In the light of both last year's recommendation and an internal audit report (which contained similar recommendations) Zurich, the Council's insurers, are being asked to review the Risk Management Strategy, formats of risk registers and risk training for new employees.



# Improvement recommendations



Governance

## Improvement recommendation 4

The Council needs to fully integrate performance and financial reporting for revenue and capital to improve financial reporting.

## Why/Impact

Members need to have information that enables them to hold officers to account and challenge performance.

## Auditor judgement

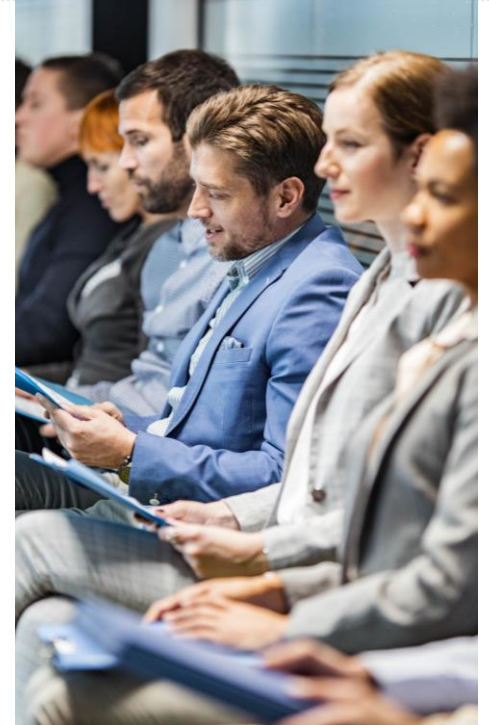
The Council needs to fully integrate financial and performance reporting including workforce information (such as interim spend, vacancy rates and sickness data) once it has addressed the recommendations on performance management.

## Summary findings

Revenue reporting is at an appropriate level with clear commentary of the current position, but service and workforce information is not integrated into financial reports.

## Management comments

*Management response to follow*



The range of recommendations that external auditors can make is explained in Appendix B.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits

## How financial and performance information has been used to assess performance to identify areas for improvement

It is recommended by the LGA that councils have a Corporate Peer Review every five years which makes recommendations for improvement. The Council had their review in January 2022 and agreed an action plan. One action was to develop a compelling narrative as part of a new Corporate Plan. The draft Corporate Plan went to Overview and Scrutiny Committee in November 2022 and was shared for comment with staff and the public.

As part of the Corporate Plan review the basket of key performance indicators (KPIs) were reviewed. However, at no point during 2022-23 were KPIs or a paper on performance management presented to the Cabinet despite their constitutional remit. This limits Cabinet's ability to have visibility and oversight of how the Council is performing against its responsibilities and aspirations. We have raised this twice already; in our 2020-21 and 2021-22 Auditor's Annual Reports (AAR) we recommended that Cabinet receives performance reports including benchmarking.

In March 2023, the three select committees (Communities and Environment, Finance, Regeneration and Property, and Housing and Planning) received initial KPI reports relevant for their services. Joining these up with reporting to Cabinet jointly with finance and risk will be important for 2023-24. Providing Cabinet with an integrated performance report would enable them to hold officers to account for the delivery of the Council's Corporate Plan. A lack of a performance framework in 2022-23 meant the Council was reactive to challenges, rather than proactively forward planning or anticipating issues before they emerged.

## How the body evaluates the services it provides to assess performance and identify areas for improvement

Lack of performance management arrangements during 2022-23 meant the Council was reactive to challenges rather than proactively forward planning or anticipating issues before they emerged, and the Council was not able to use performance data to drive improvement or achieve value for money. Without integrated reporting the Council risks not focusing spend on priorities to deliver improvement.

The Council has not yet looked at levels of delivery for statutory services and recognises it needs to plan this work as long-term financial constraints impact financial sustainability. The Council needs a strategic approach to assess required service levels, but this relies on effective performance data.

In 2021-22 we recommended that the Council should re-introduce the benchmarking practices used pre-pandemic, to see how other councils provide services, with a view to introducing best practice and providing best value for money. We understand that plans are in place to introduce benchmarking in 2023-24 in line with the LGA action plan.

The Council has a long-term strategic approach to finance as demonstrated by its ten-year MTFS but given the lack of performance management arrangements and the short-term local government settlements, it is unclear how meaningful assumptions are in respect of future funding streams.

**We consider the Council's performance management arrangements to be a significant weakness and make a key recommendation on page 6.**



# Improving economy, efficiency and effectiveness

## How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified

The Council delivers its waste collection service through a contract with Urbaser Ltd and its parent company Urbaser SAU that commenced in September 2019 with a value of around £121.34m. This is a joint contract with Tunbridge Wells Borough Council. Performance of this contract is reported regularly to members.

In the 2021-22 AAR we noted that waste collection performance improved in 2022. However, contract performance was impacted in 2021-22 and in 2022-23 by the nationwide shortage of HGV drivers, as a result the garden waste service was suspended during part of 2022. From late 2019 to November 2022 the contractor did not deliver recycling services for 2,500 households living in communal blocks. This service was introduced from November 2022. Instead, these customers had to travel to 'bring sites' to recycle.

In 2022 the contractor proposed an enhanced pay rate to improve performance by reducing reliance on agency staff and attracting permanent drivers. From May to October 2022 the two councils provided financial assistance towards the enhanced pay rate to a value of £178,897 split between the two councils, which helped to recruit and retain drivers. The pressures in the market continued, and the partnership provided further support from November 2022 to 31 March 2023. The Council contributed £770,000 to that support, funded from the Budget Stabilisation Reserve. It also made a one-off contribution to the contractor of £150,000 towards the costs of terminating some existing collection vehicle leases to facilitate a new fleet of collection vehicles in 2023-24. This was also funded from the Budget Stabilisation Reserve. A Voluntary Ex-Ante Transparency Notice was published due to the contract variation with Urbaser Ltd and Urbaser SAU to support with the enhanced pay for the HGV drivers.

Key performance indicators reported to Community and Environment Scrutiny Select Committee in June 2023 still show performance concerns with the waste contract including 100% of missed bin collections not completed on time and growing complaints about street cleaning. Some of the data collection systems are still not in place meaning the Council can not effectively hold the contractor to account for all its service level agreements.

**Partnership items are regularly reported to Cabinet but given the lack of effective performance management the delivery of outcomes by those partnerships is not actively managed. We address this in our key recommendation on page 6.**

## Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

The Council's Procurement Strategy is dated 2017 and it needs updating, as we recommended in both the 2020-21 and 2021-22 AARs, to consider changes over the last six years including the Procurement Bill, Brexit, the National Procurement Policy Statement in June 2021, and the LGA national procurement framework from 2018 that was updated in 2022. The Council lacks an intelligent client function for procurement and contract management. It has no specialist officer to lead procurement and contract management or ensure regular training is provided to Members and officers, instead it has a procurement group and assigns responsibility to each service. The Council's contract standing orders (CSOs) in the constitution are out of date following the procurement changes since Brexit and need bringing up-to-date and communicating. These changes need referencing in the new strategy.

The Council has a legal duty to secure value for money and social value in commissioning and procurement and a duty to manage its contracts effectively. It also has a duty to prevent fraud and corruption.

**The lack of effective procurement and contract management in the Council is a significant weakness and we make a key recommendation on page 7 of this report.**

The Council has a Leisure Trust, established in 2013. It is an important contract for the Council and there is evidence they work together to share costs and reduce future energy impacts. However, **there is a lack of effective scrutiny around how leisure services link to the health improvement and wellbeing of residents in the Borough, with more of a focus on how the contract is performing financially. This is part of the wider key recommendation on performance management on page 6 of the report.**

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date – management comment	Addressed?	Further action required?
1	<p>Consideration should be given to improving the risk management process:</p> <ul style="list-style-type: none"> <li>a) consider providing additional information in the Strategic Risk Register (SRR), including direction of travel, sources of risk and assurance, and dates of last and next review.</li> <li>b) develop a training module for all staff to raise awareness of risk across the organisation.</li> </ul>	Improvement	December 2022	Some future review dates are now included in the SRR, but direction of travel, assurance, and previous dates are not. Training is not in place, and we make a further improvement recommendation concerning risk management.	No	Yes, refer to improvement recommendation 3
2	<p>The Council should consider the following improvements to its performance management framework:</p> <ul style="list-style-type: none"> <li>a) report a suite of key performance indicators to Cabinet every six months.</li> <li>b) re-introduce the benchmarking practices used pre-pandemic to see how other councils provide services, with a view to introducing best practice and providing value for money.</li> <li>c) the Procurement Strategy should be refreshed, informed by the National Procurement Strategy toolkit.</li> </ul>	Improvement	December 2022	Cabinet still does not receive performance reports. Benchmarking is not introduced in 2022-23 but plans are in place to introduce for 2023-24 in line with the LGA action plan. The Procurement Strategy is not updated.	No	Yes , refer to key recommendation 1

# Appendices



# Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

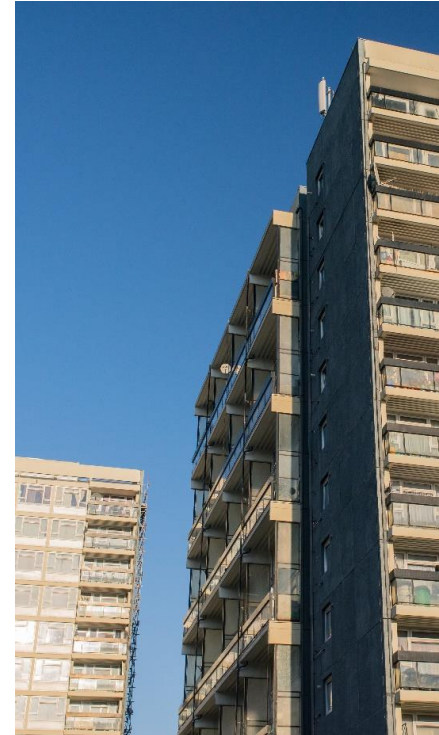
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by Government that the services provided by the Council will no longer be provided.

The Council 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.



# Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	Pages 6 and 7
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 13, 14 and 18, 19

Page 54



This page is intentionally left blank

## Extract from Management Team's report

following receipt of Grant Thornton's Annual Audit Letter for 2021/22

Reported to Audit Committee on 16 January 2023

Extract from the report/ Management comments, which were endorsed by the Audit Committee are in *red italics*.

### **Governance**

- 1 Consideration should be given to the following improvements to the risk management process:
  - Consider providing additional information within the Strategic Risk Register, including direction of travel, sources of risk and assurance, and dates of last and next review.
 

*Consideration to be given to providing additional information in the Strategic Risk Register from April 2023.*
  - Develop a training module for all staff to raise awareness of risk across the organisation.
 

*Appropriate training for staff in order to raise awareness of risk across the organisation to be considered after the May 2023 election.*

### **Improving economy, efficiency and effectiveness**

- 1.1.1. The Council should consider the following improvements to its performance management framework:
  - Report a suite of key performance indicators to Cabinet every six months.
 

*Management Team in liaison with Cabinet to consider how this might best be achieved.*
  - Re-introduce the benchmarking practices used pre-pandemic to see how other councils provide services, with a view to introducing best practice and value for money.
 

*Benchmarking can be resource intensive, that is not to say benchmarking is not a useful tool, adding insight and value when used*

*in the right context and will continue to look for opportunities to benchmark where and when it is determined it will be beneficial to do so when undertaking a review of a specific service area(s).*

- The Procurement Strategy should be refreshed, informed by the National Procurement Strategy toolkit.

*The nature, scale and size of procurement activity is relatively constant year on year. However, do acknowledge the need to revisit the Strategy when other more pressing priorities and work pressures allow and in recognition of the new procurement regime due to be implemented in 2023.*

### ***Financial sustainability***

- 1.1.2 No improvement recommendations made under this criteria.

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

25 September 2023

#### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Matters for Recommendation to Cabinet – Council Decision

### 1 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW

The report provides an update on treasury management activity undertaken during April to July of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2023/24 is also included in this report.

#### 1.1 Introduction

1.1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly and to include a mid-year review of the Treasury Management and Annual Investment Strategy. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

1.1.2 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an Annual Treasury Management Strategy Statement, including the Annual Investment Strategy, for the year ahead; a mid-year Review Report (this report) and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council, the delegated body is the Audit Committee.

1.1.3 This mid-year report has been prepared in compliance with the Code and covers the following:

- An economic update and interest rate forecast.
- Investment performance for April to July of the 2023/24 financial year including recent benchmarking data.
- Compliance with Treasury and Prudential Limits for 2023/24.
- A review of the risk parameters contained in the 2023/24 Treasury Management and Annual Investment Strategy.

## 1.2 Economic Overview

1.2.1 The Bank of England's Monetary Policy Committee (MPC) is in recess for the month of July but when it meets again in early August, is expected to continue responding to the stickiness of inflation and the continued rise in wages by way of a further increase to the interest rate. The Bank's current forecast reflects:

- CPI inflation has fallen from 7.9% in June to 6.8% in July, marginally above the consensus forecast of 6.7%, but in line with the Bank of England's forecast.
- In July, 0.7% of the decline in CPI inflation was due to the plunge in utility price inflation from 23.3% in June to 4.5% in July. The reduction in the Ofgem utility price cap to £2,075 on 1<sup>st</sup> July took it below the government's Energy Price Guarantee of £2,500, and meant utility prices fell by 15.1% m/m.
- Core inflation has failed to fall from 6.9% and the rebound in Services inflation from 7.2% to 7.4% reversed out the fall in June, leaving it higher than the Bank of England's forecast of 7.3%.
- A sizeable fall in employment in the three months to June has pushed unemployment up to 4.2% on the q/q basis. Considering single month employment figures, June employment fell by 567,000 which reversed out the big leap of 184,000 employment figure reported for April. This suggests the underlying unemployment rate is nearer to 4.5%.
- There were further falls in the number of job vacancies. The three-month average fell for the 14<sup>th</sup> consecutive month in July, declining from 1.034m in June to 1.020m. Moreover, the 44,000 rise in the supply of workers in the three months to June helped to alleviate some of the tightness in the labour market. This was also supported by a further 38,000 decline in inactivity as people returned to work from looking after the family and home. Inactivity due to long-term sickness has continued to rise.
- Cooling labour market conditions have not feed through into an easing in wage growth. The monthly rate of earnings growth surged from 0.5% m/m in May to 1.1% m/m in June pushing the headline 3m y/y up from an upwardly-revised 7.2% to 8.2%. The one-off bonus and 5% pay raise for over a million NHS staff was seen as a likely driver of the increase.



### 1.3 Interest Rate Forecast

- 1.3.1 Link's forecast used in the 2023/24 Investment Strategy which was approved as part of the budget setting process assumed interest rates would continue to rise in the short term and peak at 4.5% before gradually dropping back over the next three years.
- 1.3.2 Since the approval of the 2023/24 Investment Strategy CPI inflation has remained stubborn and the MPC has continued to vote in favour of further increased to the Bank Rate to dampen inflation.

Link - June 2023	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
	%	%	%	%	%	%	%	%	%	%	%
<b>Bank Rate</b>	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50
<b>3 mth ave earnings</b>	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50
<b>6 mth ave earnings</b>	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60
<b>12 mth ave earnings</b>	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70
<b>25yr PWLB</b>	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80

Table 1

- 1.3.3 The latest forecast in Table 1 above sets out the view that both short and long-dated interest rates will remain elevated for some time to come.
- 1.3.4 Due to the continued volatility in the markets the Link Group reviewed their interest rate projections in July and concluded no further changes to the forecast is needed at this time.

### 1.4 Investment Performance

- 1.4.1 In accordance with the CIPFA Code the Council's priorities, in order of importance, are to ensure security of capital; liquidity; and having satisfied both, to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 1.4.2 The Council's investments are derived from cash flow surpluses, core cash balances and other long and medium term cash balances.
- 1.4.3 Cash flow surpluses are available on a temporary basis and the amount mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent by financial year end. Thus far in 2023/24 cash flow surpluses have averaged £25.32m.

- 1.4.4 The Authority also has £27m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets.
- 1.4.5 Cash flow and core cash balances also include sums to meet business rate appeals which are expected to be resolved in 2023/24 and future years.
- 1.4.6 Long term investment at the end of July 2023 comprised £5m in property fund investments.
- 1.4.7 Medium term investments at the end of July 2023 comprised £4.25m in multi asset fund investments.
- 1.4.8 A full list of investments held on 31 July 2023 is provided at **[Annex 1]** and a copy of our lending list of 31 July 2023 at **[Annex 2]**. The table below provides a summary of funds invested and interest / dividends earned at the end of July.

	Funds invested on 31 July 2023	Average duration to maturity	Weighted average rate of return	SONIA benchmark (average)	Interest / dividends earned	Gross annualised return
	£m	Days	%	1 April to 31 July 2023 %	1 April to 31 July 2023 £	%
Cash flow	25.32	8	4.97	5.10	410,020	4.55
Core cash	27.00	154	5.41	5.37	403,480	4.84
<b>Sub-total</b>	<b>52.32</b>	83	5.20	5.23	<b>813,500</b>	<b>4.69</b>
Long term	5.00				45,350	3.63
Medium term	4.25				71,380	5.04
<b>Total</b>	<b>61.57</b>				<b>930,230</b>	<b>4.65</b>

Table 2

*Property funds pay dividends quarterly. The return quoted above is based on dividends received for the quarter April to June 2023.*

- 1.4.9 **Cash flow and Core cash Investments.** Interest earned of £813,500 to the end of July is higher than the original estimate for the same period. The increase in income reflects the continued upward movement of interest rate rises and the favourable rates available to the Council.
- 1.4.10 Bank offers are expected to continue to rise throughout 2023/24 if MPC rates continue to rise. As a result, cash flow and core cash investment income will outperform the original budget. Further analysis will be carried out over the

coming months to refine the projections and the revised level of treasury investment income will be reported to members at a later date.

- 1.4.11 The Council takes advantage of Link's benchmarking service which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 31 June 2023 the Council's return was 4.58% (purple diamond) which is above the local authority benchmarking group average of 4.32%. Link's predicted return is between the upper and lower boundary indicated by the diagonal lines. The Council's risk exposure was consistent with the local authority average.
- 1.4.12 **Long term Investment.** The availability of cash balances over the longer term (10 years) and the suitability of different types of long term investment (equities, bonds and commercial property) was explored in the report to Audit Committee, January 2017. Of the alternatives, investment in property funds was considered best suited to meet the Council's more immediate funding need: a sustainable, stable income stream.
- 1.4.13 £3m was invested in property investment funds during 2017/18 and a further £2m invested during 2018/19. Investment was spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time. Additional property fund investments could be made in the future as resources become available from asset disposals and other windfalls.
- 1.4.14 During the period 1 April 2023 to 30 June 2023 the £5m investment in property funds generated dividends of £45,350 which represents an annualised return of 3.63% (3.49% in 2022/23).
- 1.4.15 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase / redemption of units avoided.

1.4.16 Current sale values vs initial purchase price are as follows:

<b>Property fund</b>	Purchase price	Sale value at date of purchase	Sale value 30 June 2023	30 June 23 sale value above (below) purchase price (c-a) £
(Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	a	b	C	
	£	£	£	
LAPF (Primary, July 2017)	1,000,000	922,200	914,400	(85,600)
Lothbury (Primary, July 2017)	1,000,000	927,700	806,300	(193,700)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	951,300	(48,700)
LAPF (Primary, June 2018)	1,000,000	922,200	876,800	(123,200)
Lothbury (Secondary, July 2018)	1,000,000	973,000	790,700	(209,300)
<b>Total change in principal</b>	<b>5,000,000</b>	<b>4,684,100</b>	<b>4,339,500</b>	<b>(660,500)</b>
			<b>Total dividends received to June 2023</b>	<b>959,800</b>
			<b>Net benefit since inception</b>	<b>299,300</b>

Table 3

1.4.17 Since inception, the Council has received dividends from its property fund investments totalling £959,800. Commercial property values having momentarily recovered from the impact suffered from Covid-19, has faced new challenges including rising inflation. All property fund investments recorded capital depreciation in the period April 2023 to June 2023.

1.4.18 Following discussion at the last meeting of the Committee, the Cabinet Member for Finance and Housing and the Chair and Vice Chair of the Audit Committee met with officers to review the position of the Lothbury Property Trust. It was concluded that the new direction of the fund remains intrinsically the same as before but on a reduced scale, and the new strategy will focus on high conviction sectors such as student and commercial accommodation while reducing their position in the office and retail sector. As a result of the useful discussion, I have communicated an expression of interest to Lothbury and will provide a commitment to remain in the fund by mid-September. The final decision to remain needs to be communicated by early October, and at that time I shall produce an officer decision accordingly.

1.4.19 Members are reminded that higher yielding investments (e.g. property, equities) have the potential to fluctuate in value, both up and down. It is this feature which makes them unsuitable for short term investment where certainty over value at

maturity is a key criteria. The Council's property fund investments are not required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.

- 1.4.20 **Medium term Investment.** In recent years multi asset (diversified income) funds have grown in popularity. The rationale for adopting such a fund was explored in the Audit Committee report of January 2018 and their use for medium-term investment reaffirmed in the January 2021 Audit Committee report which introduced multi-asset (diversified income) funds into the Annual Investment Strategy.
- 1.4.21 Like property funds, multi asset (diversified income) funds aim to generate returns over and above inflation and thus preserve spending power.
- 1.4.22 In 2021/22 the Council invested a total of £4.25m across Ninety One Diversified Income Fund, Aegon Asset Management Fund and Fidelity Multi Asset Income Fund. Additional multi asset fund investments could be made in the future where resources become available from asset disposals and other windfalls.
- 1.4.23 During the period 1 April 2023 to 31 July 2023 the £4.25m investment in multi asset (diversified income) funds generated income from dividends of £71,380 which represents an annualised return of 5.04%. Income has performed some £20,380 above budget to the end of July.

## 1.5 Compliance with the Treasury Management and Annual Investment Strategy

- 1.5.1 Throughout the period April to July 2023 all of the requirements contained in the 2023/24 Annual Investment Strategy intended to limit the Council's exposure to investment risks (minimum sovereign and counterparty credit ratings; duration limits; exposure limits in respect of counterparties, groups of related counterparty and sovereigns; and specified and non-specified investment limits) have been complied with. No borrowing was undertaken during April to July 2023.
- 1.5.2 The Council has also operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **[Annex 4]** to this report.

## 1.6 Review of Risk Parameters

- 1.6.1 Members will recall the detailed consideration that was given to the 2023/24 Treasury Management and Annual Investment Strategy at Audit Committee in January. For ease of reference the parameters included in the Strategy that aim to limit the Council's exposure to investment risks are summarised in **[Annex 5]**.
- 1.6.2 In undertaking this review **no changes to the current approved risk parameters are proposed at this time.** The Strategy ensures that the Council is investing in high credit quality counterparties and there are an adequate number of

counterparties available to maintain a well-diversified portfolio. However, we will continue to look to expand the Council's lending list to include any UK banks and building societies that don't currently feature on our lending list but nevertheless meet our minimum credit criteria. This will ensure that we can take advantage of all available opportunities as they arise.

- 1.6.3 There is a need to continue to explore alternative investment options to ensure the maximum return on investment for the Council. Subject to an understanding and acceptance of any associated risks with such investments, they may be offered for inclusion in next year's Annual Investment Strategy. Any investment will of course be dependent on the level of reserves and other balances available for such an investment.

## **1.7 Legal Implications**

- 1.7.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority including securing effective arrangements for treasury management. In addition, Link are employed to provide independent advice on legislative and professional changes that impact on the treasury management function.

## **1.8 Financial and Value for Money Considerations**

- 1.8.1 Due to the pressures of inflation driven by a number of issues including a tight labour market and the continued resilience in household spending, the BoE continue to pursue a proactive approach in tackling the stickiness of inflation by continuing to raise Bank Rate which was 5.0% in July.
- 1.8.2 Link, the independent treasury advisers to the Council, reviewed their June 2023 Bank Rate forecast (Ref: 1.3.1, table 1) and concluded there was no need for a further adjust at this time.
- 1.8.3 Investment income at the end of July 2023 (month four of the financial year) from cash flow surpluses and core cash investments is a favourable variance of £438,500 to the budget for the same period. Income from property funds at the end of June is in line with the budget and diversified income funds are exceeding the budget by some £20,380 for the same period. Investment income for the financial year as a whole from these sources is expected to outperform the original budget.
- 1.8.4 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Link's benchmarking service.
- 1.8.5 Whilst the annual income stream from a property fund exhibits stability (circa 3-4% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be

extended to avoid crystalizing a loss and as a consequence, the investment's duration cannot be determined with certainty.

- 1.8.6 Buying and selling property involves significant costs making property unsuitable for short term investment. Buying and selling costs are reflected in the entry fees (circa 6%) and exit fees (circa 2%) a property fund will charge unit holders. These fees are expected to be recouped overtime through capital appreciation.
- 1.8.7 Multi asset (diversified income) funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property, cash). Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events. Multi asset funds are being used for medium-term investment implying a five-year timeframe.
- 1.8.8 The money being applied to property fund investment and multi asset investments from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored and due regard given to the potential for a fund to delay payment of redemption requests by up to twelve months. Funds will seek to minimise their own cash balances in favour of holding property or assets and therefore manage redemption requests for the benefit of all fund participants. The Council is only likely to seek redemption to pursue a higher yielding income opportunity should one be identified.

## 1.9 Risk Assessment

- 1.9.1 The application of best practice, including the regular reporting and scrutiny of treasury management activity, as identified by the CIPFA Code is considered to be an effective way of mitigating the risks associated with treasury management.

## 1.10 Equality Impact Assessment

- 1.10.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

## 1.11 Recommendations

- 1.11.1 Members are invited to **RECOMMEND** that Cabinet:

- 1) Endorse the action taken by officers in respect of treasury management activity for April to July 2023.
- 2) Retain the existing parameters intended to limit the Council's exposure to investment risks.

Background papers:

contact: Donna Riley

[Link benchmarking data \(June 2023\)](#)

[Link interest rate forecast \(June 2023\)](#)

Sharon Shelton  
Director of Finance and Transformation



## Tonbridge and Malling Borough Council - Investment summary 31 July 2023

Counterparty / type of investment	Sovereign	Fitch long term	Fitch short term	Link suggested post CDS duration limit	Investment						Cash Flow surpluses £	Core Cash balances £	Medium term investment balances £	Long term investment balances £
					Start date	End date	Duration at start	Amount invested £	Return %	Proportion of total %				
<b>Banks, Building Societies &amp; Other Financials</b>														
<b>Barclays Bank :</b> 95 day notice account	UK	A+	F1	6 months	23/07/2019	TBD	95 Days	3,000,000	5.05	4.87%				
<b>Bank of Montreal :</b> Certificate of Deposit	Canada	AA-	F1+	1 year	18/11/2022	17/11/2023	1 Year	2,000,000	4.85	3.25%			2,000,000	
<b>Goldman Sachs :</b> Certificate of Deposit Certificate of Deposit	UK	A+	F1	6 months	03/07/2023 10/07/2023	03/04/2024 10/04/2024	9 Months 9 Months	2,000,000 3,000,000	6.14 6.34	8.12%			2,000,000 3,000,000	
<b>Handelbanken :</b> Fixed term deposit	UK	AA	F1+	1 year	17/07/2023	17/01/2024	6 Month	3,000,000	5.60	4.87%			3,000,000	
<b>HSBC Bank :</b> 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	6,000,000	5.00	9.74%	6,000,000			
<b>Lloyds Bank :</b> Certificate of Deposit Certificate of Deposit	UK	A+	F1	6 months	19/01/2023 12/07/2023	19/10/2023 11/07/2024	9 Months 1 Year	3,000,000 3,000,000	4.59 6.71	9.74%			3,000,000 3,000,000	
<b>National Westminster Bank :</b> Deposit account	UK	A+	F1	1 year	31/07/2023	01/08/2023	Overnight	50,000	1.35	0.08%	50,000			
<b>Rabobank :</b> Fixed term deposit	Netherlands	A+	F1	1 year	15/12/2022	15/09/2023	9 Months	3,000,000	4.50	4.87%			3,000,000	
<b>Royal Bank of Canada :</b> Certificate of Deposit	Canada	AA-	F1+	1 year	03/10/2022	03/10/2023	1 Year	3,000,000	5.30	4.87%			3,000,000	
<b>Toronto Dominion Bank :</b> Certificate of Deposit	Canada	AA-	F1+	1 year	12/12/2022	12/12/2023	1 year	2,000,000	4.78	3.25%			2,000,000	
<b>Money Market Funds</b>														
<b>Blackrock MMF</b> - shares/units held	N/A	AAA	mmf (Eq)	5 years	31/07/2023	01/08/2023	Overnight	0	4.83		-			
<b>BNP Paribas MMF</b> - shares/units held	N/A	AAA	mmf (Eq)	5 years	31/07/2023	01/08/2023	Overnight	8,000,000	5.03	12.99%	8,000,000			
<b>CCLA PSDF MMF</b> - shares/units held	N/A	AAA	mmf	5 years	31/07/2023	01/08/2023	Overnight	8,000,000	4.94	12.99%	8,000,000			
<b>DWS Deutsche MMF</b> - shares/units held	N/A	AAA	mmf	5 years	31/07/2023	01/08/2023	Overnight	0	4.92		-			
<b>Federated MMF</b> - shares/units held	N/A	AAA	mmf	5 years	31/07/2023	01/08/2023	Overnight	3,277,000	4.91	5.32%	3,277,000			
<b>Morgan Stanley MMF</b> - shares/units held	N/A	AAA	mmf	5 years	31/07/2023	01/08/2023	Overnight	0	4.93		-			
<b>Property Funds</b>														
<b>Hermes Property Unit Trust :</b> Property fund units	N/A	N/A	N/A	N/A	29/09/2017	N/A	N/A	1,000,000	3.53	1.62%				1,000,000
<b>Local Authorities' Property Fund :</b> Property fund units Property fund units	N/A	N/A	N/A	N/A	29/06/2017 30/05/2018	N/A N/A	N/A N/A	1,000,000 1,000,000	4.07 4.78	3.25%				1,000,000 1,000,000
<b>Lothbury Property Trust :</b> Property fund units Property fund units	N/A	N/A	N/A	N/A	06/07/2017 02/07/2018	N/A N/A	N/A N/A	1,000,000 1,000,000	2.88 2.88	3.25%				1,000,000 1,000,000
<b>Multi Asset Funds</b>														
<b>Aegon</b> Multi Asset fund units	N/A	N/A	N/A	N/A	29/07/2021	N/A	N/A	1,750,000		2.84%			1,750,000	
<b>Fidelity</b> Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,000,000		1.62%			1,000,000	
<b>Ninety One</b> Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,500,000		2.44%			1,500,000	
<b>Total invested</b>								<b>61,577,000</b>		<b>100.00%</b>	<b>25,327,000</b>	<b>27,000,000</b>	<b>4,250,000</b>	<b>5,000,000</b>

<b>Number of investments</b>	26	<b>Average investment value £</b>			2,368,000
<b>Number of counter parties</b>	22	<b>Average counter party investment £</b>			2,799,000
<b>Group exposures:</b>		<b>Core £</b>	<b>Cash £</b>	<b>Combined £</b>	<b>%</b>
<b>Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)</b>		-	50,000	50,000	0.08
<b>Bank of Scotland + Lloyds (MAX 20%)</b>		3,000,000	-	3,000,000	4.87
				<b>£</b>	<b>%</b>
<b>Property Funds Total</b>				5,000,000	8.12
<b>Multi Asset Funds Total</b>				4,250,000	6.90

<b>Total non-specified investments should be less than 60% of Investment balances</b>	15.02%
---	--------

**Notes:**  
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update June 2023.

End date for notice accounts to be determined (TBD)

This page is intentionally left blank

## Tonbridge and Malling Borough Council Lending List

Checked against Link's "Suggested Credit List" dated 28/07/23  
Minimum investment criteria is Link's green duration band (100 days). Entry point broadly equates to Fitch A-, F1 unless UK nationalised.

Counterparty	Sovereign	Sovereign rating [1]	Fitch long term	Fitch short term	UK classification	Exposure limit	Link duration based on [2]	
							Credit ratings	Post CDS
<b>UK Banks, Building Societies and other Financial Institutions :</b>								
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Barclays Bank (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Non-RF	£7m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Close Brothers Ltd	UK	AA-	A-	F2	Exempt	£7m	6 months	6 months
Goldman Sachs International Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £7m)	UK	AA-	AA	F1+	Exempt	£7m	1 year	1 year
HSBC UK Bank	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Santander UK	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Standard Chartered Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Coventry Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
Nationwide Building Society	UK	AA-	A	F1	Exempt	£7m	6 months	6 months
Skipton Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
National Westminster Bank (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
UK Debt Management Office including Treasury Bills	UK	AA-	n/a	n/a	n/a	No limit	5 years	5 years
UK Treasury Sovereign Bonds (Gilts)	UK	AA-	n/a	n/a	n/a	£16m/£8m	5 years	5 years
UK Local Authority (per authority)	UK	AA-	n/a	n/a	n/a	£7m	5 years	5 years

**Non-UK Banks :**

Australia & New Zealand Banking Group	Australia	AAA	A+	F1	n/a	£7m	1 year	1 year
Bank of Montreal	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Toronto Dominion Bank	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Royal Bank of Canada	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Nordea Bank Abp	Finland	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	A+	F1	n/a	£7m	1 year	1 year
ING Bank	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year	1 year
Development Bank of Singapore	Singapore	AAA	AA-	F1+	n/a	£7m	1 year	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc £7m)	Sweden	AAA	AA	F1+	n/a	£7m	1 year	1 year

[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires non-UK sovereigns to be rated at least AA- and the UK rated at least A-. Non-UK sovereign limit of 20% or £7m per sovereign.

[2] All deposits overnight unless otherwise approved in advance by the Director of Finance and Transformation AND Chief Financial Services Officer. If other than overnight duration for non-UK entities must not exceed Link's post CDS duration suggestion. For UK entities duration may be extended by up to three months based on credit ratings alone or six months if CDS is below average, subject to a maximum combined duration of 12 months.

**Money Market Funds (Minimum investment criteria AAA) :**

Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Blackrock Institutional Cash Series - Sterling Liquidity	AAA	-	AAA	£8m	5 years
BNP Paribas InstiCash - GBP	-	-	AAA	£8m	5 years
CCLA Public Sector Deposit Fund	-	AAA	-	£8m	5 years
DWS Deutsche Global Liquidity - Deutsche Managed Sterling	AAA	AAA	AAA	£8m	5 years
Federated Cash Management - Short Term Sterling Prime	-	AAA	AAA	£8m	5 years
Insight - Sterling Liquidity (Group limit IL & ILP of £7m)	-	AAA	AAA	£8m	5 years
Morgan Stanley Liquidity - Sterling	AAA	AAA	AAA	£8m	5 years

**Enhanced Cash Funds (Minimum investment criteria AAA) :**

Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Insight - Sterling Liquidity Plus (Group limit IL & ILP £7m)	-	AAA	AA+	£3.5m	5 years

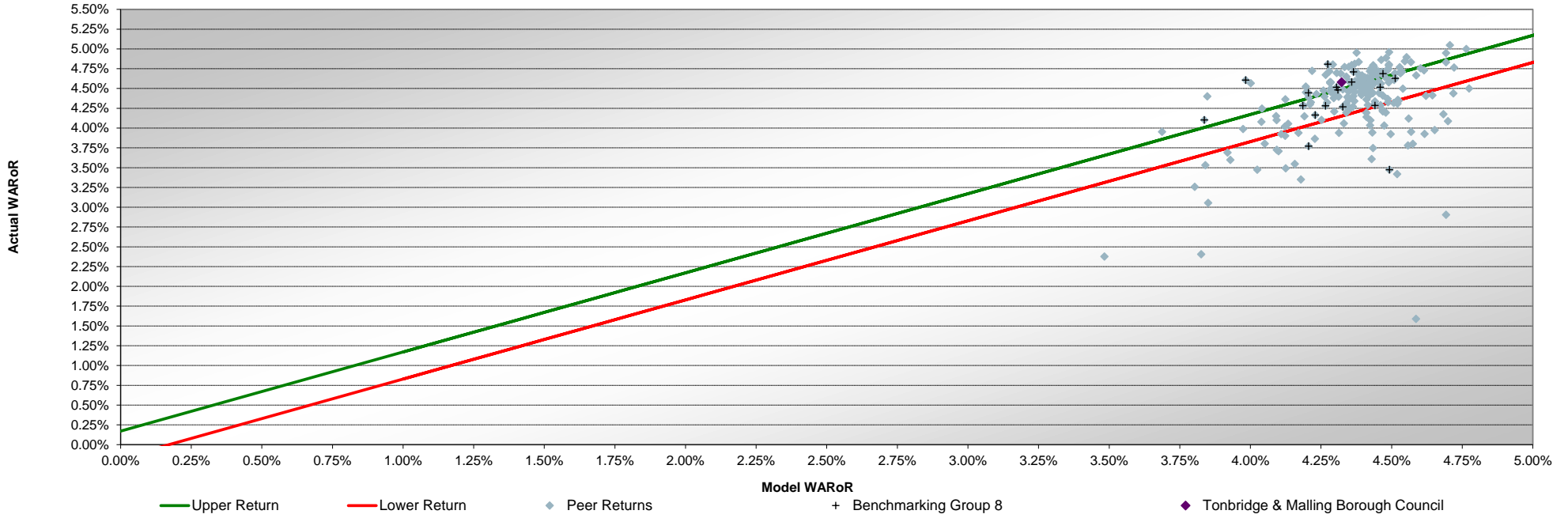
Approved by Director of Finance and Transformation  
31 July 2023

Barclays (Non-RF) CDS changed from 100 days to 6 months

This page is intentionally left blank

Tonbridge & Malling Borough Council

Population Returns against Model Returns



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	4.58%	4.32%	0.26%	4.15%	4.49%	Above

This page is intentionally left blank

### Prudential and Treasury Indicators

Prudential Indicators	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital expenditure	2,496	7,841	1,174
Ratio of financing costs to net revenue stream	-23.95%	-8.66%	-7.50%
Net borrowing requirement:			
Brought forward 1 April	nil	nil	nil
Carried forward 31 March	nil	nil	nil
In year borrowing requirement	nil	nil	nil
Capital financing requirement as at 31 March	nil	nil	nil
Annual change in capital financing requirement	nil	nil	nil
Incremental impact of capital investment decisions: Increase in Council Tax (Band D) per annum	nil	nil	nil

TREASURY MANAGEMENT INDICATORS	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual £'000	Estimate £'000	Estimate £'000	Estimate £'000	Estimate £'000
Authorised Limit for external debt :					
borrowing	nil	7,000	7,000	7,000	7,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	7,000	7,000	7,000	7,000
Operational Boundary for external debt:-					
borrowing	nil	4,000	4,000	4,000	4,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	4,000	4,000	4,000	4,000
Actual external debt	nil	nil	nil	nil	nil
Upper limit for fixed interest rate exposure > 1 year at year end	nil	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	19,620 (35.5%)	It is anticipated that exposure will range between 40% to 100%			
Upper limit for total principal sums invested for over 365 days at year end	9,250 (16.7%)	60% of funds			

Maturity structure of fixed rate borrowing during 2023/24 – 2025/26	upper limit	lower limit
under 12 months	100 %	0 %
Over 12 months	0 %	0 %

This page is intentionally left blank



## 2023/24 Annual Investment Strategy Risk Parameters

The strategy includes parameters that aim to limit the Council's exposure to investment risks by requiring investments to be placed with high credit rated financial institutions and that those investments are diversified across a range of counterparties. More specifically the 2023/24 Strategy requires:

- Counterparties must be regulated by a Sovereign rated AA- (UK minimum of A-) or better as recognised by each of the three main rating agencies (Fitch, Moody's, and Standard & Poor's).
- Please note in setting the Annual Investment Strategy it was reported that the UK Sovereign debt rating had been removed pending a review from the three main rating agencies. In April 2023, and on completion of the review, the UK debt rating was placed on Stable Outlook. Therefore the minimum rating of A- has been reinstated as above.
- Whilst 100% of funds can be invested in the UK, exposure to non-UK banks is restricted to no more than 20% of funds per Sovereign.
- Exposure to individual counterparties and groups of related counterparty must not exceed 20% of funds or 10% of funds if a housing association.
- In selecting suitable counterparties for overnight deposits and deposits up to 2 years in duration (3 years with a local authority), the Council has adopted Link's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 1 year, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days (based on credit ratings alone). Other than for UK nationalised institutions this broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (highest).
- Investment in UK nationalised banks is subject to the bank having a minimum long term credit rating of Fitch BBB (good) and a short term credit rating of Fitch F2 (good). The Royal Bank of Scotland and National Westminster Bank are currently rated Fitch A+, F1.
- The duration of an investment in a foreign bank must not exceed Link's post CDS recommendation. For UK financial institutions Link's duration recommendation can be enhanced by up to 6 months subject to the combined duration (Link recommendation plus the enhancement) not exceeding 12 months. The Council's Treasury Management Practices have been modified to ensure that where duration is being enhanced by more than 3 months the bank's CDS must be below the average for all other banks at the time the investment is placed.

- Money Market funds should be rated AAA and exposure limited to no more than 20% per fund. LVNAV (low volatility) or VNAV (variable net asset value) funds may be used as an alternative to CNAV (constant net asset value) funds.
- Enhanced Cash Funds and Government Liquidity Funds will be AAA rated and ultra-short duration bond funds rated AA or higher. Exposure is limited to no more than 10% of investment balances per fund and 20% to all such funds.
- Exposure to non-credit rated property funds is limited to a maximum of £3m per fund (no more than 20% of expected long term cash balances). No cash limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property assets or other windfalls.
- Exposure to non-credit rated diversified income (multi-asset) funds and or short dated bond funds is limited to a maximum of £3m per fund (no more than 20% of expected long term cash balances) across all such funds. No cash limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property assets or other windfalls.

All specified and non-specified Investments will be:

Subject to the sovereign, counterparty and group exposure limits identified above.

Subject to the duration limit suggested by Link (+6 months for UK financial institutions) at the time each investment is placed.

Subject to a maximum of 60% of funds being held in non-specified investments at any one time.

Sterling denominated.

**Specified Investments** (maturities up to 1 year):

<b>Investment</b>	<b>Minimum Credit Criteria</b>
UK Debt Management Agency Deposit Facility	UK Sovereign A-
Term deposits - UK local authorities	UK Sovereign A-
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS
Term deposits – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 or Green excluding CDS
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS
Certificates of deposit – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1, or Green excluding CDS
UK Treasury Bills	UK Sovereign A-
UK Government Gilts	UK Sovereign A-
Bonds issued by multi-lateral development banks	AAA
Sovereign bond issues (other than the UK govt)	AAA
Money Market Funds (CNAV, LVNAV or VNAV)	AAA
Enhanced Cash / Government Liquidity / Ultra-Short Dated Bond Funds	AA

**Non-specified Investments** (maturities in excess of 1 year and any maturity if not included above):

Investment	Minimum Credit Criteria	Max duration to maturity
Fixed term deposits with variable rate and variable maturities (structured deposits) - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies	UK sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Term deposits - local authorities	UK Sovereign A-	3 years
Term deposits – housing association	UK Sovereign A-	2 years
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Term deposits - banks, building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Certificates of deposit - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Commercial paper - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Commercial paper - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Floating rate notes issued by multilateral development banks	AAA	2 years
Bonds issued by multilateral development banks	AAA	2 years
Sovereign bonds (other than the UK Government)	AAA	2 years
UK Government Gilts	UK Sovereign A-	5 years
Property Funds	N/A	N/A
Diversified Income Funds and or Short Dated Bond Funs	N/A	N/A

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

25 September 2023

#### Report of the Management Team

#### Part 1- Public

#### Matters for Recommendation to Cabinet

#### 1 RISK MANAGEMENT

**An update on the risk management process and the Strategic Risk Register. Members of the Committee are asked to consider the updates to the Register and the 'direction of travel' indicated.**

#### 1.1 Introduction

- 1.1.1 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.
- 1.1.2 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.
- 1.1.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e., Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.
- 1.1.4 The current Risk Management Strategy was endorsed by this Committee in January and subsequently adopted by Full Council on 21 February 2023.

#### 1.2 Risk Management Escalation Process

- 1.2.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 1.2.2 Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk

register and discussed at the earliest opportunity within the Service Management Team (SMT) to inform a decision as to whether this should be escalated to Management Team by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of risks discussed at both SMTs and Management Team and the outcome of those discussions.

- 1.2.3 Similarly risks identified as “Medium Risk” may be escalated to the appropriate SMT for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as “Low Risk” should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the score’s risks have been given and confirm whether there are ‘Medium’ or ‘Low’ risks they wish to consider further.

### **1.3 Recent Reports**

- 1.3.1 Elsewhere on this agenda are two reports from both external and internal audit sources on the current position on the Risk Management Strategy and Risk reporting.

- 1.3.2 Recommendations from the Internal Audit report cover the following areas

- Due to the evolution process of risks management an external review could be of benefit to ensure that risk management strategy is aligned with corporate objectives.
- Risk management processes are to be incorporated into induction of new staff.
- Review and standardisation of Risk Management templates.

- 1.3.3 Recommendations from the External Auditors report include the.

- Enhancement to the SRR showing direction of travel and changes to the formatting and information of shown on the Strategic risk register.

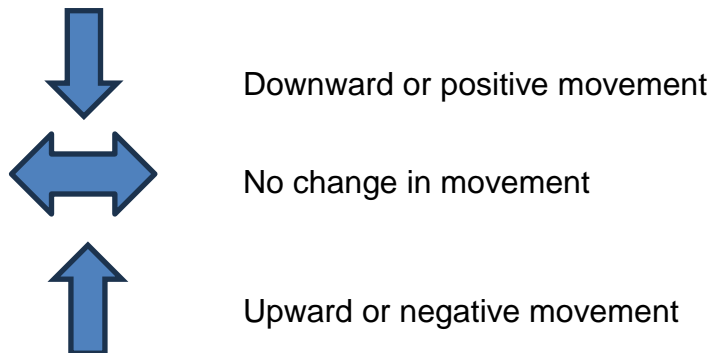
Some areas, such as direction of travel have now been included on the Strategic Risk Register, but further enhancements should be made.

- 1.3.4 In order to gain an independent review of the areas covered in the recommendations, Management Team are asking Zurich, the Council’s insurers, to undertake a review of the Strategic Risk reporting and the format of risk registers within the organisation and provide some training material for the purposes of staff induction.

## 1.4 Strategic Risk Register

- 1.4.1 The Strategic Risk Register (SRR) is considered to be a 'live' document and is updated, as often as is required, by the Management Team. An executive summary of the **RED** risks has been provided at **[Annex 1]** and a full update of the current strategic risks and how they are being managed as at the time of writing is appended at **[Annex 1a]**.
- 1.4.2 In line with recommendations from both internal audit and external audit (Grant Thornton), minor improvements to the Register are being worked on and these will be introduced over the coming months. However, as reported to the last meeting of the Committee, following the recommendation on the Auditor's Annual Report made in January 2023 (minute AU23/4 refers), a direction of travel on the risk scoring has been included on the annex.

**Direction of Travel key:**



- 1.4.3 Members are reminded that the risks categorised as **RED** at the time of the June meeting is given below:

- 1) **Financial position/budget deficit**
- 2) **Economic Stability**
- 3) **Savings and Transformation Strategy**
- 4) **Local Plan**
- 5) **Organisational Development including recruitment and retention/skills mix**
- 6) **Homes for Ukraine Scheme**
- 7) **Implementation of the Agile software system**
- 8) **Political factors including stability of political leadership and decision making**

1.4.4 Management Team has reviewed the register and has added further risks to the register, these are.

- 1) Performance Management
- 2) Carbon Neutral 2030 Aspiration
- 3) Waste and Recycling Income

For full details of these risks please refer to Annex 1 of this report. The headings of Key Performance Indicators and Carbon Neutral 2030 Aspirations have been assessed as **RED** risks at this time.

1.4.5 Members are asked to note the updates in red font since the last iteration of the Register.

1.4.6 There have been no changes in scoring on the register.

## **1.5 Ongoing Risks and Risks Identified by Service Management Teams and Management Team**

1.5.1 To give Members some reassurance as to the effectiveness of risk management outcomes from the risk management escalation process are reported to the meetings of this Committee unless that is there is something that needs to be brought to Members' attention in the interim.

1.5.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to this Committee in June is appended at **[Annex 2]**.

## **1.6 Legal Implications**

1.6.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.

1.6.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

## **1.7 Financial and Value for Money Considerations**

1.7.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.

1.7.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.



## 1.8 Risk Assessment

- 1.8.1 Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.
- 1.8.2 Officers have now been provided with Risk Management Training to assist with service and operational risk assessment in order to aid the escalation process to Management Team. Further Risk Management Training is being sourced for all Members of the Council and officers will be providing details in due course.

## 1.9 Equality Impact Assessment

- 1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## 1.10 Policy Considerations

- 1.10.1 Risk management is relevant to all areas of the Council's business.

## 1.11 Recommendations

- 1.11.1 Members are to note recommendations made by the External and Internal Auditors on Risk Management as set out elsewhere on this agenda.
- 1.11.2 Members are asked to **CONSIDER** and **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as **RED**, and the direction of travel of all risks.
- 1.11.3 Members are asked to **ENDORSE** the approach proposed within paragraph 1.3 for reporting back to this committee at the next cycle of meetings.
- 1.11.4 Make any specific recommendations to Cabinet and/or Full Council as the Committee feels appropriate in light of the Auditors Annual Report concerning Risk Management and the new risks identified at paragraph 1.4.4.

Background papers:

contact: Sharon Shelton

Internal and External reports covering risk management

Julie Beilby  
Chief Executive

Sharon Shelton  
Director of Finance and Transformation  
on behalf of the Management Team

This page is intentionally left blank

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
2	Financial position/budget deficit	F, R	<p>Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention.</p> <p>This includes</p> <ul style="list-style-type: none"> <li>Failure to maximise New Homes Bonus (for as long as it exists).</li> <li>Assessment of the current economic implications of higher inflation and interest rates</li> <li>Failure to deliver identified savings / Additional income</li> </ul>	01/04/2017	4	4	16	<p>The Council provides an annual statement (as a minimum) on the following areas;</p> <ul style="list-style-type: none"> <li>Treasury Management and Investment Strategy.</li> <li>Robustness of estimates and adequacy of reserves.</li> <li>Medium Term Financial Strategy (MTFS)</li> <li>Savings and Transformation Strategy (STS)</li> <li>Statement of Accounts containing Audit and Value for Money Opinion</li> </ul> <p>The Council also considers it has the following</p> <ul style="list-style-type: none"> <li>Effective Budgetary control and reporting procedures covering areas such as Leisure Trust Utility costs</li> <li>Effective monitoring covering Business Rates and Council Tax income including reporting to the Kent Pool.</li> <li>Regular reviews undertaken on the forecast of the Local Government Settlement.</li> </ul> <p>Interest rates for investments are at a recent high, these are providing some additional funds for reserves but cannot provide a long term solution.</p>	3	3	9	<p>Areas of potential savings yet to be identified and prioritised, with commitment to delivery of those selected.</p> <p>Commissioning of service reviews via MT to identify potential areas of transformation and savings.</p> <p>Review of key strategic assets to be completed, including office accommodation.</p> <p>Regular reports to Cabinet identifying potential sources of saving/income generation.</p> <p>MT considering the employment of a transformation resource to assist with identification and delivery of efficiencies</p> <p>Access to external consultancy opinion is key to ensure that correct decisions are being projected.</p> <p>Assess the potential financial impact of the Government's Extended Producer Responsibility (ERP) scheme in relation to Waste and Recycling which is currently still being drawn up. At the present time without further information it is unclear how this will impact in the Council's finances (positively or otherwise)</p> <p>Await and assess the outcome of the Government's consultation and review of New Homes Bonus. This was anticipated Spring 2023</p> <p>Three key financial risks were highlighted to Members: namely Waste, Homelessness and Local Plan. All three have significant financial implications for the Council in different ways. Consultants were engaged in respect of Homelessness to find ways of reducing cost and finding more efficient ways of delivering the mandatory function. Discussions with Waste contractor continue with regards to performance and garden waste. Resubmission of local plan has been reported to Members and decisions made about way forward. The additional costs were factored into budget reports from 22/23.</p> <p>Use of reserves likely over Medium Term in order to support revenue budget but it is imperative that savings/additional income are identified and delivered. <b>Progress report to be brought to Cabinet in November</b></p>		Director of Finance and Transformation	↔	Nov-23



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
3	Economic Stability	F	Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources. A number of key threats to business continuity including: border delays and congestion impacts on the Kent road network creating difficulties for local businesses, TMBC staff and potential air quality issues; loss of KCC staff e.g. welfare/social services support; potential loss of TMBC waste contract workforce, general increase in costs as imports become restricted.  Coronavirus pandemic has significant economic implications for businesses and residents.  Current high rates of inflation coupled with higher interest rates than have been seen for a number of years likely to have wider impact on community and businesses	01/04/2017	4	4	16	Kent-wide working to understand, plan for and react to pressures.  Regular review of; MTFS reflecting economic factors  Treasury Management and Investment strategies.  Collection performance for council tax and business rates  All staff equipped to be able to work from home and deliver public services and arrangements set out in adopted working policy  Delivery of Household Support funds in liaison with KCC  Delivery of government schemes (e.g. related to energy) to mitigate impacts on households	3	4	12	Council continuing to work with Kent Resilience forum and County Partnership groups as needed  Keep Business Impact assessments under review.  Business continuity planning updated to ensure smooth running of services to public.  All energy schemes delivered on behalf of government  Household Support Fund tranche 4 approved by Cabinet July 2023 and funds have already been transferred to partner organisations targeting food and fuel support, mental health support. Further roll out of funds to take place in response to emerging issues  Continued focus on homelessness prevention work	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Nov-23
5	Performance Management	F,R,S	Without an effective performance management framework in place, the authority will not be able to understand any required improvements or achieve value for money.	30/08/2023 (separated from Corporate Plan)	3	5	15	As mentioned above, with the adoption of the new Corporate Strategy, the authority has also set in place new aligned KPIs to monitor progress, and provide detail on direction of travel, and targets. Further work is required on benchmarking and also on instilling the KPIs within the culture of the organisation.  At present the KPIs are discussed with Management Team and Informal Cabinet before being shared with the Scrutiny Select Committees on a quarterly basis.	2	4	8	Further work is required on benchmarking and also instilling the KPIs and broader performance management within the culture of the organisation.  Following the Auditors Annual report for 2022/23, a review of the process of discussing and sharing KPI data is to be undertaken.	One of the priorities in the new Corporate Strategy is "Efficient services for all our residents, maintaining an effective council"	Chief Executive/ Management Team	N/A	Nov-23
6	Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error.  Coronavirus pandemic and the subsequent economic crisis has significant economic implications for the Council, businesses and residents.	01/04/2017	4	4	16	STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members  MTFS and STS updated and approved by Council in Feb 2023. Funding gap estimated to be £1.7m, with tranche 1 of this (£0.5m) to be delivered by April 2024.	3	3	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected. Progress report to be brought to Cabinet Oct/November  Commissioning of in service reviews via MT to identify potential areas of transformation and savings. MT considering employment of transformation resource to assist in identification and delivery of efficiencies  Delivery of the savings targets is paramount for the financial stability of the Council. Work is now well underway by Cabinet/MT to identify tranche 1 savings/additional income of £0.5m. Reports to be brought forward in the coming weeks and months.	The current Corporate Strategy - to be a financially sustainable Council focusing on ensuring good value for money, continuously reviewing how our services are provided and funded, focusing our available resources where they will have most beneficial impact, and maximising commercial opportunities. Taking a business-like approach.	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Nov-23



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
7	Local Plan	F, R	Lack of sound legal footing for Plan through inadequacies in evidence base, legal advice or process, including duty to cooperate. Leading to widespread public concern, or risk of failure at Examination. External factors or widespread planning reforms leading to delays to timetable, reputational risks around plan-making and impacts on development management processes through protracted period with no up-to-date plan. Absence of corporate or external co-ordination leading to a lack of infrastructure to support future development.	01/04/2017	4	4	16	Members are updated via informal email updates and reports to the Housing & Planning Scrutiny Select Committee  Reg 18 concluded in late 2022  Revised LDS adopted summer 2023  The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework. It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirements of the NPPF so that the plan can be found to be sound at the examination stage. Timing is of the essence as the Local Plan will need to be submitted to the PI by 30th June 2025. The Council has recently engaged Towers and Hamlins Law Firm to advise and support the Planning Policy Team in order to progress matters up until the Adoption stage of the Local Plan.  Proposed informal engagement with members on emerging spatial strategy in Autumn 2023	3	3	9	Regular review of Government policy announcements that may impact on delivery, including housing standard methodology and WMS relating to Planning  Ongoing engagement with Counsel  Ongoing engagement with Members  Regular analysis of budget position  Regular analysis of programme - within Policy team on a weekly basis, reporting to Head of Planning/DPHEH bi-weekly.	Local Plan assists in economic growth, delivering the supply of future housing and addressing affordability. Procedures set by National Government	Director of Planning, Housing and Environmental Health	↔	Oct-23
8	Organisational development inc. staff recruitment and retention/skills mix. Impact of loss of capacity caused by recruitment difficulties upon delivery of corporate objectives. Increase in rate of inflation and consequent pressure on level of pay award.	F, R, S	Lack of resources or the right skills to deliver required outcomes, loss of key professionals/senior officers due to pay constraints and pressures, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	01/04/2017	4	4	16	Review of staff resources and skills via service reviews.  Organisational structure reviews are part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities.  New market supplement and 'golden hello' recruitment and retention salary package offer being proposed to General Purposes Committee on 3 July 2023. Focused on the recruitment and retention of RTP1 qualified planning staff. Wider market supplement policy to be considered by General Purposes committee in October 2023.	3	4	12	Succession planning along with Development of further skills and expertise through strategies such as shared services and specialist Commissioning.  Engagement of external consultants and specialists where required.  Resilience and rationalisation of existing structures.  Recruitment and retention strategy reviewed by MT. R&R report to be submitted to GP Committee and Council in October 2023 re hard to recruit to posts  Pay award for 2023/24 5% for all staff, from April 2023. Backdated 5% to Jan 23 for scales 1-6  Structural reviews approved by Members on an ongoing basis.  HR staff recruited with specialist experience in recruitment. This was demonstrated with a revised methodology for the recruitment of the DPEHH and Head of IT.  Workforce Strategy approved by General Purposes Committee in June 2022	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	↔	Oct-23
17	Political factors including stability of political leadership and decision making	F, R	Decisions required to achieve objectives including corporate strategy and savings and transformation may not be made and therefore required savings not achieved.	01/04/2017	4	4	16	Significant focus on temporary accommodation and in borough provision as well as framework agreement with private providers.  Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings & Transformation Strategy.  Clear and comprehensive reports to support Members in making appropriate decisions to support the S&TS.	3	3	9	Member briefings and training sessions.  Training for Officers has been arranged for September 2023 by the LGA - 'working in a no overall control council'	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	↔	As required
19	Homes for Ukraine Scheme	F, R, S	Districts are required to undertake home assessments for potential host households to support Ukrainian refugees fleeing the conflict. Increased workload expected as likelihood of breakdown in housing arrangements as we have exceeded the 6 month mark. Requests for rematches are increasing and there is a risk of homelessness and duty to place in T.A. therefore work needs to be undertaken to facilitate rematches and/or support into private rented sector. This is an escalating risk given the longevity of the hosting arrangements. As of 1 April 2023, TMBC have taken on wider support role for Ukrainians in the borough under HFU scheme.	01/09/2022	4	4	16	Some reserve host families have been identified but larger families pose a bigger risk. Re-matches are unsustainable in the longer term. Work underway to support more families into PRS.	3	4	12	Additional support into Private Rented Sector required. Full time Resettlement Worker now in post and part time Housing Officer to start in September 2023.		Chief Executive	↔	As required

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
21	Implementation of Agile system	F, S	Service impacts from level of staff time required to develop the Agile product for use as operating system.  Significant level of concern from staff about implementation process results in a lack of confidence in implementation, which will adversely impact service delivery and record keeping	01/11/2022	4	4	16	Programme of liaison meetings with Agile in place including Board and weekly catch ups  Employment of Business Change PM to manage project on behalf of TMBC and coordinate all issues  Weekly meetings with CM for Finance & Housing, who is the Cabinet Lead for Agile.  Internal meetings with staff, managed by Business Change Project Manager Issues log in use  Issues escalated to Agile management	2	2	4	Further escalation of issues to Agile CEO  At least 3 stand ups per week between Business Change PM and SRO (DPHEH) in September to oversee APAS go live by end of September  Request for PLACIS delivery plan to be populated by Agile by 8 Sept made by CE and Cabinet Member  Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT on a regular basis	Digital Strategy	Director of Planning, Housing and Environmental Health	↔	Oct-23
23	Carbon Neutral 2030 Aspiration	F, R, S	Significant reputational risk, particularly if other similar councils have achieved similar goals or targets. Significant financial cost to purchasing offsets to meet carbon neutral. High cost of increased frequency and intensity of extreme events (floods, heat waves) that increase costs and disrupt service delivery.	01/09/2023	5	3	15	Development of climate evidence (e.g. for the Local Plan), partnerships (residents, community and other Councils) and pathway analysis to support move towards transformative and larger scale emissions reductions	3	2	6	Ongoing commitment by Members, senior management and services to new actions beyond 'business as usual'. Improved understanding of financial returns from climate mitigation measures that can be reinvested. Innovative thinking and delivery of services and mitigation options. Successful outcomes in bids for significant additional grant funding.	Climate Change Strategy, Corporate Strategy 2023 - 2025	Chief Executive	N/A	January 2024 (ahead of next climate change action plan)



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
1	Safeguarding and PREVENT	S, R	Significant impact should a child, young person or adults at risk come to harm, including radicalisation and child sex exploitation, and TMBC are unable to demonstrate appropriate processes were in place.	01/04/2017	3	4	12	<p>The overall responsibility for safeguarding lies with the Chief Executive, rather than individual services.</p> <p>The Council has undertaken the following actions to mitigate risk</p> <ul style="list-style-type: none"> <li>Carried out audit review of procedures to identify and address weaknesses</li> <li>Provided training to all licenced Hackney Carriage and Private Hire Drivers</li> <li>Provides a secure database for the recording and sharing of safeguarding concerns.</li> <li>Established a community hub phone contact line providing support for those in urgent need.</li> </ul>	3	4	12	<p>Continue to refer Safeguarding concerns to appropriate agencies where necessary and also raise with partners at the weekly CSU meetings.</p> <p>Undertake actions from the latest Safeguarding Audit and update Safeguarding Policy.</p>	Safeguarding Policy	Chief Executive	↔	As required
2	Financial position/budget deficit	F, R	<p>Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention.</p> <p>This includes</p> <ul style="list-style-type: none"> <li>Failure to maximise New Homes Bonus (for as long as it exists).</li> <li>Assessment of the current economic implications of higher inflation and interest rates</li> <li>Failure to deliver identified savings / Additional income</li> </ul>	01/04/2017	4	4	16	<p>The Council provides an annual statement (as a minimum) on the following areas;</p> <ul style="list-style-type: none"> <li>Treasury Management and Investment Strategy.</li> <li>Robustness of estimates and adequacy of reserves.</li> <li>Medium Term Financial Strategy (MTFS)</li> <li>Savings and Transformation Strategy (STS)</li> </ul> <p>Statement of Accounts containing Audit and Value for Money Opinion</p> <p>The Council also considers it has the following</p> <ul style="list-style-type: none"> <li>Effective Budgetary control and reporting procedures covering areas such as Leisure Trust Utility costs</li> <li>Effective monitoring covering Business Rates and Council Tax income including reporting to the Kent Pool.</li> <li>Regular reviews undertaken on the forecast of the Local Government Settlement.</li> </ul> <p>Interest rates for investments are at a recent high, these are providing some additional funds for reserves but cannot provide a long term solution.</p>	3	3	9	<p>Areas of potential savings yet to be identified and prioritised, with commitment to delivery of those selected.</p> <p>Commissioning of service reviews via MT to identify potential areas of transformation and savings.</p> <p>Review of key strategic assets to be completed, including office accommodation.</p> <p>Regular reports to Cabinet identifying potential sources of saving/income generation.</p> <p>MT considering the employment of a transformation resource to assist with identification and delivery of efficiencies</p> <p>Access to external consultancy opinion is key to ensure that correct decisions are being projected.</p> <p>Assess the potential financial impact of the Government's Extended Producer Responsibility (ERP) scheme in relation to Waste and Recycling which is currently still being drawn up. At the present time without further information it is unclear how this will impact in the Council's finances (positively or otherwise)</p> <p>Await and assess the outcome of the Government's consultation and review of New Homes Bonus. This was anticipated Spring 2023</p> <p>Three key financial risks were highlighted to Members: namely Waste, Homelessness and Local Plan. All three have significant financial implications for the Council in different ways. Consultants were engaged in respect of Homelessness to find ways of reducing cost and finding more efficient ways of delivering the mandatory function. Discussions with Waste contractor continue with regards to performance and garden waste. Resubmission of local plan has been reported to Members and decisions made about way forward. The additional costs were factored into budget reports from 22/23.</p> <p>Use of reserves likely over Medium Term in order to support revenue budget but it is imperative that savings/additional income are identified and delivered. <b>Progress report to be brought to Cabinet in November</b></p>		Director of Finance and Transformation	↔	Nov-23



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
3	Economic Stability	F	Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources. A number of key threats to business continuity including: border delays and congestion impacts on the Kent road network creating difficulties for local businesses, TMBC staff and potential air quality issues; loss of KCC staff e.g. welfare/social services support; potential loss of TMBC waste contract workforce, general increase in costs as imports become restricted.  Coronavirus pandemic has significant economic implications for businesses and residents.  Current high rates of inflation coupled with higher interest rates than have been seen for a number of years likely to have wider impact on community and businesses	01/04/2017	4	4	16	Kent-wide working to understand, plan for and react to pressures.  Regular review of; MTFS reflecting economic factors  Treasury Management and Investment strategies.  Collection performance for council tax and business rates  All staff equipped to be able to work from home and deliver public services and arrangements set out in adopted working policy  Delivery of Household Support funds in liaison with KCC  Delivery of government schemes (e.g. related to energy) to mitigate impacts on households	3	4	12	Council continuing to work with Kent Resilience forum and County Partnership groups as needed  Keep Business Impact assessments under review.  Business continuity planning updated to ensure smooth running of services to public.  All energy schemes delivered on behalf of government  Household Support Fund tranche 4 approved by Cabinet July 2023 and funds have already been transferred to partner organisations targeting food and fuel support, mental health support. Further roll out of funds to take place in response to emerging issues  Continued focus on homelessness prevention work	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Nov-23
4	Corporate Strategy	F, R, S	The lack of an up to date Corporate Strategy could lead to a lack of strategic direction for the Council, and lead to a lack of clarity about priorities, and the ability to meet objectives and make savings.	04/01/2017	4	3	12	Following the Peer Challenge Review (PCR), a draft Corporate Strategy was produced and benefited from staff consultation in November 2022 and Cabinet and O&S consideration ahead of going out to public consultation in Jan-Feb 2023. The findings from this consultation, along with aligned KPIs and draft Annual Action Plan went to Cabinet and O&S in Spring 2023 and the final version was approved by Council in July 2023.	3	2	6	Final adoption of the Corporate Strategy 2023-2027 (achieved in July 2023), along with annual action plan and KPI's that will ensure overview of performance.	The new Corporate Strategy has a vision to "be an innovative and forward thinking council that leads the people and businesses of the borough towards a vibrant, prosperous and sustainable future".	Chief Executive	↔	Nov-23
5	Performance Management	F,R,S	Without an effective performance management framework in place, the authority will not be able to understand any required improvements or achieve value for money.	30/08/2023 (separated from Corporate Plan)	3	5	15	As mentioned above, with the adoption of the new Corporate Strategy, the authority has also set in place new aligned KPIs to monitor progress, and provide detail on direction of travel, and targets. Further work is required on benchmarking and also on instilling the KPIs within the culture of the organisation.  At present the KPIs are discussed with Management Team and Informal Cabinet before being shared with the Scrutiny Select Committees on a quarterly basis.	2	4	8	Further work is required on benchmarking and also instilling the KPIs and broader performance management within the culture of the organisation.  Following the Auditors Annual report for 2022/23, a review of the process of discussing and sharing KPI data is to be undertaken.	One of the priorities in the new Corporate Strategy is "Efficient services for all our residents, maintaining an effective council"	Chief Executive/ Management Team	N/A	Nov-23





No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
6	Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error.  Coronavirus pandemic and the subsequent economic crisis has significant economic implications for the Council, businesses and residents.	01/04/2017	4	4	16	STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members  MTFS and STS updated and approved by Council in Feb 2023. Funding gap estimated to be £1.7m, with tranche 1 of this (£0.5m) to be delivered by April 2024.	3	3	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected. <b>Progress report to be brought to Cabinet Oct/November</b>  Commissioning of in service reviews via MT to identify potential areas of transformation and savings. MT considering employment of transformation resource to assist in identification and delivery of efficiencies  <b>Delivery of the savings targets is paramount for the financial stability of the Council. Work is now well underway by Cabinet/MT to identify tranche 1 savings/additional income of £0.5m. Reports to be brought forward in the coming weeks and months.</b>	The current Corporate Strategy - to be a financially sustainable Council focusing on ensuring good value for money, continuously reviewing how our services are provided and funded, focusing our available resources where they will have most beneficial impact, and maximising commercial opportunities. Taking a business-like approach.	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Nov-23
7	Local Plan	F, R	Lack of sound legal footing for Plan through inadequacies in evidence base, legal advice or process, including duty to cooperate. Leading to widespread public concern, or risk of failure at Examination. External factors or widespread planning reforms leading to delays to timetable, reputational risks around plan-making and impacts on development management processes through protracted period with no up-to-date plan. Absence of corporate or external co-ordination leading to a lack of infrastructure to support future development.	01/04/2017	4	4	16	Members are updated via informal email updates and reports to the Housing & Planning Scrutiny Select Committee  Reg 18 concluded in late 2022  Revised LDS adopted summer 2023  The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework. It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirements of the NPPF so that the plan can be found to be sound at the examination stage. Timing is of the essence as the Local Plan will need to be submitted to the PI by 30th June 2025. The Council has recently engaged Towers and Hamlins Law Firm to advise and support the Planning Policy Team in order to progress matters up until the Adoption stage of the Local Plan.  Proposed informal engagement with members on emerging spatial strategy in Autumn 2023	3	3	9	Regular review of Government policy announcements that may impact on delivery, including housing standard methodology and WMS relating to Planning  Ongoing engagement with Counsel  Ongoing engagement with Members  Regular analysis of budget position  Regular analysis of programme - within Policy team on a weekly basis, reporting to Head of Planning/DPHEH bi-weekly.	Local Plan assists in economic growth, delivering the supply of future housing and addressing affordability. Procedures set by National Government	Director of Planning, Housing and Environmental Health	↔	Oct-23
8	Organisational development inc. staff recruitment and retention/skills mix. Impact of loss of capacity caused by recruitment difficulties upon delivery of corporate objectives. Increase in rate of inflation and consequent pressure on level of pay award.	F, R, S	Lack of resources or the right skills to deliver required outcomes, loss of key professionals/senior officers due to pay constraints and pressures, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	01/04/2017	4	4	16	Review of staff resources and skills via service reviews.  Organisational structure reviews are part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities.  <b>New market supplement and 'golden hello' recruitment and retention salary package offer being proposed to General Purposes Committee on 3 July 2023. Focused on the recruitment and retention of RTP1 qualified planning staff. Wider market supplement policy to be considered by General Purposes committee in October 2023.</b>	3	4	12	Succession planning along with Development of further skills and expertise through strategies such as shared services and specialist Commissioning.  Engagement of external consultants and specialists where required. Resilience and rationalisation of existing structures. <b>Recruitment and retention strategy reviewed by MT. R&amp;R report to be submitted to GP Committee and Council in October 2023 re hard to recruit to posts</b>  Pay award for 2023/24 5% for all staff, from April 2023. Backdated 5% to Jan 23 for scales 1-6  Structural reviews approved by Members on an ongoing basis.  HR staff recruited with specialist experience in recruitment. This was demonstrated with a revised methodology for the recruitment of the DPEHH and Head of IT.  Workforce Strategy approved by General Purposes Committee in June 2022	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	↔	Oct-23

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
9	Health and Safety	F, R, S	Significant reputational impact should a service user, officer, member or contractor come to harm and TMBC are unable to demonstrate appropriate processes were in place.	01/04/2017	3	4	12	Lone working policy and service based practices to be continuously monitored. Health and Safety considered by management at weekly SMT meetings. Staff involvement with Health & Safety Group Ongoing review undertaken to react to potential key risk areas. Organisational learning and response to national events. Incident and near miss reporting.	2	3	6	Embedding and dissemination of good practice through staff briefings. Corporate Health and Safety Group (chaired by DPHEH) identifying cross organisational issues with feedback to Management Team and Health and Safety Officer. All services have reviewed all their Health & Safety local Procedures in particular Lone working and service specific risk assessments. Staff survey on H&W completed spring 2021, results reviewed and a future survey will be incorporated into general staff survey approach Corporate Health & Safety Policies and procedures are up to date and reviewed regularly which all staff can access. Continuing focus on risk assessment process including reviews as a result of Coronavirus pandemic. Further staff wellbeing survey to focus on working at home and wellbeing.	Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives	Director of Planning, Housing and Environmental Health	↔	Oct-23
10	Compliance with legislation	F, R	Failure to meet legislative requirements or statutory obligations may result in loss of personal data, financial penalties and/or damage to the Council's reputation.	01/04/2017	3	4	12	The Council has a nominated Data Protection Officer and a separate Senior Information Risk Owner (SIRO) Assessment of Legal implications included within all reports to Members. GDPR requirements are addressed by two officer groups, Information Governance Group and Procurement OSG, which includes Legal representation. CPD and Professional Monitoring offered to all staff The Council has undertaken both Corporate Governance and GDPR reviews / audits. Code of Corporate Governance reported to members on an annual basis. Legal Services give sign off of key corporate projects	2	3	6	The Council continues to disseminate new legislative requirements to both Officers and Members. Officers ensure that professional update training is undertaken. Members received GDPR training in July 2018, with all officers completing e-learning on GDPR by May 2018. GDPR training is a requirement for all new starters and is offered through the TMBC Learning portal. Revised constitution approved by Members in July 2019. Further amendments submitted since that date to Council as and when required. Governance changes approved in April 2022 led to further revisions to Constitution. Regular review by Monitoring Officer and reports to full Council (most recently at Council in July 2023). Additional GDPR and Cyber Awareness Training rolled out to all staff and members (July 2023).	Information Governance Policy	Director of Central Services and Deputy Chief Executive	↔	As required



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
11	Cyber Security	F, R	Loss of data and legislative breach, leading to financial penalties and reputational impact.	01/04/2017	3	4	12	<p>The Council has; Information Security Policy deployed via Policy Management System.</p> <p>Implemented network security measures including access controls.</p> <p>Considered cyber insurance. Established an Information Governance Group.</p> <p>Appointed a Member Cyber Champion.</p> <p>Rolled out Cyber awareness training to all staff and Members via eLearning.</p> <p>Deployed 'Next generation' Palo Alto firewall technology for improved visibility and control.</p> <p>Deployed software solution to identify potential confidential data held on file servers.</p> <p>Deployed DLP software at email egress point.</p> <p>Implemented secure email in accordance with NCSC guidelines.</p> <p>Maintained dual level firewall security with the KPSN gateway being primary and the Council's own firewalls secondary.</p> <p>Implemented Solarwinds Security Event Manager.</p> <p>1 member of IT team obtained Certified Information Systems Security Professional (CISSP) qualification October 2020.</p> <p>Implemented cloud backup and DR facilities to improve resilience; and embedded cyber security into DR and BCP processes.</p> <p>Continued to monitor Cybersecurity alerts via LGA Cyber Security email; through membership of NLAWARP and CiSP; and attending information sharing events such as Kent Connects Information Security Group.</p> <p>Cloud based web and email filtering has been deployed to improve availability and resilience.</p> <p>Completed firewall ruleset review following migration to Cloud to ensure our configuration is in line with best practice guidelines.</p> <p>Carried out phishing simulation exercise as first phase of awareness training for staff and members, to highlight areas of risk and to identify training needs. Subsequent online training sent out to all staff and members.</p> <p>Carried out phishing training quiz for all staff as second phase of phishing awareness campaign. Quiz was extended to Members although take-up has not been as successful. Further training to be targeted.</p> <p>Developed and deployed wallpaper/ lock screen to all TMBC laptops and PCs, with cyber security reminder to further reduce risk by increasing awareness.</p> <p>Head of IT appointed Senior Information Risk Owner (SIRO) from October 22. This role has responsibility for information and data risk and protection.</p> <p>Obtained Cyber Essentials accreditation in November 2022, demonstrating that our technical controls are designed to defend against the most common cyber threats.</p> <p>NCSC approved cyber security training has been evaluated and made available via the Council's new LMS.</p> <p>Achieved 'Substantial' rating for Cyber Security at Internal Audit Report TM19-2023 &amp; TM07-2023 - Cyber Security and ICT Infrastructure (Combined Report).</p>	3	3	9	<p>The Council has; Prioritised the resources (both financial and staff) to ensure relevant updates and security mitigations are carried out in a timely manner.</p> <p>Scheduled annual IT Health Check (ITHC), quarterly PCI scans, and monthly vulnerability scans, feeding into remediation plans. July 2022 PCI scan passed. Investigating and resolving detected security issues from last ITHC 8/8/22 - 12/8/22. <b>New ITHC completed August 2023, including the TMBC Microsoft 365 environment, report pending.</b></p> <p>Regular email messages are sent out to all staff and Members on cyber security vigilance.</p> <p>Continuing to investigate emerging threats and cyber alerts, communicating with 3rd party suppliers to check compliance/obtain security updates and implementing mitigations as required to reduce likelihood of compromise.</p> <p>Training for IT staff on security aspects of Cloud environment is underway.</p> <p>Investigating further improvements to DR capability with specific regard to recovery from cyber incidents.</p> <p>Ensuring new staff have been invited to undertake training cyber security training. Further training and audits will follow to ensure the Council is as aware and prepared as possible to respond to potential cyber attacks.</p> <p>Continued ongoing development training to ensure that knowledge is kept up to date.</p> <p>An in-depth phishing training package, to highlight specific risks and increase staff awareness, was been deployed to all staff. Completed by 76% of staff. <b>To be followed up with phishing exercise in Q3.</b></p> <p><b>Procured NCSC approved cyber security training for Members from Matobo. Mandatory training deployed to Members August 2023.</b></p> <p><b>Deployed NCSC approved cyber security training for Staff from Matobo. Mandatory training, completion being monitored and reminders to be sent as required. Completed by 194 staff as at mid-August.</b></p> <p>We are currently working towards Cyber Essentials Plus accreditation to independently verify the Council's cyber defences and highlight areas for improvement.</p> <p>Pilot underway for enrolling and managing devices in Intune as a replacement for SCCM and to leverage additional security features including network blocking when malware is detected, and enforcement of encryption as a potential replacement for Checkpoint.</p>	IT Strategy	Director of Finance and Transformation		Nov-23



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
12	IT Infrastructure	F, R	Failure to adequately invest resulting in inability to keep pace with technological change, leading to systems that are not fit for purpose to meet organisational need.	01/04/2017	3	4	12	<p>IT Strategy has been reviewed, updated and extended to 2023 (previously 2018-2022) with linkage to MTFS and Savings and Transformation and Digital Strategy.</p> <p>Invest to save opportunities and funding identified and projects have been initiated.</p> <p>Digital Strategy - developed and approved by Members in July 2019.</p> <p>Replacement of legacy business systems and greater use of digital alternatives (cloud based) projects have been initiated.</p> <p>Disaster Recovery solution (cloud based) has been implemented.</p> <p>All staff are able to work remotely via laptops and secure 'always-on' VPN.</p> <p>iPads and required software rolled out to Councillors, MT Members, Senior Management and in-field Staff.</p> <p>Data quality policy has been introduced to ensure improvement and efficiency can be achieved.</p> <p>Introduced Microsoft Teams for virtual meetings for members and staff.</p> <p>Implemented hybrid media conferencing solutions for on-site and remote workers.</p> <p>Multi-factor authentication solution enabled for remote access to O365 to improve security and business continuity.</p> <p>Migrated Telephony to the Cloud to improve business continuity and functionality.</p> <p>Multi-media Cloud based Contact Centre management solution implemented to improve functionality, availability and business continuity.</p> <p>Migrated production environment from on-premises to Cloud to improve and sustain business continuity and service availability.</p> <p>New CMS solution and website implemented to improve digital engagement for residents and businesses.</p> <p>Implemented cross-region Cloud backups for the new Cloud production environment to improve resilience.</p> <p>Implemented 'My TMBC' mobile app facilities to enable proactive and responsive engagement with residents and businesses in parallel with the Council's new website.</p> <p>Implemented corporate/enterprise document management system.</p> <p>VPN migrated to Cloud and Multi-factor authentication implemented for remote access over VPN to improve security and business continuity.</p> <p>All staff migrated to Office 365 to improve flexibility and reliability.</p> <p>MFD equipment and associated print management software renewed in March 2023.</p> <p>Microsoft Enterprise Subscription Agreement re-procured; new 3 year contract from June 2023. Licenses migrated from E3 to E5 to provide additional functionality and improved security features.</p> <p>Implemented the use of AI bots for automation of switchboard via the multi-media Cloud Contact Centre solution, in line with the Digital Transformation agenda in March 2023.</p> <p>Implemented new DR sandbox subscription in Azure Cloud IaaS in June 2023 for testing restore from backup to provide assurance of the Council's ability to recover critical systems and data.</p> <p>Achieved 'Substantial' rating for ICT Infrastructure at Internal Audit Report TM19-2023 &amp; TM07-2023 - Cyber Security and ICT Infrastructure (Combined Report).</p>	3	4	12	<p>Active engagement of Officer and Member Groups in the implementation of digital agenda and changes to the Website format and content.</p> <p>Mobile working solution for in-field workers currently being developed and undergoing field testing.</p> <p>Further development of corporate/enterprise document management system and expansion in usage across the Council is being planned.</p> <p>Further development of the multi-media Cloud Contact Centre solution, to exploit state of the art technology and features to improve customer experience in line with current industry standards, is in progress. Wider use of AI bots for automation of contact centre endpoints is currently under development.</p> <p>Implementation of an immutable backup solution to improve resilience to cyber-attack is nearing completion. All VMs in the Cloud and on-premises are being successfully backed up. <b>Work required to improve Oracle backups is progressing and approaching testing stage.</b></p> <p>Replacement of Varonis GDPR solution with features available in Microsoft E5 licenses is currently in test, to simplify management and reduce costs.</p> <p>Review of wired and wireless network infrastructure, in line with planned Gibson Building accommodation changes, is in progress. Proposals and quotations requested from suppliers.</p> <p>Planning migration from Server 2012 R2 in line with EOL notification. To be completed by end of Q2 2023/24 for on-premises VMs. Azure hosted VMs have up to 3 years extended support for 2012 R2. <b>Upgrade of on-premises servers is underway and on target for completion by October.</b></p> <p>Review of end user IT equipment is underway to inform future device policy.</p> <p>Implementation of Agile Applications cloud based solution as a replacement for IDOX DMS, Uniform and TLC is underway to provide a cost-effective and modern service delivery platform.</p> <p>Digital Strategy and IT Strategy currently under revision.</p> <p><b>On-premises firewall replacement hardware has been procured. Implementation scheduled for Q3/Q4.</b></p> <p><b>Laptop renewals project has commenced for equipment that is due to be replaced in Q4 to ensure end user equipment is fit for purpose.</b></p>	IT Strategy	Director of Finance and Transformation		Nov-23

Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
13	Business Continuity and Emergency Planning	F, R, S	Failure to provide statutory service or meet residents' needs resulting in additional costs, risk of harm and reputational impact. Impact/pressures on services and resources. Failure to ensure proper safeguards to prevent or to respond adequately to a significant disaster/event e.g. terrorist attack at a large scale public event or fire.	updated January	3	4	12	The Council has in place;  Business Continuity Plan.  Corporate Business Continuity Risk Register  Emergency Plans  Disaster Recovery Plans  Inter-Authority Agreements  Mutual Aid Agreement  Partnership agreement with Kent Resilience Team.  Emergency Planning Support Officer.  Duty Emergency Coordinator System and Duty Officer System introduced to provide greater resilience.  Covid Secure rest centre plan has been developed	3	4	12	Emergency planning documentation undergoing constant review and key aspects exercised .  Increase % of staff trained in roles identified in the Emergency Plan Training organised by Kent Resilience Team . Business Continuity working group established to review and update existing Plan. Updated plan to be considered by Management Team and tested by a training exercise. Duty Officer rota in place to support Duty Emergency Coordinators out of hours. All staff fully trained before commencing duties. Out of Hours Manual reviewed and regularly updated. DSSLTS sits on Kent Resilience Forum Strategic Board.  Actions taken in response to the Covid 19 pandemic will be reviewed and lessons learnt for the future. Any approved changes will be reflected in the Corporate Business Continuity Plan. Business Continuity Group including all members of Management Team meets twice weekly to oversee and coordinate response to pandemic.  Annual Emergency planning review to be reported to Management Team.  Pandemic response dealt with as emergency through Kent Resilience Forum. Reports regularly presented to Cabinet. More detailed reports covering Review Reorientation and Recovery presented to relevant Advisory Boards.  Recruitment into roles in the Emergency Plan is on-going. Emergency Planning Officer's hours increased to full time during pandemic.  Virtual Emergency Management systems are being developed to allow a virtualised Emergency Control Room and data handling.	Business continuity underpins the delivery of the Council's essential services	Director of Street Scene, Leisure & Technical Services		Mar-24
14	Devolution	F, R, S	Uncertainty about future operating models and changes / opportunities in responsibilities or service provision leading to financial pressures, impact on quality of services, reputational damage.	01/04/2017	3	3	9	Continual scanning of national / regional and Kent wide agenda by CE / Corporate Services manager. Participation in county wide debate via Joint Kent Chief Execs and Kent Leaders meetings. Update DEC 18 - County wide devolution discussions have been formally ceased. Horizon scanning and continued participation in Kent Leaders and CE meetings is ongoing.  County Deal discussions are invited and Kent Leaders are giving preliminary considerations albeit that there is no agreed view at this stage.	3	3	9	White Paper on Devolution is to be published in the Autumn. Analysis of this will be a priority action. This is now replaced by the anticipated "Leveling Up" prospectus in 2022	External risk/national issue	Chief Executive		As required



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
15	Partnerships inc. shared services	F, R, S	<p>Reliance on partners to deliver key services, including private sector companies. Could include specific partnership or shared service models such as the Leisure Trust and risks around service delivery and impact on staff morale / retention if base moves from TMBC . Potential resistance to shared services / partnerships impacting on ability to deliver Savings &amp; Transformation Strategy. Private sector partnerships failing having consequences for service delivery.</p> <p>Coronavirus pandemic has significant economic implications for the Council, businesses and residents.</p>	01/04/2017	3	3	9	<p>Regular liaison meetings with partners. Partnership Agreements in place and reviewed as appropriate.</p> <p>Good communication with staff.</p> <p>Officers maintain awareness of issues relating to private sector partners and plans formulated for service delivery in the event of failure via business continuity.</p> <p>KCC undertaking Audit and Fraud function from 1 October 2021 on a newly agreed delegated functions arrangement. As previously report to Audit Committee and Cabinet, this arrangement will provide greater resilience and breadth of experience/knowledge.</p> <p>Partnership work and liaison with key voluntary sector groups will continue via community development meetings in priority wards.</p>	3	3	9	<p>Strengthening of the West Kent Partnership, including joint delivery of economic initiatives through the UKSPF and REPF, as well as creating a greater focus on promotion and inward investment.</p> <p>New Waste Services Contract in partnership with Urbaser, TWBC and KCC commenced 1st March 2019. Formal Inter Authority Agreement and Partnership Agreement in place.</p> <p>Ground Maintenance Contract extended in light of good performance of contractor.</p> <p>The Council is working within guidance issued by Cabinet Office "Guidance on responsible contractual behaviour in the performance and enforcement of contracts impacted by the Covid-19 emergency " and Procurement Policy Notes to support contractors and suppliers.</p> <p>The Council will continue to administer the grants to key voluntary sector bodies, with progress to be reported annually. Additional Government grants as a result of the response to the pandemic (Emergency Assistance Grant and Covid Winter Grant) will be promoted to local voluntary sector organisations and applications for funding will be agreed.</p>	Savings and Transformation Strategy	Chief Executive	↔	As required
16	Welfare reform inc. Housing need	F, R, S	<p>Safeguarding impact on TMBC residents due to reduction in benefits, introduction of UC and increase in applications for DHP, etc. Failure to adequately understand and meet housing needs and return unsuitable properties to use leading to increase in homelessness or occupation of unsuitable homes. Financial impact of increased emergency accommodation and failure to maximise new homes bonus.</p> <p>Current economic situation has implications for residents and businesses with high inflation and increasing interest rates.</p> <p>Ukrainian refugee temporary resettlement program - We are awaiting full guidance on Local Authority responsibilities. Kent Resilience Forum are acting as lead.</p>	01/04/2017	4	3	12	<p>Cross sector working (e.g. welfare reform group) to identify issues and solution.</p> <p>Providing advice to residents on welfare and housing issues, or signposting to relevant providers.</p> <p>Working with partners to identify land and funding opportunities.</p> <p>Working with Registered Provider Partners to ensure needs of residents are being met.</p> <p>Working with owners to bring long term empty properties back into use.</p> <p>Work with consultancy firm Altair on options for longer term TA provision</p> <p>commissioned consultancy work in respect of Homelessness function (TA)</p> <p>Concessionary charges for key services. EQIA assessment of key decisions included in all Board reports.</p> <p>Council rolled out energy schemes on behalf of government</p> <p>Signposting now to UC rather than HB for new working age claimants. <b>Keeping track of welfare statistics</b></p> <p>CTR Scheme approved for 23/24 . Government council tax support of up to £25 being credited to bills for those on lower incomes</p> <p>Household Support fund tranche allocated by KCC</p> <p>Councils asked to administer further energy support schemes on behalf of government</p> <p>New housing panel in place to work alongside RPs in considering best use of available properties.</p>	3	3	9	<p>Improved working with TA providers leading to more guarantees of available accommodation and developing a TA Procurement Strategy</p> <p>Improved working with main housing provider to identify trends/specific cases across borough to jointly agree approach to preventing homelessness using housing provider mechanisms, DHP payments and homeless prevention funding where needed.</p> <p>Continue to facilitate Welfare Reform group and widen participation from external partners so as to ensure best support for those affected by welfare reforms in T&amp;M.</p> <p>work with Kent councils collaboratively to ensure grants and support targeted to those most in need</p> <p>Consideration of the report from Altair (when received) on the potential options for the most cost effective provision of TA accommodation</p> <p>Continued focus on homelessness prevention Consideration of use of DHP to encourage downsizing to free up under occupied property. Report to be brought forward to Members in due course</p> <p>Focus on Empty properties in the Borough and how they can be brought back into use.</p> <p>Deliver District responsibilities of Ukrainian resettlement scheme.</p> <p><b>Continue to deliver payments in respect of latest Household support fund Tranche 4 in liaison with KCC</b></p>	Promoting Fairness - acting transparently at all times and being accountable for what we do, and promoting equality of opportunities. Embracing Effective Partnership Working - achieving more by working and engaging effectively with a wide range of local partners from the private, public, voluntary and community sectors.	Director of Finance and Transformation/ Director of Planning, Housing and Environmental Health	↔	Nov-23



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
17	Political factors including stability of political leadership and decision making	F, R	Decisions required to achieve objectives including corporate strategy and savings and transformation may not be made and therefore required savings not achieved.	01/04/2017	4	4	16	<p>Significant focus on temporary accommodation and in borough provision as well as framework agreement with private providers.</p> <p>Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings &amp; Transformation Strategy.</p> <p>Clear and comprehensive reports to support Members in making appropriate decisions to support the S&amp;TS.</p>	3	3	9	<p>Member briefings and training sessions.</p> <p>Training for Officers has been arranged for September 2023 by the LGA - 'working in a no overall control council'</p>	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	↔	As required
18	Flooding	F, R, S	Impact on resources to support emergency planning, financial impact due to damage, loss of resources, etc. Residents and staff put at risk of harm. Impact on key flood risk areas - Tonbridge, Hildenborough, East Peckham and Aylesford.	01/04/2017	3	4	12	<p>Working with partners through the Medway Flood Partnership (including EA/KCC/LEP) to secure funding and implement flood defence schemes which will reduce risk of future flooding, including LEHES and property resilience works at East Peckham.</p> <p>Assistance provided to Parish/Town Council's to help develop local Flood Plans. Team of Volunteer Flood Wardens in place.</p>	3	4	12	<p>Work with partner organisations via Kent Resilience Forum and the Medway Flood Partnership continuing.</p> <p>Council Officers dial into Severe Weather Advisory Group meetings.</p> <p>Regular attendance at KRF training sessions.</p> <p>Ongoing support for Tonbridge Flood Group.</p> <p>Funding allocated in Council's Capital Plan to support works to Leigh Flood storage area which will be completed by 2025.</p> <p>£20,000 from Business Rates Retention Pilot Reserve approved for Natural Flood Management Schemes in the Borough (Leybourne Lakes and Ightham Mote).</p>	Emergency Plan Civil Contingencies Act 2004 Kent Emergency Response Framework West Kent Partnership and Medway Catchment Partnership	Director of Street Scene, Leisure & Technical Services	↔	Nov-23
19	Homes for Ukraine Scheme	F, R, S	Districts are required to undertake home assessments for potential host households to support Ukrainian refugees fleeing the conflict. Increased workload expected as likelihood of breakdown in housing arrangements as we have exceeded the 6 month mark. Requests for rematches are increasing and there is a risk of homelessness and duty to place in T.A. therefore work needs to be undertaken to facilitate rematches and/or support into private rented sector. This is an escalating risk given the longevity of the hosting arrangements. As of 1 April 2023, TMBC have taken on wider support role for Ukrainians in the borough under HFU scheme.	01/09/2022	4	4	16	<p>Some reserve host families have been identified but larger families pose a bigger risk. Re-matches are unsustainable in the longer term. Work underway to support more families into PRS.</p>	3	4	12	<p>Additional support into Private Rented Sector required. Full time Resettlement Worker now in post and part time Housing Officer to start in September 2023.</p>		Chief Executive	↔	As required



No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
20	Waste/ Recycling Contract	F, R, S	<p>Failure to provide new service and deliver described outcomes in accordance with contract timescales and health and safety obligations. Significant reputational risk. Risk of challenge from tenderers.</p> <p>Failure to achieve financial targets for garden waste and performance payments scheme linked to changes in collection and disposals methods explained below and links to finance above.</p> <p>Coronavirus pandemic has significant economic implications for businesses and residents.</p> <p>Future sustainability of contract.</p> <p>Risk associated to the outcome of current government consultations on three waste aspects (Collection Consistency, Garden Waste and Extended Producer Responsibilities). Potential for alteration to levels and mechanisms for Council income associated to these areas including, but not restricted to, KCC Performance Payments and Garden Waste Subscriptions, this links to the Council's long term financial stability</p>	01/07/2018	3	4	12	<p>Partnership arrangement with TWBC, with allocation of key tasks.</p> <p>Internal Project Group reporting regularly to MT and Members.</p> <p>Joint Member meeting established with TW's to guide strategic approach</p> <p>External advice sought from specialists on key decisions including Legal.</p> <p>New inter authority agreement with KCC encourages improved recycling performance and shares risks and rewards.</p> <p>IT, Communications and Operations identified as crucial work streams and individual working groups established to manage and implement these work areas.</p> <p>Waste services have been affected by pandemic and national HGV shortage. Agreed with contractor to temporarily ceasing collection of garden waste, Saturday freighter and bulky waste booking system for a period of time to allow focus on recycling and general waste. Garden Waste and bulky booking has resumed.</p> <p>With regard to garden waste collections, residents will have subscriptions extended to compensate.</p> <p>New GW subscriptions were reinstated on 4.04.22.</p> <p>Street cleansing was not suspended but has been impacted as other services have taken priority.</p> <p>Council recently approved supplementary payments, financial support in relation to vehicle leasing. This will enable re-rounding to progress leading to improved service.</p> <p>Consultations currently being monitored through the KRP and updates being channelled through the Kent Chief Executives meetings</p>	3	3	9	<p>Continuation of Partnership working with TW's and monitoring through established Steering Group.</p> <p>Continuation of Member working group to steer strategic approach.</p> <p>Contract monitoring and the firm use of remedies to improve performance including the contractual default procedure.</p> <p>CE's continuing to liaise with Urbaser to discuss future sustainability of the contract.</p> <p>Monitor and phase roll out to flats and any impact of other frontline collections.</p> <p>Reports on progress submitted to appropriate meetings/committees</p>	Delivery of cost effective service to meet customer needs.	Director of Street Scene, Leisure & Technical Services	↔	Mar-24
21	Implementation of Agile system	F, S	<p>Service impacts from level of staff time required to develop the Agile product for use as operating system.</p> <p>Significant level of concern from staff about implementation process results in a lack of confidence in implementation, which will adversely impact service delivery and record keeping</p>	01/11/2022	4	4	16	<p>Programme of liaison meetings with Agile in place including Board and weekly catch ups</p> <p>Employment of Business Change PM to manage project on behalf of TMBC and coordinate all issues</p> <p>Weekly meetings with CM for Finance &amp; Housing, who is the Cabinet Lead for Agile.</p> <p>Internal meetings with staff, managed by Business Change Project Manager</p> <p>Issues log in use</p> <p>Issues escalated to Agile management</p>	2	2	4	<p>Further escalation of issues to Agile CEO</p> <p>At least 3 stand ups per week between Business Change PM and SRO (DPHEH) in September to oversee APAS go live by end of September</p> <p>Request for PLACIS delivery plan to be populated by Agile by 8 Sept made by CE and Cabinet Member</p> <p>Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT on a regular basis</p>	Digital Strategy	Director of Planning, Housing and Environmental Health	↔	Oct-23



Direction of Travel key



Downward or positive movement



No change in movement



Upward or negative movement

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Direction of Travel	Review Date
22	Elections	R	Failure to comply with legislation, miscounts and significant reputational impact.	14/12/22	3	4	12	Ensure experienced staff are in place, corporate team reviewing activity and monitoring progress.  Further Election Bill changes  Parliamentary Boundaries  Parliamentary election - date unknown, possible May 2024 or October 2024?	2	4	8	Broadening of staff skills and experience to build resilience.  Discussions on core staffing for Elections and use of more IT modules to reduce workload and progress digital transformation Increase in temp staffing resources to mitigate delayed implementation of two IT system modules. Following elections this needs to be reviewed.  Implementation of changes to Postal Votes, Overseas electors, EU Citizenship. Core team keeping up to date with all notifications from EC and Cabinet Office and undertaking any training required.  Changes to Parliamentary Boundaries to be completed this year including a further Polling District review. DA waiting for final recommendations to be able to implement.  MT horizon scanning on any increased chance of snap General Election. RO and DRO's assessing risks. Risk has diminished at the moment.	Statutory requirement	Chief Executive	↔	Mar-24
23	Carbon Neutral 2030 Aspiration	F, R, S	Significant reputational risk, particularly if other similar councils have achieved similar goals or targets. Significant financial cost to purchasing offsets to meet carbon neutral. High cost of increased frequency and intensity of extreme events (floods, heat waves) that increase costs and disrupt service delivery.	01/09/2023	5	3	15	Development of climate evidence (e.g. for the Local Plan), partnerships (residents, community and other Councils) and pathway analysis to support move towards transformative and larger scale emissions reductions	3	2	6	Ongoing commitment by Members, senior management and services to new actions beyond 'business as usual'. Improved understanding of financial returns from climate mitigation measures that can be reinvested. Innovative thinking and delivery of services and mitigation options. Successful outcomes in bids for significant additional grant funding.	Climate Change Strategy, Corporate Strategy 2023 - 2025	Chief Executive	N/A	January 2024 (ahead of next climate change action plan)
24	Waste/Recycling Income	F	Risk associated to the outcome of current government consultations on three waste aspects (Collection Consistency, Garden Waste and Extended Producer Responsibilities). High potential for alteration to levels and mechanisms for Council income associated to these areas including, but not restricted to, KCC Performance Payments and Garden Waste Subscriptions	01/09/2023	4	3	12	Consultations currently being monitored through the KRP and direct through DEFRA briefings/updates by Waste and Financial Services and updates being channelled through the Kent Chief Executives meetings.	4	3	12	Whilst consultations and implementation plans will be monitored, the influence on government policy may be limited. This restricts the ability for the Council to directly control the level of this risk and is why the risk remains the same following mitigations.	Statutory Requirement	Director of Street Scene, Leisure and Technical Services	N/A	Mar-24

This page is intentionally left blank

**Ongoing Risks and Risks Identified by Service Management Teams and Management Team**

	Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Central and Exec Page 103	Homes For Ukraine Scheme	Moved to Strategic Risk Register		
	UKSPF Programme (inc. REPF)	Having had our T&M Investment Plan approved by DLUHC, implementation of projects required over the next few years (up to March 2025)	Ongoing.	Need to keep under review to ensure that delivery on track so that future years funding is not compromised (based on annual funding award)
	Gibson Building	Cabinet agreed in Sept 2022 that the main offices of the Council should remain located at Kings Hill and that Officers should investigate the feasibility of progressing option 4 set out in the report.	Ongoing.	Need to keep under review to ensure that changes in office accommodation deliver value for money and deliver identified savings.
	Tonbridge Castle Gatehouse Roof	Water ingress from roof in Great Hall. Feb 2023 rot discovered in roof beam ends. Facility now open following completion of remedial works in July 2023. Permanent works in autumn 2024 to now be scoped	Ongoing	Extent to permanent works required still unknown and therefore operational and financial risk remains
	Elections	Introduction of Elections Bill changes	Ongoing.	Further Election Bill changes, including new Postal vote portal, Postal vote renewals changing to every 3 years. Overseas electors renewal every 3 years, changes to EU citizenship eligibility
	Elections	Move over of Election calls to Customer Contact	Ongoing.	Hope to move over all election calls to Customer Contact before 8July. Training being undertaken and FAQs being written and shared.
	Elections	Changes to Parliamentary boundaries	Ongoing.	Increased work load to implement changes and more complex for running future Parliamentary elections, due to sharing constituencies with other authorities. Further review of polling districts.
	Climate Change Action Scorecard	Climate Emergency UK conduct an annual review of all local authority's climate actions. For 2022-23, the Right to Reply process revealed that TMBC is likely to score only around 25% and, as such, we should expect to be one of the lower scoring authorities. Climate Emergency UK will seek national media coverage for its findings and publish its results in Autumn 2023, posing a reputational risk to TMBC.	Ongoing	Scorecard results not yet published so level of media interest and final TMBC score unknown. Climate Emergency UK will carry out the annual process again for 2023/24 and while some further actions will result in a higher score (e.g. we have started climate literacy training) it is hard to assess progress relative to other authorities at this stage.

**Ongoing Risks and Risks Identified by Service Management Teams and Management Team**

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
IT Security (formerly COCO Compliance)	Review of IT Infrastructure identified several areas of weakness for IT standards compliance	Ongoing	Number of risk removed, expected that remaining risks, once removed, will allow full compliance.
Economic Stability	Economic issues surrounding Council Finances	Ongoing	Part of Strategic Risk Register.
Recruitment of staff	Recent resignations will cause vacancies in several sections.	Ongoing and updated	Recruitment has commenced on vacant posts but it is likely that vacancies could last for several months. The vacancy in one section creates a 20% loss in capacity at a time of year with heightened resource requirements.
Corporate Insurance	Increases and changes to premiums for 2023/24 insured year	Ongoing	The Councils Insurers have made changes to the charges included within the premiums. Therefore changes will be required to capital and revenue project evaluations to include insurance assessment.
Payroll	Key information being supplied to Payroll in a timely manner, causing risk of staff and members not being paid.	Ongoing.	The Payroll Team pay over 250 Staff and Councillors on a monthly basis. Due to the date of payment, being the closest working day to the 15th of the month, information to be included in the pay run must be received no later than three working days into the month. In recent months some delays have occurred on the submission of data due to incomplete or incorrect information being supplied. this has jeopardised the payment to all staff requiring addition unsocial hours to be worked by the payroll team.
IT Resources	Resource capacity for Development Staff	Ongoing	The current demands on IT Development Staff are placing increased pressures on the resource capacity on the staff given competing demands of corporate systems being reviewed and implemented.
Computer Server failure	Weekend failure of server for Revenues and Benefits Software.	Remove	Issues with Software failure being identified by both staff and software
Security and Access to Information	Access to information with shared access with DWP	Ongoing	Review of staff access to be carried out and further additional checks to be carried out.
Supported Accommodation	Change in KCC approach for care need could have impact on ability to recover Housing Benefit Subsidy	Ongoing	The Supported Housing (Regulatory Oversight) Act 2023 came in to force August 2023. Assessment of the act is ongoing and a consultation will be undertaken on responsibilities to be allocated to Local Authorities and other partners.

**Ongoing Risks and Risks Identified by Service Management Teams and Management Team**

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Temporary Accommodation (TA)	TA consultancy review undertaken Dec 2021, actions implemented in 2022. Cost of living crisis and DA legislation implementation are impacting on maintaining TA levels within the agreed range.	Ongoing	TA costs remain high, as does level of need. Project underway to look at sustainable TA portfolio approach to help manage unit costs for TA. This is alongside ongoing work/training in service to support demand.
Temporary Accommodation (TA)	Personal injury claims	Ongoing	Updated inspection regime being developed by officers.
Food & Safety	Increased risk of food complaints/poisoning. Additional resources to manage backlog of inspections.	Ongoing	During the Covid-19 crisis the ceasing/reduction in the food hygiene inspection regime may result in food safety issues. There will also be a backlog of food safety inspections due to restrictions on visiting/businesses closed. Agreed catch up programme in place utilising COMF funding.
Increased number of planning appeals/inquiries	Application determination timescales not being met, more speculative development, creates reputational risks and increases likelihood of appeals.	Ongoing	Volume and complexity of applications coming forward in parallel with local plan progression and given current uncertainties in timescales for adoption. MT agreed agency planning funding for short term. Head of Planning conducting service review summer 2022
Staffing challenges in Planning services	Ongoing recruitment and retention difficulties in the sector and in T&M specifically. Several recruitment campaigns carried out.	Ongoing.	MT agreed that development of a Workforce Strategy will include recruitment and retention. Part 2 report to GP in July 2023 to look at immediate pressures. This will likely be followed by a new recruitment campaign and therefore this risk remains.
Windmill Lane Gypsy Site	KCC have requested return of management of this site (which is already owned by TMBC) to TMBC on 31 March 2024. This is part of a programme of returns to districts of their owned G&T sites. Initial discussions about management issues and costs have been undertaken.	New	The return requires Member approval, proposing that this happens via Cabinet in November 2023. There are a mixture of Property and Housing risks relating to this potential transfer. Officers are awaiting detailed information from KCC on maintenance costs, the detailed works schedule for grant funded improvements that are scheduled to complete before end of financial year and rent roll. TMBC will require a management arrangement for the site, which is being explored with neighbouring authorities as well as external providers. There will also be a requirement for the Council to have a G&T Allocation Scheme. Risk that the approach to management of this site is not fully in place before the proposed transfer, which could cause liability issues. Also need to consider specific equalities considerations for this group of residents.
Local Plan	Reg 18 carried out in Autumn 2022. Changes to NPPF and proposed changes to system via LURB published December 2022. Assessing options for delivery of a Local Plan.	Ongoing	Members to make a decision on a revised Local Development Scheme in Summer 2023. This is subject to a number of challenges including ongoing delays in Govt announcements on national planning policy. The Council has decided to continue progressing the Local Plan under the current legislative and National Planning Policy Framework. It will be critical that the new plan is prepared in compliance with the regulatory framework and relies on a robust evidence base that meets the requirement of the NPPF so that the plan can be found to be sound at the examination stage. Timing is of the essence as the Local Plan will need to be submitted to the Planning Inspectorate by 30th June 2025. The Council has recently engaged Trowers and Hamlins Law Firm to advise and support the Planning Policy Team up until adoption stage.

**Ongoing Risks and Risks Identified by Service Management Teams and Management Team**

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Bridge inspections	Bridges on Council owned land identified as service risk. Internal Officer Group established and bridge audit progressed. Identified as Service Pressure Aspiration. Revenue budget approved to inspect and repair bridges over 2 years and annual inspections to be progressed. Structural assessments being undertaken.	Ongoing	Second year programme of work currently being progressed. Further survey undertaken and report to be analysed. Remembrance Garden and Maintenance bridges reassessed to check if structurally stable. Remembrance Garden bridge confirmed safe for 5-7 years, Maintenance bridge confirmed safe for 3-5 years. Structural assessment being undertaken re Haysden Country Park bridge replacement.
Pay & Display machines	Continual issues with contractor, G4S in terms of cash collection.	Ongoing	Considering alternative options as very few companies in market place willing to undertake work.
Phone Signal	CEOs having difficulty enforcing parking in Tonbridge and customers having issues accessing Ringo due to deterioration in mobile phone signal.	Ongoing	Multi-network sim cards issues to CEO's and liaison taking place with service providers.
Garden Waste invoices	Delay in invoices being issued to subscribers wanting to renew due to IT issues.	Ongoing	Ongoing liaison with IT Services to resolve issue and distribute invoices.
Utilities costs	Significant energy price increases at leisure centres is resulting in financial cost to the Council under the risk sharing agreement in the Management Agreement with the Trust.	Ongoing	Trust providing regular updates via Strategic/Service Fee meetings - cost of swim charges increased to help contribute to additional cost, energy saving initiatives being investigated and implemented and central government being lobbied. Government recently announced support package within the Budget statement.
Tonbridge Swimming Pool / Larkfield Leisure Centre	Low supply of chemicals for treating pools available across Europe. May lead to closures.	Ongoing	Trust exploring all opportunities to secure supply. Alternative means of cleansing investigated by Property Services and order to be placed for new system. Funded through BRREP and contribution from Leisure Trust.
KRF Review	The KRF have undertaken a review and plan to make adjustments to how the forum operates.	Ongoing.	Risks associated with increased responsibility being undertaken by LA's . The impact of this is currently being assessed and addressed by Kent Chief Executives.
Business Continuity & Emergency Planning	The current structure of the LRF and legislation has been added to. The Kent Resilience Forum is undergoing a review with significant changes to how the Kent Resilience Team will provide support and guidance to Local Authorities. The UK Government has also recently published a new 'UK Government Resilience Framework'. Further guidance is expected but the theme is around increasing locally led resilience and planning at the LA level.	Ongoing	Need to track new guidance and review how we contribute and participate in the Kent Resilience Forum. We also need to be able to ensure that we maintain a fit-for-purpose organisation to enable suitable response.

## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

25 September 2023

#### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Delegated

### **1 STATEMENT OF ACCOUNTS 2022/23 AND EXTERNAL AUDITORS REPORT ON THE OUTCOME OF THE AUDIT OF THE ACCOUNTS**

This report presents the current set of Accounts for 2022/23 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. Members are invited to approve both the Statement of Accounts and the Audit Findings Report. The external auditors report is to be approved prior to the Engagement Lead signing off the Accounts. The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.

#### **1.1 Introduction**

1.1.1 An audited set of Accounts for 2022/23 must be approved by the Council or a Committee of the Council by no later than 30 September 2023. Under the Council's Constitution responsibility for the approval of the Statement of Accounts is delegated to this Committee.

#### **1.2 Statement of Accounts**

1.2.1 The Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually. There have been no material changes to the presentation of the Accounts for 2022/22.

1.2.2 There will be numerous issues that will impact on the finances of local authorities as a result of the Covid-19 pandemic, the current global economic conditions and cost of living crisis. Specific areas within the financial statements include:

- The valuation for the Gibson Buildings is reported as subject to Material Valuation Uncertainty under RICS Global Standards. In concluding this opinion it was deemed necessary to take into consideration the potential for redevelopment should the Council no longer wish to occupy all or part of the premises. As such, there would be wider range of purchaser

perceptions which would likely attract bidders in the market at above current valuation levels.

- The valuations for Angel East and West Car Parks include a government subsidy for the loss of income in 2020/21 due to the Covid-19 pandemic. Consumer behaviour has evolved in recent years and the post-pandemic requirement for car parking needs is yet to settle down. This will provide a level of uncertainty surrounding the appetite for car parks until the standard use is known.
- Short Term Debtors, collectability of debt – It is prudent to establish a provision (impairment allowance) for non-payment of debt. The impact of the current global economic conditions and ‘cost of living crisis’ could potentially have an adverse impact on collectability of debt and will be the subject of ongoing review.

1.2.3 An audited set of Accounts for 2022/23 [**Annex 1**] is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) 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. The taxation position is shown in the Movement in Reserves Statement.
- 2) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).
- 3) Balance Sheet – sets out the financial position of the Council at 31 March 2023. It shows the value of the Council’s assets and liabilities, and its balances and reserves.
- 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
- 5) Notes to the financial statements.
- 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to council tax and business rates.

1.2.4 Members will note in accordance with the Accounts and Audit Regulations and in my role as the Council’s responsible financial officer, I have certified that the Statement of Accounts present a “true and fair view” of the financial position of the local authority at the end of the year and its income and expenditure for the year.



1.2.5 The Statement of Accounts is subject to external audit.

### 1.3 Accounts and Audit Regulations

1.3.1 The Accounts and Audit Regulations require:

- The Council's responsible financial officer to certify an unaudited set of accounts for issue, that present a "true and fair view" of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023 by no later than 31 May 2023.
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September 2023 and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.
- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

### 1.4 Audit Findings Report

1.4.1 Our external auditor (Grant Thornton UK LLP) is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts, and for this to be endorsed and approved before the Accounts are signed off. It is this Committee that is charged with governance for this purpose.

1.4.2 At the time of writing this report the external audit is reaching its conclusion and in accordance with this requirement, the draft Audit Findings Report on the outcome of the audit of the Statement of Accounts 2022/23 is attached at **[Annex 2]**. Members will note that the Engagement Lead anticipates being able to issue an unqualified audit opinion on the financial statements following this meeting and will provide a verbal update at the meeting on any residual findings and answer any questions.

1.4.3 Again, at the time of writing, other than a small number of textual changes, one change has been made to the accounts as a result of the audit as detailed below.

- Expansion of the notes covering estimates and critical judgements

1.4.4 The Audit Findings Report, at page 23 gives one recommendations for the Council identified during the audit, these have been details below along with the proposed management response

## 1. Issue – Approval of Journals

Management have a policy that all journals with a value above £25,0000 will be individually approved. However, during the year, we have noted that there were journals which were posted by the Chief Financial Services Officer and approved by him as well. This represents a lack of segregation of duties over approval of journal entries.

### Recommendation

Management should ensure proper segregation of duty exists between posting and approving of journal entries.

### Management Response

In total 382 Journal forms covering 6,389 lines of entry were posted for the 2022/23 financial year of which less than 5% were undertaken by the Chief Financial Services Officer. These postings covered areas such as the Collection Fund, Pension Arrangements, VAT control and Cash allocations, all of which are subject to higher scrutiny under the audit inspection. From 2023/24 all of these are now the responsibility of the newly appointed Principal Accountant the number of Journals that would be posted by the CFSO will reduce dramatically and will be authorised, if required, by the CFO (Director of Finance and Transformation)

1.4.5 The Audit Findings Report, at page 24 gives the follow up on prior year recommendations. Three recommendations were received following the 2021/22 audit and have been detailed below along with the ongoing management response.

## 1. Mapping of Trial Balance to Financial Statements

### Assessment

Not yet addressed

### Issue and risk previously communicated

Deficiency noted through our journal's completeness work, whereby balances are not categorised to the balance sheet as expected. Specifically, the Council includes some of debtor and creditor balances within the same account codes, at year-end the debtors and creditors are manually split out to prepare the FS (financial statements).

### Update on actions taken to address the issues

Per management comment, the Integra system only holds a single balance for various account codes, and the splitting of these would add significant time to

an already tight timetable to complete the financial statements. Therefore, no further action has been made on this recommendation.

## 2. Journal authorisation

Assessment

Action Complete

Issue and risk previously communicated

There is no formal authorisation process in place for journals at the Council. There is a risk that users could post fraudulent journals to manipulate the financial position without detection, or could disrupt an audit trail. However, we do not consider the risk to be significant given that there are only six users who have the ability to post journals and any unusual material journals posted could be identified via budgetary monitoring.

Update on actions taken to address the issues

Per management comment, following discussions with colleagues around Kent, the Council has adopted a plan to authorise any journal line over £25,000. Reports are being prepared for the 2022-23 year to date and the remainder of the closedown period

## 3. Fixed asset register (FAR)

Assessment

Ongoing

Issue and risk previously communicated

Deficiency noted in the preparation and maintenance of the Council's FAR, maintained in an Excel workbook with separate tabs for each asset type. This means that there is not one listing of all assets from which sampling, reconciliations, or other checks can be carried out. Additionally, the FAR does not clearly include data needed to determine accounting entries for revaluation movements.

Update on actions taken to address the issues

Per management comment, this recommendation was made after using the same format since the inception of capital charges in 1993, that being said management has agreed to review and update these registers, the first being Land and Buildings which has been reviewed in 2022-23 with other FAR's to be reviewed in the forthcoming years.

## 1.5 Letter of Representation

- 1.5.1 For completeness and in accordance with best practice it is recommended that the Chairman countersign the Letter of Representation [**Annex 3**] that I have prepared. With that in mind Members are asked to approve the Letter for signature by the Chairman and me when Grant Thornton issue their opinion.

## 1.6 Legal Implications

- 1.6.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom is a statutory requirement. There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

## 1.7 Financial and Value for Money Considerations

- 1.7.1 The fee for the audit of the 2022/23 Accounts is £61,099 compared to £59,873 for the 2021/22 audit, an increase of £1,226 or 2.0%.

## 1.8 Risk Assessment

- 1.8.1 The Statement of Accounts is a statutory document and, therefore, failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescales could adversely affect the Council.

## 1.9 Equality Impact Assessment

- 1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## 1.10 Recommendations

- 1.10.1 Members are **RECOMMENDED** to:

- 1) Receive and approve the enclosed audited set of Accounts for 2022/23 [**Annex 1**] and ask that the Chairman sign the Accounts in the appropriate place.
- 2) Approve the Audit Findings Report and the Management Responses, as detailed in paragraphs 1.4.4 and 1.4.5 on the outcome of the audit of the Statement of Accounts for 2022/23.
- 3) Approve the Letter of Representation [**Annex 3**] for signature by the Chairman and me when Grant Thornton issue their opinion.

Background papers:

contact: Paul Worden

Investment information provided by King & Shaxson  
Pension information provided by Barnett Waddingham  
Valuation/Impairment information provided by HTC  
and Wilks Head Eve Surveyors.

Sharon Shelton  
Director of Finance and Transformation

This page is intentionally left blank

# Statement of Accounts

2022/23



## CONTENTS

	<b>Page</b>
<a href="#">Narrative Report</a>	1
<a href="#">Statement of Responsibilities for the Statement of Accounts</a>	15
<b>CORE FINANCIAL STATEMENTS</b>	
<a href="#">Comprehensive Income and Expenditure Statement</a>	16
<a href="#">Movement in Reserves Statement</a>	17
<a href="#">Balance Sheet</a>	18
<a href="#">Cash Flow Statement</a>	19
<a href="#">Notes to the Core Financial Statements</a>	20
<b>SUPPLEMENTARY STATEMENTS</b>	
<a href="#">Collection Fund</a>	65
<a href="#">Notes to the Collection Fund</a>	66
<a href="#">Annual Governance Statement</a>	69
<a href="#">Independent Auditor's Report</a>	73



# NARRATIVE REPORT

## 1. INTRODUCTION

The Council 's current [Corporate Strategy](#) sets out Our Vision: To continue to be a financially sustainable Council with strong leadership that delivers valued services, a commitment to delivering innovation and change to meet the needs of our Borough guided by our values and priorities:

- Achieving efficiency;
- Embracing effective partnership working;
- Valuing our environment and encouraging sustainable growth; and
- Innovation.

A draft of a new Corporate Strategy was considered by Members during the latter part of 2022 and a community consultation was undertaken during January/February 2023. A new Corporate Strategy and Action Plan has subsequently (April 2023) been commended to Cabinet for approval by the Overview and Scrutiny Committee.

The Narrative Report provides, amongst other things, an overview of the Borough Council; a brief explanation of the financial aspects of the Council's activities for the year 2022/23; a review of the year; and possible issues for the future.

## 2. OVERVIEW OF TONBRIDGE AND MALLING BOROUGH COUNCIL

### The Borough

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

The Borough, with a population of 132,600, covers an area of 92.7 sq miles and is located in west Kent. Immediately to the east lies the county town of Maidstone. Sevenoaks lies some 6 miles to the west and Tunbridge Wells is located to the south close to the market town of Tonbridge. The Borough does not have a single urban focus but comprises a number of diverse, contrasting settlements and neighbourhoods.

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

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

## The Council

During 2022/23 the Borough of Tonbridge and Malling was served by 54 Councillors, representing 24 wards. Local Councillors are elected by the community to decide how the Council should carry out its various activities. They represent public interest as well as individuals living within the ward in which he or she has been elected to serve a term of office. Elections of the whole Council are held every four years. The make-up of the Council was Conservatives 36, Liberal Democrats 9, Green Party 4, Independent Alliance (Kent) 3, Labour 1 and Independent 1.

A Local Government Boundary Commission Review in 2022 recommended a reduction in the number of wards and the number of Councillors with effect from May 2023. The number of councillors, therefore, reduces from 54 to 44 after the local elections in May 2023..

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

As at 31 March 2023 the Cabinet comprised the following Councillors:

Cllr Matthew Boughton	Leader and Strategic Planning and Infrastructure
Cllr Robin Betts	Environment and Climate Change
Cllr Vivian Branson	Economic Regeneration
Cllr Martin Coffin	Finance, Innovation and Property
Cllr Des Keers	Community Services
Cllr Piers Montague	Technical and Waste Services
Cllr Kim Tanner	Housing

In addition to Cabinet there are a number of Committees with delegated responsibility for specific functions such as planning decisions. From April 2022 a number of governance changes became effective, introducing three Scrutiny Select Committees in addition to the Overview and Scrutiny Committee which give all Councillors the chance to discuss matters and assist the Cabinet in its decision-making. Members of Committees are appointed annually by full Council.

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

Further information on how the Council works can be found on the Council's [website](#).

## Senior Management and Services

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

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

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

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

Further information on the Council's senior management can be found on the Council's [website](#).

### **3. OVERVIEW OF STATEMENT OF ACCOUNTS**

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. The Code is based on a hierarchy of approved accounting standards.

There have been no material changes to the presentation of the Accounts for 2022/23.

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

The Council's Accounts for the year 2022/23 in addition to the Narrative Report consists of the following sections.

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

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

#### **Core Financial Statements**

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

- **Comprehensive Income and Expenditure Statement**

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

- **Movement in Reserves Statement**

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

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of

reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement**

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

- **Notes to the Core Financial Statements**

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

### **Supplementary Financial Statements**

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

- **Collection Fund and Associated Notes**

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

### **Annual Governance Statement**

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

### **Independent Auditor's Report**

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

#### 4. FINANCIAL PERFORMANCE

##### Day to Day Expenditure and Income

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

In February 2022 the Council set a net revenue budget of £16,260,000. This was to be met from council tax income of £11,729,000, business rates of £2,206,000, other grants and contributions of £1,400,000, New Homes Bonus of £1,194,000 and a council tax surplus of £158,000; offset by a net contribution to specific earmarked reserves of £323,000 and a contribution of £104,000 to the general revenue reserve.

The revised net revenue budget of £17,536,000 prepared in the year was £1,276,000 more than the original budget set by the Council in February 2022. This, together with a decrease in business rates of £328,000; offset by the movement in the net contribution to or from specific earmarked reserves of £1,807,000 and an increase of £209,000 in other grants and contributions, led to a contribution to the general revenue reserve of £516,000 compared to the estimated contribution to the reserve of £104,000 when the budget was set in February 2022, a difference of £412,000.

The actual spend (net) for the year of £15,295,000 was £965,000 less than the original budget set by the Council in February 2022. This, together with a decrease of £78,000 in the planned net contribution to specific revenue reserves and an increase of £287,000 in other grants and contributions; offset by an increase of £484,000 in respect of business rates, led to a contribution to the general revenue reserve of £950,000 compared to the estimated contribution to the reserve of £104,000 when the budget was set in February 2022, a difference of £846,000.

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

2021/22 Actual		Original Budget	2022/23 Revised Budget	Actual
£'000		£'000	£'000	£'000
3,507	Corporate Services	3,523	3,631	3,484
938	Chief Executive	1,143	1,079	984
286	Director of Central Services	346	790	464
1,245	Director of Finance & Transformation	1,449	602	(383)
3,571	Director of Planning, Housing & Environmental Health	5,153	5,419	4928
9,705	Director of Street Scene, Leisure & Technical Services	8,036	8,876	8,680
<b>19,252</b>	<b>Cost of Services</b>	<b>19,650</b>	<b>20,397</b>	<b>18,157</b>
(4,262)	Depreciation, Amortisation & Impairment	(2,860)	(2,706)	(2,746)
(27)	Revenue Expenditure Funded from Capital	(530)	(155)	(116)
<b>14,963</b>	<b>Sub-total</b>	<b>16,260</b>	<b>17,536</b>	<b>15,295</b>
(2,210)	New Homes Bonus	(1,194)	(1,194)	(1,194)
(2,041)	Other Grants & Contributions	(1,400)	(1,609)	(1,687)
2,179	Contributions to or (from) Specific Revenue Reserves	323	(1,484)	245
<b>12,891</b>	<b>Sub-total</b>	<b>13,989</b>	<b>13,249</b>	<b>12,659</b>
576	Contribution to or (from) General Revenue Reserve	104	516	950
<b>13,467</b>	<b>Budget Requirement</b>	<b>14,093</b>	<b>13,765</b>	<b>13,609</b>
(2,171)	Business Rates Retention Scheme	(2,206)	(1,878)	(1,722)
(19)	Council Tax (Surplus) / Deficit	(158)	(158)	(158)
<b>11,277</b>	<b>BALANCE TO BE MET FROM COUNCIL TAXPAYERS</b>	<b>11,729</b>	<b>11,729</b>	<b>11,729</b>
<b>£219.50</b>	<b>Council Tax at Band D (Borough Council only)</b>	<b>£224.50</b>	<b>£224.50</b>	<b>£224.50</b>



Factors that contributed towards the favourable variance include high interest returns from investments, higher income from our major income sources and additional new burdens grants associated with Government Grant schemes over recent years. Offset by increased contributions to earmarked reserves, and lower income on recycling performance payments from the County Council.

The table on the below provides in more detail the reasons for the variation of £846,000 in the contribution to / (from) the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Business Rates Retention Scheme	(2,396)	(2,024)	372
Building Repairs Reserve	750	1,050	300
Tonbridge & Malling Leisure Trust Reserve	0	249	249
Parking Fees & Charges	(3,260)	(3,040)	220
Counter Fraud & Internal Audit	0	185	185
Information Technology	866	1,036	170
Energy	146	264	118
Bad Debt Provision	35	137	102
Trees	40	130	90
Salaries (see adjacent page)	12,273	12,354	81
Transfers in Lieu of Interest	1	71	70
Recycling Performance Payment	(570)	(508)	62
Recycling Bring Sites Emptying	47	101	54
Payment to Principals / Ticket Refunds	451	373	(78)
Summons Costs Recovered	(250)	(352)	(102)
Refugee Assistance	0	(114)	(114)
Planning Application Fees	(940)	(1,096)	(156)
Contributions from KCC	0	(209)	(209)
Temporary Accommodation	937	708	(229)
Garden Waste Collection Fees	(700)	(974)	(274)
New Burdens Grants	(10)	(303)	(293)
Investment Income	(397)	(1,765)	(1,368)
Other	4,602	4,506	(96)
<b>TOTAL</b>	<b>11,625</b>	<b>10,779</b>	<b>(846)</b>

An analysis of salaries is given in the table below. At 31 March 2023 the Council employed 250 permanent staff (31 March 2022: 243) or 220 full-time equivalents (31 March 2022: 213).

2021/22 Actual £'000	Original Budget £'000	2022/23	
		Actual £'000	Variance £'000
859 Administration & Property	896	842	(54)
1,662 Environmental Health & Housing	1,496	1,648	152
538 Executive	591	567	(24)
1,883 Finance	1,841	1,742	(99)
961 Information Technology	1,076	1,020	(56)
562 Legal	593	608	15
479 Personnel	523	527	4
1,930 Planning	2,254	2,576	322
1,323 Street Scene & Leisure	1,295	1,334	39
672 Technical	715	697	(18)
<b>10,869 Sub-total</b>	<b>11,280</b>	<b>11,561</b>	<b>281</b>
1,330 Superannuation Back funding	1,380	1,380	0
0 Staff Turnover Saving	(120)	0	120
28 Apprenticeship Scheme / Levy	47	29	(18)
0 Ring Fenced Sums	40	0	(40)
<b>12,227 Sub-total</b>	<b>12,627</b>	<b>12,970</b>	<b>343</b>
(258) Contributions from Earmarked Reserves	(354)	(616)	(262)
<b>11,969 TOTAL</b>	<b>12,273</b>	<b>12,354</b>	<b>81</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](#).

### Capital Expenditure

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

In February 2022 the Council set a capital budget of £2,550,000 net of specific government grants and other contributions all of which was to be met from the revenue reserve for capital schemes. The original budget was revised during the year to take account of the position at the end of 2021/22 and progress made on our capital projects. The revised budget total was £1,567,000 of which £781,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts.

The Council's capital spend net of specific government grants and other contributions in the year including work completed, but not yet billed was £784,000 of which £241,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts. The underspend of £783,000 can largely be attributed to a lower than anticipated spend on renewal of vehicles, plant and equipment at our leisure facilities; and in respect of information technology; and due to the nature of capital expenditure and funding the rescheduling / re-profiling and review of future budgetary provision.

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

2021/22 Actual £'000	Service	Scheme	Original Budget £'000	2022/23 Revised Budget £'000	Actual £'000
54	Planning, Hsg & Env Health	Other Schemes	40	56	(75)
54		<b>Total</b>	<b>40</b>	<b>56</b>	<b>(75)</b>
217	Street Scene, Leisure & Technical	Waste Collection Containers	113	275	322
0		Larkfield Leisure Centre	0	140	126
0		Land Drainage & Flood Defence	500	125	125
29		Sports Grounds	183	177	60
124		Open Spaces	0	0	0
26		Other Schemes	30	67	32
396		<b>Total</b>	<b>826</b>	<b>784</b>	<b>665</b>
147	Corporate	Other Schemes	0	12	0
147		<b>Total</b>	<b>0</b>	<b>12</b>	<b>0</b>
0	Capital Renewals	Planning, Housing & Env Health	0	0	0
225		Street Scene, Leisure & Technical	1,380	590	159
35		Corporate	304	125	35
260		<b>Total</b>	<b>1,684</b>	<b>715</b>	<b>194</b>
857	<b>TOTAL CAPITAL EXPENDITURE</b>		<b>2,550</b>	<b>1,567</b>	<b>784</b>
27	Funding	Revenue Reserve for Capital Schemes	2,550	781	241
830		Capital Receipts	0	786	543
857	<b>TOTAL FUNDING</b>		<b>2,550</b>	<b>1,567</b>	<b>784</b>

Capital projects commenced / completed in the year included construction of a purpose built lakeside facility at Leybourne Lakes Country Park (LLCP); purchase of the freehold and commercial premises of 47 High Street, Tonbridge for homelessness purposes.

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](#).

### Net Worth

The Balance Sheet gives details of what the Council owns in the way of assets such as property, plant and equipment; what the Council has invested; and amounts of money owed to and by the Council (Net Worth). The table below shows the Council's Net Worth is £113.5m as at 31 March 2023 (31 March 2022: £61.4m). The increase in net worth can be attributed to a number of factors which are explained in the [Notes to the Core Financial Statements](#).

At 31 March 2022 £'000		At 31 March 2023 £'000
89,475	Council Assets	92,853
12	Inventories	13
55,994	Cash and Investments held	54,506
4,944	Money owed to the Council	4,807
(22,774)	Money owed by the Council	(18,930)
(8,034)	Long Term Liabilities	(10,463)
(58,261)	Pension Liability	(9,275)
61,356	<b>TOTAL</b>	<b>113,511</b>



This is represented by revenue balances and reserves of £29.9m available to fund services and £83.6m of other balances. A breakdown of the revenue balances and reserves is shown below.

At 31 March 2022 £'000		At 31 March 2023 £'000
6,825	Revenue Reserve for Capital Schemes	7,882
7,661	General Revenue Reserve	8,611
1,031	Building Repairs Reserve	1,299
3,250	Property Investment Fund Reserve	3,250
14,889	Earmarked Reserves	7,047
1,250	Revenue Balances - General Fund	1,250
456	Grants & Contributions Unapplied	352
685	Usable Capital Receipts Reserve	247
<b>36,047</b>	<b>TOTAL</b>	<b>29,937</b>

### Council Assets

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

- Property, plant and equipment are assets that are held for use in the production or supply of goods and services or for administrative purposes and expected to be used during more than one period.
- Heritage assets are defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.
- Investment property are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- Intangible assets do not have physical substance, but are identifiable and controlled by the Council through custody or legal rights. Intangible assets held by this Council currently consist of IT software and associated costs.
- The Code requires the Council to consider material changes in other assets not due for revaluation in the current year under the five-year rolling programme. In addition to leisure premises, council offices and car parks where material were also the subject of revaluation. Heritage asset values have been reviewed and uplifted to reflect the insured value of the asset. The resulting revaluation was a net gain of £4,369,000, of which £4,360,000 is recognised in the revaluation reserve and losses of £9,000 recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure.

The External Valuers used during the valuation process, Hartnell Taylor Cook LLP 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 2023 the total value of the Council's Assets was £92.9m (31 March 2022: £89.5m).

### Borrowing

The Council had no recourse for short term or long term borrowing during the financial year and remained debt-free at 31 March 2023 and, at least in the short term, does not expect to borrow to support its capital programme.

## Investments

Investments are broken down into internally managed core funds and cash flow surpluses (including cash equivalents). The Council prepares a Treasury Management Strategy Statement and Annual Investment Strategy as part of the Budget Setting Process each year. The Strategy for 2022/23 was approved by full Council in February 2022 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 a report on treasury management activity including performance is reported to each meeting of 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.

At the start of the year a balance of £5m was invested in property investment funds and no further sums were invested during the year. The Council achieved an investment return of 3.44% on its property investment funds for the year. This equates to investment income of £172,220. At the end of March 2023 the value of our property investment funds stood at £4.367m including the entry fee paid at the time the investment was made.

At the start of the year a balance of £4.25m was invested in multi-asset diversified income funds and no further sums were invested during the year. The Council achieved an investment return of 4.10% on its multi-asset diversified income funds for the year. This equates to investment income of £174,310. At the end of March 2023 the value of our multi-asset diversified income funds stood at £3.7m.

The decrease in the capital value of the long term investments are a result of the current economic conditions which include the inflationary pressures on the UK economy. The fund valuations will fluctuate from year to year and any losses or gains will only be recognised on the sale of the investments.

The Council achieved an investment return of 2.59% on its core funds for the year. This equates to investment income of £676,830. At the end of March 2023 the value of our core fund investments stood at £26.0m.

The Council achieved an investment return of 2.29% on its cash flow investments (including cash equivalents) for the year. This equates to investment income of £741,300. At the end of March 2023 the value of our cash flow investments stood at £19.62m.

Further information on Treasury Management performance for the year ended 31 March 2023 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2023.

## Cash Flow Statement

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

2021/22		2022/23
£'000		£'000
1,249	Net (Surplus) / Deficit on the Provision of Services	3,290
(10,193)	Adjusting for Non-Cash Movements	(864)
1,714	Adjusting for Investing & Financing Activities	934
(7,230)	<b>Net Cash Flows from Operating Activities</b>	3,360
12,943	Investing Activities	3,294
(11,068)	Financing Activities	(4,267)
<b>(5,355)</b>	<b>NET (INCREASE) / DECREASE IN CASH RESOURCES</b>	<b>2,387</b>

The net cash outflow of £7.7m can be attributed to several factors, mainly as a result of the repayment of NNDR grants back to Central Government and the payment of the Energy Support Measures funded by Central Government of grant monies received at the end on the 2021/22 financial year.

### **Pension Fund**

The Council is a member of the Local Government Pension Scheme which is administered on behalf of the Council by Kent County Council. The Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits) (IAS19).

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

The net liability at 31 March 2023 was £9.8m (31 March 2022: £58.3m). The change in the pension fund deficit over the year is mainly dependent on asset returns, discount rates linked to corporate bond yields and market expectations of inflation, this year has seen significant increases in bond yields and inflationary effects which when taken together has resulted in a decrease in the pension fund deficit compared to the previous year.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, on behalf of Kent County Council. The valuation in March 2022 gave a pension fund deficit of £3.5m and set the employers' contribution rate at 20.7% for the period 1 April 2023 to 31 March 2026. Employee contribution rates are set by Government and range from 5.5% to 12.5%.

Further information relating to the assets, liabilities, income and expenditure of the pension scheme can be found in [Note 12](#) to the accounts.

## **5. REVIEW OF THE YEAR**

The year was again impacted by the ongoing national response to the coronavirus pandemic. This included administering business support grant funded schemes and self-isolation payments on behalf of the government, support to those most at risk from coronavirus, track and trace related work and enforcement activity; whilst continuing to provide 'day to day' services. Put in that context here are some of our improvements / achievements / milestones over the last financial year:

- **May:** Thirty-one EV chargers went live at locations in Tonbridge, Aylesford and Kings Hill.
- **June:** The council was awarded a government grant of nearly £37,000 to run an anti-idling campaign and fund anti-idling road signs at more schools across the borough and hot spots such as taxi ranks, to help reduce air pollution.
- **July:** The Commonwealth 2022 Baton relay came to Tonbridge. A new café and water sports centre was opened at Leybourne Lakes Country Park.
- **September:** The council launched a six-week consultation as the first stage of developing their Local Plan. The plan's purpose is to set goals for the housing, economic and environmental development of the borough, including how to meet the then government-set target of delivering 16,000 new homes.
- **October:** A joint project to make rented homes in Tonbridge and Malling more energy efficient and cut carbon emissions won top honours at the Kent Housing Group Excellence Awards. The Social Housing Decarbonisation Fund, run by Tonbridge and Malling Borough Council, Clarion Housing

Group and Fenland District Council in Cambridgeshire, saw 60 properties in the borough fitted with a range of improvements, including uprated insulation, energy efficient windows and solar panels.

- **November:** Businesses were asked to apply for grants for rural businesses looking to develop new products and services and grants to improve shop fronts within the borough.
- **December:** The Council's bid for a £1 million slice of the government's UK Shared Prosperity Fund was successful.
- **January:** Consultation of the Council's draft Corporate Strategy opened inviting residents and businesses to comment on its key values and priorities. A package of measures to improve the efficiency of bin collections was considered by councillors, including proposals for a new fleet of trucks with the potential to switch to less polluting biofuel with lower carbon emissions
- **February:** Solar panels were installed at Larkfield Leisure Centre, as part of Tonbridge and Malling Borough council's ongoing drive to become carbon neutral saving 19 tonnes of Carbon Emissions per year. Budget for the year 2023-24 approved, increasing the bill for a band D home from £224.50 a year to £231.23 from April 2023
- **March:** Latest figures showed that council partnerships with homelessness charities have seen rough sleeping virtually eradicated in Tonbridge and Malling with the nationwide annual rough sleeper count finding just one person in the borough sleeping on the streets.

### **Financial and Performance Statistics**

- We collected 98.4% of the £109.1m of council tax due for the 2022/23 year (2021/22: 98.1% of the £104.2m due).
- We collected 99.4% of the £56.1m of business rates due for the 2022/23 year (2021/22: 98.9% of the £50.8m due).
- We paid 99.7% of the 5,539 invoices processed within 30 days of receipt in 2022/23 (2021/22: 99.6% of the 5,298 invoices processed).
- On average it took us 17.9 days to process a new housing benefit claim in 2022/23 (2021/22: 13.6 days).
- On average 47% (2021/22: 45%) of household waste was recycled, 52% (2021/22: 54%) energy recovery and 1% (2021/22: 1%) to landfill in 2022/23.
- Of the 1,284 (2021/22: 1,258) planning applications decided 87% (2021/22: 66%) were determined within the recommended timeframe in 2022/23.
- Working with its registered social landlord partners, in 2022/23, the Council secured 30 homes (2021/22: 120 homes) for affordable rent, social rent and shared ownership.

### **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](#).

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

The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period. The Strategy affords the opportunity to take a measured and structured



approach to budget pressures rather than a “knee jerk” reaction. The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This currently includes achieving a balanced revenue budget that delivers the Council’s priorities and to retain a minimum of £3.0m in the General Revenue Reserve by the end of the strategy period, and not to fall below £2.0m at any time during the 10-year period. The general revenue reserve balance at 31 March 2023 was £8.6m (31 March 2022: £7.7m).

Since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 62% or £4.1m (from £6.6m in 2010/11 to £2.5m in 2023/24). The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme and other grant income. The future of NHB or a replacement remains the subject of discussion, but at the very least will not continue in its current form leaving one of two options. The scheme is withdrawn and not replaced or is replaced, but where the funding stream and sum awarded is much reduced (our working assumption). The future of other grant income more generally is also uncertain.

For medium term financial planning purposes it is assumed government grant funding will steadily reduce from circa £5.96m in 2023/24 to £3.11m in 2027/28 before seeing a modest increase year on year thereafter and that the reductions in income and increased costs seen as a result of the pandemic will in large part return to pre Covid-19 levels in the short to medium term; where the latest projected funding gap between expenditure and income is circa £1,700,000. Plus the initiative already built into the MTFS, scaling back of office accommodation in the sum of £200,000 by April 2024.

At the start of the year the projected funding gap was put at £2,150,000 with an in year savings target to be delivered of £350,000. The adverse global economic conditions, amongst other things, has inevitably added to the uncertainty in the scale of the funding gap over the past twelve months.

Dependent on the outcome of the yet to be concluded Fair Funding Review, and what is to happen to NHB and other grant income, business rates reforms, the extent and speed of the recovery following the pandemic and the impact of prevailing economic conditions on the Council’s finances, there is a risk the funding gap could be more (and could potentially be less) than is presently reflected in the MTFS.

We do believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but this is becoming progressively more difficult. That said, as in previous iterations of the MTFS the latest projected funding gap can be broken down into tranches to enable more measured steps to be taken (Tranche 1 – £500,000 by April 2024; Tranche 2 – £600,000 by April 2026; and Tranche 3 – £600,000 by April 2028).

It goes without saying the Council faces a difficult and challenging financial outlook. Alongside the MTFS sits a Savings and Transformation Strategy (STS). The purpose of the STS is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale. A number of key themes have been identified, together with outline targets and timescales.

More detailed information on the Council’s Budget for 2023/24, the MTFS and the STS can be found on the Council’s [website](#).

### **Issues for the Future**

The Council going forward, amongst other issues, will need to give due consideration to:

- the impact of the conflict in Ukraine on the Council’s finances, e.g. energy prices, inflation and income including council tax and fees and charges more widely as cost of living pressures deepen.
- the impact of the Covid-19 pandemic on the Council’s finances;

- the outcome of the expected multi-year settlement and the Fair Funding Review;
- the Waste Services operation beyond the current contract period;
- Welfare Reform and cessation of the administration of housing benefits for working age claimants over a transitional period in the lead up to the migration to Universal Credit;
- the sustainability of the NHB scheme and what will follow;
- business rates reforms;
- the ongoing impact of the localisation of council tax support;
- Climate Change agenda and associated costs; and
- proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees.

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.

# 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 2022/23* ('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.

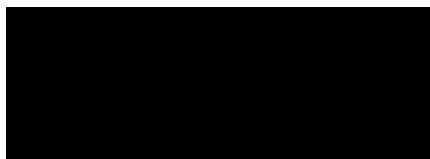
The Director of Finance and Transformation has also:

- ❖ 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 2023.

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

Signed



Sharon Shelton BSc (Hons) FCPFA  
Director of Finance and Transformation

Dated 31 May 2023

Signed

Councillor Robert Cannon  
Chair of the Audit Committee

Dated

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021/22			2022/23			
Gross Exp £'000	Income £'000	Net Exp £'000	Notes	Gross Exp £'000	Income £'000	Net Exp £'000
<b>Continuing Operations</b>						
4,806	349	4,457		4,413	369	4,044
3,522	2,584	938		1,757	773	984
1,298	705	593		1,384	689	695
29,046	28,110	936		26,851	26,140	711
9,123	5,552	3,571		9,549	4,621	4,928
14,320	4,821	9,499		13,795	5,113	8,682
<b>62,115</b>	<b>42,121</b>	<b>19,994</b>		<b>57,749</b>	<b>37,705</b>	<b>20,044</b>
<b>Cost of Services</b>						
<b>Other Operating Expenditure</b>						
612	1,515	(903)	8		105	(105)
3,327		3,327		3,555		3,555
450		450		461		461
<b>Financing &amp; Investing Income &amp; Expenditure</b>						
38	349	(311)	10	133	364	(231)
	964	(964)	11		346	(346)
1,194		1,194	12	1,476		1,476
19	419	(400)	8	42	205	(163)
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>						
	14,791	(14,791)	13	72	15,442	(15,370)
29,771	26,200	3,571	13	27,359	27,506	(147)
	9,719	(9,719)	14		5,055	(5,055)
	199	(199)	14		829	(829)
<b>97,526</b>	<b>96,277</b>	<b>1,249</b>		<b>90,847</b>	<b>87,557</b>	<b>3,290</b>
<b>(Surplus) / Deficit on Provision of Services</b>						
<b>Other Comprehensive Income &amp; Expenditure</b>						
		58	8			(4,361)
		(5,092)	12			(51,084)
<b>(3,785) TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>						<b>(52,155)</b>







## CASH FLOW STATEMENT

2021/22		2022/23	
£'000	£'000	£'000	£'000
1,249			3,290
	<b>NET (SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>		
	<b>Adjust Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements</b>		
(2,729)	Depreciation & Amortisation	(2,754)	
(1,533)	Impairment & Downward Valuations	9	
2	Increase / (Decrease) in Inventories	1	
(2,957)	Increase / (Decrease) in Debtors	(23)	
54	(Increase) / Decrease in Impairment for Bad Debts	(192)	
859	(Increase) / Decrease in Creditors	8,226	
(2,180)	Movement in Pension Liability	(2,098)	
(612)	Carrying Amount of Non-Current Assets Sold or Derecognised	0	
(1,097)	Other Non-Cash Items Charged to the Net Surplus / Deficit on the Provision of Services	(4,033)	
(10,193)			(864)
	<b>Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing &amp; Financing Activities</b>		
1,515	Proceeds from the Sale of Property, Plant & Equipment, Investment Property and Intangible Assets	105	
199	Any Other Items for Which the Cash Effects are Investing or Financing Cash Flows	829	
1,714			934
(7,230)	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		3,360
	<b>INVESTING ACTIVITIES</b>		
1,414	Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	1,580	
32,250	Purchase of Short-Term & Long-Term Investments	49,000	
(1,515)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(105)	
(19,007)	Proceeds from Short-Term & Long-Term Investments	(47,000)	
(199)	Other Receipts from Investing Activities	(181)	
12,943	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		3,294
	<b>FINANCING ACTIVITIES</b>		
(11,068)	Other Payments for Financing Activities	(4,267)	
(11,068)	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		(4,267)
(5,355)	<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>		2,387
20,070	<b>Cash &amp; cash equivalents at the beginning of the reporting period</b>		25,425
25,425	<b>Cash &amp; cash equivalents at the end of the reporting period</b>		23,038

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. EXPENDITURE AND FUNDING ANALYSIS

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

	2021/22			2022/23		
	Net Expenditure Chargeable to General Fund & Reserve Balances £'000	Adjustments Between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	Net Expenditure Chargeable to General Fund & Reserve Balances £'000	Adjustments Between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
	2,779	1,678	4,457	3,232	812	4,044
	938	0	938	984	0	984
	581	12	593	682	13	695
	936	0	936	711	0	711
	3,516	55	3,571	4,867	61	4,928
	6,030	3,469	9,499	6,258	2,424	8,682
	<b>14,780</b>	<b>5,214</b>	<b>19,994</b>	<b>16,734</b>	<b>3,310</b>	<b>20,044</b>
	3,777	(903)	2,874	4,016	(105)	3,911
	(668)	187	(481)	(1,870)	2,606	736
	(16,969)	(4,169)	(21,138)	(13,312)	(8,089)	(21,401)
	920	329	1,249	5,568	(2,278)	3,290
	<b>35,826</b>			<b>34,906</b>		
	920			5,568		
	<b>34,906</b>			<b>29,338</b>		

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

## **2. ACCOUNTING POLICIES**

### **a) General**

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23*. The Code is based on levels of approved accounting standards:

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

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

### **b) Qualitative Characteristics of Financial Information**

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

### **c) Accounting Concepts**

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.
- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

- Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

#### **d) Accruals and Revenue Recognition**

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.
- Revenue relating to council tax and business rates will be recorded at the full amount receivable, net of any impairment losses. These transactions are deemed to be of a non-contractual, non-exchange nature in that there is no difference between the delivery of services and the payment of the debt raised.
- Income from garden waste customers is apportioned between years to account for the service that they have paid for in the current and following financial years.

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

Exceptions to these principles are electricity, gas and similar periodical payments (excluding council offices) which are charged at the date of meter reading rather than being apportioned between financial years; and penalty charge notices, income from car parks, land charges income, licensing fees and planning application and building control 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, included in the Comprehensive Income and Expenditure Statement is our share of the Collection Fund surplus/deficit for the year in respect of Council Tax and Business Rates, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet.

#### **h) Contingent Assets and Liabilities**

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

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

#### **i) Debt Write-Off**

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

#### **j) Employee Benefits**

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

##### **Benefits Payable during Employment**

This covers:

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

##### **Termination Benefits**

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also

include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee the known liability is recognised at the earlier of when the authority can no longer withdraw the offer of these benefits or when the authority recognises the costs of a restructure will involve the payment of termination benefits, any enhanced retirement benefits paid by the employer are accounted for on a cash basis.

### **Post-Employment Benefits**

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation was on 31 March 2022 and will determine contribution rates for the three-year period from April 2023 to March 2026.

### **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 2023.

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 any exceptional items will be given within the notes to the Accounts.

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

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

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

Although there are three classifications for the valuation of financial instruments, only two are relevant to the types of investments held by the Council, being either amortised cost or fair value through profit and loss (Comprehensive Income and Expenditure Statement).

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 amortised cost or fair value through profit and loss.

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.

Assets classified as fair value through profit and loss 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 through profit and loss.

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.

Gains and losses in relation to investments are recognised within the Comprehensive Income and Expenditure Statement under interest and investment income. Statute however requires unrealised gains and losses on investments classified as fair value through profit and loss to be subsequently transferred via the Movement in Reserves Statement to the Balance Sheet.

#### **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.

**Operating Leases**

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

**r) Non-Current Assets**

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

**Property, Plant and Equipment**

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

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

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>	
Leisure Premises	2017/18	Completed
Properties for Community Use	2018/19	Completed
Public Conveniences	2019/20	Completed
Council Offices	2020/21	Completed
Car Parks	2021/22	Completed
Leisure Premises	2022/23	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 125 years depending on the building. In accordance with the Code land is not depreciated.

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

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

#### Vehicles, Plant and Equipment

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

#### Infrastructure Assets

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

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

These assets are subject to straight line depreciation over a period of between 3 and 40 years.

#### Community Assets

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

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

#### Assets under Construction

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

#### **Heritage Assets**

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

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

Heritage assets are not subject to depreciation.

#### **Investment Property**

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

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

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

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

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

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

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

Investment properties are not subject to depreciation.

## **Intangible Assets**

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

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

## **Impairment of Non-Current Assets**

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

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

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

## **Gains or Losses on Disposal of Non-Current Assets**

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

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

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

### **s) Overheads**

The majority of management and administrative expenses, including buildings, are allocated to Services. Costs of Support Services are allocated on the basis of estimated time spent by officers on Services and costs of buildings are apportioned on a floor area basis.

### **t) Provisions**

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

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

#### u) Reserves

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

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

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

#### w) Value Added Tax (VAT)

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

### 3. COVID-19 AND ENERGY SUPPORT MEASURES GRANT FUNDING

Given below are details Energy Support Measures and other grant funding provided by central government including via Kent County Council split between those where the Council is acting as agent or as principal. Where the Council is acting as agent year-end balances only are reflected in the Accounts as either a creditor or debtor. Where the Council is acting as principal the grants are reflected in both the Comprehensive Income and Expenditure Statement and Balance Sheet as appropriate.

Includes grant monies received in 2021/22 and used in 2022/23.

Further information on grants can be found at [Note 14](#).

#### Agent

Grant	Purpose of Grant	Grant Amount £000s	Expended £000s	Balance Sheet £000s	Balance Sheet analysis
Support for Energy Bills – Mandatory	Support for energy bills in line with Government Guidelines	(5,213)	(4,993)	(220)	Receipt in Advance
Alternative Fuel Payments	Support for energy costs for other house	(678)	(44)	(634)	Receipt in Advance
		<b>(5,891)</b>	<b>(5,037)</b>	<b>(854)</b>	



## Principal

Grant	Purpose of Grant	Grant Amount £000s	Comprehensive Income & Expenditure Analysis	Amount Shown in CIES £000s	Balance Sheet £000s	Balance Sheet analysis
Support for Energy Bills - Discretionary	Discretionary grants to support energy costs	(289)	Cost of Services	(259)	(30)	Receipt in Advance
Household Support	Grants to community groups to provide local support to vulnerable households	(685)	Cost of Services	(522)	(163)	Debtor
		<b>(974)</b>		<b>(781)</b>	<b>(193)</b>	

#### 4. 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.

- IFRS 16 leases, this will be applicable to those authorities who have decided to voluntarily implement the standard, which the Council has decided not to implement at this stage.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

None of the above standards, when adopted, are expected to have a material impact on the Council's financial statements.

#### 5. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

##### Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out at [Note 2](#) the authority has to make judgements and estimates about complex transactions or those involving uncertainty about future events. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The critical judgements made in preparing the Council's 2022/23 accounts are as follows:

- The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust. If 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 2023 these liabilities, calculated under FRS 102, amounted to £0.6m (31 March 2022: £6.9m) however, as the Trust remains a going concern recourse to such a guarantee is considered remote; and is not one and the same as the actual liability if the guarantee was to be called on. An indicative cessation report of the estimated liability is obtained at each triennial valuation. The most recent valuation was undertaken in March 2022 and gave a pension fund deficit of £756,000 and if required would be funded from reserves. In arriving at this conclusion, the Authority has used two Barnett Waddingham Actuarial reports for the Leisure Trust that had been supplied by the Pensions Team at Kent County Council, these reports provide the details of the

FRS 102 liability and the liability assessed for Pension Contributions. Furthermore, Council Officers regularly meet with the Trust and are advised of their financial position.

- In respect of valuations for the Council's car parks, the Council's valuer has concluded that those car parks where no charges are made for the duration of stay have been valued as de-minimus and recorded on the Council's balance sheet at a nil value. It is considered that in existing use and existing restrictions, placed via the Council's Parking Order, there is no active market for sale for these car parks. However, it is recognised that if the Parking Order was to change or be revoked, thereby allowing the charging or sale of a car park and giving rise to a change in values, the Council would revalue the car park at that point.

In addition to this as part of the preparation of the Annual Governance Statement, the three Statutory Officer and all Service Directors are asked to complete Service Assurance Statements that ask for details of any issues that could cause impact on to the Council's Accounts of future financial stability. All reported no issues.

### **Estimation Uncertainty**

There will be numerous issues that will impact on the finances of local authorities as a result of the Covid-19 pandemic, the current global economic conditions and cost of living crisis. Specific areas within the financial statements include:

- Property Plant and Equipment - The valuation for the Gibson West Building being reported within Land and Buildings is subject to Material Valuation Uncertainty under RICS Global Standards. In concluding this opinion it was deemed necessary to take into consideration the potential for redevelopment should the Council no longer wish to occupy all or part of the premises. As such, there would be wider range of purchaser perceptions which would likely attract bidders in the market at above current valuation levels.
- Property Plant and Equipment - The valuations for Angel East and West Car Parks being reported within Land and Buildings includes the use of a government subsidy for the loss of income in 2020/21 due to the Covid-19 pandemic. Consumer behaviour has evolved in recent years and the post-pandemic requirement for car parking needs is yet to settle down. This will provide a level of uncertainty surrounding the appetite for the use of the Council's car parks which may take several years.
- Short Term Debtors, collectability of debt – It is prudent to establish a provision (impairment allowance) for non-payment of debt. The impact of the current global economic conditions and 'cost of living crisis' could potentially have an adverse impact on collectability of debt and will be the subject of ongoing review. That being said the Council has an excellent collection rate for debt recovery on Council Tax and NNDR and the levels of provision held accounts for a significant proportion of the total debt outstanding as at 31st March 2023.

In arriving at these conclusions, the following has been considered:

The Gibson Building, the Council's main offices located at Kings Hill West Mallings are currently in use and plans for disposal are currently under discussion with members and third parties but it is envisaged that redevelopment of the site will not be taking place during 2023/24, this was not considered in prior years.

Covid has had a significant impact on the Council income, predominantly around car parking where income received either from fees and charges or Government Compensation Grant has been less than the amounts being received prior to the pandemic. Until what is considered 'normality' has been resumed and income received from fees from car parking has stabilised there is a degree of uncertainty on the valuation of this asset which is reviewed annually.



These two determinations of uncertainty were not reported in the previous financial year as the aspects of the potential impacts had not been formally considered by members as at 31<sup>st</sup> March 2022.

The cost of living crisis continues to have an effect on the nation as a whole. As part of the Council's financial monitoring collection rates for the main income to the Council covering major income streams, Council Tax and NNDR are monitored monthly. At the present time, current rates of collection, on Council Tax and NNDR are in line with prior year expectations and therefore it is felt there is no significant reason to review these estimates at this stage. Outstanding debt and provisions are shown in note 18 and note 6 to the Collection fund shows that the Council holds significant proportions a provision for Bad Debt and therefore any additional adjustments would be considered remote.

## 6. 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 2023. No events have occurred that require changes to the accounting statements.

## 7. 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

2021/22							2022/23						
Corporate Services	Chief Executive	Director of Central Services	Director of Finance & Transformation	Director of Planning, Housing & Env Health	Director of Street Scene, Leisure & Technical Services	Total	Corporate Services	Chief Executive	Director of Central Services	Director of Finance & Transformation	Director of Planning, Housing & Env Health	Director of Street Scene, Leisure & Technical Services	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
							<b>Income</b>						
266	229	1,008	1,427	3,720	4,310	10,960	283	681	1,009	1,129	2,844	5,114	11,060
							Fees, Charges & Other Service Income						
							Interest & Investment Income						
18	2,355	41	32,215	1,832	304	36,765	19	92	44	29,839	1,777		31,771
							Grants & Contributions						
<b>284</b>	<b>2,584</b>	<b>1,049</b>	<b>33,998</b>	<b>5,552</b>	<b>4,614</b>	<b>48,081</b>	<b>302</b>	<b>773</b>	<b>1,053</b>	<b>32,733</b>	<b>4,621</b>	<b>5,114</b>	<b>44,596</b>
							<b>Total Income</b>						
							<b>Expenditure</b>						
5,498	327	701	1,005	3,301	1,863	12,695	5,606	383	756	940	3,944	1,766	13,395
							Employee Expenses						
561	2	57		24	1,365	2,009	649		145		13	1,432	2,239
							Premises						
155					47	202	143				1	39	183
							Transport						
1,846	2,923	98	6,697	3,766	1,079	16,409	2,125	1,060	138	5,653	3,472	1,104	13,552
							Supplies & Services						
2				53	5,246	5,301	2				75	5,787	5,864
							Third Party Payments						
			450			450				461			461
							Precepts & Levies						
			(22)	66	18	62				126	65	71	262
							Provisions for Bad Debts						
			25,943			25,943				24,053			24,053
							Housing Benefits						
(5,000)	270	466	1,170	1,858	1,236	0	(4,989)	315	465	1,116	1,918	1,174	(1)
							Support Service Recharges						
729		13		55	3,466	4,263	250		13		61	2,421	2,745
							Depreciation, Amortisation & Impairment						
<b>3,791</b>	<b>3,522</b>	<b>1,335</b>	<b>35,243</b>	<b>9,123</b>	<b>14,320</b>	<b>67,334</b>	<b>3,786</b>	<b>1,758</b>	<b>1,517</b>	<b>32,349</b>	<b>9,549</b>	<b>13,794</b>	<b>62,753</b>
							<b>Total Expenditure</b>						
<b>3507</b>	<b>938</b>	<b>286</b>	<b>1,245</b>	<b>3,571</b>	<b>9,706</b>	<b>19,253</b>	<b>3,484</b>	<b>985</b>	<b>464</b>	<b>(384)</b>	<b>4,928</b>	<b>8,680</b>	<b>18,157</b>
							<b>COST OF SERVICES</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](#). There has been a change in presentation between 2021/22 and 2022/23 as the figures above now include agency grants which are then excluded on items not included in the Comprehensive Income and Expenditure Account on page 35.

## 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.

	2021/22	2022/23
	£'000	£'000
<b>Cost of Services in Service Analysis</b>	<b>19,253</b>	<b>18,157</b>
add Amounts not Reported to Management		
Pension Adjustments	986	622
Accrued Annual Leave	(37)	(60)
Sales, Fees and Charges Compensation	(224)	0
Miscellaneous Income and Expenditure	(201)	(210)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(450)	(461)
less Items Included in Financing & Investment		
Trading Undertakings	311	231
Interest & Investment Income	356	1,765
<b>NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>19,994</b>	<b>20,044</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.

2021/22					2022/23				
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>									
10,960	271			11,231	10,960	271			11,231
356	608			964	1,765	(1,419)			346
			14,791	14,791				15,442	15,442
			26,200	26,200				27,506	27,506
36,765	221	(5,747)	9,918	41,157	31,771	(2)	(5,038)	5,884	32,615
			1,515	1,515				105	105
			419	419				205	205
<b>48,081</b>	<b>1,100</b>	<b>(5,747)</b>	<b>52,843</b>	<b>96,277</b>	<b>44,596</b>	<b>(1,143)</b>	<b>(5,038)</b>	<b>49,142</b>	<b>87,557</b>
<b>Expenditure</b>									
12,695	1,014		1,194	14,903	13,395	622		1,476	15,493
2,009				2,009	2,239				2,239
202				202	183				183
16,409	2	(5,747)		10,664	13,552	6	(5,038)		8,520
5,301				5,301	5,864				5,864
450			3,327	3,777	461			3,555	4,016
62				62	262				262
25,943				25,943	24,053				24,053
0				0	(1)				(1)
4,263				4,263	2,745				2,745
				0				72	72
			29,771	29,771				27,359	27,359
			612	612					0
			19	19				42	42
<b>67,334</b>	<b>1,016</b>	<b>(5,747)</b>	<b>34,923</b>	<b>97,526</b>	<b>62,753</b>	<b>628</b>	<b>(5,038)</b>	<b>32,504</b>	<b>90,847</b>
<b>19,253</b>	<b>524</b>	<b>0</b>	<b>(18,528)</b>	<b>1,249</b>	<b>18,157</b>	<b>1,77126</b>	<b>0</b>	<b>(16,638)</b>	<b>3,290</b>

## 8. NON-CURRENT ASSETS

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

	Land & Buildings	PROPERTY, PLANT & EQUIPMENT Vehicles, Plant & Equipment	Infra- Structure Assets	Comm- unity Assets	Assets under Const'ion	TOTAL PPE	HERITAGE ASSETS	INVESTM'T PROP	INTAN- GIBLE ASSETS	TOTAL
<b>NET BOOK VALUE AT 1 APRIL 2021</b>	66,722	2,922	1,009	2,047	0	72,700	15,179	4,423	239	92,541
<b>Cost or Valuation</b>										
At 1 April 2021	67,306	8,645	3,295	2,047	0	81,293	15,179	4,423	624	101,519
Additions	139	583	165		515	1,402			65	1,467
Derecognition - Disposals	(701)	(188)				(889)		(290)	(231)	(1,410)
Reclassification						0				0
Revaluation Recognised in the Revaluation Reserve	4,289					4,289	480			4,769
Net Gains / (Losses) from Fair Value Adjustments						0		400		400
Other Movements in Cost or Valuation	(2,686)					(2,686)				(2,686)
<b>At 31 March 2022</b>	68,347	9,040	3,460	2,047	515	83,409	15,659	4,533	458	104,059
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2021	(584)	(5,723)	(2,286)	0	0	(8,593)	0	0	(385)	(8,978)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,842)	(658)	(115)			(2,615)			(114)	(2,729)
Impairment Recognised in Surplus/Deficit on the Provision of Services	(1,496)	(8)				(1,504)			(29)	(1,533)
Impairment Recognised in Revaluation Reserve	(4,827)					(4,827)				(4,827)
Derecognition - Disposals	379	188				567			231	798
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	2,686					2,686				2,686
<b>At 31 March 2022</b>	(5,684)	(6,201)	(2,401)	0	0	(14,286)	0	0	(298)	(14,584)
<b>NET BOOK VALUE AT 31 MARCH 2022</b>	62,663	2,839	1,059	2,047	515	69,123	15,659	4,533	160	89,475
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	62,663	2,839	1,059	2,047	515	69,123	15,659	4,533	160	89,475

	PROPERTY, PLANT & EQUIPMENT					TOTAL PPE	HERITAGE ASSETS	INVESTM'T PROP	INTAN-GIBLE ASSETS	TOTAL
	Land & Buildings	Vehicles, Plant & Equipment	Infra-Structure Assets	Comm-unity Assets	Assets under Const'ion					
<b>NET BOOK VALUE AT 1 APRIL 2022</b>	62,663	2,839	1,059	2,047	515	69,123	15,659	4,533	160	89,475
<b>Cost or Valuation</b>										
At 1 April 2022	68,347	9,040	3,460	2,047	515	83,409	15,659	4,533	453	104,054
Additions	251	697	5		436	1,389		210		1,599
Derecognition - Disposals		(92)				(92)				(92)
Reclassification	951				(951)	0				0
Revaluation Recognised in the Revaluation Reserve	6,036					6,036	1,243			7,279
Net Gains / (Losses) from Fair Value Adjustments						0		163		163
Other Movements in Cost or Valuation	(8,036)					(8,036)				(8,036)
<b>At 31 March 2023</b>	67,549	9,645	3,465	2,047	0	82,706	16,902	4,906	453	104,967
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2022	(5,684)	(6,202)	(2,401)			(14,287)			(292)	(14,579)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,933)	(637)	(108)			(2,678)			(76)	(2,754)
Impairment Recognised in Surplus/Deficit on the Provision of Services	9					9				9
Impairment Recognised in Revaluation Reserve	(2,919)					(2,919)				(2,919)
Derecognition - Disposals		92				92				92
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	8,037					8,037				8,037
<b>At 31 March 2023</b>	(2,490)	(6,747)	(2,509)	0	0	(11,746)	0	0	(368)	(12,114)
<b>NET BOOK VALUE AT 31 MARCH 2023</b>	65,059	2,898	956	2,047	0	70,960	16,902	4,906	85	92,853
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	65,059	2,898	956	2,047	0	70,960	16,902	4,906	85	92,853



## **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 and impairment of intangible assets shown above is included within cost of services under the Corporate Services heading £76,000 (£143,000 2021/22)

## **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 on page 27.

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

Hartnell Taylor Cook LLP were appointed to carry out the valuations and in doing so made the following assumptions:

- That the valuations given are based on existing use values or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost.
- That the properties are repaired and maintained to a reasonable standard.
- That no significant Planning or Highways applications exist that could affect the value.
- The Code requires the Council to consider material changes in other assets not due for revaluation in the current year under the five-year rolling programme. In addition to leisure premises, council offices and car parks where material were also the subject of revaluation. Heritage asset values have been reviewed and uplifted to reflect the insured value of the asset. The resulting revaluation was a net gain of £4,369,000, of which £4,360,000 is recognised in the revaluation reserve and losses of £9,000 recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure.

In assessing fair value of Investment Properties Hartnell Taylor Cook LLP has determined a market value given the sites location and likelihood of achieving such values. The resulting increase in asset values of £163,000 is primarily as a result of improved rental income assumptions. The gain has been recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement. Under the standard the higher of the valuations is reported within the statements.

Hartnell Taylor Cook LLP 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 Hartnell Taylor Cook LLP, an independent property consultancy, in accordance with the *Global Standards 2020 incorporating the International Valuation Standards, and the UK National Supplement of the Royal Institute of Chartered Surveyors*.

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

## **Material Uncertainty**

The valuation for the Gibson Buildings is reported as subject to Material Valuation Uncertainty under RICS Global Standards. This takes into consideration the potential for redevelopment of the premises which would likely attract bidders in the market at above current valuation levels.

The valuations for Angel East and West Car Parks include a government subsidy for the loss of income in 2020/21 due to the Covid-19 pandemic. The post-pandemic requirement for car parking needs is yet to settle down providing a level of uncertainty until the standard use is known.

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

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
Valued at current/fair value in:	<----- at Current Value ----->			at Fair Value	
2022/23	53,182	2,898	16,872	4,906	77,858
2021/22	6,539				6,539
2020/21	1,160				1,160
2019/20	2,963				2,963
2018/19	1,215				1,215
Prior Years	0		30		30
<b>TOTAL</b>	<b>65,059</b>	<b>2,898</b>	<b>16,902</b>	<b>4,906</b>	<b>89,765</b>

Land and buildings include assets under construction where relevant. 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. Assets revalued in 2022/23 are reflected in the figures for that year rather than the year of previous valuation.

Included in the value of Land and Building is the Net Book Value of the Leybourne Lakes Café facility completed and operational from July 2022 which has been included at depreciated cost rather than at a formal valuation, as at 31st March 2023 this was £819,000.

### 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 2022 £'000	At 31 March 2023 £'000
Tonbridge Castle Gatehouse	15,450	16,686
Civic Regalia	81	87
Paintings	73	72
Sculptures	55	57
<b>TOTAL</b>	<b>15,659</b>	<b>16,902</b>

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

	2021/22 £'000	2022/23 £'000
Open Spaces	585	385
Waste Collection Containers	217	322
Temporary Accommodation	64	277
Capital Renewals	321	206
Larkfield Leisure Centre	0	126
Car Parks	139	125
Sports Grounds	29	102



The Capital Expenditure was financed as follows: -

	2021/22	2022/23
	£'000	£'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	1,402	1,389
Investment Property	0	210
Intangible Assets	65	0
<b>Total</b>	<b>1,467</b>	<b>1,599</b>
<b>Sources of Finance</b>		
Revenue	0	(126)
Capital Grants & Contributions	(637)	(930)
Capital Receipts	(830)	(543)
<b>Total</b>	<b>(1,467)</b>	<b>(1,599)</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.

#### Outstanding Capital Commitments

As at 31 March 2023 no major capital commitments were outstanding.

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

	2021/22			2022/23		
	Net Book Value	Sale Proceeds	Net (Gain) / Loss	Net Book Value	Sale Proceeds	Net (Gain) / Loss
	£'000	£'000	£'000	£'000	£'000	£'000
River Walk Offices	290	(1,515)	(1,225)			0
Borough Green Public Conveniences	114	0	114			0
East Peckham Public Conveniences	117	0	117			0
Larkfield Public Conveniences	91	0	91			0
Hadlow Public Conveniences			0	0	(77)	(77)
Land at Rear of Hythe Lane			0	0	(28)	(28)
<b>TOTAL</b>	<b>612</b>	<b>(1,515)</b>	<b>(903)</b>	<b>0</b>	<b>(105)</b>	<b>(105)</b>

## 9. 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 reserves or revenue resources.

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>				
House Renovation Grants	746		889	
Land Drainage & Flood Defence	0		125	
Other	38	784	10	1,024
<b>Grants &amp; Contributions Received</b>				
Better Care Fund	(682)		(831)	
Housing Assistance Grant Repaid	(39)		(44)	
Disabled Facilities Grant Repaid	(36)		(23)	
UK Shared Prosperity Fund	0	(757)	(10)	(908)
<b>TOTAL</b>		<b>27</b>		<b>116</b>

## 10. LEASES

### Lessor – Operating Lease

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rental Income Due	488	371	284	237	231	224	224

The Council lease out property under an operating lease for the following purposes:

- for the provision of community services, such as sports facilities, tourism and community centres; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The minimum lease payments under non-cancellable leases in future years are:

Leases Expiring :	31 March 2022	31 March 2023
	£'000	£'000
Not later than one year	53	0
Later than one year and not later than five years	537	726
Later than five years and not later than fifty years	1,347	1,818
Later than fifty years	6,936	7,136
	<b>8,873</b>	<b>9,680</b>

### Trading Undertakings

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

Commercial Properties and Industrial Estates	2021/22	2022/23
	£'000	£'000
Income	(349)	(364)
Expenditure	38	133
<b>TOTAL</b>	<b>(311)</b>	<b>(231)</b>

The Balance Sheet value of these properties at the 31 March 2023 was £4,949,000 (£4,906,000 Investment Properties and £43,000 Land and Buildings). There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

#### Lessor – Finance Lease

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

#### Lessee – Operating Lease

The Council use to purchase leased cars under the terms of an operating lease. This arrangement came to an end in 2022/23. The amount paid under this arrangement in 2022/23 was £1,000.

#### 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.

### 11. INTEREST AND INVESTMENTS

#### Interest and Investment Income Earned

	2021/22			2022/23		
	Income	Unrealised (Gains) / Losses	Total	Income	Unrealised (Gains) / Losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Property Investment Funds	(159)	(751)	(910)	(172)	1,012	840
Multi-Asset Diversified Income Funds	(96)	143	47	(174)	407	233
Certificates of Deposit	(17)		(17)	(518)		(518)
Fixed Interest Deposits	(43)		(43)	(91)		(91)
Call Accounts	(40)		(40)	(810)		(810)
Miscellaneous Interest	(1)		(1)	0		0
<b>TOTAL</b>	<b>(356)</b>	<b>(608)</b>	<b>(964)</b>	<b>(1,765)</b>	<b>1,419</b>	<b>(346)</b>

#### Interest and Investment Income Received

	2021/22	2022/23
	£'000	£'000
Interest and Investment Income Earned	(964)	(346)
Increase / (Decrease) in Debtors	(30)	53
Increase / (Decrease) in Accrued Interest	12	319
Unrealised Gains / (Losses) on Property Investment Funds / Multi-Asset Funds	608	(1,419)
<b>TOTAL</b>	<b>(374)</b>	<b>(1,393)</b>

Interest and investment income received is included within net cash flows from operating activities in the Cash Flow Statement.

## Long Term Investments

	At 31 March 2022				At 31 March 2023			
	Capital £'000	Gain / (Loss) £'000	Accrued Interest £'000	Total £'000	Capital £'000	Gain / (Loss) £'000	Accrued Interest £'000	Total £'000
<b>Property Investment Funds</b>								
Hermes Property Unit Trust	1,000	131	9	1,140	1,000	(49)	9	960
Local Authorities' Property Fund	2,000	146	18	2,164	2,000	(208)	20	1,812
Lothbury Property Trust	2,000	102	13	2,115	2,000	(376)	13	1,637
<b>Total</b>	<b>5,000</b>	<b>379</b>	<b>40</b>	<b>5,419</b>	<b>5,000</b>	<b>(633)</b>	<b>42</b>	<b>4,409</b>
<b>Multi-Asset Diversified Income Funds</b>								
Aegon Diversified Income Fund	1,750	(19)	6	1,737	1,750	(232)	0	1,518
Fidelity Multi-Asset Income Fund	1,000	(76)	3	927	1,000	(197)	2	805
Ninety-One Diversified Income Fund	1,500	(48)	3	1,455	1,500	(121)	0	1,379
<b>Total</b>	<b>4,250</b>	<b>(143)</b>	<b>12</b>	<b>4,119</b>	<b>4,250</b>	<b>(550)</b>	<b>2</b>	<b>3,702</b>
<b>TOTAL</b>	<b>9,250</b>	<b>236</b>	<b>52</b>	<b>9,538</b>	<b>9,250</b>	<b>(1,183)</b>	<b>44</b>	<b>8,111</b>

The amount shown on the Pooled Investment Funds Adjustment Account represents unrealised gains/losses.

In respect of the long term investments held by the Council, the capital value has dropped in recent months as result of high levels of inflation in the UK. Fund values will fluctuate from year to year depending upon economic conditions and any losses or gains associated with the fund values will only be recognised on the sale of the investments.

## Short Term Investments

	At 31 March 2022			At 31 March 2023		
	Capital £'000	Accrued Interest £'000	Total £'000	Capital £'000	Accrued Interest £'000	Total £'000
<b>Certificates of Deposit</b>						
Bank of Montreal	0		0	2,000	36	2,036
Goldman Sachs	0		0	2,000	52	2,052
Lloyds Bank	0		0	6,000	56	6,056
National Westminster Bank	4,000	3	4,003	0		0
Royal Bank of Canada	0		0	3,000	78	3,078
Toronto Dominion	0		0	4,000	70	4,070
<b>Total</b>	<b>4,000</b>	<b>3</b>	<b>4,003</b>	<b>17,000</b>	<b>292</b>	<b>17,292</b>
<b>Fixed Interest Deposits</b>						
Close Brothers	4,000	10	4,010	0		0
Goldman Sachs	3,000	9	3,009	0		0
Handelbanken	0		0	3,000	25	3,025
Nordea	4,000	3	4,003	0		0
Rabobank	0		0	3,000	40	3,040
Santander	2,000	3	2,003	0		0
Toronto Dominion	4,000	3	4,003	0		0
<b>Total</b>	<b>17,000</b>	<b>28</b>	<b>17,028</b>	<b>6,000</b>	<b>65</b>	<b>6,065</b>
<b>TOTAL</b>	<b>21,000</b>	<b>31</b>	<b>21,031</b>	<b>23,000</b>	<b>357</b>	<b>23,357</b>

## Cash Equivalents ([Note 19](#) 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).

## Financial Instruments Disclosures

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

- Class of investment.
- Interest earned by class of investment.
- Market valuation of each type of investment as at 31 March 2023.
- Management of risk.

## Investment Classification

The Council's investments are classified as either amortised cost or fair value through profit and loss as detailed in the table below.

	At 31 March 2022			At 31 March 2023		
	Amortised Cost	Fair Value Through Profit & Loss	Total	Amortised Cost	Fair Value Through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Long Term		9,538	9,538		8,111	8,111
Short Term	21,031		21,031	23,357		23,357
<b>TOTAL</b>	<b>21,031</b>	<b>9,538</b>	<b>30,569</b>	<b>23,357</b>	<b>8,111</b>	<b>31,468</b>

## Interest Earned

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

	2021/22			2022/23		
	Amortised Cost	Fair Value Through Profit & Loss	Total	Amortised Cost	Fair Value Through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Interest &amp; Investment Income</b>						
Income	(60)	(255)	(315)	(608)	(347)	(955)
Unrealised (Gains) / Losses		(608)	(608)		1,419	1,419
<b>TOTAL</b>	<b>(60)</b>	<b>(863)</b>	<b>(923)</b>	<b>(608)</b>	<b>1,072</b>	<b>464</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. Our property investment and multi-asset diversified income funds are an actively quoted value per share on the market, which is described as a level 1 type investment, and have been valued in accordance with the closing value at year end. Other deposits, which are described as level 2 type investments, are held on effective interest method, being the value of deposit plus any interest due to the end of the financial year, no significant active market exists for these types of bank deposits,.



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

	At 31 March 2022		At 31 March 2023	
	Carrying Amount	Carrying Amount	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Property Investment Funds	5,419	5,419	4,409	4,409
Multi-Asset Diversified Income Funds	4,119	4,119	3,702	3,702
Deposits with Banks & Building Societies	21,031	21,031	23,357	23,357
<b>TOTAL</b>	<b>30,569</b>	<b>30,569</b>	<b>31,468</b>	<b>31,468</b>

## Management of Risk

### Credit Risk

Credit risk arises from deposits with banks and financial institutions. The Council's Investment Strategy sets out the approach the Council will take to the management of risk both in terms of the security, longevity and liquidity of its investments and as at 31 March 2023 the risk of default is considered remote.

### Interest Rate Risk

Interest rate movements will clearly have an impact on investment returns. To put this into context the investments held on March 2023 were invested at rates between 2.84% and 5.30% for Deposits and 4% for Fund investments. An increase in interest rates of 1% would currently generate investment income of about £315,000 (2021/22: £306,000).

### Liquidity Risk

The Council manages its investments on a daily basis using a combination of current market information and predicted income and expenditure based upon an annual cashflow for the authority. It is therefore considered that liquidity risk would be low due to the daily monitoring of the cashflow arrangements.

## 12. 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 LLP, 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

	2021/22 £'000	2022/23 £'000
<b>Amounts Charged to Income and Expenditure Statement</b>		
Net Cost of Services		
Current Service Costs	3,886	3,596
Past Service Costs (Change in Benefit)	0	0
Administration Expenses	61	63
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	1,194	1,476
<b>Net Charge to the Income and Expenditure Statement</b>	<b>5,141</b>	<b>5,135</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,141)	(5,135)
Actual Amount Charged to the General Fund for Pensions in the Year		
Employers' contributions payable to scheme	2,961	3,037
<b>CONTRIBUTION (FROM) / TO PENSIONS RESERVE</b>	<b>(2,180)</b>	<b>(2,098)</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 £51,084,000 in 2022/23 (2021/22: gain of £5,092,000) is included in the Comprehensive Income and Expenditure Statement. The change in the pension fund deficit over the year is mainly dependent on asset returns, discount rates linked to corporate bond yields and market expectations of inflation, this year has seen significant increases in bond yields and inflationary effects which when taken together has resulted in a decrease in the pension fund liabilities and therefore also the deficit compared to the previous year. 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.

	2021/22 £'000	2022/23 £'000
<b>Reconciliation of the Present Value of Scheme Liabilities</b>		
<b>Opening Balance at 1 April - Defined Benefit Obligation</b>	<b>163,240</b>	<b>161,181</b>
Current Service Costs	3,886	3,596
Past Service Costs	0	0
Contributions from Scheme Participants	556	564
Interest Cost	3,223	4,137
Change in Financial Assumptions	(5,315)	(59,119)
Change in Demographic Assumptions	0	(4,493)
Experience Loss / (Gain) on Defined Benefit Obligation	322	10,232
Benefits Paid	(4,517)	(4,558)
Unfunded Pension Payments	(214)	(202)
<b>CLOSING BALANCE AT 31 MARCH - DEFINED BENEFIT OBLIGATION</b>	<b>161,181</b>	<b>111,338</b>

The liability shows the underlying commitment that the Council has in the long run to pay retirement benefits. Liabilities have been assessed on an actuarial basis using the projected unit method, and

estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

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

	2021/22	2022/23
	£'000	£'000
<b>Reconciliation of the Fair Value of Scheme Assets</b>		
<b>Opening Balance at 1 April - Fair Value of Scheme Assets</b>	<b>102,067</b>	<b>102,920</b>
Interest on Assets	2,029	2,661
Return on Assets Less Interest	99	(1,329)
Other Actuarial Gains / (Losses)	0	(967)
Employers' Contributions	2,961	3,037
Contributions from Scheme Participants	556	564
Benefits Paid	(4,731)	(4,760)
Administration Expenses	(61)	(63)
<b>CLOSING BALANCE AT 31 MARCH - FAIR VALUE OF SCHEME ASSETS</b>	<b>102,920</b>	<b>102,063</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 £1,332,000 (2021/22: gain of £2,128,000).

#### Net Liabilities in Relation to Retirement Benefits

	2021/22	2022/23
	£'000	£'000
Present value of funded obligation	159,170	109,649
Fair value of scheme assets (bid price)	102,920	102,063
<b>Sub-total</b>	<b>56,250</b>	<b>7,586</b>
Present value of unfunded obligation	2,011	1,689
<b>NET PENSION LIABILITY</b>	<b>58,261</b>	<b>9,275</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 decrease in the pension fund deficit compared to the previous year.

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



## Reconciliation of Opening & Closing Surplus / Deficit

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

	2021/22	2022/23
Surplus / (Deficit)	£'000	£'000
<b>Balance at 1 April</b>	<b>(61,173)</b>	<b>(58,261)</b>
Current Service Costs	(3,886)	(3,596)
Past Service Costs	0	0
Actuarial Gains / (Losses)	5,092	51,084
Employer's Contributions	2,747	2,835
Unfunded Pension Payments	214	202
Administration Expenses	(61)	(63)
Other Finance Income	(1,194)	(1,476)
<b>BALANCE AT 31 MARCH</b>	<b>(58,261)</b>	<b>(9,275)</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 2022		At 31 March 2023	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Bonds	14,210	14	13,405	13
Cash	2,126	2	1,831	2
Equities	66,252	64	65,128	64
Gilts	628	1	559	1
Property	12,089	12	10,187	10
Target Return Portfolio	7,615	7	7,476	7
Infrastructure			3,477	3
<b>TOTAL</b>	<b>102,920</b>	<b>100</b>	<b>102,063</b>	<b>100</b>

## Scheme History

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	(144,209)	(135,092)	(163,240)	(161,181)	(111,338)
Fair Value of Assets	87,513	79,865	102,067	102,920	102,063
<b>SURPLUS / (DEFICIT) IN THE SCHEME</b>	<b>(56,696)</b>	<b>(55,227)</b>	<b>(61,173)</b>	<b>(58,261)</b>	<b>(9,275)</b>
Experience Gains / (Losses) on Assets	0	289	0	0	0
Percentage of Assets	0.0%	0.4%	0.0%	0.0%	0.0%
Experience Gains / (Losses) on Liabilities	0	(1,009)	1,963	(322)	10,232
Percentage of Liabilities	0.0%	(0.7%)	1.2%	(0.2%)	9.2%

## Actuarial Gains and Losses

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	6,462	3,484	(4,906)	5,092	51,084
<b>CUMULATIVE ACTUARIAL GAINS / (LOSSES)</b>	<b>(35,120)</b>	<b>(31,636)</b>	<b>(36,542)</b>	<b>(31,450)</b>	<b>19,634</b>

## Basis for Estimating Assets and Liabilities

The scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2022.

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

	2021/22	2022/23
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	21.6 Years	21.1 Years
Women	23.7 Years	23.5 Years
Longevity at 65 for future pensioners:		
Men	23.0 Years	22.3 Years
Women	25.1 Years	25.0 Years
CPI Increases	3.30%	2.90%
Salary Increases	4.30%	3.90%
Pension Increases	3.30%	2.90%
Discount Rate	2.60%	4.80%

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 +0.5%	£'000 +1.0%	£'000 0.0%	£'000 -1.0%	£'000 -0.5%
<b>Adjustment to discount rate</b>					
Present Value of Total Obligation	103,963	97,384	111,338	129,026	103,963
Projected Service Cost	1,248	1,053	1,474	2,053	1,740
<b>Adjustment to Long Term Salary Increase</b>					
Present Value of Total Obligation	112,089	112,870	111,338	109,920	110,616
Projected Service Cost	1,479	1,484	1,474	1,464	1,469
<b>Adjustment to Pensions Increase and Deferred Revaluation</b>					
Present Value of Total Obligation	119,009	127,668	111,338	98,449	104,523
Projected Service Cost	1,738	2,059	1,474	1,048	1,250
<b>Adjustment to mortality age rating assumption</b>					
		<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>	
Present Value of Total Obligation		116,129	111,338	106,768	
Projected Service Cost		1,527	1,474	1,422	

### Projected Pension Expense for the Year to 31 March 2024

These projections are based on the Actuary's assumptions as at 31 March 2023.

	2023/24 Projection £'000
Service Cost	1,474
Net Interest on the defined liability (asset)	368
Administration Expenses	61
Total	1,903
Employers' Contributions	3,059

Information can also be found in Kent County Council's Superannuation Fund Annual Report via the following link [Report and Accounts - Kent Pension Fund](#)

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

	2021/22	2022/23
	£'000	£'000
<b>Council Tax</b>		
Borough Council's Council Tax	(11,277)	(11,729)
Parish Councils' Council Tax	(3,327)	(3,555)
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	(20)	(158)
Council Tax (Surplus) / Deficit	(167)	72
<b>TOTAL</b>	<b>(14,791)</b>	<b>(15,370)</b>

	2021/22	2022/23
	£'000	£'000
<b>National Non-Domestic Rates</b>		
Share of National Non-Domestic Rates	(22,398)	(20,174)
Tariff / (Top-Up)	21,310	21,310
Levy / Safety Net	20	234
Business Rates Pool	(4)	0
Prior Year's Estimated Accumulated Non-Domestic Rates (Surplus) / Deficit	8,445	5,815
National Non-Domestic Rates (Surplus) / Deficit	(3,802)	(7,332)
<b>TOTAL</b>	<b>3,571</b>	<b>(147)</b>

	Balance at 31 March 2021	2021/22 Surplus / (Deficit)	Balance at 31 March 2022	2022/23 Surplus / (Deficit)	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
<b>Collection Fund Adjustment Account</b>					
Council Tax	(33)	167	134	(72)	62
National Non-Domestic Rates	(9,810)	3,802	(6,008)	7,332	1,324
<b>TOTAL</b>	<b>(9,843)</b>	<b>3,969</b>	<b>(5,874)</b>	<b>7,260</b>	<b>1,386</b>

### 14. GRANT INCOME

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

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

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>General Government Grants</b>				
Covid-19 Business Rate Relief	(3,291)		(1,233)	
New Homes Bonus	(2,210)		(1,194)	
Small Business & Empty Property Rate Relief Grant	(1,091)		(1,118)	
Lower Tier Services Grant	(666)		(1,006)	
Under Indexing Multiplier Grant	(114)		(283)	
Services Grant	0		(159)	
Covid-19 Additional Relief	(1,507)		0	
Covid-19 Support Grant	(605)		0	
Council Tax Support Scheme	(225)		0	
Other	(10)	(9,719)	(62)	(5,055)
<b>Capital Grants &amp; Contributions</b>				
Oakhill House Developer Contribution	0		(354)	
Yates Yard Developer Contribution	0		(179)	
Sainsbury's Contribution	(116)		(97)	
Other	(83)	(199)	(199)	(829)
<b>TOTAL</b>		<b>(9,918)</b>		<b>(5,884)</b>

The Council has also received a number of developer contributions but which as yet have not been applied to revenue and capital projects ([Note 22](#) refers).

#### Credited to Services

	2021/22	2022/23
	£'000	£'000
Rent Allowance Subsidy	(24,243)	(22,697)
Better Care Fund	(767)	(917)
Non-HRA Rent Rebate Subsidy	(894)	(669)
Homelessness Prevention Grant	(383)	(392)
Rough Sleeping Initiative Grant	(390)	(307)
Discretionary Energy Rebates	0	(259)
Benefits Administration Grant	(261)	(256)
Energy Rebates New Burdens Grant	0	(166)
NNDR Cost of Collection Allowance	(156)	(155)
Discretionary Housing Payment Contribution	(239)	(152)
Test and Trace/Self Isolation Payments Grant New Burdens Grant	(43)	(122)
Local Council Tax Support Administration Grant	(121)	(117)
Administering Business Grants New Burdens Grant	(131)	(12)
Test and Trace/Self Isolation Payments Grant	(189)	(4)
Additional Restrictions Grant	(2,156)	0
Income Compensation Scheme	(224)	0
National Leisure Recovery Fund	(192)	0
Other	(853)	(509)
<b>TOTAL</b>	<b>(31,242)</b>	<b>(26,734)</b>

#### 15. 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	No. Of Employees	
	2021/22	2022/23
£50,000 - £54,999	7	13
£55,000 - £59,999	5	8
£60,000 - £64,999	5	3
£65,000 - £69,999	2	2
£70,000 - £74,999	4	1
£75,000 - £79,999	1	4
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	4	3
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	1
<b>TOTAL</b>	<b>29</b>	<b>36</b>

The numbers above include no employees within the exit packages table for 2022/23 (2021/22: one employee).

### Senior Officer Remuneration

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

	Salary, Fees & All'ces	Exp's	Comp for Loss of Office	Benefits in Kind	Total Excl Pension	Pension Contrib's	Total Inc Pension
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2021/22	Post Title						
	Chief Executive	123	5		128	23	151
	Director of Central Services & Deputy Chief Executive	99	6		105	19	124
	Director of Finance & Transformation	96	7		103	18	121
	Director of Planning, Housing & Environmental Health	96	7		103	18	121
	Director of Street Scene, Leisure & Technical Services	96	7		103	18	121
<b>TOTAL</b>	<b>510</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>542</b>	<b>96</b>	<b>638</b>
2022/23	Chief Executive	126	2		128	24	152
	Director of Central Services & Deputy Chief Executive	101	7		108	19	127
	Director of Finance & Transformation	98	6		104	18	122
	Director of Planning, Housing & Environmental Health	98	6		104	18	122
	Director of Street Scene, Leisure & Technical Services	98	6		104	18	122
	<b>TOTAL</b>	<b>521</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>548</b>	<b>97</b>

At 31 March 2023 the Council employed 250 permanent staff (31 March 2022: 243) or 220 full-time equivalents (31 March 2022: 213).

### 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 2022/23 this was estimated to be £202,000 (2021/22: £262,000).



## 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.

	2021/22		2022/23	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
<b>Compulsory Redundancies</b>				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	1	29
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
<b>Other Agreed Departures</b>				
£0 - £19,999	1	7	-	-
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	1	50	-	-
£60,000 - £79,999	-	-	-	-
<b>TOTAL</b>	<b>2</b>	<b>57</b>	<b>1</b>	<b>29</b>

## 16. 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*.

	2021/22 £'000	2022/23 £'000
Balance at 1 April	0	685
Usable Capital Receipts Received	1,515	105
Disposal Costs	0	0
	1,515	790
<b>less Usable Capital Receipts Applied</b>		
Purchase of Non-Current Assets	830	543
<b>BALANCE AT 31 MARCH</b>	<b>685</b>	<b>247</b>

## 17. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2021/22	Revenue Reserve for Capital Schemes	7,599	809	(1,583)	6,825
	General Revenue Reserve	7,085	576		7,661
	Building Repairs Reserve	894	725	(588)	1,031
	Property Investment Fund Reserve	1,750	1,500		3,250
	Earmarked Reserves				
	Budget Stabilisation	2,700	300		3,000
	Planning Services	493	1,162	(222)	1,433
	Homelessness Reduction	706	846	(825)	727
	Climate Change	250	600	(70)	780
	Business Rates Retention Scheme	11,087	4,798	(8,616)	7,269
	Tonbridge & Malling Leisure Trust	708		(508)	200
	Transformation	193	65	(7)	251
	Housing Assistance	320	40		360
	Election	170	25	(21)	174
	Invest to Save	174	50	(3)	221
	Special Projects	273	168	(204)	237
	Other Earmarked Reserves	174	100	(37)	237
	<b>34,576</b>	<b>11,764</b>	<b>(12,684)</b>	<b>33,656</b>	
2022/23	Revenue Reserve for Capital Schemes	6,825	1,298	(241)	7,882
	General Revenue Reserve	7,661	950		8,611
	Building Repairs Reserve	1,031	1,050	(781)	1,300
	Property Investment Fund Reserve	3,250			3,250
	Earmarked Reserves				
	Budget Stabilisation	3,000		(869)	2,131
	Planning Services	1,433	107	(424)	1,116
	Homelessness Reduction	727	681	(723)	685
	Climate Change	780		(179)	601
	Business Rates Retention Scheme	7,269		(6,736)	533
	Tonbridge & Malling Leisure Trust	200	249		449
	Transformation	251	222	(39)	434
	Housing Assistance	360			360
	Election	174	25	(38)	161
	Invest to Save	221		(79)	142
	Special Projects	237	68	(69)	236
	Other Earmarked Reserves	237	35	(75)	197
	<b>33,656</b>	<b>4,685</b>	<b>(10,253)</b>	<b>28,088</b>	

## **Reserve**

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

#### **General Revenue Reserve**

#### **Building Repairs Reserve**

#### **Property Investment Fund Reserve**

#### **Budget Stabilisation**

#### **Planning Services**

#### **Homelessness Reduction**

#### **Climate Change**

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

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

#### **Transformation**

#### **Housing Assistance**

#### **Election**

#### **Invest to Save**

#### **Special Projects**

#### **Other Earmarked Reserves**

## **Purpose of the Reserve**

Established to finance future capital expenditure.

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

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

Established to recognise proceeds from the sale of Council owned assets and other funds set aside for long term investment with the aim of generating a higher rate of return.

Established to manage risk and or assist in meeting future savings and transformation contributions.

Established to meet costs in respect of planning services related work including the Local Plan.

Established to meet costs associated with the Homelessness Reduction Act.

Established to fund initiatives in support of the Climate Change Strategy.

Established, in the main, to take account of accounting arrangements

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

Established to fund initiatives that deliver operational efficiencies.

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

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

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

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

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



## 18. DEBTORS

### Short Term Debtors

	At 31 March 2022			At 31 March 2023		
	Gross Value	Impairm't Allow'ce	Net Value	Gross Value	Impairm't Allow'ce	Net Value
	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>						
Central Government	613		613	736		736
Local Authorities	971		971	620		620
Housing Benefit Claimants (current & former)	2,804	(2,350)	454	2,742	(2,377)	365
Payments in Advance	538		538	255		255
Other Debtors	662	(255)	407	792	(345)	447
	<b>5,588</b>	<b>(2,605)</b>	<b>2,983</b>	<b>5,145</b>	<b>(2,722)</b>	<b>2,423</b>
<b>Collection Fund</b>						
Council Tax Payers (Borough Council's share)	1,463	(406)	1,057	1,629	(453)	1,176
Local Authorities	358		358	785		785
NNDR Payers (Borough Council's share)	770	(224)	546	677	(252)	425
Central Government	0		0	10		10
	<b>2,591</b>	<b>(630)</b>	<b>1,961</b>	<b>3,101</b>	<b>(705)</b>	<b>2,396</b>
<b>TOTAL</b>	<b>8,179</b>	<b>(3,235)</b>	<b>4,944</b>	<b>8,246</b>	<b>(3,427)</b>	<b>4,819</b>

### Impairment Allowance

	Housing Benefit Claimants	Homeless Debtors	Garden Waste Debtors	General Debtors	Council Taxpayers	NNDR Payers	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
2021/22	Balance at 1 April	2,475	55	0	119	352	288	3,289
	Write-Offs	(106)	(4)		(1)	(7)	(26)	(144)
	Contribution to Allowance	(22)	66	18		61	(38)	85
	Receipts/Adjustments	3	1		1			5
	<b>BALANCE AT 31 MARCH</b>	<b>2,350</b>	<b>118</b>	<b>18</b>	<b>119</b>	<b>406</b>	<b>224</b>	<b>3,235</b>
2022/23	Balance at 1 April	2,350	118	18	119	406	224	3,235
	Write-Offs	(102)	(29)	(15)	(4)	(17)	(27)	(194)
	Contribution to Allowance	126	65	57	15	64	55	382
	Receipts/Adjustments	3	1					4
	<b>BALANCE AT 31 MARCH</b>	<b>2,377</b>	<b>155</b>	<b>60</b>	<b>130</b>	<b>453</b>	<b>252</b>	<b>3,427</b>

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

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.

### Financial Instruments Disclosures

Some debtors meet the definition of financial instruments. The council considers these to be debtors of a contractual nature rather than statutory debt or debts with other public sector bodies. These debtors are all classified as amortised cost 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 2022				At 31 March 2023			
	General Debtors £'000	Garden Waste £'000	Homeless ness £'000	Total £'000	General Debtors £'000	Garden Waste £'000	Homeless ness £'000	Total £'000
< 1 month	187		8	195	239	67	19	325
1 - 3 months	62		14	76	16	42	14	72
3 - 6 months	16		19	35	10		8	18
6 - 12 months	6	34	48	88	6	65	16	87
1 year +	161	14	93	268	162		128	290
<b>TOTAL</b>	<b>432</b>	<b>48</b>	<b>182</b>	<b>662</b>	<b>433</b>	<b>174</b>	<b>185</b>	<b>792</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 2023	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2023	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
Debtors				
General Debtors	433	0.5	30.0	130
Garden Waste	174	4.1	34.5	60
Homelessness	185	29.9	83.8	155
<b>TOTAL</b>	<b>792</b>			<b>345</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.

## 19. 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).

	At 31 March 2022 £'000	At 31 March 2023 £'000
<b>Short Term Deposits</b>		
Barclays Bank	3,000	3,000
Blackrock	2,500	7,999
BNP Paribas	7,961	1,264
CCLA	8,000	4,307
Deutsche Bank	50	0
Federated	50	0
HSBC	3,000	6,000
Morgan Stanley	50	0
National Westminster Bank	520	50
	<b>25,131</b>	<b>22,620</b>
<b>Cash in Hand</b>	<b>294</b>	<b>418</b>
<b>TOTAL</b>	<b>25,425</b>	<b>23,038</b>

## 20. CREDITORS

### Long Term Creditors

	At 31 March 2022 £'000	At 31 March 2023 £'000
Local Authorities	(19)	0
<b>TOTAL</b>	<b>(19)</b>	<b>0</b>

### Short Term Creditors

	At 31 March 2022 £'000	At 31 March 2023 £'000
<b>General Fund</b>		
Central Government	(11,314)	(3,990)
Receipts in Advance	(5,859)	(1,541)
Local Authorities	(614)	(461)
Employees	(262)	(202)
Other Creditors	(1,178)	(1,354)
	<b>(19,227)</b>	<b>(7,548)</b>
<b>Collection Fund</b>		
Central Government	(890)	(8,505)
Local Authorities	(160)	(1,701)
NNDR Payers (Borough Council's share)	(2,166)	(831)
Council Tax Payers (Borough Council's share)	(331)	(357)
	<b>(3,547)</b>	<b>(11,394)</b>
<b>TOTAL</b>	<b>(22,774)</b>	<b>(18,942)</b>

The downward movement in creditors is largely due to early payment by Central Government of grant in respect of Energy Support Measures being released during 2022/23 and the changes to the Collection Fund surplus for NNDR.

### Financial Instruments Disclosures

Creditors meeting the definition of financial instruments are disclosed below. The council considers these creditors to be of a contractual nature rather than statutory creditors or creditors with other public sector bodies. 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 2022 £'000	At 31 March 2023 £'000
<b>General Fund</b>		
Other Creditors	(1,178)	(1,354)
<b>TOTAL</b>	<b>(1,178)</b>	<b>(1,354)</b>

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

## 21. 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
2021/22	NNDR Appeals	(4,653)	(799)	461		(4,991)
	Adoption of Amenity Areas	(93)				(93)
	<b>TOTAL</b>	<b>(4,746)</b>	<b>(799)</b>	<b>461</b>	<b>0</b>	<b>(5,084)</b>
2022/23	NNDR Appeals	(4,991)	(891)	830		(5,052)
	Adoption of Amenity Areas	(93)	(2)			(95)
	<b>TOTAL</b>	<b>(5,084)</b>	<b>(893)</b>	<b>830</b>	<b>0</b>	<b>(5,147)</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. See [Note 4](#) to the Collection Fund Accounts for further details.
- **Adoption of Amenity Areas** – repairs to a banked area of the M20 slip road at Junction 4.

## 22. 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	Receipts	Interest	Transfer to Third Parties	Applied to Capital	Applied to Revenue	Balance at 31 March
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2021/22	Aylesford Newsprint	0	(849)				(849)
	Better Care Fund	(510)	(906)			510	(906)
	Oakhill House	0	(428)				(428)
	Peter's Pit	(267)	0				(267)
	Other	(374)	(106)	(1)			(481)
	<b>TOTAL</b>	<b>(1,151)</b>	<b>(2,289)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>510</b>
2022/23	Aylesford Newsprint	(849)	(395)	(25)	100		(1,169)
	Better Care Fund	(906)	(1,078)			831	(1,153)
	Carpenters Lane	0	(130)	(3)			(133)
	Clare Park Estate	0	(283)	(1)			(284)
	Kings Hill Avenue	0	(1,247)	(18)			(1,265)
	Oakhill House	(428)		(2)		354	(76)
	Peter's Pit	(267)		(6)			(273)
	Sportsmans' Bungalow	0	(647)	(8)		28	(627)
	Other	(481)	(44)	(7)	103	87	6
<b>TOTAL</b>	<b>(2,931)</b>	<b>(3,825)</b>	<b>(69)</b>	<b>203</b>	<b>469</b>	<b>837</b>	<b>(5,316)</b>

### Transactions in the Year in respect of Grants and Contributions Unapplied

	Balance at 1 April	Receipts	Applied to Capital	Applied to Revenue	Balance at 31 March	
	£'000	£'000	£'000	£'000	£'000	
2021/22	Leybourne Lakes	707	(438)		269	
	Other	190		(3)	187	
	<b>TOTAL</b>	<b>897</b>	<b>0</b>	<b>(438)</b>	<b>(3)</b>	<b>456</b>
2022/23	Leybourne Lakes	269	(269)		0	
	Yates Yard	0	179		179	
	Other	187	28	(39)	(3)	173
	<b>TOTAL</b>	<b>456</b>	<b>207</b>	<b>(308)</b>	<b>(3)</b>	<b>352</b>



### 23. 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.

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		45,030		43,507
<b>Capital Financing applied in year</b>				
Revenue	0		126	
Capital Grants & Contributions	637		930	
Capital Receipts	830	1,467	543	1,599
<b>Reversal of items charged to the Comprehensive Income and Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,729)		(2,754)	
Impairment of Non-Current Assets	(1,533)		9	
Net Book Value of Assets Disposed	(612)	(4,874)	0	(2,745)
<b>Amounts Written-out of the Revaluation Reserve</b>				
Difference between fair value & historical cost depreciation	1,001		1,077	
Accumulated Gains / (Loss) on Assets Disposed	483	1,484	0	1,077
<b>Movement in the Fair Value of Investment Properties</b>		400		163
<b>BALANCE AT 31 MARCH</b>		43,507		43,601

### 24. 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.

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		47,505		45,963
<b>Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services</b>				
Upward revaluations	4,769		7,285	
Downward revaluations / impairments	(4,827)	(58)	(2,924)	4,361
<b>Amounts Written-Off to the Capital Adjustment Account</b>				
Difference between fair value & historical cost depreciation	(1,001)		(1,077)	
Accumulated gains / (loss) on assets sold or scrapped	(483)	(1,484)	0	(1,077)
<b>BALANCE AT 31 MARCH</b>		45,963		49,247

### 25. RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

#### United Kingdom Central Government

United Kingdom Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the

Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are included in the subjective analysis in [Note 7](#) on segmental reporting and in the analysis of grant income in [Note 14](#).

### 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 (<https://democracy.tmbc.gov.uk/mqMemberIndex.aspx?bcr>) 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 2022/23 the Council funded some of these organisations the total sum of £866,000 (2021/22: £847,000). The increase can be attributed to an increase in the level of support to Tonbridge and Malling Leisure Trust.

In addition, under the Council's Code of Conduct for Members (<https://www.tmbc.gov.uk/services/council-and-democracy/councillors.-democracy-and-elections/council-constitution/articles/standards-committee>) 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 but 6 non-executive members of 52 Councillors elected as at the end of the 2022/23 financial year, two members had resigned from the Council prior to March 31<sup>st</sup>, and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosure in the Accounts.

## 26. MEMBERS' ALLOWANCES

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

	2021/22	2022/23
	£'000	£'000
Basic Allowance	277	277
Special Responsibility Allowance	116	116
Travel & Subsistence Expenses	0	1
Carers Allowance	0	0
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	8	9
<b>TOTAL</b>	<b>408</b>	<b>410</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](#) and on notice boards at the Council's Kings Hill and Tonbridge Castle offices.

## 27. EXTERNAL AUDIT FEES

The Council's auditors are Grant Thornton UK LLP. The Council incurred the following fees relating to external audit carried out during 2022/23.

	2021/22	2022/23
	£'000	£'000
External audit services	58	61
Prior year audit fees	9	11
Certification of grant claims and returns	15	12
<b>TOTAL</b>	<b>82</b>	<b>84</b>

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

## 28. CONTINGENT LIABILITIES

### Private Finance Initiative

In 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £0.78 million, as at year 20 of the scheme. However, the risk of this occurring as at 31 March 2023 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 council tax and non-domestic rates, 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

2021/22			2022/23			
Council Tax £'000	NNDR £'000	Total £'000		Council Tax £'000	NNDR £'000	Total £'000
<b>Income</b>						
104,618	45,303	149,921	Billed to Tax Payers	108,880	54,662	163,542
	21,112	21,112	Contribution towards Previous Years' Collection Fund Deficit		14,537	14,537
<b>104,618</b>	<b>66,415</b>	<b>171,033</b>	<b>Total Income</b>	<b>108,880</b>	<b>69,199</b>	<b>178,079</b>
<b>Expenditure</b>						
			Precepts and Demands			
72,889	5,040	77,929	Kent County Council	77,136	4,539	81,675
11,207		11,207	Police & Crime Commissioner for Kent	12,043		12,043
4,152	560	4,712	Kent & Medway Fire & Rescue Authority	4,347	504	4,851
11,277	22,398	33,675	Tonbridge & Malling Borough Council	11,729	20,174	31,903
3,327		3,327	Parish Councils	3,555		3,555
	27,998	27,998	Central Government		25,218	25,218
	7	7	Transitional Protection		(10)	(10)
135		135	Contribution towards Previous Years' Collection Fund Surplus	158		158
56	65	121	Amounts Written-Off	119	67	186
405	(159)	246	Provision for Non-Payment	297	70	367
	1,998	1,998	Provision for Appeals not Paid		2,227	2,227
	(1,154)	(1,154)	Appeals Paid in Year		(2,074)	(2,074)
	156	156	Cost of Collection Allowance		155	155
<b>103,448</b>	<b>56,909</b>	<b>160,357</b>	<b>Total Expenditure</b>	<b>109,384</b>	<b>50,870</b>	<b>160,254</b>
1,170	9,506	10,676	<b>Surplus / (Deficit) for the Year</b>	(504)	18,329	17,825
(229)	(24,526)	(24,755)	Balance B/fwd at 1 April	941	(15,020)	(14,079)
<b>941</b>	<b>(15,020)</b>	<b>(14,079)</b>	<b>Balance C/fwd at 31 March</b>	<b>437</b>	<b>3,309</b>	<b>3,746</b>

## 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:

	2021/22 £	2022/23 £
Kent County Council	72,888,596	76,345,362
Police & Crime Commissioner for Kent	11,207,426	11,920,146
Kent & Medway Fire & Rescue Authority	4,152,116	4,302,538
Tonbridge & Malling Borough Council	11,276,762	11,729,399
	99,524,900	104,297,445
Parish Councils	3,326,832	3,554,738
<b>TOTAL</b>	<b>102,851,732</b>	<b>107,852,183</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	2021/22			2022/23		
	Estimated no of Properties	Multiplier	Band D Equivalent Dwellings	Estimated no of Properties	Multiplier	Band D Equivalent Dwellings
Disabled A	3.75	5/9ths	2.08	4.50	5/9ths	2.50
A	897.31	6/9ths	598.20	974.00	6/9ths	649.33
B	2,672.74	7/9ths	2,078.80	2,764.17	7/9ths	2,149.91
C	12,669.77	8/9ths	11,262.02	12,895.94	8/9ths	11,463.06
D	12,113.25	9/9ths	12,113.25	12,315.45	9/9ths	12,315.45
E	8,528.41	11/9ths	10,423.61	8,704.46	11/9ths	10,638.79
F	5,025.70	13/9ths	7,259.34	5,072.36	13/9ths	7,326.74
G	4,613.64	15/9ths	7,689.40	4,652.85	15/9ths	7,754.75
H	418.32	18/9ths	836.64	425.00	18/9ths	850.00
			52,263.34			53,150.53
Estimated Collection Rate			98.30%			98.30%
<b>COUNCIL TAX BASE</b>			<b>51,374.86</b>			<b>52,246.97</b>

## Band D Council Tax

	2021/22	2022/23
	£	£
Kent County Council	1,418.76	1,461.24
Police & Crime Commissioner for Kent	218.15	228.15
Kent & Medway Fire & Rescue Authority	80.82	82.35
Tonbridge & Malling Borough Council	202.29	205.72
	1,920.02	1,977.46
Special Expenses (average)	17.21	18.78
Parish Councils (average)	64.76	68.04
<b>TOTAL</b>	<b>2,001.99</b>	<b>2,064.28</b>

This basic amount of council tax for a Band D property of £1,977.46 for 2022/23 (2020/21: £1,920.02) is multiplied by the proportion specified within the *Local Government Finance Act 1992* for the particular band to give an individual amount due. In addition to this, charges are made specifically in relation to special expenses and the precepts of Parish Councils as appropriate.

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

Non-domestic rates are organised on a national basis. The Government specified a “rate poundage” of 51.2p (2021/22: 51.2p) for large businesses or 49.9p (2021/22: 49.9p) for small businesses in 2022/23 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 £54,672,000 for 2022/23 (2021/22: £45,296,000) is based on the total rateable value for the Council’s area which at the year-end was £139,734,842 (2021/22: £138,319,992).

## 3. IMPAIRMENT ALLOWANCE

	2021/22			2022/23		
	Council	NNDR	Total	Council	NNDR	Total
	Tax £'000	£'000	£'000	Tax £'000	£'000	£'000
Balance at 1 April	2,445	720	3,165	2,856	560	3,416
Write-Offs	(55)	(66)	(121)	(119)	(67)	(186)
Receipts				36	1	37
Contribution to Allowance	466	(94)	372	417	136	553
<b>BALANCE AT 31 MARCH</b>	<b>2,856</b>	<b>560</b>	<b>3,416</b>	<b>3,190</b>	<b>630</b>	<b>3,820</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 2023. This provision has been based upon information received from the Valuation Office Agency for appeals lodged up to 31 March 2023 and an element for appeals in respect of monies received in 2022/23 but no appeal has yet been lodged. The total amounts are shown in the table under [Note 6](#) below.

## 5. COLLECTION FUND SURPLUSES AND DEFICITS

The Borough Council is required to estimate the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax and national non-domestic rates. The estimated surplus or deficit is then shared between the Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority, Central Government and the Borough Council as appropriate. The estimated surplus for 2021/22 in respect of council tax was £1,115,772 and the estimated deficit for 2021/22 in respect of NNDR was £14,537,198. The actual surplus of £436,427 in respect of council tax and the actual surplus of £3,309,522 in respect of NNDR at 31 March 2023 will be taken into account when estimating the surplus/deficit for 2023/24.

## 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 2022	Council Tax Arrears	4,641	713	261		1,463	7,078
	Council Tax Provision for Bad Debts	(2,025)	(311)	(114)		(406)	(2,856)
	Council Tax Prepayments & Refunds	(1,653)	(254)	(93)		(331)	(2,331)
	Council Tax Cash	(298)	(44)	(16)		(592)	(950)
	Council Tax (Surplus) / Deficit	(665)	(104)	(38)		(134)	(941)
	NNDR Arrears	165		18	918	770	1,871
	NNDR Provision for Bad Debts	(51)		(5)	(280)	(224)	(560)
	NNDR Provision for Appeals	(1,123)		(125)	(6,239)	(4,991)	(12,478)
	NNDR Prepayments & Refunds	(487)		(54)	(2,707)	(2,167)	(5,415)
	NNDR Cash	144		16	798	604	1,562
	NNDR (Surplus) / Deficit	1,352		150	7,510	6,008	15,020
	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 31 March 2023	Council Tax Arrears	5,003	769	283		1,629	7,684
	Council Tax Provision for Bad Debts	(2,261)	(348)	(128)		(453)	(3,190)
	Council Tax Prepayments & Refunds	(1,784)	(274)	(101)		(357)	(2,516)
	Council Tax Cash	(649)	(99)	(37)		(756)	(1,541)
	Council Tax (Surplus) / Deficit	(309)	(48)	(17)		(63)	(437)
	NNDR Arrears	147		16	819	679	1,661
	NNDR Provision for Bad Debts	(57)		(6)	(315)	(252)	(630)
	NNDR Provision for Appeals	(1,137)		(126)	(6,316)	(5,052)	(12,631)
	NNDR Prepayments & Refunds	(187)		(21)	(1,039)	(831)	(2,078)
	NNDR Cash	1,532		170	8,505	6,780	16,987
	NNDR (Surplus) / Deficit	(298)		(33)	(1,654)	(1,324)	(3,309)
	<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 Local Code of Corporate Governance which has been developed in consideration of the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's Code can be obtained from the Legal team. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations which requires all relevant bodies to prepare an Annual Governance Statement.

### **The purpose of the governance framework**

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

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

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2023 and up to the date of approval of this statement.

### **The governance framework**

The Council's Local Code of Corporate Governance sets out the arrangements in place to govern the Council's activities under seven main headings.

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

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

The Members' Code of Conduct is based around ethical behaviour and requires objective and impartial decision making. The Code is communicated to all new Members on induction. Upholding standards of Member conduct is the responsibility of the Joint Standards Committee. The Committee are also responsible for ensuring Members receive suitable induction and ongoing training and support in respect of ethical standards.

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



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

#### Ensuring openness and comprehensive stakeholder engagement

The decision-making framework of the Council is set out in the Constitution including statutory functions and the scheme of delegation of responsibilities. The Constitution is kept under review by the Monitoring Officer and Management Team with any proposed changes presented to the Council for adoption where not delegated to the Monitoring Officer. Notices of Key Decisions are published in advance via the Council's website. All Member meetings held by the Council are open to the public and live streamed on You Tube, unless the items being discussed are considered to be confidential (Executive meetings) or otherwise exempt under the Local Government Act 1972 (all meetings); these will include staffing and legal matters and those of a contractual nature.

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

The Overview and Scrutiny Committee is responsible for reviewing and scrutinising the decisions made by and performance of the Cabinet and/or Committees and Council Officers. Decisions made by Cabinet or a Cabinet Member can be subjected to scrutiny via a call-in procedure allowing challenge within five working days of the decision being taken. In addition to the Overview and Scrutiny Committee, the Council has also set up three Scrutiny Select Committees which have the power to investigate any matters they consider relevant to their work area, and to make recommendations to the Council, the executive or any committee of the Council as they see fit.

The Council has established arrangements to communicate and consult with stakeholders on the Council's work and key policy changes and this consultation allows the development of strategic priorities and the Corporate Strategy. In addition, the Council uses its complaints procedure to understand where services can be improved.

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

The Council's current Corporate Strategy sets out Our Vision: *To continue to be a financially sustainable Council with strong leadership that delivers valued services, a commitment to delivering innovation and change to meet the needs of our Borough guided by our values and priorities: Achieving efficiency; Embracing effective partnership working and funding; Valuing our environment and encouraging sustainable growth; and Innovation.* A further addendum was added to the Corporate Strategy to provide a framework until the end of the 2022/23 financial and municipal year.

The Council undertook a consultation on a new Corporate Strategy for 2023 to 2025 in February 2023 with the intention of a final version being approved by Full Council by Summer 2023.

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

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

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

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

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

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

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

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

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

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

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

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

Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which is used to develop the Council's vision and objectives. This ensures that risks to the achievement of the Council's objectives are identified and managed appropriately. Risks identified are scored on the basis of their likelihood and impact and existing controls and required actions to further mitigate risks are captured in risk registers and a risk management escalation process in place. The framework sets out the responsibility of Officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.

Specific issues that required continuing corporate ownership, action and monitoring in 2022/23 and identified as high risk areas on the Strategic Risk Register included the waste services contract, the Local Plan, council finances (as a result of the continued impact of the inflationary and cost of living crisis), organisation development through recruitment and retention skill mix; and new legislation being implemented for the May 2023 elections.

The Covid-19 pandemic and subsequent inflationary pressures have had a profound impact across service areas, businesses and the wider community and continue to do so. We will not know the full extent of the impact for some time. In looking forward it is assumed that the reductions in income and increased costs seen as a result of the pandemic in large part will return to pre Covid-19 levels in the short to medium term. The extent and speed of the recovery will need to be closely monitored and to take corrective action if this is proved not to be the case.

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

The Council has an effective Internal Audit function. The Internal Audit function is provided by Kent County Council under delegation and operates in line with proper practices which is governed by the Public Sector Internal Audit Standards and the CIPFA application note to the Standards. The Chief Audit Executive role meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud, bribery and

corruption arrangements including whistleblowing recommending its adoption to the General Purposes Committee. The Chief Audit Executive is responsible for the maintenance of the Council's Anti-Fraud, Bribery & Corruption Policy and Whistleblowing Policy and has arrangements and resources in place to investigate any allegations made under either document.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and the Financial Management Code. The Council's financial information and reporting arrangements are sound and the external auditor following the 2021/22 audit concluded the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. No significant weaknesses in arrangements identified, but improvement recommendations made.

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

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

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

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

The Review of Effectiveness of the System of Internal Audit for the year 2022/23 concluded that a good system of internal audit is in place within the Council.

#### **Review of effectiveness**

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

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

It should be noted that no significant governance issues were identified in the Annual Governance Review and no other areas were identified for further enhancement. A change was made in year to the legal implications section of Member reports to make it clear where the commentary had been vetted by the Legal team. For completeness no audit reports received a 'no assurance' opinion.

In addition, the findings, conclusions and recommendations from the recent Peer Challenge Review undertaken in 2021/22 in relation to the Corporate Strategy, monitoring achievement of strategic objectives and priorities, KPIs and governance arrangements have either been implemented, or were in the process of being implemented, during the financial year.

Signed



Julie Beilby  
Chief Executive

Dated 31 May 2023

Signed



Matt Boughton  
Leader of the Council

Dated 31 May 2023



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

### **Report on the Audit of the Financial Statements**

#### **Opinion on financial statements**

We have audited the financial statements of Tonbridge & Malling Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are responsible for concluding on the appropriateness of the Director of Finance and Transformation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance and Transformation's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance and Transformation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Transformation with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance and Transformation is

responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

#### **Responsibilities of the Authority and the Director of Finance and Transformation**

As explained more fully in the Statement of 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. 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Transformation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Transformation is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

## **Auditor's responsibilities for the audit of the financial statements**

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraudulent expenditure recognition. We determined that the principal risks were in relation to journal entries which met a range of criteria defined as part of our risk assessment. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on journals meeting a range of criteria defined as part of our risk assessment;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment properties and pension fund net liability valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our risk assessment procedures.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant estimates related to valuations of land and buildings, investment properties and the pension fund net liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation;
  - guidance issued by CIPFA/LASAAC and SOLACE; and
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

#### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except on 7 July 2023 we identified two significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness:

- During 2022/23 the Council lacked a performance framework to proactively forward plan and anticipate emerging issues. We recommend that the Council improves its performance management arrangements by creating a performance management framework at corporate and service levels, linking outcomes to expected annual measures.
- The Council's Procurement Strategy and Contract Standing Orders are outdated and the Council lack an intelligent client function for procurement and contract management, without a specialist trained officer to lead procurement and contract management, and no regular procurement or contract management training provided to officers or Members. We recommend that the Council updates its Procurement Strategy and Contract Standing Orders and have a suitably trained client lead for procurement and contract management.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

#### **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Tonbridge & Malling Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

#### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

**Sophia Brown**, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: XXX







**2022/23**

# The Audit Findings for Tonbridge and Malling Borough Council

Year ended 31 March 2023



# Contents



## Your key Grant Thornton team members are:

### Sophia Brown

Key Audit Partner

T +44 (0)20 7728 3179

E [sophia.y.brown@uk.gt.com](mailto:sophia.y.brown@uk.gt.com)

### Ghufran Ahmed

Audit Manager

T +44 (0)20 7728 2029

E [ghufran.ahmed@uk.gt.com](mailto:ghufran.ahmed@uk.gt.com)

### Usman Rasheed

Audit Assistant Manager

T +44 (0)20 7728 2751

E [usman.rasheed@gt.uk.com](mailto:usman.rasheed@gt.uk.com)

## Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

## Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Action plan – audit of financial statements](#)
- C. [Follow up of prior year recommendations](#)
- D. [Audit adjustments](#)
- E. [Fees and non-audit services](#)
- F. [Auditing developments](#)
- G. [DRAFT Audit opinion](#)

## Page

3  
6  
17  
20  
  
22  
23  
24  
25  
26  
28  
29

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

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

Grant Thornton UK LLP

25 September 2023

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Tonbridge and Malling Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

## Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and

have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was completed remotely during July-September. Our findings are summarised on pages 8 to 16. We have identified a number of disclosure adjustments to the financial statements that are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work to date, these are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is complete, subject to the following outstanding matters;

- Areas with outstanding information from management:
  - Queries on IT general controls
  - Queries on land & building and investment property samples;
  - Replies from pension liability actuary and report from Kent County Council Pension Fund auditors; and
  - Queries on investments (Close Brothers Limited and Goldman Sachs International Bank).
- Areas where testing is in progress and planned for completion by end of September:
  - Journal entries samples;
  - Grant received in advance and grant income samples;
  - Debtor samples;
  - Income completeness samples; and
  - Queries on Movement in Reserves Statement.
- Receipt of management representation letter – included in Audit Committee papers;
- Review of the final set of financial statements; and
- Final quality review check on audit file by engagement manager and engagement lead and conclusion of the audit.

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

Our anticipated financial statements audit report opinion will be unmodified. We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weaknesses identified in the Council's arrangements is detailed on pages 17 to 19 of this report.

# 1. Headlines

---

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, and our detailed commentary is set out in the separate 2022-23 Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report on pages 17 to 19.

---

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We cannot formally conclude the audit and issue an audit certificate for Tonbridge and Malling Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to Whole of Government Accounts (WGA) for the year ended 31 March 2023 – we await guidance from the National Audit Office on 2022-23 WGA procedures.

---

## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

---

# 1. Headlines

---

## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021-22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us to enable us to get to the finalisation of the audit.

---

## National context – level of borrowing

All councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. During our VFM work for Tonbridge and Malling Borough Council we have not identified any significant weakness related to financial sustainability, however we have made an improvement recommendation for developing a transformation programme to enable reducing spend by looking at different ways of delivering services. Our detailed commentary is set out in the separate 2022-23 Auditor's Annual Report, which is presented alongside this report.

---

## 2. Financial statements

### Overview of the scope of our audit

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

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

### Audit approach

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

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

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting by the end of September 2023. These outstanding items have been detailed in the page 3 of this report.

#### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.



## 2. Financial statements



### Our approach to materiality

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

Materiality levels remain the same as reported in our Audit Plan 17 April 2023, but we have reduced specific materiality levels for senior officer remuneration and termination benefits disclosure to zero since these are sensitive disclosures. We set out in this table our determination of materiality for Tonbridge and Malling Borough Council.

Page 203

	<b>Council Amount (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	1,150,000	This benchmark is determined as a percentage of the Council's gross expenditure in the current year. The benchmark percentage was is 2%.
Performance materiality	805,000	Performance materiality is based on 70% of of the overall materiality.
Trivial matters	57,500	This balance is set as 5% of the overall materiality.
Materiality for cash and cash equivalents	500,000	We have identified cash and cash equivalents as a balance where we will apply a lower materiality level, as it is considered sensitive balance. We have set a materiality of £500,000.
Materiality for senior officer remuneration and termination benefits disclosure	50,000	We have identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures. We have set a materiality of £50,000.





## 2. Financial statements – significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of controls, in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none"> <li>• Evaluated the design effectiveness of management controls over journals.</li> <li>• Analysed the journals listing and determined the criteria for selecting high risk unusual journals.</li> <li>• Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence.</li> <li>• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work to date has not identified any issues in respect of management override of controls.</p>
<p><b>Valuation of land and buildings</b></p> <p>The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none"> <li>• Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.</li> <li>• Evaluated the competence, capabilities and objectivity of the valuation expert.</li> <li>• Wrote to the valuer to confirm the basis on which the valuation was carried out.</li> <li>• Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation.</li> <li>• Tested revaluations made during the year to see if they had been inputted correctly into the asset register.</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul> <p>Our work to date has not identified any significant issues in respect of the valuation of land and buildings.</p>

## 2. Financial statements – significant risks

### Risks identified in our Audit Plan

#### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability, noting that the impact of the Local Government Pension Scheme 2022 triennial valuation will impact the Council's 2022-23 pension fund net liability. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the Council but should be set on the advice given by the actuary. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.

### Commentary

To address this risk, we:

- Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls.
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work.
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.
- Assessed the reasonableness of the actuary's assumptions and calculations in line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Assessed the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report.

We have yet to receive assurances from the auditor of Kent County Council Pension Fund as to the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund; and the fund assets valuation in the pension fund financial statements.

Our work to date has not identified any significant issues in respect of the valuation of pension fund net liability.

## 2. Financial statements – other risks

### Risks identified in our Audit Plan

#### Fraud in expenditure recognition

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk that the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

Having considered the risk factors related to this risk and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted for the Council's expenditure, because:

- there is little incentive to manipulate expenditure recognition;
- opportunities to manipulate expenditure recognition are limited; and
- the culture and ethical frameworks of local authorities, including Tonbridge & Malling Borough Council, mean that all forms of fraud are seen as unacceptable.

However, we have identified that due to the level of estimation involved in the manual accruals of expenditure and the potential volume of accruals at year end there is an increased risk of error in expenditure recognition.

### Commentary

To address this risk, we:

- Inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.
- Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. We also compared listings of accruals to the previous year to ensure completeness of accrued items.
- Investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.

Our work to date have not identified any significant issues in respect of expenditure recognition.

## 2. Financial statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Land and building valuations – £65.1m	<p>The Council's accounting policy for non-current assets is at Note 2r. The policy covers accounting and valuation issues as well as all classes of asset. As a summary, 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. Approximately 81% of the total value of land and buildings was revalued in the year. The carrying value of the assets subject to formal valuation pre-valuation was £49.24m. As such, overall upward movement of £3.1m was recognised on formal valuations undertaken for 2022-23.</p> <p>The land and building comprises £42.9m of specialised assets, such as leisure centres, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service potential. The remainder of other land and buildings (£22.1m) are not specialised in nature and are required to be valued under the existing use value (EUV) method.</p> <p>Management asked the valuer to consider the year end value of non-revalued properties and the potential valuation change in the assets revalued as at 1 January 2023 movement to 31 March 2023, applying industry average indices and to determine whether there has been a material change in the total value of these properties. The valuer's assessment of assets not revalued has identified no material change to asset values.</p>	<p>We identified a significant audit risk in respect of the valuation of land and buildings. In the course of our work, we have performed an assessment of management's expert, checked the completeness and accuracy of the underlying information used to determine the estimate as well as considering the reasonableness of movements in the valuations and the assumptions used.</p> <p>The adequacy of disclosure of the estimate in the financial statements has also been considered and is deemed reasonable.</p>	<p>Our work to date has not identified any significant issues. We await completion of PPE revaluation work as described on page 8 before concluding our assessment.</p>

### Assessment

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

## 2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment																								
<b>Net pension liability – £9.3m</b>	<p>The Council's net pension liability at 31 March 2023 is £9.3m (PY £58.3m) comprising the Kent County Council Local Government Pension Scheme.</p> <p>The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We considered the following areas:</p> <ul style="list-style-type: none"> <li>We have assessed the Council's actuary, Barnett Waddingham LLP, to be competent, capable and objective.</li> <li>We have assessed the actuary's approach taken, and detailed work carried out to confirm reasonableness of approach.</li> <li>We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.80%</td> <td>4.80% to 4.85%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.90%</td> <td>2.65% to 2.95%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>1% above CPI, hence 3.90%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>21.1</td> <td>19.5-22.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>23.5</td> <td>22.9-24.5</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets.</li> <li>We confirmed adequacy of disclosure of the estimate in the financial statements.</li> </ul> <p>Our work is substantially complete, subject to receiving an assurance letter from the pension fund auditor and queries in relation to significant year on year movements with the actuary.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.80%	4.80% to 4.85%	●	Pension increase rate	2.90%	2.65% to 2.95%	●	Salary growth	3.90%	1% above CPI, hence 3.90%	●	Life expectancy – Males currently aged 45/65	21.1	19.5-22.1	●	Life expectancy – Females currently aged 45/65	23.5	22.9-24.5	●	<p>Our work to date has not identified any significant issues. We await completion of pension liability work as described on page 9 before concluding our assessment.</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.80%	4.80% to 4.85%	●																								
Pension increase rate	2.90%	2.65% to 2.95%	●																								
Salary growth	3.90%	1% above CPI, hence 3.90%	●																								
Life expectancy – Males currently aged 45/65	21.1	19.5-22.1	●																								
Life expectancy – Females currently aged 45/65	23.5	22.9-24.5	●																								





### Assessment

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

# 2. Financial statements – information technology





This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

Following is the assessment subject to outstanding work to date:

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Integra	ITGC assessment (design and implementation effectiveness only)					No issues noted

Page 209

**Assessment**

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial statements – other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted, and requests sent. We have received direct confirmation for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Adjustments have been made by management as detailed on page 25.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.



## 2. Financial Statements - other communication requirements



### Our responsibility

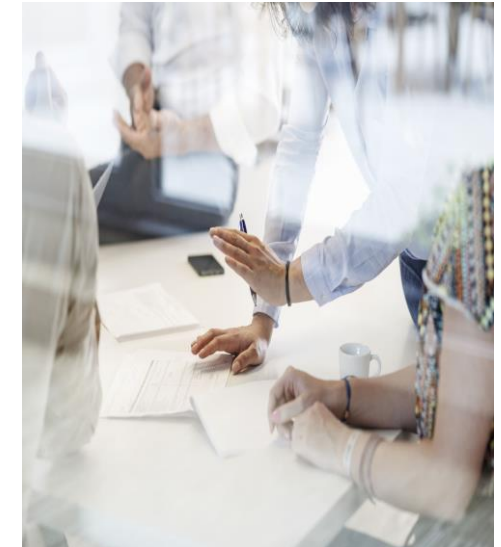
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

Page 211

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates;</li> <li>the Council's financial reporting framework;</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern; and</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified and</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No material inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix G.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; and</li> <li>• if we have applied any of our statutory powers or duties.</li> </ul> <p>We have nothing to report on these matters.</p> <ul style="list-style-type: none"> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.</li> </ul> <p>We identified significant weaknesses in the Council’s arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our detailed commentary is set out in the separate 2022-23 Auditor’s Annual Report, which is presented alongside this report.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that detailed work is not required as the Council does not exceed the threshold specified by the NAO.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022-23 audit of Tonbridge and Malling Borough Council following the completion of 2022-23 WGA submission.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022-23

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

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

Page 213



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

## Potential types of recommendations

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



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

# 3. VFM – our procedures and conclusions

We have completed our VFM work, and our detailed commentary is set out in the separate 2022-23 Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to these significant weakness in arrangements, as required by the Code, see Appendix G.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
The Council's arrangements for performance management is not adequate.	We considered how the Council: <ul style="list-style-type: none"> <li>uses financial and performance information to assess performance to identify areas for improvement</li> <li>evaluates the services it provides to assess performance and identify areas for improvement.</li> </ul>	We raised performance management as an improvement recommendation in the AAR for both 2020-21 and 2021-22. In 2022-23 the Council still lacked a performance framework meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged. Cabinet members cannot hold officers to account for performance if reporting is lacking. Performance benchmarking is not built into the Council's arrangements. While the Council recognises it needs to look at levels of delivery for statutory services given long-term financial constraints impact on its financial sustainability, this relies on effective performance data.	The Council needs to improve its performance management arrangements by: <ul style="list-style-type: none"> <li>Using the reset Corporate Plan to establish a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public;</li> <li>Developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place;</li> <li>Agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework;</li> <li>Ensuring performance reporting include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement;</li> <li>Ensuring the Cabinet receives quarterly performance reports to enable it to hold officers to account;</li> <li>Using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money;</li> <li>Ensuring that the new performance management framework and reporting extends to key contracts such as waste and leisure;</li> <li>Developing a strategic approach to assessing the levels of statutory services needed to save money;</li> <li>Engaging with hard-to-reach customers to ensure they can still access services given the Council's digital by default approach;</li> <li>Ensuring partnership performance management, including outcomes, is reported regularly to Cabinet; and</li> <li>Engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.</li> </ul>

# 3. VFM – our procedures and conclusions

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
<p>The Council's arrangements for procurement and contract management are not adequate to ensure it is achieving value for money.</p>	<p>We considered how the Council:</p> <ul style="list-style-type: none"> <li>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives.</li> <li>where it commissions or procures services assesses whether it is realising the expected benefits.</li> </ul>	<p>We raised an improvement recommendation to update the Council's Procurement Strategy in the 2020-21 and 2021-22 AARs. The Strategy is dated 2017 and needs to consider changes over the last six years including the Procurement Bill, Brexit, the National Procurement Policy Statement June 2021 and the LGA national procurement framework from 2018 that was updated in 2022. The Council lacks an intelligent client function for procurement and contract management. It has no specialist trained officer to lead procurement and contract management or ensure regular training is provided to members and officers, instead it has a procurement group and assigns responsibility to each service. The Council's contract standing orders (CSOs) in the constitution are out of date following the procurement changes since Brexit and need updating and communicating through the organisation. The Council has a legal duty to secure value for money and social value in commissioning and procurement.</p>	<p>The Council needs to improve its procurement and contract management arrangement by:</p> <ul style="list-style-type: none"> <li>Updating its procurement strategy;</li> <li>Ensuring the contracts register is monitored, kept up to date and used by all services;</li> <li>Ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation;</li> <li>Having a suitably trained client lead for procurement and contract management;</li> <li>Provide training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and value for money; and</li> <li>Ensuring the Council's shared arrangements for fraud also include procurement and contract management.</li> </ul>

# 5. Independence and ethics

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

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

## Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Claim	28,170	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,170 in comparison to the total fee for the audit of £61,099 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

Details of fees charged are detailed in Appendix E.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – audit of financial statements
- C. Follow up of prior year recommendations
- D. Audit adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. DRAFT Audit opinion



# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.



## B. Action plan – audit of financial statements

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management, and we will report on progress on this recommendations during the course of the 2023-24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	<p><b>Approval of journal entries</b></p> <p>Management have a policy that all journals with value above £25,000 will be individually approved. However, during the year, we have noted that there were journal entries which were posted by Chief Financial Services Officer and approved by him as well. This represents lack of segregation of duties over approval of journal entries.</p>	<p>Management should ensure proper segregation of duty exist between posting and approving of journal entries.</p> <p><b>Management response</b></p> <p>In total 382 Journal forms covering 6,389 lines of entry were posted for the 2022-23 financial year of which less than 5% were undertaken by the Chief Financial Services Officer. These postings covered areas such as the Collection Fund, Pension Arrangements, VAT control and Cash allocations, all of which are subject to higher scrutiny under the audit inspection. From 2023-24 all of these are now the responsibility of the newly appointed Principal Accountant the number of journals that would be posted by the CFSSO will reduce dramatically and will be authorised, if required, by the CFO.</p>

### Controls

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Tonbridge & Malling Borough Council's 2021-22 financial statements, which resulted in 3 recommendations being reported in our 2021-22 Audit Findings Report. We have followed up on the implementation of our recommendations as follows:

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	<p><b>Mapping of trial balance to financial statements:</b>            Deficiency noted through our journal's completeness work, whereby balances are not categorised to the balance sheet as expected. Specifically, the Council includes some debtors and creditors balances within the same account codes. At year end, the debtors and creditors are manually split out to prepare the FS.</p>	<p><b>Management's response included in 2022-23 Audit Plan:</b>            Per management comment, the Integra System only holds a single balance for various account codes, and splitting these would add significant time to an already tight timetable to complete the financial statements. Therefore, no further action has been made on this recommendation.</p>
✓	<p><b>Journal authorisation:</b>            There is no formal authorisation process in place for journals at the Council. There is a risk that users could post fraudulent journals to manipulate the financial position without detection or could disrupt an audit trail. However, we do not consider the risk to be significant given that there are only six users who have the ability to post journals and any unusual material journals posted could be identified via budgetary monitoring.</p>	<p><b>Management's response included in 2022-23 Audit Plan:</b>            Per management comment, following discussions with colleagues around Kent, the Council has adopted a plan to authorise any journal line over £25,000. Reports are being prepared for the 2022-23 year to date and the remainder of the closedown period.</p>
Ongoing	<p><b>Fixed asset register (FAR):</b>            Deficiency noted in the preparation and maintenance of the Council's FAR, maintained in an Excel workbook with separate tabs for each asset type. This means that there is not one listing of all assets from which sampling, recon, or other checks can be carried out. Additionally, the FAR does not clearly include data needed to determine accounting entries for revaluation movements.</p>	<p><b>Management's response included in 2022-23 Audit Plan:</b>            Per management comment, this recommendation was made after using the same format since the inception of capital charges in 1993, that being said management has agreed to review and update these registers, the first being Land and Buildings which has been reviewed in 2022-23 with other FARs to be reviewed in the forthcoming years.</p>

## Assessment

- ✓ Action completed
- x Not yet addressed

# D. Audit adjustments

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

## Impact of the prior year unadjusted misstatements

There were no adjustments identified during the 2021-22 audit that were above the trivial threshold set for the 2021-22 financial statements audit.

## Impact of current year adjusted misstatements

No adjusted misstatements have been identified at the date of issuing our Report which are above the reportable threshold. We will provide an update to Management and the Audit Committee should any issues be identified from the remaining testing.

## Impact of current year unadjusted misstatements

No unadjusted misstatements have been identified at the date of issuing our Report. We will provide an update to Management and the Audit Committee should any issues be identified from the remaining testing.

Page 221

## Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
<b>Disclosure and presentation</b>	<p>Our audit identified some typographical and disclosure errors which were brought to management's notice. These are all mainly related to accounting policies. These errors were all minor and have no impact on the statement of financial position or statement of comprehensive income. The changes are primarily related to:</p> <ul style="list-style-type: none"> <li>• Critical judgements</li> <li>• Estimation uncertainty</li> <li>• Expenditure and funding analysis</li> <li>• Property, plant and equipment</li> </ul> <p><b>Management response</b></p> <p>Management has agreed to make the required amendments.</p>	✓

# E. Fees and non-audit services

We confirm below our final fees charged for the audit.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council audit	£61,099	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£61,099</b>	<b>TBC</b>

Details regarding the proposed fee for provision of non-audit services is as below.

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Audit-related services: Certification of Housing Benefit Claim	£28,170	TBC
<b>Total non-audit fees (excluding VAT)</b>	<b>£28,170</b>	<b>TBC</b>

# E. Fees and non-audit services

## Audit fees – detailed analysis

We confirm below our proposed fees charged for the audit as outlined in our 2022-23 audit Plan

Audit fees	Proposed fee
Scale fee published by PSAA 2019, including ongoing annual uplift in relation to regulator challenge, and enhanced PPE and pensions audit procedures	42,749
Additional work on Value for Money under new NAO Code	9,000
Increased audit requirement of revised ISA 540	2,100
Increased audit requirement in respect of journal audit procedures	3,000
<b>New issues for 2022-23</b>	
Introduction of ISA 315	3,000
Enhanced audit procedures for Payroll – change of circumstances	500
Enhanced audit procedures for Collection Fund - reliefs testing	750
<b>Total proposed audit fee 2022-23 (excluding VAT)</b>	<b>61,099</b>

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Page  
224

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures;</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control;</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling; and</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism;</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence;</li> <li>increased guidance on management and auditor bias;</li> <li>additional focus on the authenticity of information used as audit evidence; and</li> <li>a focus on response to inquiries that appear implausible.</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors; and</li> <li>additional communications with management or those charged with governance.</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

# H. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Council with an audit report as follows:

## DRAFT Independent auditor's report to the members of Tonbridge & Malling Borough Council

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements of Tonbridge & Malling Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance and Transformation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance and Transformation's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance and Transformation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability



# H. Audit opinion

to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Transformation with respect to going concern are described in the relevant sections of this report.

## Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and [SQLACE](#) or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 [in the course of](#), or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 [in the course of](#), or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or,
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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



# H. Audit opinion

## Responsibilities of the Authority and the Director of Finance and Transformation

As explained more fully in the Statement of 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. 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Transformation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Transformation is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

## Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraudulent expenditure recognition. We determined that the principal risks were in relation to journal entries which met a range of criteria defined as part of our risk assessment. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on journals meeting a range of criteria defined as part of our risk assessment;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment properties and pension fund net liability valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our risk assessment procedures.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant estimates related to valuations of land and buildings, investment properties and the pension fund net liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

# H. Audit opinion

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable [legislation](#);
  - guidance issued by CIPFA/LASAAC and SOLACE; and
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except on 7 July 2023 we identified two significant weaknesses in the Council's arrangements for improving economy, [efficiency](#) and [effectiveness](#):

- During 2022/23 the Council lacked a performance framework to proactively forward plan and anticipate emerging issues. We recommend that the Council improves its performance management arrangements by creating a performance management framework at corporate and service levels, linking outcomes to expected annual measures.
- The Council's Procurement Strategy and Contract Standing Orders are [outdated](#) and the Council lack an intelligent client function for procurement and contract management, without a specialist trained officer to lead procurement and contract management, and no regular procurement or contract management training provided to officers or Members. We recommend that the Council updates its Procurement Strategy and Contract Standing Orders and have a suitably trained client lead for procurement and contract management.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

# H. Audit opinion

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Tonbridge & Malling Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

**Sophia Brown**, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: XXX





[www.tmbc.gov.uk](http://www.tmbc.gov.uk)

[www.tmbc.gov.uk](http://www.tmbc.gov.uk)

[financial.services@tmbc.gov.uk](mailto:financial.services@tmbc.gov.uk)

Grant Thornton UK LLP  
30 Finsbury Square  
London  
ECA2 1AG

<b>Contact</b>	<b>Mrs S Shelton</b>
<b>Email</b>	<b><a href="mailto:Sharon.shelton@tmbc.gov.uk">Sharon.shelton@tmbc.gov.uk</a></b>
Your ref.	
Our ref	F/200/
Date	25 September 2023

Dear Sirs

**Tonbridge & Malling Borough Council**  
**Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Tonbridge and Malling Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Financial Services  
Gibson Building, Gibson Drive, Kings Hill, West Malling, Kent, ME19 4LZ  
Director of Finance and Transformation: Sharon Shelton BSc (Hons), FCPFA  
Chief Financial Services Officer: Neil Lawley FCPFA

Have you tried  
contacting us at  
[www.tmbc.gov.uk/  
do-it-online?](http://www.tmbc.gov.uk/do-it-online?)



- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and buildings and investment properties, year-end accruals, year-end provisions including NNDR appeals, impairment loss allowance for debtors, and valuation of defined benefit net pension fund liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis

and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

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

#### **Information Provided**

- xvi. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - d. management;
  - e. employees who have significant roles in internal control; or
  - f. others where the fraud could have a material effect on the financial statements.

- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Annual Governance Statement**

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

### **Narrative Report**

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

### **Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 25<sup>th</sup> September 2023.

Yours faithfully

Name: Councillor Robert Cannon  
Position: Chair of the Audit Committee  
Date: 25<sup>th</sup> September 2023

Name: Sharon Shelton  
Position: Director of Finance and Transformation  
Date: 25<sup>th</sup> September 2023



## TONBRIDGE & MALLING BOROUGH COUNCIL

### AUDIT COMMITTEE

25 September 2023

#### Report of the Chief Audit Executive

#### Part 1- Public

#### Matters for Information

### 1 INTERNAL AUDIT AND COUNTER FRAUD UPDATE

This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function.

#### *Internal Audit Update*

#### 1.1 Introduction

- 1.1.1 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 1.1.2 The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. For TMBC, the "Board" is considered to be the Audit Committee.

#### 1.2 Progress against the 2023/24 Plan

- 1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2023/24 was approved by Members of the Audit Committee on the 17 April 2023. The purpose of this part of the report is to provide Members with an update on the progress of the Internal Audit team in 2023/24 against the Plan. The Plan reflects all work to be undertaken by the team during the financial year.
- 1.2.2 Progress against the 2023/24 Internal Audit Plan is on target. And all current audits have been commenced. There are 3 finalised reports and summaries are presented to Audit Committee in this progress report.

Audit	Opinion
Risk Management	Adequate
Fire Safety	Substantial
Customer Services – Tonbridge Castle Review	Substantial

1.2.3 A summary of findings, where finalised, is attached at **[Annex 1]**.

#### **Additions to the Internal Audit and Fraud Plan 2023/24**

1.2.4 To ensure that the Plan is able to be flexible and respond to key risks; Members approved, at Audit Committee on 17 April 2023, 10 audits that were prioritised and scheduled for the first 6 months of 2023/24. The remaining identified reviews were presented to be kept under consideration and along with other emerging risks to the Authority, discussed with Directors as part of the 6-monthly liaison and planning meetings.

1.2.5 Following these planning meetings it is proposed that an additional 8 audits be added to the Internal Audit and Fraud Plan for 2023/24. Details of these additions are detailed at **[Annex 2]**.

### **1.3 Prevention and Detection of Fraud, Bribery and Corruption**

1.3.1 This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption during quarter 1 of 2023/24.

#### **National Fraud Initiative**

1.3.2 The Counter Fraud Team has collated the data specified by the Cabinet Office for the 2022/23 exercise. This includes reviewing the data to ensure it complies with the formats required and uploading in the required timescale.

1.3.3 The NFI biennial and flexible data matching service is progressing with matches being reviewed by relevant teams. To date this has identified £44,786 in additional Council Tax liability.

1.3.4 A decision has been made to not progress any further the Council Tax to other data sets data match. This is due to only 0.5% of matches reviewed so far resulting in a change in liability, therefore it would not be cost effective to progress this match which is of poor data quality.

#### **Kent Intelligence Network**

1.3.5 The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2023/24 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business premises.

1.3.6 In addition, a review of all discounts/exemptions within Business Rates is under way, the review is to reaffirm the award of a discount/exemption or to amend the account if circumstances have changed.

1.3.7 During quarter 1 the following results have been achieved:

- Single person discount to financial matches £6,856 increased council tax liability
- Single person discount to NFI matches £27,968 increased Council Tax liability
- Unrated Businesses £131,599 increased liability
- Retriever Debtor Tracing £66,447 for recovery action

### **Investigating Fraud, Bribery and Corruption**

1.3.8 A total of 22 referrals have been received by the Counter Fraud Team during quarter 1. The most reported fraud type is single person discounts where 12 referrals have been received. The second most reported fraud type is council tax reduction where a total of eight referrals have been reported.

1.3.9 A total of 26 cases were carried forward from 2022/23, from the 22 new referrals and 26 cases carried forward 33 of these have been closed during quarter 1. The outcomes of these cases are:

- 7 cases have been referred externally to the DWP.
- 14 cases closed, where no further action is required.
- 10 cases have been referred internally.
- 2 cases closed; housing application withdrawn.

## **1.4 Legal Implications**

1.4.1 The Accounts and Audit Regulations place a statutory requirement on local authorities to undertake an adequate and effective internal audit of systems of risk management, governance and control in line with the PSIAS.

1.4.2 The Council has a legal duty under s151 of Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.

1.4.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

## **1.5 Financial and Value for Money Considerations**

1.5.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources

in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

- 1.5.2 Fraud prevention and detection is an area subject to central government focus with initiatives such as the National Fraud Initiative and Local Government Counter Fraud and Corruption Initiative. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

## **1.6 Risk Assessment**

- 1.6.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the Council on the adequacy and effectiveness of its framework for governance, risk management and control.
- 1.6.2 Failing to have an efficient and effective Counter Fraud function could lead to an increased level of fraud. This report, summarising the work of the Counter Fraud function, provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

Background papers:

Nil

Richard Benjamin  
Chief Audit Executive

Audit Review Title	Audit Opinion	Prospect for Improvement	Scope of Audit and Findings
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 23 Risk Management</p>	Adequate	N/A	<p>The TMBC Risk Management Strategy makes clear the Council's approach to risk management, its commitment to aligning risk management with the objectives and strategies of the Council and its commitment to embedding risk management throughout the organisation, making it a part of everyday service delivery and decision making. Accompanying Risk Management Guidance is available to support Members and Officers with fulfilling their responsibilities, whilst this document does expand on how various activities should be undertaken, there are some areas where the guidance lacks sufficient detail and could be enhanced.</p> <p>Officers across the Council understand their role in relation to risk management and were able to accurately describe their responsibilities in line with those detailed in the TMBC Risk Management guidance. Officers were able to demonstrate a good understanding of risk management activities that should be undertaken and were able to provide explanation and examples of how those activities were completed within their areas. Some differences were however noted in relation to how some activities are carried out in different service areas, particularly in the identification of risks (Horizon Scanning) and the use of standard design risk registers to record risks. Differences were also noted on some risk registers in relation to the scoring criteria used when assessing risks. It was also noted that there is not always sufficient evidence to confirm review of risk registers or specific risks, controls, and mitigating actions within.</p> <p>Internal Audit's overall Audit Opinion of <b>Adequate</b> is based on the following Key Strengths and Areas for Development:</p> <p><b>Key Strengths</b></p> <ul style="list-style-type: none"> <li>• The Risk Management strategy and accompanying risk management guidance is reviewed internally with appropriate frequency (annually) and is subject to approval through Audit Committee, Cabinet and finally Council.</li> <li>• The Risk Management strategy clearly defines roles and responsibilities within the council with regards to risk. The accompanying guidance provides additional information regarding how risks at different levels should be allocated to service managers, service management teams and the senior management team.</li> <li>• Risk registers are produced for all service areas together with a strategic risk register.</li> <li>• The strategic risk register is being reviewed with appropriate frequency and there is evidence of these reviews taking place.</li> <li>• The strategic risk register has recently been updated to include a direction of travel indicator to provide an "at a glance" view of whether risk scores have increased or decreased since the previous review.</li> <li>• The service risks identified document provides a regular update for Audit Committee and Members regarding the management of ongoing risks.</li> <li>• TMBC risk management guidance is clear regarding the requirements to communicate and escalate risks, officers interviewed correctly identified the procedures for escalating risks based on their risk rating.</li> </ul>

Audit Review Title	Audit Opinion	Prospect for Improvement	Scope of Audit and Findings																
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 240</p>			<ul style="list-style-type: none"> <li>Audit were advised that risk management is a standing agenda item for team meetings and service team meetings.</li> </ul> <p><b>Areas for Development</b></p> <ul style="list-style-type: none"> <li>The Risk Management strategy has not been subject to external or peer review or compared against the strategies of other similar local authorities since it was developed.</li> <li>Although both the Risk Management strategy and the accompanying guidance are subject to annual internal review, there is no version control or document ownership information on the risk management guidance document.</li> <li>There are some areas where the risk management guidance lacks sufficient detail and could be enhanced.</li> <li>Risk assessment training has been provided by Zurich to some staff working in various teams although this has not extended to most of the Heads of Service or Service Managers interviewed.</li> <li>A standard TMBC risk assessment template is available as part of the risk management guidance document however there is little evidence to confirm that this is being used when assessing risks and determining appropriate controls/mitigating actions. This has resulted in a small number of risks appearing on risk registers with no controls or mitigating actions detailed</li> <li>Review of the service risk registers identified several instances where the risk scoring method used was different to that detailed in TMBC risk management guidance.</li> <li>Risk registers take several different formats, not all the service risk registers record all information that is suggested as required in the template risk register included in the TMBC risk management guidance.</li> <li>Whilst discussions with heads of service and service managers confirmed that there are some good examples of proactive actions being taken in identifying new or emerging risks, horizon scanning activity to identify new or emerging risks is not consistently being undertaken across all areas of the Council.</li> <li>There is currently no place on the standard risk registers to record when and where a risk was escalated. It was also noted that, meeting minutes, (if available) do not consistently specifically detail agreement to add new risks to risk registers.</li> </ul> <p><b>Summary of management responses</b></p> <table border="1" data-bbox="772 1236 2033 1460"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Medium Risk</td> <td>3</td> <td>3</td> <td>N/A</td> </tr> <tr> <td>Low Risk</td> <td>3</td> <td>3</td> <td>N/A</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	N/A	N/A	Medium Risk	3	3	N/A	Low Risk	3	3	N/A
		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed															
High Risk	0	N/A	N/A																
Medium Risk	3	3	N/A																
Low Risk	3	3	N/A																

Audit Review Title	Audit Opinion	Prospect for Improvement	Scope of Audit and Findings																
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 241</p> <p>Fire Safety</p>	<p>Substantial</p>	<p>N/A</p>	<p>A review of the processes undertaken displayed compliance with the key legal processes.</p> <p>Internal Audit have identified control weaknesses, with the monitoring and oversight of training. Controls could also be improved in the set-up of a new third-party contractor for the external quality assurance for their fire risk assessment.</p> <p>Internal Audit’s overall Audit Opinion of <b>Substantial</b> is based on the following Key Strengths and Areas for Development:</p> <p><b>Key Strengths</b></p> <ul style="list-style-type: none"> <li>• The risk assessment procedures are being followed and completed periodically.</li> <li>• TMBC are completing Fire Drill assessments every 6 months, rather than the regulatory requirement of once a year.</li> <li>• There is an up-to-date Fire Safety policy in place, as well as a Fire Evacuation procedure for the Gibson Building.</li> <li>• TMBC are actively reviewing and updating their policy on a yearly basis, and it is accessible to all staff on StaffNet.</li> <li>• There are good internal quality Assurance (QA) processes in place to ensure TMBC’s Fire safety assessments are being completed and recorded in accordance with agreed guidance and legislation.</li> <li>• TMBC are collaborating with the other occupants of the Gibson Building to actively uphold their preventative fire measures.</li> <li>• There are KPIs that are being regularly monitored and evaluated</li> <li>• Reports on the evacuation risk assessments are being issued on at least a biannual basis.</li> <li>• There are sufficient processes in place to ensure that there are enough Fire Wardens on the premises to ensure a safe evacuation in the event of a fire.</li> </ul> <p><b>Areas for Development</b></p> <ul style="list-style-type: none"> <li>• Mandatory training for the Fire Wardens and Incident Controllers are not being completed and there is no adequate monitoring of necessary refresher training.</li> </ul> <p><b>Summary of management responses</b></p> <table border="1" data-bbox="772 1305 2033 1522"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Medium Risk</td> <td>1</td> <td>Complete</td> <td>Complete</td> </tr> <tr> <td>Low Risk</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	N/A	N/A	N/A	Medium Risk	1	Complete	Complete	Low Risk	N/A	N/A	N/A
	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed																
High Risk	N/A	N/A	N/A																
Medium Risk	1	Complete	Complete																
Low Risk	N/A	N/A	N/A																



Audit Review Title	Audit Opinion	Prospect for Improvement	Scope of Audit and Findings																
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 342 Customer Services Review – Tonbridge Castle</p>	Substantial	N/A	<p><b>Governance and Decision Making</b> - Initial project documentation has been developed, this includes a Castle planning document outlining the purposes of the project, scope of the group, governance via the two groups set up and workstreams for various elements of the project and also a Progress Dashboard and methodology document although this has not been updated as stage 1 of the project has progressed.</p> <p>Project updates are being provided to members</p> <p><b>Benefits Realisation</b> - The purpose of the project is clearly defined as to evaluate the current commercial operation of Tonbridge Castle and grounds, understand the different activities that are currently taking place, and to propose how TMBC utilises the strategic asset of Tonbridge Castle and grounds to generate sustained long term revenue streams to make the site as cost effective as possible significantly reducing the subsidy provided by the Council.</p> <p><b>Risks and Issues</b> - Each of the five concepts identified from the consultation exercise are now being evaluated using a model template to further review the feasibility of each option. Each evaluation includes a SWOT analysis relevant to the concept being explored as each option will have a different risk profile. Each evaluation will also include a Value proposition, KPI measures that would be in place and scoring criteria. Members will then be asked to identify which options they wish officers to consider further and each of those options will then be subject to a detailed risk assessment prior to any final decision being taken.</p> <p>The weaknesses and threats identified have not been developed into a project risk register.</p> <p><b>Project Plans and Priorities</b> - Project phases and timescales have been clearly defined.</p> <p>Communications - There has been engagement with identified stakeholders in the form of the public consultation, the results of which have been published. Meeting minutes for Community and Environment Scrutiny Select Committee in October 2022 and Cabinet on 8<sup>th</sup> November where the most recent decisions were made are published on the TMBC website.</p> <p>There is not currently a Communication Strategy or Plan to cover the lifetime of the Project.</p> <p><b>Summary of management responses</b></p> <table border="1" data-bbox="772 1326 2033 1544"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>1</td> <td>1</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>1</td> <td>1</td> <td>0</td> </tr> </tbody> </table>		Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	1	1	0	Low Risk	1	1	0
	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed																
High Risk	0	0	0																
Medium Risk	1	1	0																
Low Risk	1	1	0																

Audit Review Title	Audit Opinion	Prospect for Improvement	Scope of Audit and Findings
Estates Management			
Savings plan / Transformation			
IT Development			
Local Plan			
S106/CIL Governance			
Business Continuity Planning			
Parking Follow-Up			
Agile Board			
Castle Project			
Accounts Payable			

2023-24  
 S106  
 Parking  
 Follow-Up  
 Agile Board

This page is intentionally left blank

**Annex 2 Internal Audit and Counter Fraud Plan  
2023/24**

<b>Additional Audits</b>	<b>Indicative Days</b>	<b>Assurance/ Consultancy</b>	<b>Rationale for inclusion/High-level Scope</b>
Communications Strategy	15	A	Review implementation of external Communication Strategy and plans to employ internal communications
Agile - Post Implementation review - Lessons Learnt	15	C	Lessons Learnt review for the implementation of the Agile system
GDPR - Incident Reporting	12	A	Review of the controls regarding incident reporting and current procedures
IT Helpdesk	12	A	Review operational efficiency of ICT Helpdesk
Planning Appeals and Enforcement	15	A	Review of the Planning application process and enforcement overseen by the Council
Waste Partnership	15	A	Review of the waste contract, to include adequacy and effectiveness of contract management procedures. Internal Audit will consider a joint review of the partnership with MK audit.
Contract Management - Leisure Trust	15	A	Review of project management and assessment of options appraisal
Performance Management Framework	15	A	Review of the new Corporate KPI's and Performance Management Framework
Existing Audits (Q1 and Q1)	118		Previously approved at Audit Committee 17th April 2023
Committee Training	3		
Follow Ups	10		Follow up of recommendations raised.
	<u>245</u>		
<b><u>Counter Fraud</u></b>			
Proactive fraud activity	146		
Investigations	170		
	<u>316</u>		
<b><u>Management Resource</u></b>	<u>135</u>		
<b>TMBC Internal Audit and Counter Fraud Plan</b>	<b><u>696</u></b>		
<b>Kent Intelligence Network</b>			
KIN Investigation resource	180		KIN data matching, revenue based NFI and SPD credit matches
	<u>876</u>		

This page is intentionally left blank

# Agenda Item 11

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

This page is intentionally left blank

# Agenda Item 12

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

**ANY REPORTS APPEARING AFTER THIS PAGE CONTAIN EXEMPT  
INFORMATION**



This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

# Agenda Item 14

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.



This page is intentionally left blank