

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive
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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

3 January 2025

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, 13th January, 2025 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

DAMIAN ROBERTS

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 23 September 2024.

Matters for Recommendation to the Cabinet

6. Risk Management 19 - 40

The report of the Management Team provides an update on the risk management process and the Strategic Risk Register. An update is also provided in respect of the Zurich Risk Management Review which was initially presented to Members in January 2024.

7. Treasury Management Update and Treasury Management and Annual Investment Strategy for 2025/26 41 - 92

The report provides details of investments undertaken and return achieved in the first eight months of the current financial year and an introduction to the 2025/26 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Cabinet.

8. Annual Audit Report 2023/24 93 - 148

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 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.

Matters for Decision under Delegated Powers

9. Statement of Accounts 2023/24 - Audit Findings Report 149 - 268

The unaudited Statement of Accounts was presented to this committee in July 2024. This report presents the Audit Findings Report following the review carried out by Grant Thornton.

10. Accounting Policies 269 - 286

This report presents the Accounting Policies proposed for the 2024/25 Financial Statements for consideration and endorsement.

11. Review of Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy 287 - 332

This report informs Members of the outcome of the annual review of the Council's Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy.

Matters submitted for Information

12. Internal Audit and Counter Fraud Progress Report 333 - 358

The report gives Members an update on the progress to date of the Internal Audit and Counter Fraud Teams.

13. Urgent Items 359 - 360

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

14. Exclusion of Press and Public 361 - 362

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

15. Urgent Items 363 - 364

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 T Bishop
Cllr J Clokey
Cllr M A J Hood

Cllr J R S Lark
Cllr B A Parry

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 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 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.

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Audit Committee					
	Conservative	Liberal Democratic	Green	Ind. Kent Alliance	Labour
1	Steve Hammond	Bill Banks	Kath Barton		
2	Dan Harman	Paul Boxall	Anna Cope		
3	Sarah Hudson	Garry Bridge	Steve Crisp		
4	Alex McDermott	Trudy Dean	Robert Oliver		
5	Keith Tunstall	Roger Roud	Stacey Pilgrim		
Members of Cabinet cannot be appointed as a substitute to this Committee					

Updated: July 2024

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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

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TONBRIDGE AND MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES

Monday, 23rd September, 2024

Present: Cllr R I B Cannon (Chair), Cllr M R Rhodes (Vice-Chair), Cllr T Bishop, Cllr J Clokey, Cllr M A J Hood, Cllr J R S Lark and Cllr B A Parry

Virtual: Councillors M D Boughton, S A Hudson, 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.

PART 1 - PUBLIC

AU 24/35 NOTIFICATION OF SUBSTITUTE MEMBERS

There were no substitute members.

AU 24/36 DECLARATIONS OF INTEREST

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

AU 24/37 MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee held on 22 July 2024 be approved as a correct record and signed by the Chairman.

AU 24/38 LOCAL AUTHORITY PROPERTY FUND

Members received a presentation from Kelly Watson, Head of Local Government Relationships for CCLA on the Local Authority Property Fund. CCLA was a commercial private limited company and its clients were owners indirectly through their investments. Particular reference was made to property investment returns since 1996, the outlook of UK interest rates, a comparison of property to other asset classes in terms of income return and growth and capital growth.

In terms of the Local Authority Property Fund, Members noted the asset allocation, tenant quality, historical distributions and discrete performance of the fund.

MATTERS FOR RECOMMENDATION TO THE CABINET**AU 24/39 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW
2024/25**

The report of the Director of Finance and Transformation provided 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 2024/25 was also included in the report.

A full list of investments held on 31 July 2024 was attached at Annex 1 to the report and a copy of the lending list at Annex 2. In terms of cash flow and core cash investments, £991,640 was earned in interest to the end of July, which was higher than the original estimate for the same period. The increase reflected the interest rate having been maintained at 5.25% for longer than anticipated, providing the Council with favourable investment opportunities. During the period 1 April 2024 to 30 June 2024, the £4.22m investment in property funds generated dividends of £40,320 which represented an annualised return of 3.21%, compared to 3.63% in 2023/24.

The Lothbury Property Trust had been terminated on 30 May 2024 after negotiations to merge the fund were unsuccessful. To date, the Council had received three payments totalling £853,850 of its initial investment. The remaining assets were expected to be sold by December 2024. Distributions would be made as and when assets sales had concluded, and dividends paid from income generating assets.

Members were advised that the Council had 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 and the Prudential and Treasury Indicators were attached at Annex 4 to the report.

The parameters to limit the Borough Council's exposure to investment risks were summarised in Annex 5. There were no changes to the current approved risk parameters proposed at this time. However, future consideration would be given to the inclusion of borrowing and debt rescheduling in anticipation of the future needs of the Council.

RECOMMENDED*: That the following be commended to Council:

- (1) the action taken in respect of treasury management activity for the period April to July 2024 be endorsed; and
- (2) the existing parameters intended to limit the Council's exposure to investment risks, as set out at Annex 5 to the report, be retained.

***Referred to Cabinet**

AU 24/40 RISK MANAGEMENT

The report of the Management Team provided an update on the risk management process and the Strategic Risk Register (SRR). An update in respect of the Zurich Risk Management Review which was presented to Members in January 2024 was also provided. The SSR was considered to be a 'live' document and was updated, as often as was required, by the Management Team.

In July 2024, there were 4 risks categorised as 'red' as summarised below:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system
- Contract/Contractor Procurement.

Members were advised at the last meeting that Management Team had undertaken a review of all the risks contained within the Strategic Risk Register with a view to achieving a more streamlined version, highlighting only the strategic risks to the Council over the one to two year horizon.

The 'red' risks continued to be:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system
- Contract/Contractor Procurement.

During discussion, the Chair reminded Members that they could request the lead officer for each 'red' risk to attend a meeting of the Audit Committee. Members expressed an interest in hearing about the risks associated with failure to deliver a Local Plan.

A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since the last report to the Committee were set out in Annex 2 of the report.

The findings of the Risk Management Health Check undertaken by Zurich Risk Management had been reported to the Audit Committee in January 2024. An update on the progress in addressing the recommendations identified for improvement were set out in Annex 3 of the report. Consideration had been given to a process for increasing visibility of risks across services and the Director of Finance and Transformation had been designated as the officer Risk Champion. In terms of a Member Risk Champion, it was agreed that this falls within the purview of the Chair of the Audit Committee as their responsibility was to oversee risk management.

RECOMMENDED*: That

- (1) the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED, be noted;
- (2) the lead officer for the Local Plan be requested to attend the next meeting of the Audit Committee should the risk remain RED;
- (3) the progress towards the delivery of recommendations from the Zurich Risk Management Review, be noted; and
- (4) the Chair of the Audit Committee be appointed as the Member 'Risk Champion'.

Referred to Cabinet*AU 24/41 PROGRESS WITH RECOMMENDATIONS FROM AUDITOR'S ANNUAL REPORT (VALUE FOR MONEY) 2022/23**

The report of the Management Team provided an update on the progress in addressing the recommendations made in the 2022/23 Auditor's Annual Report.

On 25 September 2023, the Committee received a copy of the Auditor's Annual Report for 2022/23 and noted that two significant weaknesses had been identified by Grant Thornton relating to performance management and procurement under the heading 'Improving economy, efficiency and effectiveness'.

In addition to the recommendations made in respect of the two significant weaknesses, Grant Thornton also made four improvement recommendations. These related to transformation, workforce strategy, the re-formatting of the Strategic Risk Register and the integration of financial reporting and performance data. A list of key recommendations and improvement recommendations was attached at Annex 1 to the report.

RECOMMENDED*: That

- (1) Annex 1 to the report be reviewed and, if appropriate, any further updates provided, be incorporated; and
- (2) the actions and commentary set out in Annex 1 to the report, be endorsed.

***Referred to Cabinet**

AU 24/42 LOCAL AUDIT BACKLOGS - NATIONAL TIMETABLE

The report of the Director of Finance and Transformation provided an update on the timetable for audits following receipt of a letter from the new Minister of State for Housing, Communities and Local Government, Jim McMahon CBE, attached at Annex 1 to the report. Members noted that the Minister intended to lay secondary legislation when parliamentary time allowed to provide backstop dates as detailed in paragraph 1.2.2 of the report.

RESOLVED: That the slight change to the timetable for backstop dates for the sign off of local authority accounts, be noted.

MATTERS SUBMITTED FOR INFORMATION**AU 24/43 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

The report provided an update on the work of both the Internal Audit and the Counter Fraud functions.

AU 24/44 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 2023/24 accounts and updated on emerging national issues and developments from the external auditor Grant Thornton.

AU 24/45 EXCLUSION OF PRESS AND PUBLIC

The Chairman moved, it was seconded and

RESOLVED: That as public discussion would disclose exempt information, the following matters be considered in private.

PART 2 - PRIVATE**AU 24/46 INSURANCE CLAIMS HISTORY**

(LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

The report of the Director of Finance and Transformation informed Members as to the nature and volume of liability and property damage insurance claims submitted for the year ended 31 August 2024.

The meeting ended at 9.35 pm

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Audit Committee

13 January 2025

Part 1 - Public

Recommendation to Cabinet – Council Decision



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Cabinet Members	Matt Boughton – Leader Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officers	Management Team
Report Authors	Sharon Shelton – Director of Finance and Transformation Paul Worden – Chief Financial Services Officer

Risk Management

1 Summary and Purpose of Report

- 1.1 The report of the Management Team provides an update on the risk management process and the Strategic Risk Register. An update is also provided in respect of the Zurich Risk Management Review which was initially presented to Members in January 2024.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 The identification, evaluation, and cost-effective control of risks is essential in safeguarding the Council's assets, employees and customers and the delivery of services to the local community.
- 2.3 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.

3 Recommendations

- 3.1 Members are asked to:
- 1) **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on those risks categorised as RED;

- 2) **NOTE** the progress towards the delivery of recommendations from the Zurich Risk Management Review; and
- 3) **NOTE** and **APPROVE** the objective to present an updated Risk Management Strategy to the September meeting of this Committee.

4 Introduction and Background

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 The current Risk Management Strategy was endorsed by this Committee in January and subsequently adopted by Full Council on 20 February 2024. The strategy would normally be subject to review at this meeting of the committee but will be delayed due to the reasons explained below.

5 Risk Management Escalation Process

- 5.1 Effectively risks are assessed/scored in terms of their likelihood/impact.
- 5.2 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.

5.3 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 scores risks have been given and confirm whether there are ‘Medium’ or ‘Low’ risks they wish to consider further.

6 Strategic Risk Register

6.1 The Strategic Risk Register (SRR) is considered to be a 'live' document and is updated, as often as is required, by the Management Team.

6.2 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]**.

6.3 For completeness the risks that were categorised as RED at the time of the September meeting of this Committee is given below:

- 1) Achievement of Savings and Transformation Strategy
- 2) Failure to agree a Local Plan
- 3) Implementation of the Agile software system
- Contract/Contractor Procurement

6.4 As Members were previously advised, Management Team undertook a review of all the risks contained within the Strategic Risk Register with a view to achieving a more streamlined version, highlighting only the strategic risks to the Council over the one-to-two-year horizon. Management Team have assessed that three of the risks – Economic Stability, Homes for Ukraine and Waste/Recycling Income - should be removed from the Strategic Register.

6.5 Notes in red font on the Register identify current mitigations and updates to the strategic risks.

6.6 In terms of 'direction of travel', both performance management and procurement show a positive position. Members will recall these were the two significant weaknesses identified by Grant Thornton, our external auditors.

6.7 No risk has a negative direction of travel.

6.8 The number of RED risks at the time of publishing this report have reduced to three. Members are advised that the risk Contract/Contractor Procurement has been reduced to amber following the successful roll out of training to officers and

the preparation of a new procurement strategy which was approved by Cabinet on 10 December.

6.9 The remaining **RED** risks are:

- Achievement of Savings and Transformation Strategy
- Failure to agree a Local Plan
- Implementation of the Agile software system.

6.10 At the meeting in September, Members expressed an interest in hearing about the risks associated with failure to deliver a Local Plan. As this is still categorised as a **RED** risk, either the Director of Planning, Housing and Environmental Health or the Head of Planning will be present on-line to answer any questions.

7 Ongoing Service Risks

7.1 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.

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

7.3 Senior officers undertook mandatory training with the Risk Consultant in October 2024. Risk management appears as an agenda item for all Service Management Teams and Corporate Management Team meetings.

8 Risk Management Strategy

8.1 Normally at this time of the municipal year officers would review, update and present to Members the Risk Management Strategy for their review and approval.

8.2 Following the appointment of Risk Champions at both Member and officer levels, an officer Risk Management Group was established with the objective of spreading the workload, and word, on the importance of risk management throughout the authority.

8.3 The Group will be undertaking a review of the Strategy in the forthcoming months and will look to provide an updated strategy to the September meeting of this Committee.

9 Zurich Risk Management Review

- 9.1 Members might recall that earlier in the year Zurich Risk Management undertook a Risk Management Health Check. Details were reported to the January meeting of this Committee. The report identified 12 recommendations for improvement.
- 9.2 **[Annex 3]** to the report gives an update with progress on addressing these recommendations. New comments are tracked in red font.
- 9.3 The majority of the recommendations had a target implementation date of January 2025, however some of these targets will slip into September 2025.

10 Financial and Value for Money Considerations

- 10.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.
- 10.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

11 Risk Assessment

- 11.1 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.
- 11.2 A specific item for 'Risk Management' appears on all Management Team and Service Management Team agendas.

12 Legal Implications

- 12.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.
- 12.2 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.

13 Cross Cutting Issues

- 13.1 Equalities and Diversity
- 13.1.1 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.

Background Papers	None
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Annexes	Executive Summary – Strategic Risk Register Strategic Risk Register Service Risks Zurich Recommendation
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No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	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
4	Achievement of 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.	01/04/2017	4	4	16	<p>STS reviewed and updated in line with review of MTFS. Regular reports to update MT and Members. The 24/25 Budget is balanced with contribution to General Revenue Reserve and significant contributions to Earmarked Reserves for Corporate priorities. s25 statement reported to Members in Feb 24</p> <p>MTFS updated, as interim measure, in November 2024 and reported to Members. Will be updated again once settlement received.,</p> <p>Taking all opportunities to maximise income receipts where appropriate</p> <p>Savings, new income and transformation contributions of £820k accrued to date (report to FRPSSC Sept 24 refers) but negated by growth of £96. However, this means overachievement of savings against the in year target of £305k.</p>	3	3	9	<p>The priorities and focus of the incoming government could have an impact on the financial picture for the Council, either adversely or positively. At the time of updating we do not know the extent of how this will impact. Responses to any consultations will be important. Continued updating of MTFS model as new information emerges.</p> <p>Exercise to commence in Spring on identification and assessment of savings opportunities for initial review by Cabinet in Summer 2025</p>	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Chief Executive / Director of Finance and Transformation/ Management Team	↔	Feb-25
5	Failure to agree 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 not being able to agree a Local Plan. Impacts around not meeting the timeframe for submission of the Local Plan. Impacts on development management processes through protracted period with no up-to-date plan, likely speculative development. Infrastructure not delivered. Potential for central Government intervention.	4/1/2017, reviewed and updated March 24	4	4	16	<p>Members are updated via email updates and reports to the Housing & Planning Scrutiny Select Committee</p> <p>Local Plan risk register in place to manage full range of individual risks</p> <p>Ensure that all other policy tools, including 5 year housing land supply evidence, is up to date</p> <p>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.</p>	3	3	9	<p>Regular review of Government policy announcements that may impact on delivery, including housing standard methodology and WMS relating to Planning. Regular review of project plan to ensure plan can be delivered within current Government timeframes.</p> <p>Ongoing engagement with Counsel</p> <p>Ongoing engagement with Members including implementation of new engagement strategy</p> <p>Regular analysis of budget position and programme. Maintain staff levels within Planning Policy team to ensure capacity to manage process</p> <p>Regular analysis of programme - within Policy team on a weekly basis, reporting to Head of Planning/DPHEH bi-weekly.</p>	Improving housing options for local people, whilst protecting our outdoor areas - develop a Local Plan which will ensure the provision of new homes in appropriate locations, focusing on tackling the need to deliver a range of housing for the whole community.	Director of Planning, Housing and Environmental Health	↔	Feb-25
12	Implementation of Agile system	F, S	Service impacts from level of staff time required to configure 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 Post implementation issues result in inefficient service delivery	01/11/2022	5	3	15	<p>Programme of liaison meetings with Agile in place including Project Board and catch ups with various levels of counterparts</p> <p>Employment of Business Change PM to manage project on behalf of TMBC and coordinate all issues</p> <p>Regular informal briefings to Cabinet</p> <p>Internal meetings with staff, managed by Business Change Project Manager</p> <p>Risk and issue log</p> <p>Post-implementation review of APAS implementation being carried out by internal Audit</p> <p>Agreement to deliver enhancement project in 24/25 financial year</p> <p>At least 2 stand ups per week between Business Change PM and SRO (DPHEH)</p>	2	2	4	<p>Further escalation of issues to IEG 4 CEO (Agile parent company)</p> <p>Revised PLACIS implementation programme to be agreed</p> <p>Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT and informal Cabinet on a regular basis</p> <p>APAS outstanding post go live issues programme to be agreed.</p> <p>Review of project governance and use of Project Board for escalation of issues, to include review of Project Board attendees</p> <p>Completion of all modules for go live</p>	Digital Strategy	Director of Planning, Housing and Environmental Health	↔	Feb-25

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No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score (1-6)	Impact score (1-4)	Overall risk score	Current Mitigation	Desired Likelihood Score (1-6)	Desired Impact score (1-4)	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 are in place with adequate staff resource to ensure safeguarding procedures are consistently being followed.	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"> Carried out audit review of procedures to identify and address weaknesses Provided training to all licenced Dual, Hackney Carriage and Private Hire Drivers Provides a secure database for the recording and sharing of safeguarding concerns. Officer Study Group with safeguarding champions across services who are able to provide advise and support regarding safeguarding issues Management Team have approved the recruitment of a dedicated safeguarding officer. <p>Training provided to staff</p>	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 Audits/ Self Assessments.</p> <p>Recruitment of dedicated Safeguarding Officer</p>	Safeguarding Policy	Chief Executive	↔	Mar-25
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 and/or s114 notice.</p> <p>This includes</p> <ul style="list-style-type: none"> Failure to maximise New Homes Bonus (for as long as it exists). Assessment of the current economic implications of higher inflation and interest rates Failure to deliver identified savings / Additional income 	01/04/2017	3	4	12	<p>The Council provides an annual statement (as a minimum) on the following areas;</p> <ul style="list-style-type: none"> Treasury Management and Investment Strategy. Robustness of estimates and adequacy of reserves (s25 statement) Medium Term Financial Strategy (MTFS) Savings and Transformation Strategy (STS) Statement of Accounts containing Audit and Value for Money Opinion. 2023/24 accounts closed in accordance with statutory requirements, and a positive position noted. Growth in business rate income above baseline is assisting overall financial position in current year 24/25 . <p>The Council also considers it has the following</p> <ul style="list-style-type: none"> Effective Budgetary control and reporting procedures covering areas such as Leisure Trust Utility costs Effective monitoring covering Business Rates and Council Tax income including reporting to the Kent Pool. <p>Regular reviews undertaken on the forecast of the Local Government Settlement.</p> <p>2023/24 outturn was positive, mainly due to continued high interest rates. This has enabled some additional funds for reserves serving important priorities, but cannot provide a long term solution.</p> <p>Minimum level of General Revenue Reserve maintained at £3m. In addition, a Budget Stabilisation Reserve is held.</p> <p>Update of MTFS presented to Members in November. Current financial position within MTFS shows balanced budget for final year. This is after allowing for assumptions made on long term resourcing issues covering Fair Funding, Business Rates reset and allows for increased contract costs on major council contracts.</p> <p>Budget monitoring to date shows overall budget on track, although individual areas need careful review and attention</p>	3	3	9	<p>Continued budget monitoring during year and actions put in place to address overspending areas, e.g. homelessness. IN addition, through budget 2025/26, consider increased budget pressures and how they will be met.</p> <p>It has always been anticipated that once a Fair Funding Review has been undertaken, the position will dramatically switch and expenditure will outstrip external funding. Therefore savings needs to be made in order to ensure that by the end of MTFS we have a balanced budget again. Under new government, national priorities and actions need to be carefully tracked.</p> <p>Ensure that Business Rate income is maximised for benefit of TMBC prior to any Reset by any incoming Government (expected post 25/26)</p> <p>Interim update of MTFS presented to Members in November 2024 showing sensitivity analysis and a likely increase in funding gap which will need to be addressed over the next 3 to 4 years. Final update of MTFS (once LG Finance Settlement received) in Feb 2025.</p> <p>Ensure robust scrutinisation and response to any consultations in respect of LG finances, including Fair Funding and Extended Producer Responsibility.</p> <p>Three key financial risks were highlighted to Members: namely Waste (including the proposed Extended Producer Responsibility scheme which has been delayed), Homelessness and Local Plan. All three have significant financial implications for the Council in different ways and need to be continually assessed and managed.</p> <p>MT and Cabinet continuing to work to consider the best way of delivering transformation which could also assist with identification and delivery of efficiencies</p> <p>Carefully review any knock on implications from upper tier spending and funding decisions and where appropriate consider action to address this.</p> <p>Continue to actively monitor in year budgets to enable swift action as needed</p>	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Director of Finance and Transformation	↔	Feb-25



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3	Performance Management	F,R,S	Without an effective performance management framework in place, the authority will not be able to monitor delivery, understand any required improvements or achieve value for money for our residents.	30/08/2023 (separated from Corporate Plan)	3	3	9	With the adoption of the new Corporate Strategy 2023-2027, the authority established new aligned KPIs to monitor progress, and provide detail on direction of travel, and targets. These have developed over the course of 18 months to include improved benchmarking and measures have also been undertaken to embed the culture of using performance management. An internal audit of performance management was undertaken in Nov 2023-Feb 2024, finding substantial assurance with very good prospects for improvement. KPIs are initially discussed at SMTs, before being presented to Management Team and Informal Cabinet and then shared with the Scrutiny Select Committees/O&S and Cabinet on a quarterly basis. Following a review of Performance Management, Cabinet approved new measures in October 2024 to streamline the reporting process, so that following consideration by Management Team, the KPIs are reported to O&S in their entirety and then on to Cabinet.	1	3	3	Following the internal audit and the report to Cabinet in October 2024 setting out proposals for embedding performance management within the organisation, the streamlined reporting process will be implemented in Q3 and the move to the Annual Service Delivery Plan will be approved in February 2025 for 2025/26.	One of the priorities in the new Corporate Strategy is "Efficient services for all our residents, maintaining an effective council"	CE/MT	Downward	Mar-25
4	Achievement of 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.	01/04/2017	4	4	16	STFS reviewed and updated in line with review of MTFS. Regular reports to update MT and Members. The 24/25 Budget is balanced with contribution to General Revenue Reserve and significant contributions to Earmarked Reserves for Corporate priorities. s25 statement reported to Members in Feb 24 MTFS updated, as interim measure, in November 2024 and reported to Members. Will be updated again once settlement received., Taking all opportunities to maximise income receipts where appropriate Savings, new income and transformation contributions of £820k accrued to date (report to FRPSSC Sept 24 refers) but negated by growth of £96. However, this means overachievement of savings against the in year target of £305k.	3	3	9	The priorities and focus of the incoming government could have an impact on the financial picture for the Council, either adversely or positively. At the time of updating we do not know the extent of how this will impact. Responses to any consultations will be important. Continued updating of MTFS model as new information emerges. Exercise to commence in Spring on identification and assessment of savings opportunities for initial review by Cabinet in Summer 2025	Priority in the Corporate Strategy of "Efficient services for all our residents, maintaining an effective council"	Chief Executive / Director of Finance and Transformation/ Management Team	No Change	Feb-25
5	Failure to agree 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 not being able to agree a Local Plan. Impacts around not meeting the timeframe for submission of the Local Plan. Impacts on development management processes through protracted period with no up-to-date plan, likely speculative development. Infrastructure not delivered. Potential for central Government intervention.	4/1/2017, reviewed and updated March 24	4	4	16	Members are updated via email updates and reports to the Housing & Planning Scrutiny Select Committee Local Plan risk register in place to manage full range of individual risks Ensure that all other policy tools, including 5 year housing land supply evidence, is up to date 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.	3	3	9	Regular review of Government policy announcements that may impact on delivery, including housing standard methodology and WMS relating to Planning. Regular review of project plan to ensure plan can be delivered within current Government timeframes. Ongoing engagement with Counsel Ongoing engagement with Members including implementation of new engagement strategy Regular analysis of budget position and programme. Maintain staff levels within Planning Policy team to ensure capacity to manage process Regular analysis of programme - within Policy team on a weekly basis, reporting to Head of Planning/DPHEH bi-weekly.	Improving housing options for local people, whilst protecting our outdoor areas - develop a Local Plan which will ensure the provision of new homes in appropriate locations, focusing on tackling the need to deliver a range of housing for the whole community.	Director of Planning, Housing and Environmental Health	No Change	Feb-25



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6	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	3	4	12	<p>Review of staff resources and skills via service reviews.</p> <p>Organisational structure reviews are part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities.</p> <p>The Council implemented it's Market Supplement policy in October 2023.</p> <p>At present all 'qualified' Planning Officer roles receive a market supplement. Vacant Planning Officer roles are advertised with a 'Golden Hello' payment.</p> <p>Specific workstream on Building Control due to Building Safety Act requirements for all surveyors to be recertified - looking at different certification routes and HR processes for staff.</p>	3	4	12	<p>Succession planning and staff development to be prioritised and reflected in an updated appraisal process by 1 April 2025.</p> <p>Engagement of agency staff, external consultants and specialists where required. Reviewed by MT on a monthly basis to ensure Value for Money.</p> <p>Resilience and rationalisation of existing structures.</p> <p>Pay award for 2025/26 for all staff. GP Committee to consider proposals in January 2025.</p> <p>Structural reviews approved by Members on an ongoing basis.</p> <p>Workforce Strategy approved by General Purposes Committee in June 2022. Revised version to be considered by General Purposes Committee in final quarter 2024/2025.</p>	HR Strategy Savings and Transformation Strategy	Director of Central Services and Deputy Chief Executive/ Chief Executive	↔	Feb-25
7	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	<p>Lone working policy and service based practices to be continuously monitored.</p> <p>Health and Safety considered by management at weekly SMT meetings.</p> <p>Staff involvement with Health & Safety Group</p> <p>Ongoing review undertaken to react to potential key risk areas.</p> <p>Organisational learning and response to national events.</p> <p>Incident and near miss reporting.</p>	2	3	6	<p>Embedding and dissemination of good practice through staff briefings.</p> <p>Corporate Health and Safety Group (chaired by DPHEH) identifying cross organisational issues with feedback to Management Team and Health and Safety Officer.</p> <p>All services have reviewed all their Health & Safety local Procedures in particular Lone working and service specific risk assessments.</p> <p>Staff survey on H&W completed spring 2021, results reviewed and a future survey will be incorporated into general staff survey approach</p> <p>Corporate Health & Safety Policies and procedures are up to date and reviewed regularly which all staff can access.</p> <p>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.</p>	Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives	Director of Planning, Housing and Environmental Health	↔	Ongoing
8	Cyber Security	F, R	Loss of data and legislative breach, leading to financial penalties and reputational impact.	01/04/2017				<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.</p> <p>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>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>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. Investigating and resolving detected security issues from previous ITHC. New ITHC completed August 2024, including the TMBC Microsoft 365 environment with remediation of security improvements underway.</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</p>	IT Strategy	Director of Finance and Transformation	↔	Feb-25



Downward or positive movement



No change in movement



Upward or negative movement

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	Cyber Security. Continued				3	4	12	<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. Done Annually at ITHC</p> <p>Carried out phishing simulation exercises for 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>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 May 2025, 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 & TM07-2023 - Cyber Security and ICT Infrastructure (Combined Report).</p> <p>An in-depth phishing training package, to highlight specific risks and increase staff awareness, was deployed to all staff and followed up by phishing simulations to check effectiveness of training.</p> <p>PCI DSS accreditation achieved to demonstrate that standards have been met by the Council with compliance of the PCI DSS standards to help protect sensitive payment card information and help reduce the risk of data breaches and fraud.</p> <p>Obtained Cyber Essentials Plus accreditation in October 2024, demonstrating that our technical controls are designed to defend against the most common cyber threats which were independently checked and verified.</p>	3	3	9	<p>cyber attacks.</p> <p>Procured NCSC approved cyber security training for staff and members, deployed during 2023, continued training throughout 2024.</p> <p>As at June 2024, All staff, with exception of new starters have completed Cyber Training, As of December 2024 28 Members have completed the training, a further 10 have started but have yet to complete leaving 6 members yet to start.</p> <p>Phishing simulations are carried out on an ad-hoc basis, without prior notification, to check effectiveness of training, and as regular assurance of staff and member awareness.</p> <p>Maintaining of industry standards, PCI DSS, Cyber Essential and Cyber Essential Plus annually to ensure that any changes in the IT environment still demonstrate that our technical controls are designed to defend against the most common cyber threats.</p> <p>Enrolment and management of devices in Intune is now live. It has replaced SCCM for deployment of all line of business apps to PCs and laptops, and Microsoft Defender for Endpoint is being used to leverage additional security features including network blocking when malware is detected and enforcement of encryption on laptops and removable media.</p> <p>Test restore to sandbox environment carried out to validate our ability to recover successfully from a cyber incident. Areas for improvement identified, documentation of process underway and training for all technical support staff planned for Q4 2024/25.</p> <p>Continued ongoing development training to ensure that knowledge is kept up to date.</p> <p>Investigating Microsoft Defender for Cloud to further enhance security of the Council's Azure IaaS infrastructure.</p> <p>Investigating preventative analysis, monitoring and remediation of suspected malicious network activity and NCSC approved cyber incident response retainer services to allow on hand cyber experts to assist with any Cyber Incident that may occur.</p> <p>Investigating and working towards the new government framework Cloud Assessment Framework (CAF) to ensure critical systems are documented and robust.</p> <p>Operation member of the IT team to be trained in the Certified Information Systems Security Professional (CISSP) qualification to ensure there is a higher knowledge of security within the team - Training due to take place Jan 2025</p>				



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9	Business Continuity and Emergency Planning (incl. Civil Contingencies)	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, fire or flood	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 Flood Risk Assessments along with Support from Parishes with Flood Wardens EA support for expansion of Leigh Storage Area and works to Medway River Wall	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. DSS LTS 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. Exercising of plans must be undertaken regularly to ensure they are fit for purpose and to validate them. Recruitment into roles in the Emergency Plan is on-going. Enhanced staff training being developed to ensure rest centre staffing levels Funding allocated in Council's Capital Plan to support works to Leigh Flood storage area which will be completed by 2025. Possible partnership working with EA in improving flood resilience in Wouldham linked to the replacement of the river wall.	Business continuity underpins the delivery of the Council's essential services and is a core of the authorities risk management	Director of Street Scene, Leisure & Technical Services	↔	Mar-25
10	Sustained or increasing levels of Housing need.	F, R, S	Increased demand on Housing and Revenues & Benefits services. Significant cost of providing temporary accommodation Inability to meet our legislative requirements - increased risk of decisions being challenged.	01/04/2017	4	3	12	TMBC run Welfare Reform Group with partner agencies invited. Knowledge sharing and issue identification. Council has joined the ReferKent network Working with owners to bring long term empty properties back into use. Ongoing work on Empty Homes is being supplemented by fixed term resource. Council in February 24 agreed empty homes premium and second homes premium. EQIA assessment of key decisions included in all Board reports. Signposting now to UC rather than HB for new working age claimants. Keeping track of welfare statistics CTR Scheme approved for 24/25 . Downsizing incentive policy agreed Homelessness services externally reviewed and Member approved action plan being implemented	3	3	9	Improved working with TA providers leading to more guarantees of available accommodation and developing a TA Procurement Strategy 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. Development of council owned/leased temporary accommodation portfolio - including delivery of the Local Authority Housing Fund £1.6m funding received. 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&M. Work with Kent councils collaboratively to ensure grants and support targeted to those most in need Continued focus on homelessness prevention through staff training, team structure and delivery of homelessness action plan Distribute latest Household Support Fund	Improving housing options for local people, whilst protecting our outdoor areas of importance - use every power we can to support those who are most in need of housing support and at risk of becoming homeless	Director of Planning, Housing and Environmental Health/ Director of Finance & Transformation	↔	Feb-25



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11	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	3	4	12	<p>Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings & Transformation Strategy.</p> <p>Clear and comprehensive reports to support Members in making appropriate decisions to support the S&TS.</p> <p>Regular Group Leader meetings in place and stability of leadership following election. Regular pattern of informal MT/Cabinet meetings to provide stability and cohesiveness</p>	3	3	9	Member briefings and training sessions.	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	↔	Feb-25
12	Implementation of Agile system	F, S	<p>Service impacts from level of staff time required to configure 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> <p>Post implementation issues result in inefficient service delivery</p>	01/11/2022	5	3	15	<p>Programme of liaison meetings with Agile in place including Project Board and catch ups with various levels of counterparts</p> <p>Employment of Business Change PM to manage project on behalf of TMBC and coordinate all issues</p> <p>Regular informal briefings to Cabinet</p> <p>Internal meetings with staff, managed by Business Change Project Manager</p> <p>Risk and issue log</p> <p>Post-implementation review of APAS implementation being carried out by internal Audit</p> <p>Agreement to deliver enhancement project in 24/25 financial year</p> <p>At least 2 stand ups per week between Business Change PM and SRO (DPHEH)</p>	2	2	4	<p>Further escalation of issues to IEG 4 CEO (Agile parent company)</p> <p>Revised PLACIS implementation programme to be agreed</p> <p>Weekly review of project plan and considerations of service impacts required to meet go live programme - to be reported into MT and informal Cabinet on a regular basis</p> <p>APAS outstanding post go live issues programme to be agreed.</p> <p>Review of project governance and use of Project Board for escalation of issues, to include review of Project Board attendees</p> <p>Completion of all modules for go live</p>	Digital Strategy	Director of Planning, Housing and Environmental Health	↔	Feb-25
13	Carbon Neutral 2030 Aspiration	F, R, S	<p>Significant reputational risk, particularly if other similar councils have achieved similar goals or targets.</p> <p>Significant financial cost to purchasing offsets to meet carbon neutral.</p> <p>High cost of increased frequency and intensity of extreme events (floods, heat waves) that increase costs and disrupt service delivery.</p>	01/09/2023	3	3	9	<p>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</p> <p>Increased contributions to Climate Change Reserve to Support match funding as well as capital projects.</p> <p>Grant Award received for Energy Efficiency measures for Sports Facilities. Total grant award of £1.6m will support installation of LEDs, solar PV and a heat pump at Larkfield Leisure Centre, reducing vulnerability to energy price variations and tackling a significant source of carbon emissions.</p>	3	2	6	<p>New strategic planning, oversight and commitment by Members, senior management and services to ambitious 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.</p> <p>Gap analysis report endorsed at Overview and Scrutiny Committee January 24</p> <p>Funding is dependant on successful applications and awards being achieved, otherwise Council Resources will be needed.</p> <p>Successful delivery of decarbonisation projects using grant funding. Ensure all delivery, project and monitoring milestones set by funders are met.</p>	Climate Change Strategy 2020 - 2030, Corporate Strategy 2023 - 2025	Chief Executive	↔	Feb-25



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14	Contract/Contractor Procurement	F, R	Failure to appoint suitably experienced and qualified contractors leading to poor quality of service, reputational damage and increased costs to the Council.	01/02/2024	2	3	6	Compliance with Council's adopted Procurement Rules and Strategy. Consultation undertaken with Property and Legal Services to ensure appropriate Lease/License/Contract arrangements are in place. Procedure adopted and monitored for the engagement of contractors setting out and seeking minimal requirements including Risk Assessment and Public Liability. Establishment of cross-departmental working groups for key contracts and projects. Contracts awarded on an evaluation of 'most economically advantageous' and 'best value' and not solely on financial benefit. Directorate representatives on the Council's Procurement OSG. Use of Mid-Kent Procurement Partnership Use of specialist advisors on major contracts. Contracts to include break clause and/or extension periods based on performance. Use of contract frameworks where appropriate. Risk assessment approach to appointment of contractors.	1	3	3	Corporate Procurement Strategy adopted Procurement documentation being reviewed. Cabinet 2 April for procurement resources through Mid Kent Partnership agreed Corporate Training progressing for staff and Members Annual report to audit committee on procurement performance	Procurement Strategy. Compliance with legislation. Health and Safety.	Director of Street Scene, Leisure & Technical Services		May-25

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

Risk Identified	Background	Removed or ongoing	Reason for removal / ongoing
Homes For Ukraine Scheme	Ongoing home assessments and support for Ukrainians hosted under the Homes for Ukraine Scheme. There is a risk of homelessness and duty to place in TA, therefore work needs to be undertaken by the Resettlement Worker to support with sustainable living arrangements.	Ongoing.	Conflict in Ukraine continues and new arrivals into the borough are ongoing. HFU visas are for 3 years and there is now an option to apply for an 18 month Ukraine Permission Extension once the HFU visa expires. All new hosts/houses must be checked and welfare visits undertaken. Rematches via the HFU scheme are unsustainable in the longer term and work needs to be undertaken to support families into PRS or rent a room agreements. Need to keep under review to ensure that delivery on track so that future years funding is not compromised (based on annual funding award). UKSPF Year 1 (2022/23) and 2 (2023/24) progress was substantially on track with 100% of budget spent. As of 01 Dec, 50% of Year 3 budget spent (66% of the programme), but there remain a number of larger capital projects which are still to deliver and this remains the key risk. Report being considered by Cabinet Member for the re-allocation of some funds to ensure as close to 100% is spent by the end of the financial year. REPF (used to create the West Kent Rural Grants Scheme) - as of 01 Dec, 103% of the pot has been awarded to projects, 50% of the budget has been spent (i.e. projects completed and claimed funding in arrears).
UK Shared Prosperity Fund Programme (inc. Rural England Prosperity Fund)	Having had our T&M Investment Plans approved by MHCLG, implementation of projects required over the next few years (up to March 2025)	Ongoing.	Need to keep under review to ensure that changes in office accommodation deliver value for money and deliver identified savings. Deal now agreed with KCC in respect of covenants, subject to completion of legal agreement. Risk of capital cost for works to Gibson East exceeding previously agreed budget.
Gibson Building - unable to deliver financial saving which has been assumed within MTFS	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.	Updated	Extent to permanent works required still unknown and therefore operational and financial risk remains
Tonbridge Castle Gatehouse Roof - costs of resolving roof issue	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	All Election Act changes up and running and being improved including new Postal vote portal, Postal vote renewals changing to every 3 years Proxy Vote changes. Overseas electors renewal every 3 years, the last one EU citizenship eligibility starts 7/5/24. Some training has been undertaken for this.
Elections	Introduction of Elections Bill changes Tranche 2	Ongoing	Work completed and register changed 1/2/24, in readiness for a Parliamentary election.
Elections	Changes to Parliamentary boundaries	Ongoing	Parliamentary Election to take place on 04/07/24 together with by-election for vacant seat in Judd Ward. Concern over lack of PO's and Count supervisors, due to Polling and Count being on the same day.
Elections	Parliamentary Election	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 2024/25 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.
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	

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.
Staffing	Year end processes are a significant demand on staffing resources.	Ongoing	This has been exhibited but staff shortages at the present time. Workloads will be monitored closely to ensure service delivery maintained.
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.
Street Naming and Numbering	Resourcing within Team	New	One of the team of two is currently on long term sickness, the impact is meaning that the work being undertaken is now rising in conjunction with the implementation of the Agile system. Management Team report will be prepared for consideration of maintaining resourcing levels.
GDPR Compliance findings	Redacted information being stored with unredacted information	Ongoing	Access being restricted and will be removed once uniform is fully deactivated.
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.
Back Scanning	Additional requirements identified, resource assessment and funding to be identified	Ongoing	Review of volumes being undertaken to assess resource need to enable Gibson East redevelopment.
Supported Accommodation	The Supported Housing (Regulatory Oversight) Act 2023 came in to force August 2023. Assessment of the act has been ongoing and a consultation on how the act will regulated in practice. The practice is likely to involve a Licensing duty for the responsibility of the Council. Further implications could effect Housing Benefit payments to Landlord where care levels are considered to be unsuitable for the tenant.	Ongoing	Further investigation work will need to be undertaken following the practice regulation are issued, this will involve potentially new service staffing and income to the council. Greater working relationship with Adult Social Care Services will need to be considered and protocols arranged.

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.	Ongoing	The return requires Member approval, proposing that this happens via Cabinet in Jan 2024. 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.
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	Financial Services reviewing use of recurring payments.
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.
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 . Many Kent Chief Executives are recruiting dedicated full-time resource to enable work to be developed and maintained. This appears to be requiring LA's to delivery work areas that were historically delivered through the KRF and KRT.
Business Continuity & Emergency Planning	The current structure of the LRF and legislation has been added to. The Kent Resilience Forum has undergone 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. Additional recommendations have now been published in relation to the Grenfell Tower Enquiry. These are likely to be included with the review of the CCA.	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.

ZM Risk Management Review Recommendation Matrix

Reference	Recommendation	Management Response	Update January 2025	Officer / Member Responsible	Date Proposed for Implementation
Culture and Leadership					
1	Consider assigning a corporate risk champion who will drive risk management conversations, set the tone and be the example to follow for both fellow senior level managers and officers at all levels.	This role should be considered by Corporate Management Team on who would have sufficient seniority and resource.	Director of Finance and Transformation appointed as Corporate Risk Champion to be supported by Service Officers as individual Service Risk Champions.	Director of Finance and Transformation	November 2024
2	Clarify risk management roles and responsibilities, in particular to separate officers and members' roles. This should include not just what is expected, but also how responsibilities should be carried out.	This will be considered as part of the Risk Strategy Review	Risk Strategy to include terms of reference for Risk Champions, Officer and Members. To be discussed at first Risk Meeting. Risk Strategy will be subject to wider review by Officer Risk Group during 2025	Appointed Risk Champion, CMT and Chief Financial Services Officer	September 2025
3	Review the level of engagement that is possible from senior officers within current workloads to ensure that risk management responsibilities and objectives are realistic.	Wider review will need to be undertaken	Ongoing discussion at Officer Risk Group	CMT	September 2025
Risk Appetite & Strategy					
4	Define risk appetite levels and statements across different risk categories. This will provide an organisational approach and align thinking across officer and members while providing officers practical guidance at key decision points.	Wider review will need to be undertaken	Will form part of review of Risk Strategy and Guidance notes issued to service managers and staff.	Appointed Risk Champion, CMT and Chief Financial Services Officer	September 2025
5	Revisit the risk management strategy and it's place among other frameworks. Determine if there are opportunities to include risk management as an integrated part of working rather than an add-on requiring specific resources.	The Council's Risk Strategy and Guidance will be reviewed following the clarification of risk appetite.	Workflow to be developed, giving links between areas such as Safeguarding, Budget and Savings, Procurement and Workforce Strategies. These strategies are under review by responsible officers and will be linked following approval	Chief Financial Services Officer	September 2025
Governance					
6	Consider a process for increasing visibility of risks across services, this could be either at management level through a management board or more informally through risk champion officers from each service that take on responsibilities for both risk updates within services but also meet to share practices and discuss emerging risks.	Ensure that risks are adequately discussed at Team and Service Management Meetings.	Service Risk officer have been appointed and Risk is a weekly item on Service and Corporate Management Team agendas.	Appointed Risk Champion and CMT	November 2024
7	Ensure that members, and audit committee representatives in particular, receive risk management training that include clear descriptions of their remit and responsibilities.	Training to Members is being prepared and delivered on 15 th January 2024. The session will be recorded and placed into the members resources library.	Received January 2024	Chief Financial Services Officer	January 2024
Methodology					
8	Initiate dedicated risk identification sessions at both service- and corporate level to increase proactive risk identification and expand the timeline available to manage risks by being proactive rather than reactive.	Ensure that risks are adequately discussed at Team and Service Management Meetings.	Officer Risk Group discussions are to include the both the Service Risks identified and Strategic Risk Registers in order to provide wider challenge and feedback to CMT and Members.	Appointed Risk Champion, CMT and SMTs	September 2025
9	Ensure controls are SMART and that risk owners complete follow-ups. Risk should have practical roadmaps to desired risk score.	Risk Registers need reviewing on an annual basis by Service Management Teams along with documented evidence showing review.	To be discussed at Risk Group but plan is that Risk 'route map' to be discussed with Service Risk Holder and they are to provide project plan to eliminate or reduce risk.	Risk Champions on SMTs	September 2025

	People & Training				
10	Mandate training sessions for elected members, senior leadership, service heads and possibly also third tier managers.	Members training will be delivered in January 2024, Officer training will be arranged following policy renewal in June 2024	Member Training delivered Jan 24 Officer Training Oct 24.	Chief Financial Services Officer	November 2024
11	Consider if there are officers within teams that could have capacity to receive extra training and be integrated risk champions in each service.	Review following Risk training	Consideration to be made following Officer Training in October.	CMT	November 2024
	Projects, Partnerships, Contracts & Supply Chain				
12	Review procurement and contract policies and ensure that a defined risk management approach is included. Ensure training is supplied to increase the skills and confidence of officers managing contracts and partner relationships.	Consideration to be made by Procurement OSG	Cabinet approved Procurement Strategy December 2024 integration into risk Strategy will take place during review.	Head of Procurement OSG, Appointed Risk Champion	September 2025

Audit Committee

13 January 2025

Part 1 - Public

Recommendation to Cabinet – Council Decision



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Cabinet Member	Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officer	Sharon Shelton – Director of Finance and Transformation
Report Author	Donna Riley – Principal Accountant

Treasury Management Update and Treasury Management and Annual Investment Strategy for 2025/26

1 Summary and Purpose of Report

- 1.1 The report provides details of investments undertaken and return achieved in the first eight months of the current financial year and an introduction to the 2025/26 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Cabinet.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 Prudent financial management of Council's investments will generate a yield to assist with the Council's overall budget objectives.

3 Recommendations

- 3.1 Members are invited to **RECOMMEND** that Cabinet:
- 3.2 Note the Treasury Management position as at 30 November 2024.
- 3.3 Adopts the Treasury Management and Annual Investment Strategy for 2025/26 set out at **[Annex 5]**.

4 Introduction and Background

- 4.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are 'affordable, prudent and sustainable'.

- 4.2 The Act also requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The latter sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

5 Interest Rate Forecast

- 5.1 The Bank Rate held at 5.25% for longer than anticipated, with the Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in September. The MPC voted in favour of a further reduction of 25bps in November bringing the current bank rate to 4.75%. Market expectation is for the New Year to see a managed reduction to the rates throughout 2025/26 settling at 3.5% over the next three years.
- 5.2 The net fiscal loosening of £36 billion (1.1% of GDP) in 2029/30, relative to previous plans unveiled by the Chancellor in the Budget, has led analysts to revise their GDP growth expectations, now forecasting GDP growth of 1.8% in 2025 and 1.7% in 2026, compared to the previous projections of 1.5% for both years. This looser fiscal policy suggests that monetary policy will likely need to be tighter than previously anticipated. As a result, analysts now expect core CPI inflation to remain elevated, with a projected reduction to 2% only by late 2026, rather than in late 2025 as previously forecast.
- 5.3 Although analysts now expect inflation to average 2.8% in 2025, up from the previous forecast of 2.6%, the freeze in fuel duty announced in the Budget means that analysts' overall CPI inflation forecast remains broadly unchanged. The fuel duty freeze will help mitigate upward pressure on inflation from rising fuel costs, balancing out other factors contributing to the inflation outlook. As a result, despite the slight upward revision in inflation expectations, the overall inflation forecast remains relatively stable due to this policy intervention.
- 5.4 Further easing in the UK labour market will be welcomed by the Bank of England as it signals that market conditions are continuing to cool. The 3-month year-on-year (3m y/y) growth rate of average earnings dropped from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth slowed from 3.0% to 1.8%, marking its lowest rate since December 2023. Excluding bonuses, the 3m y/y rate fell from 5.4% to 5.1%.
- 5.5 Link's latest Bank Rate forecast, updated in November 2024, shows the rates moving steadily downward, is included in **[Annex 5]** and anticipates the Bank Rate will level out at 3.5% around December 2026.

6 Investment Performance

- 6.1 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.

- 6.2 Cash flow surpluses are available on a temporary basis and the amount is 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 2024/25 cash flow surpluses have averaged £28.2m.
- 6.3 The Authority also has £33m 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.
- 6.4 Cash flow and core cash balances also include sums to meet business rate appeals which are expected to be resolved in 2024/25 and future years.
- 6.5 Long term investment comprises of £4.04m in property fund investments.
- 6.6 Medium term investment comprises £4.25m in diversified income fund investments.
- 6.7 A full list of investments held on 30 November 2024 is provided at **[Annex 1]** and a copy of our lending list of 30 November 2024 is provided at **[Annex 2]**. The table below provides a summary of funds invested and income earned at the end of November.

	Funds invested on 30 November 2024	Average duration to maturity	Weighted average rate of return	SONIA benchmark November 2024	Interest / dividends earned	Gross annualised return
	£m	Days	1 April to 30 November 2024 %	%	1 April to 30 November 2024 £	%
Cash flow	28.26	4	4.78	4.72	908,610	4.41
Core cash	33.00	112	4.83	4.68	1,115,740	5.30
Long term	4.04				82,980	4.09
Medium term	4.25				127,690	4.51
Total	69.55				2,235,020	--

Table 1

Property funds pay dividends quarterly. The return quoted above is based on dividends received for the period April to September 2024.

- 6.8 **Cash flow and core cash investments.** The SONIA (Sterling Overnight Index Average) benchmark has indeed followed the trend of reducing in line with the cuts in the Bank of England's interest rate over the past few months. However, the recent inflation data has complicated expectations. Given the persistent inflation pressures, the Monetary Policy Committee (MPC) meeting in December is not anticipated to agree on further reductions in the bank's interest rate.
- 6.9 Looking ahead, market sentiment suggests that any future interest rate cuts will likely remain slow and gradual throughout 2025. As a result, this may present an opportunity to secure longer-duration investments (up to 12 months), allowing the Council to lock in favourable rates ahead of any future rate cuts.
- 6.10 Continuing this strategy could be advantageous if rates remain relatively stable or decline gradually in the coming months, enabling the Council to stay ahead of the curve for longer.
- 6.11 As of the end of November, investment interest earned was £2,024,350, which is £442,600 above the original budget estimate for the same period. The positive variance is primarily attributed to the bank rate remaining higher for longer than initially anticipated.
- 6.12 The revised budget has been updated to incorporate the sustained higher bank rate, ensuring that future investment interest income projections are aligned with the current market expectations.
- 6.13 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 30 September 2024 the Council's return was 5.12% (purple diamond) was above the local benchmarking group average of 4.98%. 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.
- 6.14 Only cash flow and core cash returns form part of the benchmarking data. The additional return the Council makes from its property fund, and diversified income fund investments are not included. The data also excludes any short-term borrowing costs authorities may have incurred to meet payment obligations; however, no such costs have been incurred to date and none are anticipated during the remainder of 2024/25.
- 6.15 **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 previously explored and reported to Audit Committee. 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.

- 6.16 £5m was invested in property investment funds, spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time.
- 6.17 During the period 1 April 2024 to 30 September 2024, as property funds are reported quarterly, the £4.04m investment in property funds generated dividends of £82,980 which represents an annualised return of 4.09% (3.68% in 2023/24). The long-term investment figure set out in Table 2 has been reduced to take into account the repayment of capital investment from the sale of assets by Lothbury Property Trust, which terminated on 30 May. Income generated from property funds has been revised downward to reflect the changes in shares held, and the ability of these shares to generate future dividends. It is possible that dividends will continue to be paid on assets not yet sold within the Lothbury portfolio, but as this is not guaranteed, will not form part of the revised budget. The income from all property funds is expected to be in line with the revised budget for the financial year 2024/25.
- 6.18 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.
- 6.19 Although each property is unique, its value is informed by the sale of similar properties. During recession property transaction volumes diminish making valuation less certain. Each of our property fund managers attributed "uncertainty" to their monthly valuations during the summer. At the same time, and by regulation, when valuation is uncertain fund managers are required to suspend the purchase and redemption of units by investors. The suspension is intended to protect the interests of purchasers, sellers and continuing investors such as the Council.

6.20 Sale values at the end of November 2024 vs initial purchase prices are as follows:

Property fund <small>(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)</small>	Purchase price	Sale value at date of purchase	Sale value 30 November 2024	30 November sale value above (below) purchase price (c-a)
	a	b	c	price (c-a)
	£	£	£	£
LAPF (Primary, July 2017)	1,000,000	922,200	884,700	(115,300)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	888,560	(111,440)
LAPF (Primary, June 2018)	1,000,000	922,200	848,250	(151,750)
Total change in principal	3,000,000	2,783,400	2,621,510	(378,490)
			Total dividends received to September 2024	802,440
			Net benefit since inception	423,950

Table 2

6.21 Since inception, the Council have received dividends from the above property fund investments totalling £802,440. Investment institutes continue to diversify their portfolios to ensure the best return taking into consideration the current market conditions. All property fund investments recorded capital depreciation in the period April 2024 to September 2024. The property funds continue to distribute dividends of which we have received £82,980 for the first six months of the year.

6.22 Following the withdrawal of several investors, Lothbury Property Trust were unable to secure a way forward, and the fund was terminated on 30 May 2024. As per Table 3 below, we have, to date, received four payments totalling £961,220 of our initial investment. The remaining assets are expected to be sold by December 2024, distributions will be made as and when asset sales have concluded, and dividends paid from income generating assets. Taking into account the dividends received from the inception of the fund, the breakeven point would be the recovery of £671,540 against the outstanding assets:

Property fund <small>(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)</small>	Purchase price	Sale value at date of purchase	Principal Investment Received	Principal Investment Balance Outstanding
	a	b	c	
	£	£	£	£
Lothbury Property Trust	2,000,000	1,900,700	961,220	(1,038,780)
			Total dividends received to September 2024	367,240
			Net balance to breakeven point	(671,540)

Table 3

- 6.23 At the end of June 2024 Hermes Property Trust, having received a redemption request for approximately 22% of the fund, announced they would be seeking investor approval on a proposal to gate the fund. The EGM vote was 71.3% in favour of the resolution which was short of the 75% needed to pass. The Fund appointed CBRE Capital Advisors to provide an independent report on options available, including a potential merger option. A revised timetable has been produced with an EGM set to be held on 30 January 2025.
- 6.24 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.
- 6.25 **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 the multi asset (diversified income) funds into the Annual Investment Strategy.
- 6.26 Like property funds, multi asset (diversified income) funds aim to generate returns over and above inflation and thus preserve spending power.
- 6.27 A total of £4.25m was invested in 2021/22 between three funds chosen from the rigorous selection process, Fidelity Multi Asset Income Fund, Ninety-One Diversified Income Fund and Aegon Diversified Monthly Income Fund. It is expected that each fund will deliver a return in excess of 3% per annum and preserve capital over the five-year duration of the investment. Additional multi asset fund investments could be made in the future as resources become available from asset disposals and other windfalls.
- 6.28 During the period April 2024 to November 2024 the £4.25m investment in multi asset funds generated dividends of £127,690 which represents an annualised return of 4.51%.
- 6.29 **Treasury management function.** An extract from the draft income and expenditure estimates (*due to be presented to the Overview and Scrutiny Committee on 23 January*) attributed to the Treasury Management function are provided at **[Annex 4]**. This shows the aggregate staff resource applied to treasury management is less than one full time equivalent and that income exceeds costs by a significant margin. Income in future years forms part of the Council's medium term financial strategy and is expected to decrease in the short term as Bank Rate pulls back. Expenditure is expected to rise in-line with inflation.

7 Annual Investment Strategy for 2025/26

- 7.1 The Council's treasury advisors anticipate the bank rate reduction will continue for the foreseeable future before settling at 3.5% by December 2026 and will remain there for the foreseeable future.
- 7.2 CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, Link's forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations; however, a December rate cut may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025 it is expected that a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.
- 7.3 The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3m year on year growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%. Labour market indicators also point to a further loosening in the labour market. The 59,000 in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market.

8 Risk Parameters

- 8.1 The Strategy sets out the parameters that limit the Council's exposure to investment risks by requiring overnight and term deposits to be placed with highly credit rated institutions and that those investments are diversified across a range of counterparties. Except where indicated by bold italic text, the 2025/26 Annual Investment Strategy **[Annex 5]** adopts the same risk parameters as currently approved. In summary these are:

- 100% of funds can be invested in the UK. Exposure to non-UK institutions is restricted to no more than 20% of funds per sovereign.
- Non-UK counterparties must be regulated by a sovereign rated AA- or higher as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).
- Investment in UK institutions is subject to the UK sovereign being rated A- or higher by each of the three main rating agencies. The UK currently receives a rating of AA- from Fitch and Moody's and AA from Standard and Poor's.
- Exposure to individual counterparties / groups of related counterparties 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 will be AAA rated, 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 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 no more than 20% (£3m) of expected long term cash balances. No limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property.
- Exposure to non-credit rated diversified income (multi-asset) funds **and or short dated bond funds** is limited to no more than 20% (£3m) of expected long term cash balances per fund and across all such funds.
- The strategy also limits the type of instrument (e.g. fixed term deposits, certificates of deposit, commercial paper, floating rate notes, treasury bills, etc.) that can be used and establishes a maximum investment duration for Gilts of 5 years, 3 years for deposits with local authorities and 2 years for all other types of investment other than investment in property funds, diversified income funds and **short dated bond funds**.

- 8.2 The strategy includes prudential indicators for borrowing. Whilst there is no expectation, **based on the current capital plan**, that the Council will need to borrow to fund its capital expenditure proposals prior to 2029/30, borrowing on a temporary basis may be required to meet payment obligations. Borrowing limits are expressed as the operational limit (£4m) and authorised limit (£7m). Our largest monthly outflows relate to business rates (£5m) and precept payments (£8.8m). Whilst those payments tend to fall on different days of the month that is not always the case. The limits are a precautionary measure to allow borrowing on a short-term basis should the need arise. In recent years, the Council's cash flows have been managed in such a way that no overdraft fees or temporary borrowing costs have arisen.
- 8.3 The returns on our **property fund investments**, though representing only 5.81% in 2024/25 (6.80% in 2024/25) of the investment portfolio, they are likely to generate investment income of circa 3.6% next year. This is expected to adjust in future years and will represent a high percentage of future income. The property fund investments are long term (10 year) investments. As a consequence of the high entry / exit costs (circa 8%) and potential for significant volatility in capital values, our strategy limits exposure to property funds from existing resources to 20% of expected long term balances, circa £3m per fund.
- 8.4 The returns on our **diversified income fund investments**, though representing only 6.11% in 2024/25 (5.78% in 2023/24) of the investment portfolio, are likely to generate investment income of circa 3.7% next year. This is expected to adjust in future years and will represent a high percentage of future income. The diversified income fund investments are medium term (5 year) investments. As a consequence of the potential for significant volatility in capital values, our strategy limits exposure to diversified income funds from existing resources to 20% of expected long term balances, circa £3m per fund.

- 8.5 Diversified income fund investment typically implies a 5-year commitment to negate volatility in capital values over the life of the investment.

9 Non-Treasury Management Practices

- 9.1 The authority is currently debt free, and no borrowing is forecast to meet the ongoing Council's capital expenditure proposals (based on the current capital plan) prior to 2029/30. This does not however, preclude a decision to borrow in order to fund in full or in part an investment opportunity that meets the Council's strategic priorities and objectives, and achieves value for money. Each such opportunity to be considered on a case by case basis as appropriate.
- 9.2 At present the Council has no material non-treasury investments, e.g. expenditure on loans or the acquisition of non-financial assets (property) intended solely to generate a profit. **[Annex 6]** is reviewed and updated accordingly in order to ensure compliance with the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes, and Statutory Guidance on Local Government Investments relating to non-treasury investments.

10 Financial and Value for Money Considerations

- 10.1 The Bank Rate is currently 4.75%. Link's current forecast (November 2024) anticipates Bank Rate will fall back to 3.75% by March 2026. Longer term, the rates are expected to fall back to 3.50% and remain there for the foreseeable future.
- 10.2 Whilst the Council has benefited from the interest rates being held higher for longer, the Bank of England initiated the rate cut cycle in August 2024, taking the bank rate from 5.25% to 5.0%. The benefit of the former has produced interest earned over the past several months to the end of November 2024 from cash flow surpluses and core cash investments. This has exceeded the original budget for the same period by £442,600. Income from property funds at the end of September 2024 is £82,980 and has been revised downward to take Lothbury Property Trust's termination on 30 May 2024 into consideration. Investment income from multi-asset funds has generated £127,690 and is £5,360 in excess of the original budget. Investment income for the year as a whole is expected to exceed the original budget which is reflected in the revised estimates for 2024/25.
- 10.3 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.
- 10.4 Whilst the annual income stream from a property fund exhibits stability (circa 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.

- 10.5 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.
- 10.6 The money being applied to property fund investment from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored, and due regard had to the potential for a fund to delay payment of redemption requests by up to 12 months. Funds will seek to minimise their own cash balances in favour of holding property 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.
- 10.7 Diversified income funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property and cash). Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.
- 10.8 Short term bond values are linked to interest rate expectations and long-term bond values are linked to inflation expectations. Funds aim to minimise the risk of issuer default by investing in a broad spread of issuers and across different sectors and geographic regions. Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.

11 Risk Assessment

- 11.1 Link Asset Services are employed to provide advice on the content of the Treasury Management and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.
- 11.2 Credit ratings remain a key tool in assessing risk. It is recognised that their use should be supplemented with sovereign ratings and market intelligence. Appropriate sovereign, group and counterparty limits are established to ensure an appropriate level of diversification.
- 11.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the 2025/26 Strategy have been minimised.

12 Legal Implications

- 12.1 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.

12.2 This report fulfils the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments. Please note, both Codes have been updated in December 2021 and have been taken into account in the 2025/26 Treasury Management and Annual Investment Strategy.

13 Cross Cutting Issues

13.1 Climate Change and Biodiversity

13.2 While the Treasury Management Code outlines the principle for investments as Security Liquidity and Yield is core, it recognises that ESG issues are increasingly significant for investors.

13.3 Consideration will be given to how we can formalising ESG as part of the Treasury Management Strategy Statement, while appreciating it is better developed in the equity and bond markets, than the short-term cash deposits, where the majority of the Council's portfolio is held.

13.4 Equalities and Diversity

13.4.1 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.

Background Papers	Link Asset Services: Interest rate forecast (December 2024) Economic commentary Benchmarking data.
Annexes	(1) TMBC Investment Summary 30 November 2024 (2) TMBC Lending List November 2024 (3) TMBC Benchmarking September 2024 (4) TMBC Treasury Management Estimates 2024/25 and 2025/26 (5) TMBC Treasury Management and Annual Investment Strategy 2025/26 (6) TMBC Non-Treasury Management Practices

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Tonbridge and Malling Borough Council - Investment summary 30 November 2024

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 %				
Banks, Building Societies & Other Financials														
Barclays Bank : 95 day notice account	UK	A+	F1	6 months	23/07/2019	TBD	95 Days	3,000,000	4.80	4.31%		3,000,000		
Goldman Sachs : Fixed Term Deposit	UK	A+	F1	6 months	15/08/2024	15/05/2025	9 Months	3,000,000	4.82	8.63%		3,000,000		
Fixed Term Deposit					06/11/2025	06/08/2025	9 Months	3,000,000	4.72			3,000,000		
Handelbanken : Fixed term deposit	UK	AA	F1+	1 year	17/01/2024	17/01/2025	1 Year	3,000,000	4.70	4.31%		3,000,000		
HSBC Bank : 31 day notice account	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	3,000,000	4.75	4.31%	3,000,000			
National Westminster Bank : Deposit account	UK	A+	F1	1 year	29/11/2024	02/12/2024	Overnight	6,050,000	3.00	8.70%	50,000			
Certificate of Deposit					20/06/2024	20/06/2025	1 Year	3,000,000	5.15			3,000,000		
Certificate of Deposit					06/08/2024	05/08/2025	1 Year	3,000,000	4.62			3,000,000		
Rabobank : Certificate of Deposit	Netherlands	A+	F1	1 year	23/07/2024	22/07/2025	12 months	3,000,000	5.13	8.63%		3,000,000		
Certificate of Deposit					06/11/2024	05/11/2025	12 months	3,000,000	4.69			3,000,000		
Standard Chartered : Sustainable Fixed Term Deposit	Netherlands	A+	F1	1 year	14/11/2024	13/11/2025	12 months	3,000,000	4.72	4.31%		3,000,000		
Toronto Dominion Bank : Certificate of Deposit	Canada	AA-	F1+	1 year	20/12/2023	19/12/2024	1 year	6,000,000	5.23	8.63%		3,000,000		
Certificate of Deposit					04/10/2024	03/10/2025	1 year	3,000,000	4.59			3,000,000		
Money Market Funds														
Blackrock MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	29/11/2024	02/12/2024	Overnight	3,541,000	4.77	5.09%	3,541,000			
BNP Paribas MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	29/11/2024	02/12/2024	Overnight	7,878,000	4.78	11.33%	7,878,000			
CCLA PSDF MMF - shares/units held	N/A	AAA	mmf	5 years	29/11/2024	02/12/2024	Overnight	3,036,000	4.78	4.37%	3,036,000			
DWS Deutsche MMF - shares/units held	N/A	AAA	mmf	5 years	29/11/2024	02/12/2024	Overnight	2,759,000	4.80	3.97%	2,759,000			
Federated MMF - shares/units held	N/A	AAA	mmf	5 years	29/11/2024	02/12/2024	Overnight	8,000,000	4.79	11.50%	8,000,000			
Morgan Stanley MMF - shares/units held	N/A	AAA	mmf	5 years	29/11/2024	02/12/2024	Overnight	0	4.75		-			
Property Funds														
Hermes Property Unit Trust : Property fund units	N/A	N/A	N/A	N/A	29/09/2017	N/A	N/A	1,000,000	3.53	1.44%				1,000,000
Local Authorities' Property Fund : Property fund units	N/A	N/A	N/A	N/A	29/06/2017	N/A	N/A	1,000,000	4.18	2.88%				1,000,000
Property fund units					30/05/2018	N/A	N/A	1,000,000	5.59					1,000,000
Lothbury Property Trust : Property fund units	N/A	N/A	N/A	N/A	06/07/2017	N/A	N/A	1,038,776	2.89	1.49%				38,776
Property fund units					02/07/2018	N/A	N/A	1,000,000	2.88					1,000,000
Multi Asset Funds														
Aegon Multi Asset fund units	N/A	N/A	N/A	N/A	29/07/2021	N/A	N/A	1,750,000		2.52%			1,750,000	
Fidelity Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,000,000		1.44%			1,000,000	
Ninety One Multi Asset fund units	N/A	N/A	N/A	N/A	12/08/2021	N/A	N/A	1,500,000		2.16%			1,500,000	
Total invested								69,552,776		100.00%	28,264,000	33,000,000	4,250,000	4,038,776

Number of investments	27	Average investment value £				2,576,000
Number of counter parties	20	Average counter party investment £				3,478,000
Group exposures:		Core £	Cash £	Combined £	%	
Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)		6,000,000	50,000	6,050,000	8.70	
Bank of Scotland + Lloyds (MAX 20%)		-	-	-	-	
Property Funds Total				£	%	
Multi Asset Funds Total				4,038,776	5.81	
				4,250,000	6.11	

Total non-specified investments should be less than 60% of Investment balances 11.92%

Notes:
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update September 2024.

End date for notice accounts to be determined (TBD)

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Tonbridge and Malling Borough Council Lending List

Checked against Link's "Suggested Credit List" dated 29/11/24
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
UK Banks, Building Societies and other Financial Institutions :								
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
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-	BBB+	F2	Exempt	£7m	N/A	N/A
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-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
National Westminster Bank (Group limit Nat West and RBS £7m).	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
Santander UK	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Standard Chartered Bank	UK	AA-	A+	F1	Exempt	£7m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £7m).	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
Coventry Building Society	UK	AA-	A-	F1	Exempt	£7m	100 days	100 days
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
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	AA-	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

No change

02 December 2024

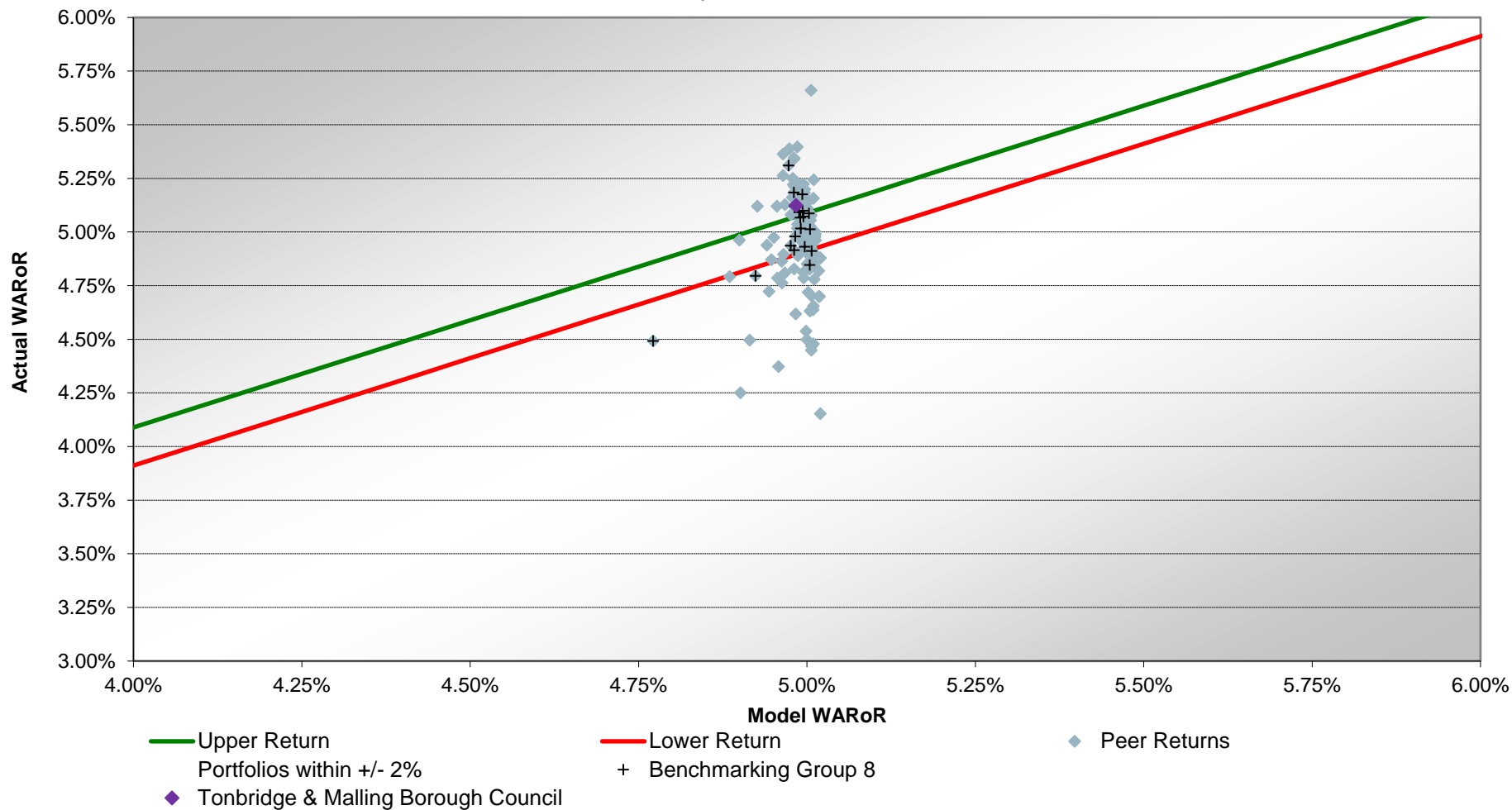
Note: Close Brothers removed from Link's Suggested Credit List 12/02/2024. Although removed, Link have stated that the Fitch long term rating change from A- to BBB+ would have no impact on the suggested duration and would remain at 6 months.

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Tonbridge & Malling Borough Council

Population Returns against Model Returns

September 2024



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Tonbridge & Malling Borough Council	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
	5.12%	4.98%	0.14%	4.90%	5.07%	Above

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Extract from O&S estimates presentation - January 2025. Costs attributed to banking arrangements and transfers in lieu of interest are excluded.

DIRECTOR OF FINANCE & TRANSFORMATION

	2024/25		2025/26
	ORIGINAL ESTIMATE £	REVISED ESTIMATE £	ESTIMATE £
4 <u>TREASURY MANAGEMENT</u>			
Employees			
Salaries	35,050	37,550	40,900
Supplies & Services			
Treasury Advisor & Dealing Fees	16,000	17,000	18,000
	51,050	54,550	58,900
Less Income			
Interest on:			
Cash Flow Investments	(1,433,000)	(965,000) a)	(686,000) a)
Core Cash Investments	(676,000)	(1,730,000) a)	(1,486,000) a)
Medium Term Investments	(183,500)	(148,750) b)	(157,250) b)
Long Term Investments	(185,000)	(105,000) c)	(72,000) c)
	(2,477,500)	(2,948,750)	(2,401,250)
<u>Sub-total</u>	(2,426,450)	(2,894,200)	(2,342,350)
Central, Departmental & Technical Support Services			
Central Salaries & Administration	12,650	13,400	14,250
Information Technology Expenses	1,100	1,350	1,250
Departmental Administrative Expenses	19,150	19,800	20,350
	(2,393,550)	(2,859,650)	(2,306,500)
<u>TO SUMMARY</u>			
Full Time Equivalent Number of Staff (Including Support Service Staff)	0.91	0.98	1.04

- a) Increased interest receipts due to the Bank base rate being held at 5.25% for longer than originally anticipated. Forward estimate reflects anticipated reduction in the Bank base rate.
- b) Reflects fluctuations in the performance of the Multi-Asset Diversified Income Funds.
- c) Lower level of investment income anticipated mainly due to the Lothbury Property Trust being terminated on 30th May 2024.

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Treasury Management and Annual Investment Strategy 2025/26

1 Introduction

1.1 Treasury management is defined as:

‘The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’.

1.2 The strategy covers:

- Statutory and regulatory requirements
- Balanced budget requirement
- Prudential and Treasury Indicators
- Borrowing requirement
- Current treasury position
- Prospects for interest rates
- Investment policy
- Creditworthiness policy
- Country, counterparty and group exposure limits
- Cash flow and core fund investment
- Medium and long term investment
- Year end investment report
- Policy on the use of external service providers
- Training

2 Statutory and regulatory requirements

2.1 The Local Government Act 2003 (the Act) and supporting regulations require the Council to ‘have regard to’ the Chartered Institute of Public Finance (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

- 2.2 The elements set out above in 1.2 cover the requirements of the Local Government Act 2003, Ministry of Housing, Communities and Local Government (referred to as MHCLG within the document) Investment Guidance, MHCLG MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. In December 2021 CIPFA published revised updates to the Treasury Management Code which has been taken into account in the 2025/26 Strategy.
- 2.3 The Act requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the **security** and **liquidity** of those investments.
- 2.4 Historically, the scope of the statutory guidance and CIPFA codes was limited to the investment of an authority's cash surpluses and the management of borrowing undertaken to support its capital expenditure plans. The updated statutory guidance and codes broaden that scope to include expenditure on loans and the acquisition of non-financial assets (property) intended to generate a profit. The Council has not engaged in any commercial investments and has no material non-treasury investments.
- 2.5 The Council formally adopted the revised CIPFA Treasury Management Code of Practice (2017 Edition) on 30 October 2018 and in December 2021 CIPFA published updates to the Treasury Management Code. 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, including the Annual Investment Strategy, for the year ahead; a mid-year Review 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 the Treasury Management Strategy and policies to a specific named body. For this Council, the delegated body is the Audit Committee.

2.6 The scheme of delegation and role of the Section 151 officer that gives effect to these requirements are set out **[Appendix 1]**.

3 Balanced budget requirements

3.1 It is a statutory requirement for the Council to produce a balanced revenue budget, broadly meaning that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed.

3.2 Local authorities should calculate a budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and treasury indicators

4.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the 'Affordable Borrowing Limit'. In England and Wales, the Authorised Limit represents the legislative limit specified in the Act.

4.2 The Council must have regard to the Prudential Code when setting the 'Authorised Limit', which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

4.3 Whilst termed an 'Affordable Borrowing Limit', the capital plans to be considered for inclusion may incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The 'Authorised Limit' is to be set on a rolling basis, for the forthcoming financial year and two successive financial years.

- 4.4 Prudential and Treasury Indicators relevant to setting an integrated treasury management strategy are set out in **[Appendix 2]**.

5 Borrowing requirement

- 5.1 Other than for cash flow purposes and then within the limits set out at **[Appendix 2]** borrowing will not be necessary (based on the current capital plan). All capital expenditure prior to 2029/30 is expected to be funded from the Revenue Reserve for Capital Schemes, grants, developer contributions and capital receipts arising from the sale of assets. ***This does not however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives and achieves value for money. Each such opportunity to be considered on a case-by-case basis as appropriate.***
- 5.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

6 Current treasury position

- 6.1 The Council is debt free and as such the overall treasury position at 30 November 2024 comprised only investments. On that date the Council's cash flow and core fund investments totaled £61.26m and was invested in a mix of money market funds, bank notice accounts and time deposits with banks. The average duration to maturity for core investments was 112 days with a weighted average rate of return 4.83%. Returns in future years are expected to decrease as Bank Rate cuts are implemented. Income from investments forms part of the Council's ten-year medium term financial strategy (MTFS). An updated MTFS will be presented to Council in February 2025.
- 6.2 The Council held £4.038m in externally managed property fund investments at 30 November 2024, a reduction from £5.0m due to the Lothbury Property Trust fund closure announcement in May 2024. The remaining property funds are expected to generate a stable income of 3.6% in 2025/26 and this level should continue in future years. Over time, the rise in the value of each property funds' assets (capital appreciation) is expected to negate fund entry and exit costs.
- 6.3 The Council also held £4.25m in externally managed multi asset fund investments at 30 November 2024. The multi asset funds are expected to generate income of 3.7% in 2025/26 and this level should continue in future years. There are no exit costs associated with multi asset funds.

- 6.4 At present the Council has no material non-treasury investments (e.g. directly owned commercial property, shares in subsidiaries or loans to third parties). The procedures, practices and governance arrangements to enable the Council to meet the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice, and the Statutory Guidance on Local Government Investments relating to non-treasury investments **[Appendix 6]** is reviewed annually and forms part of The Audit Committee report and endorsed by Council to approve appropriate Non-treasury Management Practices.

7 Prospects for interest rates

- 7.1 The Council has appointed Link Asset Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. Link's current interest rate forecast is provided at **[Appendix 3]**. Link's expectation for Bank Rate, for each financial year ending March, are:

- 2025/2026 3.75%
- 2026/2027 3.50%
- 2027/2028 3.50%

- 7.2 The forecast may be overly optimistic (downside risks) dependent on:

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **UK / EU trade arrangements** - if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant issues.
- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

- 7.3 The forecast may be overly pessimistic (upside risk) dependent on:

- **The Pound weakens** because of a lack of confidence in the UK Government's post-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- 7.4 Link's more detailed view of the current economic background is included at **[Appendix 4]**.

8 Investment policy

- 8.1 The Council's investment policy has regard to the DLUHC's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. **The Council's investment priorities will be security first, liquidity second, and then yield.**
- 8.2 In accordance with the above guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 8.3 Ratings are not the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment also takes account of information that reflects the opinion of the markets. To this end the Council engages with its advisors to maintain a monitor on market pricing such as 'credit default swaps' and overlay that information on top of the credit ratings.
- 8.4 Other information sources used includes the financial press, share price and other information relating to the banking sector in order to establish a robust scrutiny process on the suitability of potential investment counterparties.
- 8.5 Investment instruments identified for use are listed in **[Appendix 5]** under 'specified' and 'non-specified' investment categories. Counterparty limits are detailed in section 10 below.

9 Creditworthiness policy

- 9.1 The creditworthiness service provided by Link has been progressively enhanced over the last few years and now employs a sophisticated modelling approach using credit ratings from each of the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings are supplemented using the following overlays:
- Credit watches and credit outlooks from credit rating agencies;
 - Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
 - Sovereign ratings to select counterparties from only the most creditworthy countries.

9.2 This modelling approach combines credit ratings, and any assigned credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour coded bands are also used by the Council to inform the duration of an investment and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments.

9.3 The selection of counterparties with a high level of creditworthiness is achieved by selecting institutions down to a minimum durational band within Link's weekly credit list of potential counterparties (worldwide). Subject to an appropriate sovereign and counterparty rating the Council uses counterparties within the following durational bands:

Yellow/Pink	5 years
Purple	2 years
Blue	1 year (UK nationalised Banks)
Orange	1 year
Red	6 months
Green	100 Days

9.4 The Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. Moody's tends to be more aggressive in giving low ratings than the other two agencies and adopting the CIPFA approach may leave the Council with too few banks on its approved lending list. The Link creditworthiness service uses a wider array of information than just primary ratings and in combination with a risk weighted scoring system undue preponderance is not given to any one agency's ratings.

9.5 All credit ratings are reviewed weekly and monitored on a daily basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- If a downgrade results in the counterparty no longer meeting the Council's minimum criteria its use for new investment is withdrawn immediately.
- In addition to the use of credit ratings the Council is advised of movements in Credit Default Swap data against the iTraxx European Financials benchmark and other market data on a daily basis. Extreme market movements may result in a scaling back of

the duration assessment or removal from the Councils lending list altogether.

- 9.6 Sole reliance is not placed on the use of the Link service. In addition, the Council uses market information including information on any external support for banks to assist the decision making process.

10 Country, counterparty and group exposure limits

- 10.1 The Council has determined that it will only use approved counterparties from the UK. Counterparties from other countries will be subject to a minimum sovereign credit rating of AA-. The minimum will be the lowest rating determined by Fitch, Moody's and Standard and Poor's. The list of countries that qualify using this credit criteria as at the date of this report are shown in **[Appendix 6]**. The list will be amended in accordance with this policy should ratings change.
- 10.2 Avoidance of a concentration of investments in too few counterparties or countries is a key to effective diversification and in this regard the limits set out below are thought to achieve a prudent balance between risk and practicality.

Country, Counterparty and Group exposure	Maximum Proportion of Portfolio
UK regulated institutions subject to UK Sovereign rating of A- or higher and the institution limits detailed below.	100%
Non-UK regulated institutions as an amount per sovereign rated AA- or higher and subject to the institution limits detailed below.	20%
Group of related institutions.	20%
Each financial institution rated Fitch A-, F1 or higher (green excluding CDS using Link's credit methodology) or each local authority.	20%
Each UK nationalised bank rated Fitch BBB, F2 or higher (green excluding CDS using Link's credit methodology).	20%
Each AAA rated multilateral / supranational bank.	20%
Each AAA rated CNAV, LVNAV or VNAV money market fund.	20%
Each AA or higher rated enhanced cash fund / government liquidity fund / gilt fund / ultra-short dated bond fund subject to a maximum 20% exposure to all such funds.	10%
Each housing association rated Fitch A- or higher and 20% for all housing association investment.	10%

Non-specified investments over 1 year duration.	60%
Each non-rated property fund used for long term investment subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds. No cash limit applies to new resources made available from, or in anticipation of, the sale of existing property assets or other windfalls.	N/A
Each non-rated diversified income (multi-asset) fund and or short dated bond fund used for medium term investment subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds. No cash limit applies to new resources made available from, or in anticipation of, the sale of existing property assets or other windfalls.	N/A

10.4 Cash flow balances vary depending on the timing of receipts and payments during the month and from month to month. The investment limits identified in paragraph 10.2 will be based on an estimate of the expected average daily cash flow balance at the start of the financial year augmented by core cash and other balances. Counterparty investments will be managed to ensure compliance with the limits at the start and end of each financial year when balances available for investment will be at a low point.

11 Cash flow and core fund investment

11.1 Funds available for investment are split between cash flow and core cash. Cash flow funds are generated from the collection of council tax, business rates and other income streams. They are consumed during the financial year to meet payments to precept authorities and government (NNDR contributions) and to meet service delivery costs (benefit payments, staff salaries and suppliers in general). The consumption of cash flow funds during the course of a financial year places a natural limit on the maximum duration of investments (up to one year). Core funds comprise monies set aside in the Council's revenue and capital reserves and are generally available to invest for durations in excess of one year.

11.2 **Cash flow investments.** The average daily cash flow balance throughout 2025/26 is expected to be £13.1m with a proportion available for longer than three months. Cash flow investments will be made with reference to cash flow requirements (liquidity) and the outlook for short-term interest rates i.e. rates for investments up to 12 months. Liquidity will be maintained by using bank deposit accounts and money markets funds. Where duration can be tolerated, additional

yield will be generated by utilising term deposits with banks and building societies and enhanced cash and government liquidity funds. Investment in ultra-short dated bond funds will also be considered. Cash balances available for more than 3 months may be transferred to the core fund portfolio if a better overall return for the Council can be achieved by doing so.

- 11.3 In compiling the Council's estimates for 2025/26 a return on cash flow investments of 3.6% has been assumed.
- 11.4 **Core fund investments.** Historically the Council's core funds have been managed by an external fund manager. All core funds were returned to the Council for in-house management during 2014/15. The core fund balance is diminishing as a proportion is consumed each year to support the Council's revenue budget and capital expenditure plans. The average core fund balance during 2025/26 is expected to be £16.6m.
- 11.5 The Council will avoid locking into longer term deals while investment rates continue their current low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and are within the risk parameters set by the Council.
- 11.6 In compiling the Council's estimates for 2025/26 a return on core fund investments of 4.0% has been assumed. Subject to the credit quality and exposure limits outlined in paragraph 10.2, liquidity and yield will be achieved by a mix of investments using predominantly fixed term deposits and certificates of deposit. Notice accounts, enhanced cash and government liquidity funds and ultra-short dated bond funds will also be used if these offer favourable returns relative to term deposits. Investment with housing associations and other local authorities will also be considered.

12 Medium and long term investment

- 12.1 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake medium term investment in either short dated bond funds and or diversified income funds (a mix of cash, bonds, equity and property) through externally managed collective investment schemes. Investment in such schemes typically implies a three to five year commitment to recoup entry and exit fees and mitigate the potential for a fall in the value of assets under management.
- 12.2 A detailed evaluation of a fund's asset quality, market risk, redemption constraints, management and governance arrangements will be

undertaken in advance of any investment taking place. Support to identify and select the most appropriate fund(s) will be sought from the Council's treasury advisor. Any sums invested will be reported at regular intervals with income received and changes in capital value separately identified. The strategy places an upper limit on exposure to such funds of 20% of expected long term cash balances, circa £3m.

- 12.3 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake long term investment in property through an externally managed collective investment scheme (fund). Investment in such schemes typically implies a 10 year commitment to recoup entry and exit fees. To mitigate the risk that capital values may fall due to changes in economic activity, investment duration cannot be determined with certainty at the time the investment commences. As a consequence, any cash balances applied to such an investment must be available for the long term and there must be flexibility over the timing of redemption(s) in the future. Sums invested will be reported at regular intervals with income received and changes in capital value separately identified. The strategy places an upper limit on exposure to such funds from existing resources of 20% of expected long term cash balances, circa £3m. No limit applies to new resources made available from the sale of existing assets or other windfalls.

13 Year end investment report

- 13.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

14 Policy on the use of external service providers

- 14.1 The Council uses Link Asset Services as its external treasury management advisors.
- 14.2 The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.
- 14.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

15 Training

- 15.1 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
- 15.2 The following training has been undertaken by members:
Understanding Local Authority Financial Reporting
Introduction to Treasury Management
Risk Management Training
Further training will be arranged as required.
- 15.3 The training needs of treasury management officers are periodically reviewed, and officers continue to attend treasury specific training, including strategic treasury management webinars, fraud and market updates from a number of providers.

**Financial Services
December 2024**

Appendices

1. Treasury management scheme of delegation
2. Prudential and treasury indicators
3. Interest rate forecasts
4. Economic background provided by Link Asset Services
5. Credit and counterparty risk management (TMP1)
6. Approved countries for investments

Appendix 1 Treasury management scheme of delegation**Full Council**

- Budget approval.
- Approval of treasury management policy.
- Approval of the annual treasury management and investment strategy.
- Approval of amendments to the Council's adopted clauses, treasury management policy and annual treasury management and investment strategy.
- Approval of the treasury management outturn and mid-year reports.

Cabinet

- Budget consideration.
- Approval of the division of responsibilities.
- Approval of the selection of external service providers and agreeing terms of appointment.
- Acting on recommendations in connection with monitoring reports.

Audit Committee

- Reviewing the annual treasury management and investment strategy and making recommendations to Cabinet and Council.
- Receive reports on treasury activity at regular intervals during the year and making recommendations to Cabinet.
- Reviewing treasury management policy, practices and procedures and making recommendations to Cabinet and Council.

The S151 (responsible) officer

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Prepare and maintain effective treasury management practices (TMPs).
- Ensuring the adequacy of internal audit and liaising with external audit.
- Recommending the appointment of external service providers.
- Preparation of a Capital Strategy and for ensuring the strategy is sustainable, affordable and prudent in the long term and that due diligence has been carried out to support each investment decision and those decisions are in accordance with the risk appetite of the authority.

Appendix 2 Prudential and treasury indicators

The prudential indicators relating to capital expenditure cannot be set until the capital programme is finally determined and will as a consequence be reported as part of the Setting the Budget for 2025/26 report that is to be submitted to Cabinet on 11 February 2025.

The treasury management indicators are as set out in the table below:

TREASURY MANAGEMENT INDICATORS	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'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	35,365 (64.8%)	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	10,916 (20.0%)	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	8,288 (15.2%)	60% of funds			

Maturity structure of fixed rate borrowing during 2024/25 – 2027/28	upper limit	lower limit
under 12 months	100 %	0 %
Over 12 months	0 %	0 %

A new Liability Benchmark indicator was introduced in 2023/24. Whilst consideration has been given to the Liability Benchmark, the Council is debt free and therefore there is no debt maturity profile to report. The forecast net investment requirement for the next three years (excluding the liquidity allowance) is: 2025/26 £39.9m, 2026/27 £31.8m and 2027/28 £27.4m.

Appendix 3 Interest rate forecasts – November 2024

Link Group Interest Rate View 11.11.24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 mth ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 mth ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 mth ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30
Bank Rate													
Link	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
Capital Economics	4.75	4.50	4.25	4.00	3.75	3.50	3.50	3.50	--	--	--	--	--
5yr PWLB Rate													
Link	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
Capital Economics	5.20	5.10	4.90	4.80	4.60	4.60	4.50	4.50	--	--	--	--	--
10yr PWLB Rate													
Link	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
Capital Economics	5.30	5.20	5.10	4.90	4.80	4.80	4.70	4.60	--	--	--	--	--
25yr PWLB Rate													
Link	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
Capital Economics	5.60	5.40	5.30	5.20	5.00	4.90	4.90	4.80	--	--	--	--	--
50yr PWLB Rate													
Link	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30
Capital Economics	5.60	5.50	5.30	5.20	5.10	5.00	4.90	4.80	--	--	--	--	--

Appendix 4 Economic background based on text provided by Link Asset Services

- 1 **UK** – The third quarter of 2024 saw:
 - The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September.
 - CPI inflation hitting its target in June before edging above it to 2.2% in July and August.
 - Core CPI inflation increasing from 3.3% in July 3.6% in August.
 - A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July.
 - 10 year gilt yields falling to 4.0% in September.

- 2 The Government’s announcement to raise public spending have caused concerns that large tax rises could weaken GDP growth in the medium-term. However, taxes raised in line with spending would mean the overall stance of fiscal policy would be similar to the previous government’s plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.

- 3 The economy’s stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September’s composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England’s view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor’s announcements at the Budget on 30th October will be more meaningful.

- 4 The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.

- 5 The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3m year on year growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.

- 6 Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the

77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market.

- 7 CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.
- 8 The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no. A vote at the November meeting saw the rate cut again bring the current bank rate from 5.0% to 4.75%.
- 9 Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, Link's forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations; however, a December rate cut may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025 it is expected that a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.
- 10 **Central Bank Concerns.** Currently, the US started its rate cutting cycle with an anticipated 50bps reduction in mid-September, the Fed opted for a more modest 25bps cut at the conclusion of its two-day FOMC meeting taking the Fed Funds target range down to between 4.5% and 4.75%. Analysts are expecting the Fed to call time on this loosening cycle a little earlier than before and anticipate 25bps reductions at each meeting until May 2025. Eurozone

GDP growth picked up in Q3, but timelier data suggest that the economy is poised for a weak Q4. Analysts expect growth to remain slow next year regardless of whether President Trump raises tariffs on imports from Europe. Analysts also believe that inflation will be well below 2% in 2025. As a result, forecasts suggest the ECB will cut interest rates rapidly, and more quickly than investors anticipate, taking the deposit rate down to 1.5% by mid-2025.

Link Asset Services
November 2024

Appendix 5 Credit and counterparty risk management (TMP1)

All specified and non-specified Investments will be:

Subject to the sovereign, counterparty and group exposure limits identified in the Annual Investment Strategy (Section 10).

Subject to the duration limit **where applicable** suggested by Link (+6 months for UK 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):

Investment	Minimum Credit Criteria
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 Gov't)	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 - 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
Term deposits – housing associations	UK Sovereign A- Counterparty A-	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 and or short dated bond funds	N/A	N/A

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Appendix 6 Approved countries for investments

Each financial institution must meet the minimum credit criteria specified in the Annual Investment Strategy (Section 10). For non-UK regulated institutions the institutions sovereign must be rated AA- or higher by each of the three rating agencies - Fitch, Moody's and Standard and Poor's.

This list will be reviewed and amended if appropriate on a weekly basis by the Director of Finance and Transformation.

As of 29 November 2024 sovereigns meeting the above requirement which also have banks operating in sterling markets with credit ratings of green or above on the Link Asset Services' Credit Worthiness List were:

AAA	Australia Denmark Germany Netherlands Norway Singapore Sweden Switzerland
AA+	Canada Finland USA
AA	Abu Dhabi (UAE) Qatar
AA-	Belgium France UK

Non-treasury Management Practices

1 Introduction

- 1.1 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.
- 1.2 The Council will ensure that all its investments are covered in a capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.
- 1.3 The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.
- 1.4 The Council recognises that many of the principles underlying treasury management practices will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly.
- 1.5 It is recognised that the Council may make investments for policy reasons outside of normal treasury activity, and these may include:
 - Service investments – these are held clearly and explicitly in the course of the provision, and for the purposes of, operational services, including regeneration
 - Commercial investments – these are undertaken for mainly financial reasons. They may include:
 - Investments as part of business structures, such as loans to and shares in subsidiaries.
 - Investments explicitly taken out with the aim of making a financial surplus for the council and include commercial properties
- 1.6 The investment practices for non-treasury investments detailed below will be complied with by all officers and agencies responsible for such investments. These practices will evolve over time and will be subject to annual review.

2 Risk management (NTMP 1)

- 2.1 Investment of the Council's cash surpluses and reserves is governed by the CIPFA Treasury Management Code of practice and DLUHC Statutory Guidance. These require authorities to prioritise security and liquidity over yield. Compliance aims to protect the value of sums invested and ensure funds are available to spend as spending commitments arise. Investment in equity, bonds or property are likely to fail the security and liquidity tests and are therefore considered inappropriate for short term cash surplus and reserve fund management purposes.
- 2.2 Commercial property covers a broad range of property uses and types including, retail outlets, office accommodation, warehouses, industrial units, and residential accommodation.
- 2.3 Risks associated with commercial property ownership include:
- Close correlation between value and changes in **GDP**. Values fall significantly in a downturn. Values rise when the economy is growing.
 - Property is **illiquid** both in terms of transaction times and price transparency.
 - **Tenant covenant strength** will impact on ability to meet rental payments, lease renewal, exercise break clauses and CVA.
 - **Valuations** are not a guarantee of sale price and may be subject to investor confidence / sentiment.
 - **Stock, sector, and geographic** risk will all impact on the value of a particular property.
 - Subject to **environmental risk** such as flooding and land contamination.
 - **Interest rate** changes not only affect the cost of borrowing but also bond / equity prices which may impact on the relative attractiveness of property.
 - Changes in **legislation and regulation** e.g. energy efficiency may involve additional cost to the investor.
 - Changes in **taxation** (stamp duty / SDLT) may affect value.
- 2.4 Risks will be explored in the property acquisition business case and through regular monitoring of the property market post acquisition. Nevertheless, risk will persist.
- 2.5 A risk assessment is provided at **[Appendix 1]**.

3 Decision making, governance and organisation (NTMP 2)

- 3.1 Any new commercial property investment will be subject to a business case review. The report seeking Capital Plan budget provision will follow the normal budget approval process (O&S, Cabinet and Council).
- 3.2 Day to day management of commercial property investments is delegated to the Director of Central Services (DCS). The DCS will undertake that management using in-house resources or appoint specialist external agents where appropriate. Functions include:
- Collection of rent & service charges
 - Establishing lease terms
 - Advertising vacant units
 - Negotiating tenant lease agreements
 - Monitoring the commercial property market
 - Undertaking annual property revaluations
- 3.3 New lease agreements will be certified, without delegation, by the DCS. Any rent free periods and other tenant inducements will be reported under the reporting arrangements detailed in NTMP 4.
- 3.4 The Director of Finance and Transformation will undertake a periodic reconciliation of income and expenditure. Internal audit, subject to a risk assessment, will review commercial property activity.

4 Performance management (NTMP 3)

- 4.1 Baseline performance requirements for commercial properties will be drawn from the business case submitted as part of property purchase approval. Gross income, service costs and tenant arrears will be monitored against baseline on a quarterly basis. Variation from a pre-determined tolerance level will trigger a report to the Council's Management Team and, if appropriate, will be escalated in accordance with NTMP 4.
- 4.2 Performance of the Council's commercial property function and that of any associated external support will be monitored and reviewed annually to ensure best practice and value for money are being achieved.

5 Reporting and management information (NTMP 4)

- 5.1 An information report setting out the performance of the Council's commercial property investments will be prepared by the Director of

Central Services and submitted to Members. Reports will be subject to prior consideration by the Council's Management Team.

- 5.2 Reports will include:
- A commentary on commercial property market conditions
 - Gross income against budget
 - Income performance against benchmark
 - Operating costs
 - Changes in occupancy
 - Changes to existing lease agreements / new lease agreements
 - Tenant arrears
 - Market value (to be reported annually).
- 5.3 Commercial property investment performance against budget will also be incorporated in the financial planning & control reports submitted to members.
- 5.3 Any extraordinary issues that are likely to generate a change in budget requirement will be subject to endorsement by Cabinet and approval by Council.

6 Training and qualifications (NTMP 5)

- 6.1 Members and officers involved in the property investments decision making process need to have appropriate capacity, skills, and information to enable them to take informed decisions as to whether to enter into a specific property investment.
- 6.2 The Councils employs suitably qualified property, legal and finance officers to manage activity and provide advice within their respective disciplines. Specialist external advisors will be engaged where appropriate. Member training will be provided in-house or by external agents as required.

Property Investment – Risk Register

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Downturn in property market	Capital value and income potential reduce for purchased assets.	4	4	16	Continued monitoring of markets. Sale of Assets at a benchmarked threshold. Annual Valuation.
Upturn in property market	Purchase cost of potential assets increases.	4	3	12	Continued monitoring of markets. Adjusting purchase criteria to reflect market movement. Consider sales of assets for capital gain. Annual Valuation.
Increase in interest rates (borrowing)	Cost of borrowing where adopted increases with detrimental impact on income.	4	3	12	Ensure most competitive rate achieved if borrowing, fixed term if possible. Consider increased use of reserves to ensure loan to value ratios are acceptable.
Increase in interest rates (investment)	Lower rate of return when compared to other potential investments	4	3	12	Consider revising income return criteria upwards. Consider disposal of assets for re-investment.
Available opportunities	Market opportunities meeting investment criteria not available.	4	3	12	Identify opportunities early and move swiftly to acquire.
Changes in Tenant demand	Certain types of property may become less favorable with tenants.	3	3	9	Consider alternative use at acquisition. Construct a varied portfolio by use.

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Obsolescence of Asset	Physical obsolesce in terms of building fabric and fit out.	3	3	9	Ensure full repairing and insuring leases are in place via pre-purchase due diligence. Have building surveys undertaken to establish condition of building.
Tenant default	Loss of rental income, increased costs incurred.	3	3	9	Undertake financial due diligence of tenants pre-purchase, obtain the best possible tenant covenants. Look for guarantors or cash deposits where covenants are considered weak. Consider multi-tenanted properties in order to diversify risk. Ensure robust credit control procedures in place. Monitor tenant company performance.
Void periods	Loss of rental income, holding costs incurred – rates, utilities etc. Costs of re-letting.	3	3	9	Monitoring tenancies as described above. Move quickly to appoint letting agents should a “void” period appear likely. Act expediently in concluding legal process of letting.
Government Legislation - Energy Performance (Minimum Energy Efficiency Standards, MEES)	From 1 April 2018 it is illegal for a landlord to grant a new letting of a commercial property that has an EPC of below E.	4	3	12	Undertake appropriate pre purchase due diligence to establish what the EPC rating of a property is and purchase accordingly. Identify if opportunities exist to increase the EPC rating appropriately.
Illiquidity of Property Assets	Asset identified for disposal to raise capital receipt or for reinvestment.	3	3	9	Ensure that assets are kept “sale ready” in terms of documentation and information.

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Staff Resources	Lack of suitably professionally qualified staff.	3	3	9	Ensure that appropriately professionally qualified staff, with experience in Property Investment, are available to act on the Council's behalf.
Residential Properties – generally all of the above plus greater landlord input, more management intensive	Residential Properties generally require a more active landlord involvement, maintaining the structure and services of a property – maintenance costs and management costs are therefore higher.	4	3	12	Ensure that increased holding costs are factored into purchase valuations. Appoint external professionals to manage landlord and tenant processes. Ensure that tenant deposits are taken.

Assessing risks

Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	5 – 12	15 – 24

The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

Likelihood	Almost inevitable	6	6 Medium	12 Medium	18 High	24 High
	Very likely	5	5 Medium	10 medium	15 High	20 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High
	Unlikely	3	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	2	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	1	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
Impact □			Negligible	Marginal	Significant	Critical

Audit Committee

13 January 2025

Part 1 - Public

Recommendation to Cabinet – Council Decision



Cabinet Members	Matt Boughton, Leader of the Council Kim Tanner, Cabinet Member for Finance and Housing
Responsible Officers	Management Team
Report Author	Sharon Shelton, Director of Finance and Transformation

Annual Audit Report 2023/24

1 Summary and Purpose of Report

- 1.1 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.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 An assessment by the Council's external auditors on the arrangements for securing economy, efficiency and effectiveness in its use of resources along with recommendations for improvement.

3 Recommendations

- 3.1 Members are **RECOMMENDED** to:

- 1) Consider and approve the Auditor's Annual Report [Annex 1] for 2023/24;
- 2) Note the comments made in respect of the key recommendations from 2022/23;
- 3) Note and endorse the management comments to the 2023/24 value for money recommendations raised; and

- 4) Make any specific recommendations to Cabinet and/or Full Council as the Committee feels appropriate in light of the Annual Report.

4 Introduction and Background

- 4.1 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.
- 4.2 The last Annual Audit Report relating to the financial year 2022/23 was presented to this Committee in September 2023. Members might recall that two significant weaknesses in the Council's arrangements to improve economy, efficiency and effectiveness were highlighted relating to procurement and performance management. The Committee has been tracking progress against the action plan to remedy these over the past 12 months.
- 4.3 Due to the national audit backlog, different arrangements have applied to our audit for 2023/24, and this annual audit report is therefore a little later in being reported to Members.

5 2023/24 Annual Audit Report

- 5.1 Grant Thornton's report is attached at **[Annex 1]**.
- 5.2 The auditors report on three distinct areas, namely:
 - 1) Financial sustainability;
 - 2) Governance; and
 - 3) Improving economy, efficiency and effectiveness.
- 5.3 In terms of financial sustainability and governance it is pleasing to note that no significance weaknesses were found, albeit some improvement recommendations have been made.
- 5.4 In 2022/23, two significant weaknesses were identified in relation to improving economy, efficiency and effectiveness relating to **performance management** and **procurement**. Members of this Committee will know that both these items have featured on our strategic risk register for some time and have been monitored very carefully.
- 5.5 In relation to performance management the risk rating assessed by Management Team has been reducing steadily over the months and is now an amber risk. Pleasingly, the annual audit report recognises the good progress that has been achieved and the report concludes that the significant weakness highlighted has now been addressed.

- 5.6 In relation to procurement, good progress has also been made in addressing this weakness, with the commencement of the procurement partnership in May 2024 and the recent approval by Cabinet of the Procurement Strategy at its December 2024 meeting. Members will note from the Strategic Risk Register elsewhere on this agenda that the risk has been downgraded from red to amber.
- 5.7 That said, much of the good progress has occurred during the 2024/25 financial year and therefore it is not a surprise that, as this audit relates to 2023/24, Grant Thornton have found it necessary to indicate that the weakness still existed in 2023/24. They do however recognise the positive progress that has been achieved and will review the arrangements again in the 2024/25 audit.
- 5.8 There are, unsurprisingly, a number of improvement recommendations set out within the report. Management Team has considered each of these and provided a note of actions that will be taken.

6 Financial and Value for Money Considerations

- 6.1 As set out in the Auditor's Annual Report.
- 6.2 The Auditor should not need to carry out any additional work as a result of this report and therefore no additional fees should accrue.

7 Risk Assessment

- 7.1 Last year Grant Thornton identified two significant weaknesses leading to key recommendations. During the latest audit, it was acknowledged and reported that the weakness relating to performance management has been addressed.
- 7.2 In relation to procurement, during 2023/24 Grant Thornton felt that the weakness remaining: although recognised positive progress primarily in 2024/25. It will be important to ensure this weakness is "signed off" fully during 2024/25.
- 7.3 Other recommendations made also need to be addressed in order to protect the Council and its services to residents.

8 Legal Implications

- 8.1 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.
- 8.2 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.

9 Consultation and Communications

9.1 The Auditor's report will be available to the public through this agenda.

10 Implementation

10.1 To address the recommendations made, Management Team have agreed actions with anticipated timescales as set out in the report.

11 Cross Cutting Issues

11.1 Climate Change and Biodiversity

11.1.1 Climate change advice has not been sought in the preparation of the options and recommendations in this report.

11.2 Equalities and Diversity

11.2.1 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.

Background Papers	None
Annexes	Annual Report from Grant Thornton

Tonbridge and Malling Borough Council

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**Auditor's Annual Report for the
year ended 31 March 2024**

November 2024



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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.



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.

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Tonbridge and Malling Borough Council (the Council) during 2023-24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for Money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

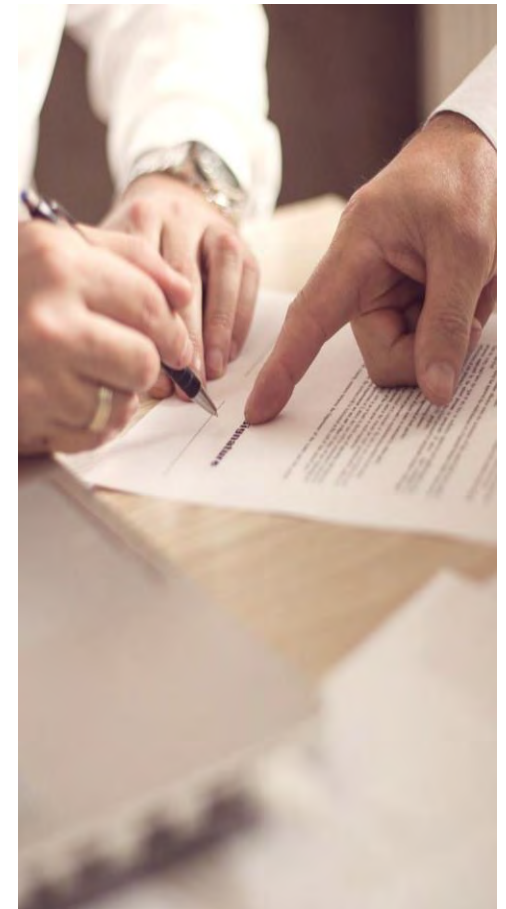
- financial sustainability
- governance
- improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 11 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

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. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below.



Financial sustainability

The Council continues to demonstrate a strong track record of financial performance, having outperformed the estimated budgets in 2022-23 and in 2023-24, contributing £0.95m and £1.3m to the General Fund Reserve in the respective financial years. The Council set a balanced annual budget for 2024-25 which fully identified all savings required to achieve this position. The Council is currently on track to deliver the 2024-25 position based on quarter 1 budget monitoring information.

The Council has built up reserves over the period 2019-20 to 2023-24, as such, at the end of 2023-24 the Council held earmarked and General Fund reserves of £33.4m. Reserves are expected to decrease in the medium-term as the Council uses them to fund specific projects that they are set aside to fund, therefore use of reserves is not indicative of a lack of financial control but demonstrates robust financial management.

Across the Council Medium-Term Financial Plan (MTFP) savings beyond 2025-26 are yet to be identified, which creates a budget gap until the savings can be fully identified and attributed to specific plans. This has the potential to reduce reserves beyond current anticipated levels. If in a worst-case scenario the savings were not identified or delivered, the potential reserves balance would represent 52% of net revenue expenditure and remains a strong position.

The Council has a well-established Savings and Transformation Strategy, which is a multi-year savings programme. Currently the scope of this programme is focussed on a few key areas, but there is potential for the Council to explore transformative savings schemes to meet the medium-term gaps identified from the yet to be developed savings plans in later years.

Executive summary

Financial sustainability (continued)

Despite an overall underspent position for 2023-24, the Council has experienced overspends in certain services, which have been offset by underspends elsewhere. The most significant of the overspends relate to the cost of Temporary Accommodation and Homelessness where expenditure was £0.248m above the revised estimate and was met from the Homelessness Reserve which was set aside in prior years in anticipation of rising demand. The Council has reduced demand in this area in prior years, with support from external consultants, and re-engaged those consultants in 2023-24 to provide additional support and address the increasing demand. The results of this work are expected to be implemented in 2024-25. The Council sought additional advice from consultants with regards to its capital response to the temporary accommodation pressures observed. This work has explored sustainable temporary accommodation delivery options, which are expected to be considered in the future capital programme.

The Council's Capital Programme outturn was £1.07m against a revised estimate of £2.306m, an underspend of £1.246m. £0.947m of this underspend was against capital renewals as a result of the delay in purchasing equipment for the Council's Leisure facilities. The Council worked with the Leisure Trust to develop an appropriate replacement programme and replacement equipment is expected to be delivered in quarter 3 of 2024-25.

Overall, arrangements to secure financial sustainability are deemed to be appropriate. No significant weaknesses in arrangements identified, but improvement recommendations have been made.

Executive summary



Governance

In response to recommendations from both External and Internal Audit reviews the Council engaged external consultants, Zurich Risk Management, to carry out a review of the Risk Management Strategy and Strategic Risk Register to suggest updates to existing processes ensuring they remain robust, fit for purpose and reflect best practice. Recommendations from this work have been formulated into an Action Plan which is being monitored by the Audit Committee. Progress has been made on all actions to date and the Plan is on track to deliver to agreed timescales by the end of January 2025.

The Council continues to be well-supported by its Internal Audit function, which received positive assurances from the Audit Committee's review of Internal Audit effectiveness and a service client satisfaction score of 100%. For 2023-24 Internal Audit completed 93% of their audit plan against a target of 90%. In addition, Internal Audit's self-assessment of its compliance with Public Sector Internal Audit Standards received the highest available rating of 'generally conforms'. The overall 2023-24 Internal Audit opinion for the Council was positive, receiving an overall rating of 'substantial assurance', reflecting robust processes and controls in place across a range of operations. The Council responds effectively to recommendations, with 88% of Internal Audit recommendations implemented, nearing completion or in progress at the end of 2023-24.

The budget setting process has remained consistent with the prior year and remains robust. It is a well-understood and collaborative process. Members monitor the financial performance of the Council via Financial Planning and Control Reports. These reports focus on the in-year position across key areas of the budget, and we have identified scope to review the format to ensure that Members are sighted on the year-end impact of in-year performance.

Member decisions are clearly and transparently presented at each Committee, including Cabinet. Reporting of decisions is both retrospective and forward-looking. This contributes to a robust and transparent decision-making culture. The Audit Committee received the Council's annual review of its arrangements against the Local Code of Corporate Governance in July 2024, a detailed response was provided to each requirement and no gaps in assurances were noted. This is a positive reflection of the Council's governance arrangements.

The Council established a Joint Standards Committee, which also includes all Parish Councils within the Borough. The Standards Committee deals with Councillors' standards and behaviour, receiving reporting on complaints annually and investigating individual cases as required. The number of issues raised in-year is low in comparison to the number of Councillors covered by this Committee, indicative of high standards of Member behaviour.

Overall, governance arrangements are deemed to be appropriate. No significant weaknesses in arrangements identified, but improvement recommendations have been made.

Executive summary



Improving economy, efficiency and effectiveness

We identified two weaknesses in arrangements in 2022-23 in this area and raised two key recommendations. The weaknesses were observed in procurement and performance management arrangements. The Council has responded effectively to concerns raised in relation to performance management in a timely manner by developing and implementing a performance management framework, alongside an updated Corporate Strategy for 2023-27. The Strategy, supporting delivery plan and key performance indicators (KPIs) were implemented and monitored from July 2023. As a result of the actions taken we believe this weakness to now be addressed.

For the weakness highlighted in procurement arrangements, the Council has made progress in responding to concerns in this area. The Council engaged Mid-Kent Procurement Partnership to deliver procurement services, with effect from 1 May 2024. The Partnership is working with the Council to deliver relevant training, provide a team to work on key procurements and draft an updated Procurement Strategy. As these actions remain in progress and are yet to complete, and the Partnership did not come into effect until 2024-25, the weakness continued to exist in 2023-24. However, we acknowledge the positive progress made and will review arrangements in 2024-25, once fully embedded.

The Council received a Local Government Association Peer Review, and initial follow up, in 2022. The Council's Action Plan, put in place to respond to the findings, has continued to be monitored internally. The Council has progressed the actions to completion in 2023-24, and so has responded effectively to this external review of its processes.

The Council sought to improve its service delivery, and generate efficiencies, through the procurement of a new software operating system for a wide range of Council services including Planning, Building Control, Housing Improvement, Environmental Health, Licensing, Community Safety, and Land Charges. The original target completion date for implementation of the Agile system was March 2023. The Council experienced delays in the implementation of the system and has revised the target date at several stages. In 2023-24 the Council responded by recruiting a dedicated Business Change Programme Manager to progress the project to completion and requested the Overview and Scrutiny Committee to undertake a Deep Dive on some specific areas of concern within the project. These actions have progressed the project and the system has been implemented for some departments, with expected final completion now set for March 2025. However, the Council would benefit from a retrospective lessons learned review to ensure similar issues are not repeated for future projects.

We have not identified any further weaknesses in arrangements for 2023-24, we acknowledge the positive response to our key recommendations raised in 2022-23. This has resulted in one recommendation being fully addressed and the other in progress, with expected completion in 2024-25. We have identified some improvement recommendations in the newly developed arrangements to support the Council in achieving best practice.

Executive summary



Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023-24 is the fourth year that these arrangements have been in place. 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. A summary of our judgements are set out in the table below.

Criteria	2022-23 Auditor judgement on arrangements	2023-24 Risk assessment	2023-24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weaknesses in arrangements identified but improvement recommendations made.	No significant weaknesses in arrangements identified.	A No significant weaknesses in arrangements identified but improvement recommendations made.	↔
Governance	A No significant weaknesses in arrangements identified but improvement recommendations made.	No significant weaknesses in arrangements identified.	A No significant weaknesses in arrangements identified but improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	R Two significant weaknesses in arrangements identified and two key recommendations made.	Prior year weaknesses identified for follow up in 2023-24.	R Of the two weaknesses identified in the prior year, one has been addressed and the other remains in progress following actions initiated in the 2024-25 financial year, which are expected to complete by the end of 2024-25. We identified some improvement recommendations also.	↑

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

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



Opinion on the financial statements



Audit opinion on the financial statements

We intend to issue an unqualified opinion on the Council's financial statements following the Audit Committee on 13 January 2025.

The full opinion will be included in the Council's Annual Report for 2023-24, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- Page 107
- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24; and
 - have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) published by the National Audit Office; and
- applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit Committee on 13 January 2025. Requests for this Audit Findings Report should be directed to the Council.

Use of auditor's powers

We bring the following matters to your attention:

	2023-24
<p>Statutory recommendations</p> <p>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.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter 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.</p>	<p>We did not issue a public interest report.</p>
<p>Application to the Court</p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023-24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' general fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024-25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023-24 and 2024-25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils were subsequently asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.



Local context

The Borough of Tonbridge and Malling is one of 12 districts in the County of Kent. Located in West Kent, it covers an area of 92.7 sq miles and serves a population of 132,600 people. The majority of the Borough is rural in nature but is also home to several villages and small towns. The Council's vision and objectives are set out in its Corporate Strategy 2023-2027, these are supported by a series of actions to achieve those objectives as the Council seeks to be an innovative and forward-thinking Council, that leads the people and businesses of the Borough towards a vibrant, prosperous and sustainable future.

The Council has 44 Councillors, representing 19 wards, following the local elections in May 2023. The majority of seats (20) were secured by the Conservative Party at this most recent election.

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. Full Council and Cabinet are supported by a number of Committees, with delegated responsibility for specific functions, three Scrutiny Select Committees and the Overview and Scrutiny Committee. These Scrutiny functions provide a forum which gives all Councillors the chance to discuss matters and assist the Cabinet in its decision-making.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council's revenue position for 2023-24 is a contribution to the Council's General Revenue Reserve of £1.3m which is £0.063m more than anticipated within the revised estimate made prior to the year-end. £1.4m was also contributed to earmarked reserves. The Council continues to demonstrate a strong track record of financial performance, having also outperformed the estimated budget in 2022-23. Members are fully informed of the underlying causes of the position, and the anticipated temporary nature of the predominant causes being increased investment income from high prevailing interest rates and underspent or excess income on salaries and major income streams.

The annual budget for 2024-25 is balanced and was approved by Members on 20 February 2024. All savings required to achieve this position are fully identified. As such, the Council continues to demonstrate arrangements are in place to achieve financial sustainability in 2024-25. The 2024-25 quarter 1 financial position is demonstrating a £3,000 reduction to the revenue budget position set at the start of the year, a very minor change equivalent to 0.002% of the budget, suggesting that the estimates made in developing the budget are robust at this stage.

The Council has built up reserves over the past five years and at the end of 2023-24 holds earmarked and General Fund reserves of £33.4m. Although the level of reserves required to support future projects, or unforeseen financial challenges, is a matter of judgement for each authority, it is clear that the Council currently maintains a good position with the 2023-24 balances representing 156% of the net revenue expenditure budget. The Medium-Term Financial Plan (MTFP) currently estimates this falling to 90% over the 10-year period. The reduction is due to reserves being used for the specific purposes they have been set aside, and not a reactive approach to financial risk management, and so the Council is expected to maintain good budgetary control. The overall reserves balance remains substantial. Across the MTFP tranche 2 and 3 savings are yet to be identified, this would total £10m and at this stage should be acknowledged as a budget gap until identified via individual specific plans. This would reduce reserves to £12.8m if in a worst-case scenario they were not identified or delivered, this is still 52% of net revenue expenditure and remains a strong position. We have identified potential over-optimism in the estimated usage of some earmarked reserves and have raised an improvement recommendation on page 18.

The Council reduced its cash and cash equivalents holdings from £23m in 2022-23 to £14.2m in 2023-24. Despite the decrease the Council holds 3.2 times more current assets than current liabilities, and therefore is sufficiently liquid. The cash and cash equivalents alone could support 86% of current liabilities. The Treasury Management Strategy, which determines the Council's approach to investments, confirms that investments are derived from cash flow surpluses, core cash balances and other long term cash balances. Thus far in 2024-25 cash flow surpluses have averaged £18m per day. Therefore, suggesting a positive cash inflow position from which the Council has been able to benefit from investing.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

Plans to bridge its funding gaps and identifies achievable savings

The Council has a well-established Savings and Transformation Strategy, which is multi-year savings programme. The Strategy is updated annually to reflect challenges set out in the MTFP, and ensure it remains relevant to the Council's operating environment. The Strategy identifies savings needed over the long-term and divides these into 'tranches' to enable the Council to exercise budgetary control over several years.

When setting the 2023-24 to 2032-33 Strategy in February 2023 the Council had a £1.7m budget gap in the medium-term and aimed to respond via savings as follows: Tranche 1 – £0.5m by April 2025; Tranche 2 – £0.6m by April 2026; and Tranche 3 – £0.6m by April 2028. During 2023-24 £0.195m of the Tranche 1 target was achieved, leaving £0.305m to be achieved by April 2025. As the tranches are in two year 'blocks' there is flexibility to defer savings into the following year, which has been observed for 2024-25. The reason for the deferral is well-understood and due to the need for consultation required for specific income increases. Internal Audit identified the timeliness of referrals to Members of these types of decisions for approval as an area of improvement, the Council is in the process of responding to this recommendation.

The Council identified savings schemes for 2024-25 in excess of the £0.305m target. These savings, and those achieved to date, are recurring in nature and have a multi-year benefit, contributing to future financial sustainability. The Council has a pipeline of savings to call upon over and above the target, to maximise delivery or reduce financial pressures in future financial years. Savings are planned over the length of the MTFP, although savings included for 2026-27 and beyond are unidentified and remain a priority for the Council to develop fully drawn up plans. The Council continues to include achievement of its savings target within the Savings and Transformation Strategy as a red-risk on the Strategic Risk Register until such time as options for full delivery of the 'gap' have been identified.

The Council's Strategy seeks to achieve savings from a range of opportunities, however we note that in 2023-24 the savings achieved were limited to those in income generation and cost recovery, in-service efficiencies and service changes/reductions. A similar scope is planned for in the medium-term, and therefore there may be opportunity to broaden the scope of future plans, which would be well-supported by learning lessons from savings schemes already delivered. See pages 18-19 for improvement recommendation.

Review of the Savings and Transformation Strategy was included in the 2023-24 Internal Audit Plan. The review was completed and received Adequate Assurance with Good Prospects for Improvement, an overall positive rating. The work acknowledges that Management has robust processes in place for identifying and reporting savings to Members and that the Council was successful in achieving a proportion of the Tranche 1 savings. It also acknowledges that £0.305m savings from Tranche 1 have been rolled into 2024-25 suggests that this a medium-risk recommendation, since plans have already been drawn up to achieve this target.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has a newly developed and approved Corporate Strategy covering 2023 to 2027. It has four key objectives supported by a series of actions to achieve each, as well as complementary supporting strategies. There is clear focus on savings and transformation, environment and climate, housing and homelessness, digital innovation and partnership working. There is a 5% decrease overall in the net expenditure budget between 2024-25 and 2023-24, resulting in reductions across most Directorates to achieve this. However, the Council continues to prioritise its key objectives by setting aside funds in earmarked reserves, directly aligned to its Corporate Strategy and supporting strategies. The largest contributions in 2024-25 are in relation to reserves for the regeneration of Tonbridge Town Centre (£1.85m) and homelessness reduction (£1.45m).

Despite an overall underspent position for 2023-24, the Council experienced overspends in certain services, which have been offset by underspends elsewhere. The most significant of the overspends related to the cost of Temporary Accommodation and Homelessness where expenditure was £0.248m above the revised estimate and was met from the Homelessness Reserve, which was set aside in prior years in anticipation of rising demand. National data and work with external consultants identified that pressures in temporary accommodation relate to supply, unit cost and demand side factors. The Council initially engaged external consultants in October 2021 to undertake a review of temporary accommodation processes at the Council and make recommendations that would reduce the use of this type of accommodation. The recommendations were formulated into an action plan and this resulted in decline in temporary accommodation numbers between March 2021 and March 2023. However, demand rose again in 2023-24 and the Council re-engaged the same consultants to identify further recommendations to improve performance. The results of this work were presented to Members in April 2024 and are expected to be implemented in 2024-25.

The 2023-24 and 2024-25 Capital Programme includes limited investment in temporary accommodation. The Council also commissioned Altair Consultants to research and report on sustainable temporary accommodation delivery options, as part of the Local Government Association Housing Advisers Programme, to deliver 40 sustainable temporary accommodation units. This produced several options which were presented to Members in January 2024 and resulted in a Temporary Accommodation Portfolio Action Plan. This seeks to provide accommodation via the modular construction of new homes, private sector leasing, partnership working with registered providers, social lettings agency and re-purposing existing stock. Progress of the action plan is in the early stages with consideration of suitable sites, understanding legal position and due diligence work completed by the end of 2023-24 for the modular build and other options being in the research phase. As this action plan progresses, this is expected to expand the scope of the capital response.

Green

No significant weaknesses in arrangements identified or improvement recommendation made

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council’s Capital Programme outturn was £1.07m against a revised estimate of £2.306m, an underspend of £1.246m. The majority of this slippage was a result of capital renewals (£0.947m) where vehicles, plant and machinery are not replaced until necessary, The slippage is specifically attributed to the delayed replacement of gym equipment at the Council’s leisure centre facilities, golf course and swimming pool. The Council worked with Tonbridge Leisure Trust to undertake a review of the equipment required based on post-Covid trends, to avoid a like-for-like replacement programme, instead favouring replacement equipment based on updated requirements. The Council has now placed an order for the required equipment and delivery is expected over the 2024-25 Christmas period, as such, response to the challenges observed has already been actioned. The 2024-25 quarter 1 capital position is yet to show significant improvement, however this is due to the timing of the equipment replacement being planned for quarter 3 of 2024-25, a conscious decision to avoid the busy summer period for these facilities. The Council expects an improved position at the end of 2024-25 and we will review outcomes in 2024-25 to determine of the Council’s actions were successful in reducing capital slippage.

Green
No significant weaknesses in arrangements identified or improvement recommendation made

Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council identified the risk of not being able to balance the budget, a legal requirement, as a red-rated risk on the Strategic Risk Register until January 2024. Following a review of the risk register, with support from external consultants in analysing risk management arrangements, the risk was downgraded to an amber rating. This appropriately reflects the financial environment at the Council, having achieved an underspend in 2023-24 and setting a balanced MTFP. The delivery of the Savings and Transformation Strategy remains categorised as red-rated on the Strategic Risk Register, emphasising the importance of developing plans for unidentified savings balancing the MTFP from 2026-27 onwards. These risks are supported by a comprehensive list of mitigating actions and allocated to a responsible officer to ensure progress can be effectively monitored.

Amber
No significant weaknesses in arrangements identified, but improvement recommendations made

Within the budget setting information, the Council identifies an extensive list of operational and financial risks, covering a wide range of supply, demand, income, and expenditure risks. We have identified the opportunity to review the risks for completeness and to ensure that Members are provided with sufficient detail to support their decision making, in light of these potential risks and have raised an improvement recommendation on page 19.

Detailed estimates developed to inform the budget setting process are formulated by Finance in conjunction with individual services, taking into account past outturn, current spending plans, and future demand levels/pressures. This extensive analysis is not directly presented to Members so as not to overwhelm them with information, instead presenting the most likely scenario. There is potential to explore providing more analysis to Members and this is explored further as part of our improvement recommendation.

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Financial sustainability



Areas for improvement

Review of Reserves Assumptions

The Council prepares a Reserves Analysis as part of the budget setting process, this presents Members with details of actual and forecast reserves from 2019-20 to 2033-34. It draws particular attention to specific earmarked reserves for future expenditure on Tonbridge Town Centre, Climate Change, Homelessness Accommodation and Transformation. The forecast demonstrates that these reserves will be held at a constant value for the length of the MTFP, suggesting they will remain unused. Our work has identified several plans, strategies and financial pressures in these areas and therefore would suggest future expenditure may be required to support them. As such, it would be reasonable to expect these reserves to be required and there appears to be potential over-optimism in the reserves forecast. The Reserves Analysis would benefit from review to ensure Members have reliable information with which to base their decisions. The reserves position is strong and therefore does provide some headroom, should revised estimates require use of reserves in the future for these specific purposes.

Improvement recommendation 1: The Council should review and update their reserves forecast in the MTFP to address any potential over-optimism in its assumptions.

Review of Savings Strategy – diversification and post implementation reviews

Savings identified and delivered in 2023-24 were limited to schemes focused on income generation and cost recovery, in-service efficiencies and service changes/reductions. The scope of savings in the MTFP continues to be more heavily weighted towards these areas, with £1m of the £1.7m target. The Council's Strategy also allows for savings to be delivered from other sources such as contracts, organisation structure changes, partnership funding and asset management. There is opportunity to diversify the savings portfolio in the medium-term, towards these more transformational sources.

The Council developed, and built up, a Transformation Reserve which is earmarked for investment in these types of savings schemes. The 2024-25 budget includes a net contribution of £0.468m to this reserve to provide resources for the Council to invest in transformation schemes in future years and broaden the scope of the Savings Programme.

Discussions with Officers confirm that, following a change of Chief Executive in July 2024, it is expected that the Savings and Transformation Strategy will be reviewed and refocused as part of the budget preparations for 2025-26.

Transformational projects are different in nature from the current savings schemes in place, they tend to be multi-year schemes requiring close management and monitoring due to their larger scale and relative complexity. It is commonplace for such schemes to be managed by a central or departmental Programme Management Office (PMO), although it is acknowledged that employing a specific and permanent officer to deliver this role can be costly and cost should be balanced with benefit. The aim of the PMO is to ensure there are strong governance foundations for managing, monitoring and reporting on key aspects of such projects is vital in ensuring successful delivery. The Council confirmed that, following the outcome of the anticipated review of the Strategy, adopting a PMO methodology may be considered, as opposed to employing a permanent PMO, which is not considered realistic by officers in terms of cost vs benefit.

We raised an improvement recommendation in relation to savings in our 2022-23 work, for which a detailed response is provided on page 45. We acknowledge the progress that has been made in 2023-24 and consider it to be superseded by this recommendation focussing on diversification.

Post implementation reviews of savings schemes that have, both delivered as expected and under delivered, are useful tools in identifying success factors to maximise delivery in future projects, or for learning lessons and identifying improvement points, ensuring any issues are not replicated across the programme. We enquired as to whether such reviews take place.

Financial sustainability



Whilst no formal reviews of the savings achieved have taken place, there was an informal overview by Finance which highlighted key trends. This identified that the largest savings were in relation to special expenses and transfer of services to the Leisure Trust. As the Strategy develops it may be beneficial to formalise such reviews to expand knowledge and apply lesson learned to future schemes.

Improvement recommendation 2: The Council should review and broaden the scope of its Savings and Transformation Strategy to take advantage of transformation opportunities, with the aim of maximising future savings potential. To ensure that underlying governance arrangements are robust in supporting these types of projects the Council would benefit from formalising post-implementation reviews of savings schemes already delivered and considering using a Programme Management Office methodology to delivering schemes.

Budget Risks and Analysis

Within budget setting information, the Council identifies an extensive list of operational and financial risks, covering a wide range of supply, demand, income, and expenditure risks. The majority of risks considered are within expectation, appropriately reflecting sector-wide issues and issues specific to the nature of the Council's services. One exception noted was lack of consideration of the risk associated with the uncertainties around the General Election. This had not taken place at the time the budget was set, but was expected, and the uncertainty around a change of leadership and government policy has the potential to directly impact Council finances. In addition, the risks identified are provided to Members as a list, but Members received limited additional information on the likelihood, potential financial impact and mitigating actions within the budget itself. This would be of benefit to Members when making financial decisions.

Discussion with officers confirms that, in formulating the budget estimates and risks, Finance works closely with services to undertake detailed analysis considering sensitivities, trends and different scenarios that could occur depending on changes

to key assumptions in the budget and MTFP. The most likely scenario is presented to Members but the detailed narrative in the budget setting information makes it clear that this supporting analysis has taken place to arrive at the budget. In later years of the MTFP there are savings included that are not yet identified, and reserves use may be required in 2027-28 and 2028-29 to balance the budget. This demonstrates that pressure is inherent in medium-term plans and therefore the plan is sensitive to changes in income and expenditure assumptions. Members may benefit from further information, at a high-level, of the potential optimistic and pessimistic scenarios they may be faced with. Our understanding is that this data is already collated and analysed, as such the recommendation is increasing awareness of Members to this information, in a summarised format within the existing MTFP, so as not to require further appendices or data within reports to Members.

Improvement recommendation 3: The Council should review and update their budget setting process to ensure that a complete set of risks is identified, and that information to provide context to those risks is provided and Members are made aware of possible medium-term scenarios the Council may face.

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

In response to recommendations from both External and Internal Audit reviews the Council engaged external consultants, Zurich Risk Management, to carry out a review of the Risk Management Strategy and Strategic Risk Register and suggest updates to existing processes to ensure they remain robust, fit for purpose and reflect best practice. The results of the review were presented to Audit Committee Members in January 2024. Improvement identified from this work included defining risk appetite levels, clarifying roles and responsibilities and exploring the possibility of including risk management as an integrated part of other strategies. The findings were formulated into an action plan, with most actions due for completion by January 2025. The Director of Finance and Transformation is designated as the Officer Risk Champion, supported by the Chair of the Audit Committee as the Member Risk Champion. They have assumed responsibility for holding officers to account for completion of the recommendations. The Audit Committee received an update on progress against the action plan in September 2024, progress was noted against each point. Two recommendations were due for completion in November 2024, the training required to respond to these recommendations was delivered in October 2024. As such, we have observed transparency, accountability and responsiveness being evidenced in the process.

As part of the Zurich work officers undertook a wholesale review of the risks, and scoring of risks, within their Strategic Risk Register, to ensure they remain appropriate. This resulted in several changes including downward movement in a number of risk scores and a reduction in the number of red-rated risks. The number and type of risks remains within our expectation for a Council of this size, the nature of operations and to ensure effective discussion of risks. It is clear that the Council has not treated this review as a one-off exercise and iterative changes have been made since, to ensure the register can continue to reliably inform decisions.

The Council continues to be effectively supported by its Internal Audit service, which provides sufficiently regular updates to the Audit Committee. The Audit Committee's review of Internal Audit for 2023-24 was positive in its findings, this is supported by a client satisfaction score of the service of 100% against a target set by the service of 90%. Internal Audit completed 93% of the audit plan against a target of 90%. In addition, Internal Audit's self-assessment of its compliance with Public Sector Internal Audit Standards received the highest available rating of 'generally conforms'.

The overall Internal Audit opinion for the Council for 2023-24 was positive, receiving an overall rating of 'substantial assurance'. Recommendations were raised in-year, at year end 88% were implemented, nearing completion or in progress, with the Council responding at an adequate pace, and continues to take these forward in 2024-25. There was a focus on prioritising high priority recommendations, and all but one of these was addressed by year-end.

Green

No significant weaknesses in arrangements identified or improvement recommendation made

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

Approaches and carries out its annual budget setting process

The budget setting process remained consistent with the prior year, where no issues were identified, remaining robust. It is a well-understood and collaborative process, which includes effective input and scrutiny from Heads of Service, Service Managers, Finance, Overview and Scrutiny Committee and Cabinet Members at several stages throughout the year. The estimates are based in data analysis and a full suite of information is provided to Members to aid their decision-making, via a series of appendices to the budget.

The Council is proactive in seeking iterative improvements to the budget setting process, to ensure that it is adaptable and continues to be effective in achieving financial sustainability. Finance and Members are in regular communication, this has led to considerations of involving Scrutiny Select Committees in evaluating savings proposals and implementing a 'Star Chambers' process to support the 2025-26 budget and beyond.

The budget and Medium-Term Financial Plan (MTFP) inform each other and are updated simultaneously each year. The MTFP is planned for over a long-term planning horizon of 10 years, as opposed to a more traditional 3-5 year timeframe. By the nature of this timeframe more uncertainty is present in later years of the MTFP, which Members should be mindful of in their decision-making. The Council updates estimates annually to ensure new information is taken into account and uncertainties mitigated as far as is possible. The Council also has a policy, and track record since 2019-20, of building reserves to respond to future uncertainties.

The Council has not undertaken a dedicated budget consultation with the public for some time, this is a conscious decision, as the Council is confident in the robustness of its budget process. There is a significant level of internal stakeholder engagement on the budget and there has been public consultation on the Corporate Strategy 2023-27, which determines the Council objectives that ultimately underpin the budget. There is no legal requirement to consult widely on the budget, and so, although there is a benefit to gaining resident's views, current arrangements are appropriate.

Green

No significant weaknesses in arrangements identified or improvement recommendation made

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

Members monitor the Council's financial performance via Financial Planning and Control Reports. In 2023-24 they received these reports in early July 2023 and October 2023 for the position at the end of May 2023 and August 2023, respectively. The year end-outturn position was then presented in July 2024. To ensure that Members are receiving sufficiently regular and relevant information with which to reliably base their financial decision we would expect at least quarterly monitoring of the financial position, and information to be presented within 1-2 months of the period under review. Although the time-lag in information is acceptable the Cabinet did not receive information for every quarter in 2023-24, with no financial reporting received for the period between August 2023 and March 2024. Therefore, should actions need to be taken to respond to emerging financial risks, Members are not provided with the opportunity to do so in a timely manner. An improvement recommendation has not been made as the year end outturn position was positive, and so limited evidence of emerging risks requiring a response. In addition, officers acknowledged the need for quarterly monitoring and have begun to action this for 2024-25, reporting quarterly to Cabinet and the Finance and Regeneration Scrutiny Select Committee.

The format of the Financial Planning and Control reports remains consistent with prior years, it focusses on presenting performance across key revenue budget areas (salaries, key income streams, investment income, Member decisions, services with overspends over £5,000 and investment income). However, it does not analyse the budget on a line-by-line basis, instead focussing Member attention and discussion in these areas and balancing the capacity of the finance team with the need to provide information in a timely manner. The overall financial position of the Council is well-managed, as such the reporting reflects the level of financial risk. Should the financial risk profile of the Council increase, officers should be adaptable in their reporting. We have identified an area for improvement in the current reporting format, that we feel would be beneficial to Members' understanding of Council-wide performance, we provided details on page 24.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made

Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

Member decisions are clearly and transparently presented at each Committee, including Cabinet. Reporting of decisions is both retrospective and forward-looking. Cabinet receives a Notice of Forthcoming Key Decisions. This informs Members of key decisions ahead of time and provides the opportunity to research, gather information, ask questions of officers or request additional information ahead of the decision to ensure they are fully informed when the decision is required. Links to relevant reports are also included to aid this process. This contributes to a robust and transparent decision-making culture.

Members are supported in their decision-making by three Scrutiny Select Committees which were established in May 2022 and introduced to scrutinise decisions made by the Cabinet and Cabinet Members, and to hold the executive to account. These committees were consulted in-year on several policies and key decisions such as procurements,

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made

Governance



Page 120

We considered how the Audited Body:

Commentary on arrangements

Assessment

Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

(continued)

budget and financial monitoring, non-financial performance and key policies such as the Corporate Strategy. Cabinet observes and discusses the Scrutiny Select Committee, and Overview and Scrutiny Committee recommendations within their decision-making, to assist in effectively fulfilling their purpose.

The Council has a readily accessible, easy to understand and up to date Code of Conduct for Members and Officers. This includes clear policies for gifts and hospitality and declarations of interest, with the aim of avoiding conflicts of interest in decision-making. Declarations of interest are requested and made at the start of each Committee and Cabinet meeting as required, a public register of interests is also maintained for each Member. In reviewing these publicly available declarations and liaising with the Director of Central Services we have identified an opportunity to increase transparency in this area. We raise a minor improvement recommendation and further details are provided on page 24.

The Audit Committee received the Council’s annual review of its arrangements against the Local Code of Corporate Governance in July 2024, a detailed response was provided to each requirement and no gaps in assurances were noted. This is a positive reflection of the Council’s governance arrangements.

Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services

The Council established a Joint Standards Committee, which also includes all Parish Councils within the Borough. The Standards Committee deals with Councillors’ standards and behaviour. It advises on a Local Code of Conduct, hears cases on potential breaches, grants dispensations in certain circumstances and hears complaints that have been referred by the Monitoring Officer. The latest reporting on complaints shows that between August 2023 and July 2024 there were six complaints raised related to the Council and various parishes. This is not deemed to be excessive in context of the size of the Council (44 individual Members) and the number of bodies being monitored (the Council plus 27 Parishes). Four of the six complaints did not pass the legal tests, were rejected or no breach found when investigated. A further two complaints resulted in actions, which were minor in nature such as issuing an apology. Members are kept well informed of issues as they arise as detailed investigations are presented to the Committee for consideration as required, following input from the Independent Person and Standards Panel. The Committee also receives an annual summary of complaints performance.



Green

No significant weaknesses in arrangements identified or improvement recommendation made

Governance



Areas for improvement

Budget monitoring forecasting

Within Financial Planning and Control reporting Members are provided with information confirming the full year Council-wide budget, including any revisions. However, more detailed information of profiled budget, actual performance and service level breakdowns focus on specific key areas of the budget. This focusses on the performance against budget for the year-to-date and does not seek to forecast the impact of the in-year position on the year-end outturn position. There is also limited narrative explaining the reasons for any areas of overspend. Overall, the Council's financial performance, overall and by focus area, is positive, however there are areas of overspend at service level which are not explained. Members would benefit from this information to allow them to understand the impact of in-year pressures, if unmitigated, on the year-end financial position and allow them to take appropriate mitigating actions as required. The outturn report, from July 2024, does provide a whole Council view, a detailed appendix at whole Council level and detailed narrative on causes of variances. As such, this provides a useful template for any adaptations to the in-year reporting.

Improvement recommendation 4: The Council should include a year-end forecast and explanations of service level overspends within the Financial Planning and Control budget monitoring reports.

Declarations of interest reporting

We identified examples of Member declarations of interest published online that were several years old, in some cases by 10-12 years. Further investigation highlighted that the information was not in fact outdated, and the underlying process to obtain declarations was robust, however the process was unclear, leading to potential misinterpretation of the reliability of the data. Councillors are required to provide the Director of Central Services with a completed Notification of Disclosable Pecuniary Interests within 28 days of their election, for all newly elected Councillors in May 2023 this has taken place. However, Councillors who are re-elected are not required to do so unless they have new interests not already declared on existing declarations. To ensure that all re-elected Borough Councillors check the accuracy of their previous declarations they are provided with a copy of the most recently submitted declaration, required to review for accuracy and inform Central services of any updates, which are made available online as required. Central Services has confirmed that for 2023-24 all declarations are up to date, following this process. However, the public would be more reliably informed of the integrity of the information if this process was outlined alongside the declarations, if currently dated declarations are published or if a statement confirming no changes to declarations are made for past-dated information.

Improvement recommendation 5: The Council should ensure that past-date declarations of interest are updated for the current year or by way of a statement of confirmation no change, to ensure the public is assured of their reliability.

Improving economy, efficiency and effectiveness

We considered how the audited body:

Commentary on arrangements

Assessment

Uses financial and performance information to assess performance to identify areas for improvement

The Corporate Strategy 2023-2027 was adopted in July 2023. It sets out the Council's vision, priorities and the outcomes to be achieved by 2027. It is supported by an Action Plan, updated annually, which provides detail on the key projects that the Council aims to implement to achieve its priorities. Success of these projects is measured by a newly developed set of 55 key performance indicators (KPIs), each linked to an action within the Plan, and so directly linked to the Strategy objectives via this mechanism, and assigned to a Scrutiny Select Committee for Member oversight of performance. Cabinet is updated on the progress of the action plan annually and performance against the KPIs quarterly. This is sufficiently regular for Members and officers to take actions in a timely manner. Members have demonstrated a good level of engagement with the new performance monitoring process, evidenced by discussion of individual KPIs and trends observed.

Of the 30 projects in the 2023-24 Action Plan - two are green-rated and therefore complete. 27 amber-rated projects are in progress, and one has a status to be determined. As such there is clear momentum in delivering objectives. The 2024-25 Action Plan is developed and incorporates a number of the ongoing actions from 2023-24 to ensure these are monitored until delivered in full, alongside 2024-25 priorities. The quarter 4 KPI Report shows that only one metric was red-rated across the entire year, this is the '% Handled Rate (Customer Services)', the target is 93% and the Council had an average of 85.25% over the year, performance declined from 88% at the start of year to 82% at the end of the year. The causal factors, and specific actions to respond to these, are clearly set out in the reporting.

We identified the need for significant improvements within the Performance Management Framework as part of our 2022-23 work, leading to the raising of a Key Recommendation, reflecting the weakness observed. The improvements made, specifically the development and regular monitoring of KPIs have effectively responded to the weakness identified and we believe the Key Recommendation to have been responded to in full. Full details of the prior year recommendation and response to each element of our findings can be found on pages 41- 42.

The KPI reporting, although established, is an evolving process and the Council seeks to make iterative improvements as the framework embeds. We have identified an improvement recommendation on page 30, to aid with this process.

Whilst management acknowledges the current framework will need to be continually refined over the coming months, an Internal Audit review of the new framework was carried out in February 2024 to provide initial assurances on effectiveness, allowing the Council to be proactive in making changes that may be required. The work concluded that the framework offered 'substantial' assurance with very good prospects for improvement, a positive result reflecting positive arrangements and strong foundations in place to support further improvement opportunities.

Amber
No significant weaknesses in arrangements identified, but improvement recommendations made

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Improving economy, efficiency and effectiveness

We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council received a Local Government Association Peer Review, and initial follow up, in 2022. Six months after the review the Peer Review Team was pleased to see evidence of progress against their recommendations, of the 10 recommendations 3 were green-rated and complete, and the remainder were amber-rated as in progress. The Council’s Action Plan, put in place to respond to the findings, has continued to be monitored internally. The latest formal review of the Plan was January 2023, by which point six recommendations were rated green and the rest in progress. The Council has progressed these to completion in 2023-24, and so has responded effectively to this external review of its processes. The Council also demonstrated an appropriate pace of response to improvements identified by Internal and External Audit work. Our follow up of prior year recommendations notes progress across each recommendation, many having been fully addressed. 42 Internal Audit recommendations were due during 2023-24, of which 43% have been fully implemented and further 45% in progress or simply awaiting evidence to be provided to Internal Audit to close them.

The Council sought to improve its service delivery, and generate efficiencies, through the procurement of a new software operating system for a wide range of Council services including Planning, Building Control, Housing Improvement, Environmental Health, Licensing, Community Safety, and Land Charges. The initial procurement of the Agile system was approved by Members in March 2022, and the contract signed in May 2022, with an original target completion date of March 2023. This target date was not achieved, and the Council amended the target date on multiple occasions and has progressed some elements of the project more than others. The project is now expected to be delivered in full in 2024-25, following actions taken by the Council to respond to the slippage observed. We believe that the Council would benefit from undertaking a detailed retrospective review of the project, reporting lessons learned to officers and Members, and applying these to future significant projects to avoid similar issues. Further context and our improvement recommendation can be found on page 31.

The Agile project is appropriately identified as a red-risk on the Council’s Strategic Risk Register. This level of risk has been identified based on the challenges with service delivery in departments where implementation has recently taken place, the fact that some modules are yet to be implemented, and that there are still a number of project milestones to meet. We would expect the project to remain a risk until completed to ensure it is monitored sufficiently closely.

Amber

No significant weaknesses in arrangements identified, but improvement recommendations made

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Improving economy, efficiency and effectiveness

Page 124

We considered how the audited body:	Commentary on arrangements	Assessment
<p>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</p>	<p>The November 2022 follow up of the LGA Peer Review recommendations noted that engagement and co-development of the Corporate Strategy was limited, particularly at the outset and stakeholder engagement could be improved. The updated Corporate Strategy 2023-27 did undergo community consultation prior to its approval in July 2023 and responds directly to the requirements of the LGA Review. The supporting KPIs and monitoring have gone through extensive internal scrutiny, prior to their approval. As such, we feel stakeholder engagement concerns in respect of objectives and performance have been effectively addressed.</p> <p>The Council continues to have a dedicated Consultations area of the public website. This shows that there were 10 consultation exercises in 2022, increasing to 12 in 2023, and is at 8 to date for 2024. The Council averages around a one per month rate of consultation, which is deemed appropriate for a small district council, where there is a need to balance the benefit of the insight gained with the cost of the consultation process. The consultations undertaken cover a range of services, whilst also linking to key elements of the budget, policies or objectives in the Corporate Plan.</p> <p>Significant internal engagement takes place on key decisions and policy development, involving the Senior Management Team, Management Team, Overview and Scrutiny Committee, Scrutiny Select Committees and Cabinet. Their involvement has been observed in relation to the Corporate Plan, KPIs and budget information where each of these groups has received information, informally and formally, before a decision is reached. Internal stakeholders are brought together on specific topics or areas of interest as required and one example is a held a Management Team/Cabinet Development Day which took place in November 2023. A number of actions were agreed under the theme of transformation, which are now being incorporated into the 2025-26 budget setting process.</p>	<p style="text-align: center;">Green</p> <p>No significant weaknesses in arrangements identified or improvement recommendation made</p>
<p>Commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>Procurement: We raised a multi-part Key Recommendation in relation to procurement arrangements in 2022-23. The Council has an existing internal Officer Study Group which brings together services, legal and finance. Previously the group focussed on discussing specific procurements but the Council had no central team or officer, leading on Council-wide procurement. Following our recommendations, the Director of Street Scene, Leisure and Technical of as member of Management Team, now chairs this Group and is leading on progress the recommendations. The Group meets every 6-8 weeks, discussion ensures that specific actions are assigned to individuals and followed up as the first agenda item at each meeting to achieve accountability.</p> <p>A vital action to the recommendation response was the decision to join the Mid-Kent Procurement Partnership on a two-year basis. This route was selected as the preferred option, following detailed appraisal, over in-house provision</p>	<p style="text-align: center;">Red</p> <p>Significant weaknesses in arrangements identified in the prior year not yet fully addressed, and improvement recommendations made.</p>

Improving economy, efficiency and effectiveness

We considered how the audited body:

Commentary on arrangements

Assessment

Commissions or procures services, assessing whether it is realising the expected benefits

(continued)

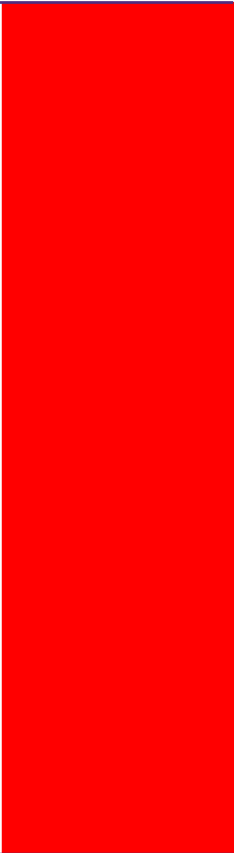
due to advantage of gaining an already established, knowledgeable and expert team with readily available training, templates, strategies and policies who already support similar councils. The Partnership began to provide services to the Council from 1 May 2024, and work has included drafting a new Procurement Strategy. The outdated Procurement Strategy in place at the Council, from 2017, formed part of our 2022-23 Key Recommendation. The draft Strategy has been provided to the Council and is currently being reviewed through the internal governance structures, it is expected to be finalised in 2024-25.

At present the Council has not formally updated its internal governance arrangements in relation to Procurement. The Council intends to develop these arrangements following finalisation of the Procurement Strategy. Assurances on the effectiveness of the arrangements, as they evolve, would be beneficial for the Council to obtain to inform any further improvements that may be required. We have identified this as an area of priority and raised an improvement recommendation for 2023-24 to be addressed alongside completion of the prior year Key Recommendation, further details are on page 31.

The Partnership has begun to deliver a first round of training, which has been well-attended and well-received by Council staff. Further training is expected to be rolled out to remaining relevant staff and on other topics, including bribery and fraud.

Our full response the prior year recommendation is on page 43-44. We acknowledge the positive progress that the Council has made in responding to the recommendation during 2023-24, however given the timing of the response, and the need for some of the actions to fully complete, the weakness remains applicable to the 2023-24 year and will be reviewed again in 2024-25.

When procuring services the Council is able to use tender waivers, where contracts are awarded outside of the Council's existing processes or thresholds as set out in the Procurement Rules. We expect there to be a robust and transparent scrutiny, approval and reporting process in place to reduce the risks associated with this process, ensuring Members have oversight of the use of waivers. Discussions with officers has identified that the Council's processes in this area are more informal in nature than we might expect and we have identified an improvement recommendation on page 31.



Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

Commissions or procures services, assessing whether it is realising the expected benefits

(continued)

Contract management: The Council manages several contracts entered into to deliver its services. Three are considered significant in terms of their value, level of services delivered and length of the contract. These are the contracts for management of the Council’s leisure facilities, grounds maintenance and waste services. Responsibility for each of these contracts sits with the Director of Street Scene, Leisure and Technical, and the day-to-day management of these contracts is the responsibility of this department

Each contract includes a series of specific KPIs which are expected to be reported on to the relevant Scrutiny Committee and Management Team, but we have observed this to be inconsistent and could be improved, further details on page 32. In addition, the newly developed Council-wide framework and KPI reporting includes metrics relevant to these services, ensuring significant contracts are effectively captured and monitored via this route.

No significant performance issues were highlighted at the latest report to the Communities and Environment Scrutiny Select Committee in September 2024 for the waste contract. Likewise, the latest KPI reporting in relation to the leisure contract for quarter 4 of 2023-24 was also largely positive. A target of 75% score on the associated Balanced Scorecard is set for this contract as, when reached, this suggests that the overall health of the business is strong. The Leisure Trust delivering the contract achieved an overall score for 2023-24 of 74.5%, just 0.5% below target however we note that the Trust took actions within the year to improve with quarter 4 alone being 81.1%. It was the strongest quarter of the year being a 15.1% higher score than quarters 1 and 2 and demonstrating improving performance across all perspectives within the scorecard. It is clear that the Trust identified and successfully addressed declining performance earlier in the year and that the performance management mechanisms in place were effective in their aims to monitor, hold the Trust to account and effect improvement.

In 2023-24 and 2024-25 to date, all three of these contracts were reviewed by Internal Audit for the effectiveness of the Council’s contract management arrangements. Each review was positive in its assurances (ratings of Substantial Assurance for the Leisure Trust Contract and Adequate for Waste and Grounds Maintenance). Improvements were noted however where this was the case strong foundations were observed by Internal Audit that provide good prospects for making the improvements. Management accepted all recommendations and developed an action plan to respond with short timescales, demonstrating a desire to make the improvements identified, in some cases the actions were completed by the time the report was finalised.

Improving economy, efficiency and effectiveness

Areas for improvement

Completeness of benchmarking information

The newly established KPI report to Members includes all the elements we would expect such a report to include to achieve transparency, accountability and provide Members with a full suite of information to inform their decision-making. Notably, this includes assignment of each metric to a responsible officer, RAG rating, trend/direction of travel, a target, benchmarking, link to objectives and comments on the reasons for underperformance against target. In reports during 2023-24 the majority of benchmarking data is yet to be included, instead stated to be 'TBC'. The Council could improve completeness of the benchmarking data. In addition, there are several KPIs where either the data has not been made available or the data has been made available but is currently not meaningful. Officers maintain a spreadsheet which collates the performance information, and drives the KPI reporting, and the expectation is that this will form part of the reporting going forwards.

Improvement recommendation 6: The Council should prioritise the continued development of its KPI reporting to ensure that data is complete.

Agile Project – lessons learned

The Agile system, following approval in March 2022, was due to commence in July 2022 and implemented in full by March 2023. Delivering an annual saving of circa £50,000, compared to the current software platform, from 2023-24. The project would support several Council services including Planning, Building Control, Housing Improvement, Environmental Health, Licensing, Community Safety, and Land Charges. The project experienced delays and this resulted in the target implementation date being revised to January 2023 and the project split into two distinct programmes of work, APAS and PLACIS, prioritising APAS initially. Further delays have occurred, resulting in several revisions to the delivery date.

As a result of the continued slippage the Council requested that their Overview and Scrutiny Committee review the project and report its findings to Members in April 2024, while the project was still in progress. The review focused on specific lines of enquiry such as communications with Members on the implementation, budget, timescales and learning from other authority users of the system.

Ongoing review of the project, prior to the Overview and Scrutiny Committee Deep Dive, led the Council to take corrective action with the aim of getting the project back on track. Since May 2023, the Council has employed a contract Business Change Project Manager to provide internal project management for the implementation, which was not part of the original project scope. The Manager implemented a range of governance arrangements including communications with relevant internal stakeholders, regular project updates, project risk registers, delivery plans utilising project management software and manages a workstream focused on embedding Agile into the various teams to ensure it can be successfully managed in 'business as usual'. The Manager's contract has recently been extended to ensure they can support the project to completion, now planned for March 2025.

The Project Management support is considered a reactive response, not included in the original project scope. This suggests that processes to develop the initial project scope may not have been robust enough to identify the need for this support from the outset. The Council may wish to undertake a lessons learned exercise from this project and apply to other significant projects, specifically to ensure that the need for a specific project manager or central PMO is considered at the scoping stage.

Improvement recommendation 7: The Council should undertake a retrospective, post-implementation review of the Agile Project to learn lessons for application to future projects to maximise success, minimise delays and ensure consideration of a PMO/project management support is undertaken in the initial stages of project scoping.

Improving economy, efficiency and effectiveness

Procurement partnership governance arrangements

At present the Council has not updated its internal governance arrangements in relation to Procurement, however there is an informal mechanism by which the Council communicates with the Partnership in place. The Partnership Manager at Mid-Kent Partnership reports to the Director of Street Scene, Leisure and Technical as Chair of the internal Officer Study Group with internal procurement oversight. Once the Procurement Strategy is finalised the Council intends to determine where in its internal structure responsibility for the Procurement Contract will sit and this will determine reporting lines for the Partnership, including the relevant Director and Scrutiny Select Committee.

Performance monitoring of the contract with the Partnership is intended to be undertaken via Officer Study Group. However, this is subject to change depending on the reporting lines agreed following completion of the Strategy. It is clear that arrangements are evolving and the situation is dynamic. We expect arrangements to be formalised and permanent when we review arrangements in 2024-25 and we suggest that the Council prioritises this to ensure a more formal process of performance review and KPI monitoring of the partnership for transparency and accountability.

As the Partnership arrangement is newly-established, it is related to an area of risk highlighted in our prior year work, and internal governance arrangements to monitor performance of the Partnership are developing, the Council would benefit from an Internal Audit review of these arrangements. The review would provide officers and Members with assurances on the effectiveness of arrangements. This will also allow the Council to act promptly should improvements be identified, while arrangements are embedding to ensure they develop effectively.

Improvement recommendation 8: The Council should prioritise the formalisation of the governance arrangements to monitor the effectiveness of the Procurement Partnership, supported by an Internal Audit review of arrangements.

Tender waiver process

The Council has a process in place for the approval of tender waivers, however this is more informal in nature, and lacks the transparency we would deem appropriate based on the risks associated with awarding contracts outside of due process. Requests for waivers are sent to the relevant Head of Paid Service, Chief Executive, Monitoring Officer and the Section 151 Officer via email, seeking approval for the waiver to be used. Details of the reason for the waiver, nature of the contract, costs and other relevant information is reviewed and approval granted as appropriate by three statutory officers as a minimum. The entire process is undertaken, and evidenced, via an email trail with no formal reporting or oversight by Members.

Formalising and strengthening these arrangements should be a priority to achieve transparency and effective oversight. It is our understanding that the Council plans to work with its Procurement Partnership to review and update arrangements and has initiated these discussions. Updated arrangements are expected to include the use of standardised waiver request templates, central management of the information for all Council waivers, and regular reporting to the Audit Committee.

Improvement recommendation 9: The Council should establish formal processes for the requesting, approving, reporting and oversight of tender waivers.

Improving economy, efficiency and effectiveness

Consistency of KPI reporting to Members

It is expected that the Communities and Environment Scrutiny Select Committee receives performance reporting against agreed KPIs, sufficiently regularly for the Council's key contracts, to be able to monitor performance and hold officers and contractors to account as required. During 2023-24 Members received performance reporting for the waste contract at the June and September 2023 Committee meetings, as such there is a programme of 6-monthly review, with a 2-3 month lag in the information being presented. The September 2024 meeting was cancelled and so Members have not had sight of performance beyond July 2024. No significant concerns were raised in the previous reporting, and metrics related to the waste contract are included in the regular Council-wide KPI reporting which does provide some assurances in lieu of this information.

Regular communication takes place between the Council and the Leisure Trust, these are informal in nature and are expected to be supported by formal quarterly reporting to the Scrutiny Select Committee. The latest performance report taken to the Committee was July 2023 for performance during the period January to March 2023. However, we were able to obtain the January to March 2024 report directly from officers. As such the information has been provided and reviewed, but not formally by Members.

There is no KPI reporting on the grounds maintenance contract observed at the Committee or obtained from officers. However, the Council has considered performance as part of the Grounds Maintenance Contract Procurement, which included the incumbent provider, who were ultimately reappointed. Given a new contract is in place from January 2025 this provides opportunity for the Council to establish performance monitoring and reporting arrangements for this contract.

It is clear that the Council could make improvements to ensure that it upholds and consistent and regular schedule of performance monitoring of its key contracts by Members.

Improvement recommendation 10: The Council should ensure it establishes, or maintains, a consistent and regular schedule of performance monitoring of its key contracts for leisure, waste and grounds maintenance by Members, via its Scrutiny Select Committee structure.

Value for Money Recommendations raised in 2023-24



Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 The Council should review and update their reserves forecast in the MTFP to address any potential over-optimism in its assumptions.	Improvement	Financial sustainability	2024-25 Budget and MTFP	Reserves are a key mechanism by which the Council responds to future financial risk, and so their accuracy is important in achieving future financial sustainability.	<p>Action: A full review of earmarked reserves and a forecast of spend will be undertaken following the setting of the 2025/26 budget in February 2025, and presented to Cabinet by November 2025. For future forecasts of MTFS, profile of spend within reserves will be included.</p> <p>Responsible Officer: Sharon Shelton, Director of Finance & Transformation</p> <p>Executive Lead: Kim Tanner, Cabinet Member for Finance and Housing</p> <p>Due date November 2025</p>

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* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should review and broaden the scope of its Savings and Transformation Strategy to take advantage of transformation opportunities, with the aim of maximising future savings potential. To ensure that underlying governance arrangements are robust in supporting these types of projects the Council would benefit from formalising post-implementation reviews of savings schemes already delivered and considering using a Programme Management Office methodology to delivering schemes.</p>	Improvement	Financial sustainability	<p>2024-25 Budget MTFP – Savings Plans 2023-24 Outturn 2024-25 Budget Monitoring to date Discussions with Director of Central Services and Finance</p>	<p>Savings are vital in protecting reserves, closing budget gaps and ultimately achieving financial sustainability in the medium-term. Strong governance is key to maximising savings identification and delivery.</p>	<p>Action: A full review of the scope of the Savings and Transformation Strategy will be undertaken following the setting of the Budget in February 2025. Consideration will be given to implementing a template for Services to review and regularly report back to Members on the savings they deliver. It is not felt that the establishment of a Programme Management Office is feasible given the size and scale of the organisation, however the methodology is worthy and consideration will be given to how this can be adopted.</p> <p>Responsible Officer: Damian Roberts Chief Executive and Sharon Shelton, Director of Finance & Transformation</p> <p>Executive Lead: Matt Boughton Leader and Kim Tanner Cabinet Member for Finance and Housing</p> <p>Due date: Initial report to Cabinet July 2025</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 The Council should review and update their budget setting process to ensure that a complete set of risks is identified, and that information to provide context to those risks is provided and Members are made aware of possible medium-term scenarios the Council may face.	Improvement	Financial sustainability	2024-25 Budget and MTFP	Having a full suite of information in relation to potential risks in the budget allows Members to prioritise actions to mitigate risks accordingly.	Action: Sensitivity analysis for the MTFS will be presented to Members with effect from November 2024. The s25 statement will also include reference to the sensitivity analysis in terms of the MTFS from the next statement in February 2025 Responsible Officer: Sharon Shelton, Director of Finance & Transformation Executive Lead: Kim Tanner Cabinet Member for Finance and Housing Due date February 2025
IR4 The Council should include a year-end forecast and explanations of service level overspends within the Financial Planning and Control budget monitoring reports.	Improvement	Governance	Budget Monitoring and Outturn Reports	It is important that Members and officers understand the year-end impact of in year pressures so they can take action in a timely manner.	Action: A forecast of year end position will be given based on the “to date” information. Responsible Officer: Sharon Shelton, Director of Finance & Transformation Executive Lead: Kim Tanner Cabinet Member for Finance and Housing Due date: Immediate

Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>PR5</p> <p>The Council should ensure that past-date declarations of interest are updated for the current year or by way of a statement of confirmation no change, to ensure the public is assured of their reliability.</p>	Improvement	Governance	Register of Interests Discussion with Director of Central Services	It is important that interests are transparent to allow for appropriate scrutiny and to avoid potential conflicts of interest.	<p>Action: Write to all Borough Councillors to request that they check their Disclosure of Pecuniary Interests declaration to ensure it is up to date. All Members to either confirm that the declaration remains up to date or submit an updated declaration</p> <p>Responsible Officer: Adrian Stanfield, Director of Central Services and Deputy Chief Executive</p> <p>Executive Lead: Dave Davis, Chair of Joint Standards Committee</p> <p>Due date: March 2025</p>
<p>IR6</p> <p>The Council should prioritise the continued development of its KPI reporting to ensure that data is complete.</p>	Improvement	3Es	Quarterly Performance Monitoring Reports	Having a full suite of information in relation to performance allows Members to prioritise actions to respond to underperformance in an effective manner.	<p>Action: Quarterly reporting of new Annual Service Delivery Plan 25/26 (comprising priority actions and KPIs) at O&S and Cabinet</p> <p>Responsible Officer: Damian Roberts, Chief Executive</p> <p>Executive Lead: Matt Boughton, Leader</p> <p>Due Date: September 2025</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should undertake a retrospective, post-implementation review of the Agile Project to learn lessons for application to future projects to maximise success, minimise delays and ensure consideration of a PMO/project management support is undertaken in the initial stages of project scoping.</p>	Improvement	3Es	Agile Implementation Review	A lesson learned review seeks to ensure that issues causing delays are not repeated on future projects, which ultimately has a cost impact to the Council.	<p>Action: Implementation Review for Built Environment (APAS) modules underway, review for Public Protection (PLACIS) modules to be scheduled in 25/26 audit plan when implementation date is confirmed. Strategic review of Agile project including procurement, change management, Member engagement and risk management to be delivered in Jan-March 2025.</p> <p>Responsible Officer: Damian Roberts, Chief Executive and Eleanor Hoyle, Director of Planning, Housing and Environmental Health</p> <p>Executive Lead: Matt Boughton, Leader and Kim Tanner, Cabinet Member for Finance and Housing</p> <p>Due Date: July 2025</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR8 The Council should prioritise the formalisation of the governance arrangements to monitor the effectiveness of the Procurement Partnership, supported by an Internal Audit review of arrangements.	Improvement	3Es	Procurement Partnership Contract Discussion with Director of Street Scene, Leisure and Technical	To ensure a key partnership, such as this, is effective in its purpose, a robust performance management framework is required to provide assurances.	<p>Action: Director of Street Scene, Leisure & Technical Services as taken responsibility for procurement within the organisation and chairs a bi-monthly delivery group meeting involving officers from across the organisation and the manager of the Procurement Partnership to ensure progress is being made. This meeting is minuted and reported to Management Team for corporate awareness. A formal annual review meeting of the partnership is programmed to take place as part of the contracted arrangements between the Council and the Partnership. An annual review report will be developed and reported to the Council's Audit Committee for Member consideration. The annual programme of work is determined by the new Procurement Strategy.</p> <p>Responsible Officer: Robert Styles, Director of Street Scene, Leisure and Technical Services</p> <p>Executive Lead: Martin Coffin, Cabinet Member for Transformation and Infrastructure</p> <p>Due date: May 2025</p>

Recommendations raised in 2023-24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR9 The Council should establish formal processes for the requesting, approving, reporting and oversight of tender waivers.	Improvement	3Es	Discussions with Director of Street Scene, Leisure and Technical and Finance	Tender waivers represent a departure from due process, and so carry a higher risk than regular procurements, as such they require closer attention to ensure they are appropriate.	Action: A formal process involving a new template will be established for the approval and oversight of tender waivers. Responsible Officer: Robert Styles, Director of Street Scene, Leisure and Technical Services Executive Lead: Martin Coffin, Cabinet Member for Transformation and Infrastructure Due Date: April 2025
IR10 The Council should ensure it establishes, or maintains, a consistent and regular schedule of performance monitoring of its key contracts for leisure, waste and grounds maintenance by Members, via its Scrutiny Select Committee structure.	Improvement	3Es	Scrutiny Select Committee Contract KPI Reporting Quarterly Performance Monitoring Reports [Council-wide]	Having a full suite of information in relation to performance allows Members to prioritise actions to respond to underperformance in an effective manner.	Action: Inclusion of Key Contract KPIs in the new Annual Service Delivery 2025/26 for scrutiny by Members on a quarterly basis. The performance of the leisure, waste and ground maintenance contracts will be reported to the Communities & Environment Scrutiny Select Committee including key performance indicators approved by Members Responsible Officer: Damian Roberts, Chief Executive and Robert Styles, Director of Street Scene Leisure and Technical Services Executive Lead: Matt Boughton, Leader and Martin Coffin Cabinet Member for Transformation and Infrastructure Due Date Annual Service Delivery Plan 25/26, including Key Contract KPIs agreed by Cabinet February 2025. Community and Environment Scrutiny Select Committee April 2025.

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.

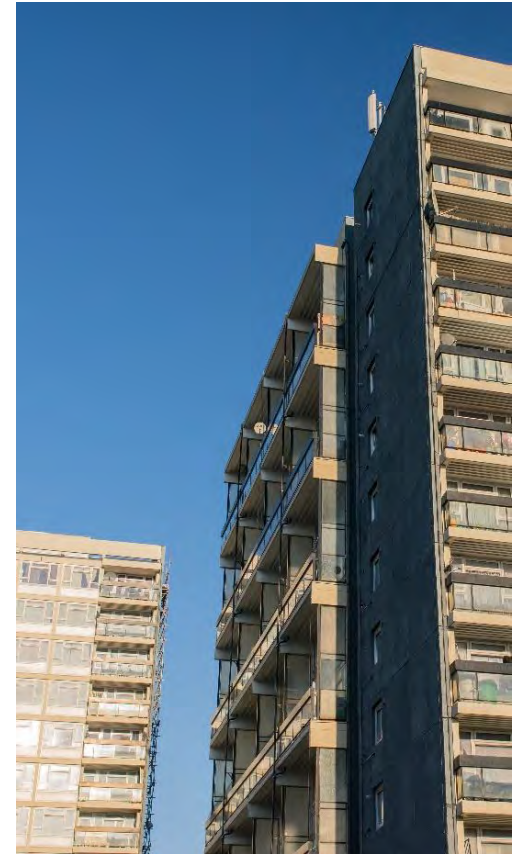
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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) 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: Value for Money auditor responsibilities



Value for Money arrangements work

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 audited body'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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), 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.

2023-24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>KR1 3Es - The Council needs to improve its performance management arrangements by:</p> <ol style="list-style-type: none"> 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; 	Key	September 2023	<p>1-3. The Corporate Strategy 2023-2027 was adopted in July 2023. It is supported by an Action Plan which provides detail on the key projects that the Council aims to implement to achieve their priorities within the Strategy. It is also supported by a set of KPIs, representing the mechanism for performance monitoring under the newly developed Performance Management Framework. For 2023-24 55 indicators were agreed, each linked to an action within the Action Plan and assigned to a Scrutiny Select Committee. Therefore, clearly linking performance monitoring to the objectives in the Strategy and achieving a 'golden thread'.</p> <p>4-6. KPIs are initially discussed by Senior Management Team, before being presented to Management Team and Informal Cabinet before being shared with the Scrutiny Select Committees, Overview & Scrutiny and Cabinet on a quarterly basis. For 2023-24 this commenced in July 2023 following the adoption of the Corporate Strategy, and therefore covers quarters 2-4. It is best practice, in KPI monitoring, to include a responsible officer, RAG rating, trend/direction of travel, target, benchmarking, link to objectives and comments on the reasons for underperformance against target within the reporting. The KPI reports for all 3 quarters include this information. There are gaps in the benchmarking information as this is in development, we have raised an improvement recommendation in this regard for 2023-24.</p>	Yes	<p>The weakness has been addressed in 2023-24, as a result of the newly developed arrangements we have identified some areas for improvement in these arrangements and have raised improvement recommendations IR6 and IR8 in 2023-24.</p>

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>KR1 3Es - The Council needs to improve its performance management arrangements by:</p> <p>7. Ensuring that the new performance management framework and reporting extends to key contracts such as waste and leisure;</p> <p>8. Developing a strategic approach to assessing the levels of statutory services needed to save money;</p> <p>9. Engaging with hard-to-reach customers to ensure they can still access services given the Council's digital by default approach;</p> <p>10. Ensuring partnership performance management, including outcomes, is reported regularly to Cabinet;</p> <p>11. Engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.</p>	Key	September 2023	<p>7. Waste and Leisure services KPIs are included within the KPI reporting.</p> <p>8. Both statutory and discretionary services are included within the KPI reporting</p> <p>9. The Council is currently working with Digital Kent to deliver an initiative that provides hardware and digital training to the most digitally excluded residents, offering support to up to 225 residents in the borough.</p> <p>10 The Council has joined the Mid-Kent Procurement Partnership from April 2024 to provide their Procurement Service. Performance Monitoring of the contract with the Partnership is intended to be undertaken via the existing Officer Study Group. However, there will need to be a more formal process of review and KPIs and we have raised an improvement recommendation in this regard.</p> <p>11. The Council continues to not to consult residents on its budget preparation for 2024/25 and 2025/26. This is an active choice as they feel their processes are robust. However a consultation was undertaken to inform the development of the new Corporate Strategy and assess local priorities. Further individual consultations have been undertaken with residents and local businesses more recently on specific matters that are intrinsic to the Corporate Strategy action plan and that impact on resources and options for savings. A further consultation on the Corporate Strategy will take place in 2025 (which represents the mid-point for the strategy).</p>	Yes	The weakness has been addressed in 2023-24, as a result of the newly developed arrangements we have identified some areas for improvement in these arrangements and have raised improvement recommendations IR6 and IR8 in 2023-24.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>KR2 3E's - The Council needs to improve its procurement and contract management arrangement by:</p> <ol style="list-style-type: none"> 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; 	Key	September 2023	<p>The Council joined the Mid-Kent Procurement Partnership to provide Procurement Services to the Council, via an external 5-person team, under a two-year contract from 1 May 2024. Internally the Council retained its Officer Study Group, which is now chaired by the Director of Street Scene, Leisure and Technical, who are focussed on responding to the recommendations to completeness, supported by the Partnership.</p> <p>1. The Partnership developed a draft Procurement Strategy which at October 2024 was provided to the Director of Street Scene, Leisure and Technical for initial review, with support from the Officer Study Group. Current discussions do suggest that this element will be addressed by the end of Q3 2024-25.</p> <p>2 and 3. Responsibility for the Register has been assumed by Finance for 2023-24. The Council publishes its contracts register on its website, at mid-October 2024 the register was updated multiple times in the year and included contracts to the end of August 2024. This time-lag is acceptable and we will keep a watching brief in 2024-25 to ensure the lag does not increase, ensuring that information is relevant and can be relied upon for decision-making.</p>	In progress	<p>The weakness in arrangements cannot be fully closed and so we continue to recognise the weakness, although acknowledging the progress to date. No new key recommendation has been made. We have identified some additional areas for improvement under the newly established arrangements, see IR8 2023-24.</p>

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
KR2 3E's - The Council needs to improve its procurement and contract management arrangement by: 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; 6. Ensuring the Council's shared arrangements for fraud also include procurement and contract management.	Key	September 2023	<p>4. The Council joined Mid-Kent Procurement Partnership to deliver Procurement Services, who are experts in their field, and support other district councils in the area. They are currently supported internally by the Director of Street Scene, Leisure and Technical as a central point of communication, who liaises with services, finance and legal via an Officer Study Group. Internal governance arrangements are yet to be updated to further support the Partnership and provide permanent reporting lines. Day-to-day management of contracts is the responsibility of individual départements. We have identified some improvement recommendations having reviewed the largest contracts at the Council. But, overall, arrangements are appropriate and Internal Audit work in 2023-24 and 2024-25 to date has provided positive assurances in contract management arrangements.</p> <p>5. As part of their role the Mid-Kent Partnership delivered a first round of training focussed on new approach to procurement with the Mid-Kent Team and requirements of Procurement Act 2023, including the documentation requirements. 50 TMBC staff attended. This will be followed up with further training and specific training planned on bribery and fraud. This recommendations is being progressed, it will be complete when fully rolled out.</p> <p>6. The training above will be followed up with further training, and specific training planned on bribery and fraud. In addition, the Council's SLA with Kent County Council's Internal Audit and Fraud team does already cover this activity.</p>	In progress	The weakness in arrangements cannot be fully closed and so we continue to recognise the weakness, although acknowledging the progress to date. No new key recommendation has been made. We have identified some additional areas for improvement under the newly established arrangements, see IR8 2023-24.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation*	Date raised	Progress to date	Addressed?	Further action?
<p>3 Financial Sustainability - 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:</p> <ol style="list-style-type: none"> 1. Use the Corporate Plan reset to identify its budget priorities and reset the budget; 2. Develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear political priorities; 3. 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; 4. Consult on changes to services and future spending plans with the public and include public engagement annually as part of business planning; 5. Ensure it has transformation and programme management skills in place to manage the programme, lead change and explore new ways of working; 6. 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 7. 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. 	Improvement	September 2023	The Council held a Management Team/Cabinet Development Day which took place in November 2023. A number of actions were agreed under the theme of transformation. This resulted in a Tonbridge Town Centre Programme Manager being appointed and started with the Council in September 2024. Joint Briefings commenced in early 2024 and a revised committee report template has been developed and is due to go live in October 2024.	Yes	We acknowledge this progress and from our 2023-24 work have developed a new improvement recommendation to supersede the prior year recommendation, focussed on diversification of the savings programme, see IR2 2023-24.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4 Financial Sustainability - Improve the Workforce Strategy to include fully costed strategy over the medium- to long-term.	Improvement	September 2023	<p>A review of the establishment took place via the General Purposes Committee in January 2024 and this is incorporated into the budget and MTFP with a 2024-25 additional cost of £97,500, funded within the balanced budget. Assumptions on pay inflation and pay awards are appropriately reflected in the budget and MTFP. Therefore, a review has taken place but we are yet to observe an updated Workforce Strategy since the 2022 document, discussions with officers confirm that the target date for completion of an updated Strategy is January 2025. Key strategies such as this are expected to be reviewed every 3-5 years and so the Council is on track to achieve this.</p> <p>Key changes expected in the updated strategy include:</p> <ul style="list-style-type: none"> • A planned future management development programme. • Address issues identified in the all-staff survey planned for September 2024 • Ensure that the Workforce Strategy develops closer links to the Council's Vision and Values by updating the Council's employee appraisal scheme which will strengthen areas around staff development and succession planning. • Identify behaviour competencies with close links to the Council's vision and values. 	In progress	Recommendation remains open until the Strategy update is complete in January 2025, but we acknowledge the positive progress to date.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>5 Governance - The Council needs to improve risk management by:</p> <ol style="list-style-type: none"> 1. 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; 2. Updating the SRR format to align with our proposed SRR changes; 3. Reviewing the SRR risks to ensure they have the right actions and are unique risks; 4. Reporting the SRR quarterly to Cabinet alongside performance and finance; 5. Improving committee reports to facilitate good risk management, referencing strategic risks and their scores and impact in all Council reports; and 6. Developing training for Members and staff to raise awareness of risk and responsibilities. 	Improvement	September 2023	See our work on page 20 where we have confirmed that the Council has engaged external consultants, Zurich Risk Management, to carry out a review of the Risk Management Strategy and Strategic Risk Register. All actions to respond to recommendations have been progressed and are on track to be completed within their target dates, and in full by January 2025. This work included a review of all risks, and their associated scores. The number, type and presentation of risks within the SRR provides appropriate information to Members.	Yes	No
<p>6 Governance - The Council needs to fully integrate performance and financial reporting for revenue and capital to improve financial reporting.</p>	Improvement	September 2023	As part of the budget build process for 2025-26 services are requested to provide details of the costs drivers where volumes can affect the levels of spend and income. This will be incorporated into the reports to Members to in January 2025.	In progress	Recommendation remains open until this can be evidenced in the 2025-26 budget. We acknowledge the Council's intention to respond and accept this is a timing issue, due to the scheduling of the budget process.



Audit Committee

13 January 2025

Part 1 - Public

Delegated



Cabinet Member	Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officer	Sharon Shelton – Director of Finance and Transformation
Report Author	Paul Worden – Chief Financial Services Officer Amanda Riley – Principal Accountant

Statement of Accounts 2023/24 – Audit Findings Report

1 Summary and Purpose of Report

- 1.1 The unaudited Statement of Accounts was presented to this committee in July 2024. This report presents the Audit Findings Report following the review carried out by Grant Thornton.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 The Statement of Accounts and the Audit Findings Report demonstrate that the authority's finances remain in a sound position.

3 Recommendations

- 3.1 Members are **RECOMMENDED** to:
- Once fully agreed, receive and approve the enclosed audited set of Accounts for 2023/24 [Annex 1] and ask that the Chairman sign the Accounts in the appropriate place.
 - Approve the Audit Findings Report contained at [Annex 2] and the Management Responses, as detailed in paragraphs 5.4 and 5.5 on the outcome of the audit of the Statement of Accounts for 2023/24.
 - Approve the Letter of Representation [Annex 3] for signature by the Chairman and the Director of Finance and Transformation when Grant Thornton issue their opinion.

4 Introduction and Background

- 4.1 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 2023/24.
- 4.2 Attached at **[Annex 1]** is a current copy of the Statement of Accounts, this may be subject to further minor amendment by Grant Thornton, but a verbal update will be given at the meeting. **May I ask that any questions on the Statement and its contents be raised in advance of the meeting with the report authors so that they can prepare responses to be given at the meeting.**
- 4.3 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.
- 4.4 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 2024 and its income and expenditure for the year ended 31 March 2024 by no later than 31 May 2024.
 - The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 31 May 2025 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 accompany but is not part of the Accounts.

5 Audit Findings Report

- 5.1 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.
- 5.2 At the time of writing this report the external audit have almost concluded their review and issued a Draft Audit Findings Report on the outcome of the audit of the Statement of Accounts 2023/24 which 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.

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

- Inclusion of a recent pensions case that could affect future valuations of the IAS 19 pension liability.

5.4 The Audit Findings Report, at page 22 of the Grant Thornton document gives two recommendations for the Council identified during the audit, these have been summarised below along with the proposed management response

Issue 1 - Non return of Related party transaction form by Councillors (note 25)

Risk – Management not being aware of relationships between related parties of the Council resulting in non-compliance

Recommendation – Review of Code of Conduct to enforce the submission of declarations in a timely manner.

Management response - Members are currently reminded twice for return of the electronic Microsoft forms along with requests to Group Leaders to remind their own members that the forms are outstanding and asking for return. Consideration will be given on how non-returns can be declared to the wider member body, either through the Audit Committee or within the financial statements.

Issue 2 – Regular review of prior years’ outstanding creditors’ balance (note 20)

Risk – Potential under or overstatement of creditors balance within Statement of Accounts.

Recommendation – Review of prior year outstanding balances as part of the closedown process.

Management response - As part of 2024/25 closedown process Accountants will share with Services outstanding Creditor and Debtors lists that remain unutilised at February 2025 in order to ensure that only ongoing balances remain.

5.5 There were three recommendations from the 2022/23 audit concerning the areas below

- Journal approval
- Mapping of the trial balance to the accounting statements, and

- Fixed asset register

The first two recommendations have been implemented and the third remains ongoing due to then size and nature of the work being undertaken.

5.6 The Audit Findings Report also contains the Value for Money Review completed in parallel with the Audit of the Statement.

5.7 The VFM report is also contained in the Auditor's Annual Audit Report found elsewhere on this agenda and the responses to the issues identified are covered in that report.

6 Letter of Representation

6.1 For completeness and in accordance with best practice it is recommended that the Chairman countersign the Letter of Representation, **[Annex 3]**, that officers have prepared. With that in mind, Members are asked to approve the Letter for signature by the Chairman and the Director of Finance and Transformation.

7 Financial and Value for Money Considerations

7.1 The fee for the audit of the 2023/24 Accounts is £147,460 compared to £61,099 for the 2022/23 audit. The increase is as a result of the new contract for Public Sector Audit.

8 Risk Assessment

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.

9 Legal Implications

9.1 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.

10 Cross Cutting Issues

10.1 Equalities and Diversity

10.1.1 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.

Background Papers	None
Annexes	Annex 1 – Statement of Accounts Annex 2 – Audit Findings Report Annex 3 – Letter of Representation

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Statement of Accounts

2023/24



The accounts are only draft and the date of issue is on page 14.

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NARRATIVE REPORT

1. INTRODUCTION

The Council 's current [Corporate Strategy](#) sets out Our 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.

It also states the values that we believe are key to achieving it: innovation, transformation, and delivery.

These values will enable us to deliver modern and successful public services that help to meet our four key priorities for the borough:

- Efficient services for all our residents, maintaining an effective council;
- Sustaining a borough which cares for the environment;
- Improving housing options for local people whilst protecting our outdoor areas of importance;
- Investing in our local economy.

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 2023/24; 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 twelve 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 neighborhoods.

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.

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

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 reduced from 54 to 44 representing 19 wards after the local elections in May 2023.

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 is: Conservatives 20, Liberal Democrats 11, Green Party 8, Independent Alliance (Kent) 2 and Labour 3.

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 2024 the Cabinet comprised the following Councillors:

Councillor M Boughton	Executive Leader
Councillor R Betts	Climate Change, Regeneration and Property
Councillor M Coffin	Deputy Executive Leader; and Transformation and Infrastructure
Councillor D Keers	Community Services
Councillor K Tanner	Finance and Housing
Councillor M Taylor	Planning

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. 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. Service responsibilities include customer services, local land charges, democratic services, licensing, personnel and property.
- Director of Finance and Transformation and Section 151 Officer. Service responsibilities include accountancy, business rates, council tax, housing benefits, local council tax support and information technology.

- Director of Planning, Housing and Environmental Health. Service responsibilities include building control, development control, environmental protection, homelessness, housing advice and local plan.
- Director of Street Scene, Leisure and Technical Services. Service responsibilities include car parking, leisure centres, parks and open spaces, refuse collection and recycling and street cleansing.

Following the retirement of the Chief Executive in February 2024, the Director of Central Services and Deputy Chief Executive and the Director of Finance and Transformation were appointed as interim Chief Executive and Interim Deputy Chief Executive until the arrival of the new Chief Executive in July 2024.

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 2023/24. The Code is based on a hierarchy of approved accounting standards.

There have been no material changes to the presentation of the Accounts for 2023/24.

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 2023/24 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 for the different reserves held by the Council. These are 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 to 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 Statement and Associated Notes**

The Collection Fund Statement 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 2023 the Council set a net revenue budget of £17,637,000. This was to be met from council tax income of £12,187,000, business rates of £2,954,000, grants and contributions of £3,010,000 and a collection fund surplus of £1,284,000; offset by a net contribution to specific earmarked reserves of £441,000 and a contribution of £1,357,000 to the general revenue reserve.

The revised net revenue budget of £18,457,000 prepared in the year was £820,000 more than the original budget set by the Council in February 2023. This, was primarily offset by a one off windfall in recovered VAT on Leisure Services provided up to 2013. This together with a decrease in business rates of £793,000; offset by the increased movement in the net contribution to or from specific earmarked reserves of £939,000 and an increase of £209,000 in other grants and contributions, led to a contribution to the general revenue reserve of £1,241,000 compared to the estimated contribution to the reserve of £1,357,000 when the budget was set in February 2023, a reduction of £116,000.

The actual spend (net) for the year of £16,222,000 was £1,209,000 less than the original budget set by the Council in February 2023. This, together with an increase of £2,859,000 in the planned net contribution to specific revenue reserves and an increase of £421,000 in other grants and contributions; offset by an increase of £767,000 in respect of business rates, led to a contribution to the general revenue reserve of £1,304,000 compared to the estimated contribution to the reserve of £1,357,000 when the budget was set in February 2023, a difference of £43,000.

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

2022/23 Actual		Original Budget	2023/24	
£'000		£'000	Revised Budget	Actual
			£'000	£'000
3,484	Corporate Services	4,187	3,760	3,796
984	Chief Executive	1,321	1,260	1,068
464	Director of Central Services	379	930	507
(383)	Director of Finance & Transformation	571	(473)	(1,486)
4,928	Director of Planning, Housing & Environmental Health	5,008	6,133	6,857
8,680	Director of Street Scene, Leisure & Technical Services	9,027	9,584	9,151
18,157	Cost of Services	20,493	21,194	19,893
(2,746)	Depreciation, Amortisation & Impairment	(2,856)	(2,736)	(3,510)
(116)	Revenue Expenditure Funded from Capital	(206)	(166)	(161)
15,295	Sub-total	17,431	18,292	16,222
(1,194)	New Homes Bonus	(611)	(611)	(611)
(1,687)	Other Grants & Contributions	(2,399)	(2,792)	(2,820)
0	VAT Windfall	0	(2,043)	(2,043)
245	Contributions to or (from) Specific Revenue Reserves	647	1,545	3,606
12,659	Sub-total	15,068	14,391	14,354
950	Contribution to or (from) General Revenue Reserve	1,357	1,241	1,304
13,609	Budget Requirement	16,425	15,632	15,658
(1,722)	Business Rates Retention Scheme	(4,153)	(3,360)	(3,386)
(158)	Council Tax (Surplus) / Deficit	(85)	(85)	(85)
11,729	BALANCE TO BE MET FROM COUNCIL TAXPAYERS	12,187	12,187	12,187
£224.50	Council Tax at Band D (Borough Council only)			

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.

The table below provides in more detail the reasons for the variation of £53,000 in the contribution to / (from) the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Business Rates Retention Scheme	(4,421)	(3,501)	920
Revenue Reserve for Capital Schemes	1,494	2,383	889
Regen of Tonbridge Town Centre Reserve	0	650	650
Climate Change Reserve	0	618	618
Salaries (see adjacent page)	13,531	13,888	357
Temporary Accommodation	330	578	248
Benefits Admin Grants	(475)	(320)	155
Health & Safety - Trees	80	201	121
New Burdens Grants	(325)	(207)	118
Housing Benefits	(2)	105	107
Parking Fees & Charges	(3,303)	(3,271)	32
Planning Application Fees	(850)	(867)	(17)
Building Repairs Reserve	(395)	(428)	(33)
Bad Debt Provision	35	(7)	(42)
Tonbridge & Malling Leisure Trust	0	(80)	(80)
Information Technology	1,239	1,157	(82)
Investment Income	(1,125)	(3,207)	(2,082)
Other	5,017	3,191	(1,826)
TOTAL	10,830	10,883	53

An analysis of salaries is given in the table below. At 31 March 2024 the Council employed 261 permanent staff (31 March 2023: 250) or 230 full-time equivalents (31 March 2023: 220).

2022/23	2023/24		
Actual £'000	Original Budget £'000	Actual £'000	Variance £'000
842 Administration & Property	970	869	(101)
1,648 Environmental Health & Housing	1,788	1,762	(26)
567 Executive	638	688	50
1,742 Finance	1,778	1,783	5
1,020 Information Technology	1,170	1,130	(40)
608 Legal	664	720	56
527 Personnel	569	567	(2)
2,576 Planning	2,473	2,790	317
1,334 Street Scene & Leisure	1,362	1,350	(12)
697 Technical	752	769	17
11,561 Sub-total	12,164	12,428	264
1,380 Superannuation Back funding	1,430	1,430	0
0 Staff Turnover Saving	(120)	0	120
29 Apprenticeship Scheme / Levy	52	31	(21)
0 Ring Fenced Sums	6	0	(6)
12,970 Sub-total	13,532	13,889	357
(616) Contributions from Earmarked Reserves	(598)	(780)	(182)
12,354 TOTAL	12,934	13,109	175

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 2023 the Council set a capital budget of £7,057,000 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 2022/23 and progress made on the Council's capital projects. The revised budget total was £2,316,000 of which £2,070,000 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 £1,070,000 of which £247,000 was to be met from capital receipts and the balance from the revenue reserve for capital schemes. The underspend of £1,246,000 can largely be attributed to a lower than anticipated spend on capital renewals.

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

2022/23 Actual £'000	Service	Scheme	Original Budget £'000	2023/24 Revised Budget £'000	Actual £'000
(75)	Planning, Hsg & Env Health	Other Schemes	30	113	10
(75)		Total	30	113	10
322	Street Scene, Leisure & Technical	Waste Collection Containers	120	120	116
126		Larkfield Leisure Centre	0	14	4
125		Land Drainage & Flood Defense	1,231	131	131
60		Sports Grounds	0	116	38
32		Other Schemes	45	70	81
665		Total	1,396	451	370
0	Corporate	Land and Property Development	3,285	225	118
0		Other Schemes	45	93	85
0		Total	3,330	318	203
0	Capital Renewals	Planning, Housing & Env Health	0	0	0
159		Street Scene, Leisure & Technical	1,776	929	340
35		Corporate	525	505	147
194		Total	2,301	1,434	487
784	TOTAL CAPITAL EXPENDITURE		7,057	2,316	1,070
241	Funding	Revenue Reserve for Capital Schemes	7,057	2,069	823
543		Capital Receipts	0	247	247
784	TOTAL FUNDING		7,057	2,316	1,070

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 £122.4m as at 31 March 2024 (31 March 2023: £113.5m). 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 2023 £'000		At 31 March 2024 £'000
92,853	Council Assets	94,763
13	Inventories	16
54,506	Cash and Investments held	54,858
4,807	Money owed to the Council	5,990
(18,930)	Money owed by the Council	(15,917)
(10,463)	Long Term Liabilities	(11,132)
(9,275)	Pension Liability	(6,127)
113,511	TOTAL	122,451

This is represented by revenue balances and reserves of £33.8m available to fund services and £88.6m of other balances. A breakdown of the revenue balances and reserves is shown below.

At 31 March 2023 £'000		At 31 March 2024 £'000
7,882	Revenue Reserve for Capital Schemes	9,436
8,611	General Revenue Reserve	9,915
1,300	Building Repairs Reserve	1,122
3,250	Property Investment Fund Reserve	3,250
7,045	Earmarked Reserves	8,448
1,250	Revenue Balances - General Fund	1,250
352	Grants & Contributions Unapplied	357
247	Usable Capital Receipts Reserve	0
29,937	TOTAL	33,778

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 are 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 non-operational properties the valuers were instructed to revalue the Council's homelessness properties, three main leisure facilities and the Café at Leybourne Lakes Country Park. Heritage asset values have been reviewed and uplifted to reflect the insured value of the asset. The resulting revaluation was a net gain of £2,902,000, of which £3,896,000 is recognised in the revaluation reserve and losses of £994,000 recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure.

The External Valuers used during the valuation process, Wilks Head & Eve 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 depreciation and disposals. As at 31 March 2024 the total value of the Council's Assets was £94.8m (31 March 2023: £92.9m).

Borrowing

The Council had no recourse for short term or long term borrowing during the financial year and remained debt-free at 31 March 2024 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 2023/24 was approved by full Council in February 2023 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 3.59% on its property investment funds for the year. This equates to investment income of £179,360. At the end of March 2024 the value of the Council's property investment funds stood at £4.041m 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 4.94% on its multi-asset diversified income funds for the year. This equates to investment income of £207,760. At the end of March 2024, the value of the Council's multi-asset diversified income funds stood at £3.762m.

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 5.39% on its core funds for the year. This equates to investment income of £1,489,030. At the end of March 2024, the value of the Council's core fund investments stood at £32.0m.

The Council achieved an investment return of 5.51% on its cash flow investments (including cash equivalents) for the year. This equates to investment income of £1,717,990. At the end of March 2024, the value of cash flow investments stood at £13.916m.

Further information on Treasury Management performance for the year ended 31 March 2024 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in July 2024.

Cash Flow Statement

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

2022/23		2023/24
£'000		£'000
3,290	Net (Surplus) / Deficit on the Provision of Services	(3,262)
(864)	Adjusting for Non-Cash Movements	4,287
934	Adjusting for Investing & Financing Activities	285
3,360	Net Cash Flows from Operating Activities	1,310
3,294	Investing Activities	9,748
(4,267)	Financing Activities	(2,225)
2,387	NET (INCREASE) / DECREASE IN CASH RESOURCES	8,833

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 2024 was £6.1m (31 March 2023: £9.8m). 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

A year of rising costs for households and for the council, where grant schemes are introduced to help those worse affected, and the council continues to look closely at ways to balance the books, while still aiming to achieve targets for climate change reform and develop strategies for business and housing. The start of the reign of King Charles III.

- April 2023 – Launch of the Community Development Grants scheme, and the green business grant funding launched for business development initiatives and to help reduce the carbon footprint of business premises. Announcement of Blue Bell Hill car park closure due to anti-social behaviour.
- May 2023 – Coronation parties taking place, a new Mayor and Cabinet are agreed, as Matt Boughton is re-appointed Leader of TMBC.
- June 2023 – Report on the third year of the council’s climate change action plan showed that progress has been made but there’s still a long way to go. The one-year partnership with enforcement company NES had seen more than 1,000 penalties issued for dropping cigarette butts, fly-tipping and littering and was voted to be continued.
- July 2023 – Councillors agreed to distribute the Government’s Household Support Fund to residents who are struggling to meet rising energy bills and general costs of living.
- August 2023 – TMBC’s draft economic strategy is launched, to support businesses, enhance high streets and boost tourism across the borough, via a range of council-led initiatives and partnerships including business grants, retail improvements, advice, and events to help strengthen the local economy and provide jobs.
- September 2023 – Councillors consider changes to car park charges, and extensions of car park charging periods in order to meet rising operating costs.
- October 2023 – Policy approved that all licensed taxis in the borough take credit card payments and are barred from refusing to take passengers who are travelling short journeys.
- November 2023 – Chief Executive, Julie Bielby, announces her retirement. Refurbishment or replacement of the Angel centre is discussed by councillors, and consultations launched on the perception of safety in the borough for women and girls, and the management of Taddington Valley woodland.
- December 2023 – Adrian Stanfield takes on the role of Interim Chief Executive, and local organisations which want to learn more about how to cut their carbon emissions are invited to apply for funding to undertake carbon literacy training.
- January 2024 – A trio of employment schemes launched in partnership with KCC, Sevenoaks District Council and Tunbridge Wells Borough Council to enhance the prospects of those seeking work.
- February 2024 – New council tax rates agreed, bottle banks and bring sites to be removed due to improved and widely available recycling facilities, littering fines increased and TMBC, working in partnership with Kent Police, issued more than 40 fixed penalty notices of £100 to boy racers in Larkfield. Kent Police also put dispersal orders in place be able to move on anyone at gatherings in the area.
- March 2024 – It was announced that Damian Roberts was to be the new Chief Executive at TMBC, bee friendly bus shelter installed in Quarry Hill Road, Tonbridge, 180 solar panels were fitted to the roof of Tonbridge Swimming Pool to save energy costs and reduce carbon emissions, community grants launched to help improve the economic, social or environmental wellbeing of the borough via voluntary and community groups, and annual clean-up of the River Medway in Tonbridge takes place.

Financial and Performance Statistics

- We collected 98.02% of the £115.3m of council tax due for the 2023/24 year (2022/23: 98.4% of the £109.1m due).
- We collected 99.4% of the £66.7m of business rates due for the 2023/24 year (2022/23: 99.4% of the £56.1m due).

- We paid 99.7% of the 5,906 invoices processed within 30 days of receipt in 2023/24 (2022/23: 99.7% of the 5,539 invoices processed).
- On average 49% (2022/23: 47%) of household waste was recycled, 50% (2022/23: 52%) energy recovery and 1% (2022/23: 1%) to landfill in 2023/24.
- 87% of major planning applications and 86% of minor planning applications were determined within the recommended timeframe in 2023/24.

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.
- The cost of operating the Council's On and Off Street Car Parking.

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 2024 was £9.9m (31 March 2023: £8.6m).

Since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 61% or £4.0m (from £6.6m in 2010/11 to £2.6m in 2024/25). 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 scheme, remains the subject of discussion, but at the very least the scheme will not continue in its current form, leaving one of two options: the scheme is withdrawn and not replaced; or is replaced, but the funding stream and sum awarded is much reduced (managements working assumption). The future of other grant income is also uncertain.

For medium term financial planning purposes, it is assumed that government grant funding will steadily reduce from circa £9.665m in 2024/25 to £3.442m in 2027/28 before seeing a modest increase year on year thereafter. Following this review and savings of £195,000 identified and included in the 2024/25 budget, a revised savings target of £1,705,000 was identified. In addition to this savings target, some £600,000 of saving initiatives, covering officer accommodation and homelessness reduction have been included within the MTFS.

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.

The council believes that our MTFS is resilient and the financial pressures likely to confront the Authority 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 – £305,000 by April 2025; Tranche 2 – £700,000 by April 2026; and Tranche 3 – £700,000 by April 2028).

It goes without saying that 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 challenges faced by the Council. In so doing, it recognises that there is no one simple solution and as a result the Council 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 2024/25, 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 economic impact effecting energy prices, inflation and income including council tax and fees and charges more widely as cost of living pressures deepen.
- 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; and
- Climate Change agenda and associated costs; and

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 2023/24* ('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 2024.

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

Signed

Signed

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

Councillor Robert Cannon
Chair of the Audit Committee

Dated 31st May 2024

Dated

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2022/23			2023/24			
Gross Exp £'000	Income £'000	Net Exp £'000	Notes	Gross Exp £'000	Income £'000	Net Exp £'000
Continuing Operations						
4,413	369	4,044		2,417	422	1,995
1,757	773	984		1,970	902	1,068
1,384	689	695		1,522	765	757
26,851	26,140	711		27,200	25,754	1,446
9,549	4,621	4,928		11,442	4,585	6,857
13,795	5,113	8,682		15,079	5,884	9,195
57,749	37,705	20,044		59,630	38,312	21,318
Cost of Services						
Other Operating Expenditure						
	105	(105)	8	121	0	121
3,555		3,555		3,731	0	3,731
461		461		484	0	484
			6	0	2,042	(2,042)
Financing & Investing Income & Expenditure						
133	364	(231)	10	133	383	(250)
	346	(346)	11		3,362	(3,362)
1,476		1,476	12	365	0	365
42	205	(163)	8	293	912	(619)
Taxation & Non-Specific Grant Income & Expenditure						
72	15,442	(15,370)	13	52	16,004	(15,952)
27,359	27,506	(147)	13	26,262	26,938	(676)
	5,055	(5,055)	14	0	6,096	(6,096)
	829	(829)	14	0	284	(284)
90,847	87,557	3,290		91,071	94,333	(3,262)
(Surplus) / Deficit on Provision of Services						
Other Comprehensive Income & Expenditure						
		(4,361)	8			(3,896)
		(51,084)	12			(1,782)
(52,155) TOTAL COMPREHENSIVE INCOME AND EXPENDITURE						
						(8,940)

MOVEMENT IN RESERVES STATEMENT

2022/23						2023/24						
General Fund & Reserve Balances	Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves		General Fund & Reserve Balances	Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
£'000	£'000	£'000	£'000	£'000	£'000	Notes	£'000	£'000	£'000	£'000	£'000	£'000
34,906	456	685	36,047	25,309	61,356		29,338	352	247	29,937	83,574	113,511
							BALANCE AT 1 APRIL					
(3,290)			(3,290)	55,445	52,155		3,262	0	0	3,262	5,678	8,940
							Total Comprehensive Income & Expenditure					
							Adjustments Between Accounting Basis & Funding Basis Under Regulations					
							Depreciation & Amortisation of N-C					
2,754			2,754	(2,754)	0	8	2,514	0	0	2,514	(2,514)	0
(9)			(9)	9	0	8	996	0	0	996	(996)	0
(163)			(163)	163	0	8	(619)	0	0	(619)	619	0
(826)	(104)		(930)	930	0		(122)	5	0	(117)	117	0
							Net Charges made for Retirement					
2,098			2,098	(2,098)	0	12	(1,366)	0	0	(1,366)	1,366	0
							Gain on Disposal of Non-Current					
(105)		105	0	0	0	8	121	0	0	121	(121)	0
							Council Tax / NNDR - Actual Surplus /					
(7,260)			(7,260)	7,260	0	13	(232)	0	0	(232)	232	0
							Employee Benefits - Accrued Annual					
(60)			(60)	60	0	15	(69)	0	0	(69)	69	0
							Capital Exp. Charged to the General					
(126)			(126)	126	0		(666)	0	0	(666)	666	0
							Unrealised Gains / Losses on Long					
1,419			1,419	(1,419)	0		264	0	0	264	(264)	0
0		(543)	(543)	543	0	16	0	0	(247)	(247)	247	0
							Capital Receipts					
(5,568)	(104)	(438)	(6,110)	58,265	52,155		4,083	5	(247)	3,841	5,099	8,940
29,338	352	247	29,937	83,574	113,511		33,421	357	0	33,778	88,673	122,451
							BALANCE AT 31 MARCH					

BALANCE SHEET

At 31 March 2023			At 31 March 2024	
£'000	£'000	Notes	£'000	£'000
Long Term Assets				
	70,960	Property, Plant & Equipment	8	69,719
	16,902	Heritage Assets	8	19,424
	4,906	Investment Properties	8	5,525
	85	Intangible Assets	8	95
100,964	8,111	Long Term Investments	11	7,848
				102,611
Current Assets				
	23,357	Short Term Investments	11	32,805
	13	Inventories		16
	4,819	Short Term Debtors	18	6,520
51,227	23,038	Cash & Cash Equivalents	19	14,205
				53,546
Current Liabilities				
(18,942)	(18,942)	Short Term Creditors	20	(16,447)
				(16,447)
Long Term Liabilities				
	(5,147)	Provisions	21	(5,210)
	(9,275)	Pensions Liability	12	(6,127)
(19,738)	(5,316)	Grants & Contributions in Advance	22	(5,922)
				(17,259)
113,511		NET ASSETS		122,451
Reserves				
Usable Reserves				
	28,088	Reserves	17	32,171
	1,250	General Fund		1,250
	352	Grants & Contributions Unapplied	22	357
29,937	247	Usable Capital Receipts Reserve	16	0
				33,778
Unusable Reserves				
	43,601	Capital Adjustment Account	23	42,768
	49,247	Revaluation Reserve	24	51,994
	(1,183)	Pooled Investment Funds Adjustment A/c	11	(1,447)
	1,386	Collection Fund Adjustment Account	13	1,617
	(202)	Employee Benefits - Accrued Leave	15	(132)
83,574	(9,275)	Pensions Reserve	12	(6,127)
				88,673
113,511		TOTAL RESERVES		122,451

I certify that this Statement of accounts provides a true and fair view of the financial position of the Council as at 31 March 2024 and its Comprehensive Income & Expenditure Statement for the year then ended.

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

The Audit Committee will consider the Statement for approval on 13 January 2025.

CASH FLOW STATEMENT

2022/23		2023/24	
£'000	£'000	£'000	£'000
3,290			(3,262)
	NET (SURPLUS) / DEFICIT ON PROVISION OF SERVICES		
	Adjust Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements		
(2,754)	Depreciation & Amortisation	(2,514)	
9	Impairment & Downward Valuations	(996)	
1	Increase / (Decrease) in Inventories	3	
(23)	Increase / (Decrease) in Debtors	3,755	
(192)	(Increase) / Decrease in Impairment for Bad Debts	(225)	
8,226	(Increase) / Decrease in Creditors	3,097	
(2,098)	Movement in Pension Liability	1,366	
0	Carrying Amount of Non-Current Assets Sold or Derecognised	(121)	
(4,033)	Other Non-Cash Items Charged to the Net Surplus / Deficit on the Provision of Services	(78)	
(864)			4,287
	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		
105	Proceeds from the Sale of Property, Plant & Equipment, Investment Property and Intangible Assets	0	
829	Any Other Items for Which the Cash Effects are Investing or Financing Cash Flows	285	
934			285
3,360	NET CASH FLOWS FROM OPERATING ACTIVITIES		1,310
	INVESTING ACTIVITIES		
1,580	Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	957	
49,000	Purchase of Short-Term & Long-Term Investments	29,000	
(105)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property and Intangible Assets	0	
(47,000)	Proceeds from Short-Term & Long-Term Investments	(20,000)	
(181)	Other Receipts from Investing Activities	(209)	
3,294	NET CASH FLOWS FROM INVESTING ACTIVITIES		9,748
	FINANCING ACTIVITIES		
(4,267)	Other Payments for Financing Activities	(2,225)	
(4,267)	NET CASH FLOWS FROM FINANCING ACTIVITIES		(2,225)
2,387	NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS		8,833
25,425	Cash & cash equivalents at the beginning of the reporting period		23,038
23,038	Cash & cash equivalents at the end of the reporting period		14,205

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.

	2022/23			2023/24		
	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
	3,232	812	4,044	3,433	(1,438)	1,995
	984	0	984	1,068	0	1,068
	682	13	695	744	12	756
	711	0	711	1,446	0	1,446
	4,867	61	4,928	5,867	990	6,857
	6,258	2,424	8,682	6,888	2,307	9,195
	16,734	3,310	20,044	19,446	1,871	21,317
	4,016	(105)	3,911	2,173	122	2,294
	(1,870)	2,606	736	(3,208)	(657)	(3,865)
	(13,312)	(8,089)	(21,401)	(22,493)	(516)	(23,008)
	5,568	(2,278)	3,290	(4,082)	820	(3,262)
	34,906			29,339		
	5,568		(Surplus) / Deficit on Provision of Services	(4,082)		
	29,338		CLOSING GENERAL FUND & RESERVE BALANCES	33,421		

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 2023/24*. 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.
- There is a de-minimis limit for revenue accruals of £1,000 and there is a de-minimis limit of £10,000 for capital scheme accruals (this can be made up of multiple invoices). Transactions below this limit are not generally accrued for as they are deemed immaterial to the understanding of the accounts. There will be exceptions where accruals are raised below these limits, depending on the nature of the transaction.
- 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 2024.

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:

Asset Category	Year of Valuation	
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
Properties for Community Use	2023/24	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 also undertake interim valuations of the Council's three main Leisure facilities. 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

Over recent years the Council has received funds from Central Government to assist with the effects of Covid 19 and Energy price increases. During 2023/24 the council received a grant for alternative energy support the amount paid to Taxpayers was £68,400, the total grant received from central Government amounted to £518,720 and the unspent balance of £450,320 was returned to Central Government in the accounting year.

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.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023

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 2023/24 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 2024 these liabilities, calculated under FRS 102, amounted to £0.3m (31 March 2023: £0.6m) 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 being £756,000 as at March 2022 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 the stay should be 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. In the event that the Parking Order is changed or revoked, allowing the charging or sale of a car park, giving rise to a change in values, a revaluation would take place at that point.

In addition to this as part of the preparation of the Annual Governance Statement, the three Statutory Officers 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 or 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 it was deemed necessary to take into consideration the potential for redevelopment of 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 existing use valuations.
- 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 2024.

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

The Gibson Building, the Council’s main offices located at Kings Hill West Malling 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 2024/25, this was not considered in prior years.

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. EXCEPTIONAL ITEMS AND EVENTS AFTER THE BALANCE SHEET DATE

The Council received a VAT repayment in 2023/24 for £2,042,496. This relates to an historic VAT Claim for overpaid VAT in relation to Sports & Leisure Services.

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2024. In respect of the Councils Long Term Investments. Lothbury Property Trust have taken the decision to wind up the fund during 2024/25, this will involve the sale of the property assets and funds will be repaid upon the completion of these sales. Due to the current property market it cannot be anticipated what values the properties will be sold for and therefore any losses or gains will be recognised upon the full surrender of invested funds.

Tonbridge and Malling Borough Council is aware of the ‘Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)’ case and considers that there is potential for the outcome of this case to have an impact on Tonbridge and Malling Borough Council. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to Tonbridge and Malling Borough Council’s share of the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary’s Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on Tonbridge and Malling Borough Council and thus the obligation and liability shown in Tonbridge and Malling Borough Council’s accounts.

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 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

2022/23							2023/24							
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	
							Income							
283	681	1,009	1,129	2,844	5,114	11,060	Fees, Charges & Other Service Income	351	562	1,057	873	2,543	5,849	11,235
			1,765			1,765	Interest & Investment Income	0	0	0	3,626	0	0	3,626
19	92	44	29,839	1,777		31,771	Grants & Contributions	0	340	91	24,970	2,042	79	27,522
302	773	1,053	32,733	4,621	5,114	44,596	Total Income	351	902	1,148	29,469	4,585	5,928	42,383
							Expenditure							
5,606	383	756	940	3,944	1,766	13,395	Employee Expenses	6,015	422	841	988	4,236	1,844	14,346
649		145		13	1,432	2,239	Premises	674	23	169	0	66	2,033	2,965
143				1	39	183	Transport	142	0	0	0	1	34	177
2,125	1,060	138	5,653	3,472	1,104	13,552	Supplies & Services	2,310	1,194	143	807	3,981	1,216	9,651
2				75	5,787	5,864	Third Party Payments	2	0	0	0	118	6,488	6,608
			461			461	Precepts & Levies	0	0	0	484	0	0	484
			126	65	71	262	Provisions for Bad Debts	0	0	0	47	30	(29)	48
			24,053			24,053	Housing Benefits	0	0	0	24,487	0	0	24,487
(4,989)	315	465	1,116	1,918	1,174	(1)	Support Service Recharges	(5,240)	331	489	1,170	2020	1,230	0
250		13		61	2,421	2,745	Depreciation, Amortisation & Impairment	244	0	13	0	990	2,263	3,510
3,786	1,758	1,517	32,349	9,549	13,794	62,753	Total Expenditure	4,147	1,970	1,655	27,983	11,442	15,079	62,276
3,484	985	464	(384)	4,928	8,680	18,157	COST OF SERVICES	3,796	1,068	507	(1,486)	6,857	9,151	19,893

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](#).

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.

	2022/23 £'000	2023/24 £'000
Cost of Services in Service Analysis	18,157	19,893
add Amounts not Reported to Management		
Pension Adjustments	622	(1,731)
Accrued Annual Leave	(60)	(70)
Miscellaneous Income and Expenditure	(210)	(166)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(461)	(484)
less Items Included in Financing & Investment		
Trading Undertakings	231	250
Interest & Investment Income	1,765	3,625
NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	20,044	21,317

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.

2022/23					2023/24				
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
					Income				
11,060	278			11,338	Fees, Charges & Other Service Income	11,235	236		11,471
1,765	(1,419)			346	Interest & Investment Income	3,626	(265)		3,361
			15,442	15,442	Council Tax			16,004	16,004
			27,506	27,506	National Non-Domestic Rates			26,938	26,938
31,771	(2)	(5,038)	5,884	32,615	Grants & Contributions	27,522	(299)	6,380	33,603
					Exceptional Item - VAT			2,043	2,043
			105	105	Disposal of Non-Current Assets				0
			205	205	Fair Value of Investment Properties			912	912
44,596	(1,143)	(5,038)	49,142	87,557	Total Income	42,383	(29)	(299)	52,277
					Expenditure				
13,395	622		1,476	15,493	Employee Expenses	14,346	(1,731)	365	12,980
2,239				2,239	Premises	2,965			2,965
183				183	Transport	177			177
13,552	6	(5,038)		8,520	Supplies & Services	9,651	(299)		9,352
5,864				5,864	Third Party Payments	6,608			6,608
461			3,555	4,016	Precepts & Levies	484		3,731	4,215
262				262	Provisions for Bad Debts	48			48
24,053				24,053	Housing Benefits	24,487			24,487
(1)				(1)	Support Service Recharges	0			0
2,745				2,745	Depreciation, Amortisation & Impairment	3,510			3,510
			72	72	Council Tax			52	52
			27,359	27,359	National Non-Domestic Rates			26,262	26,262
				0	Disposal of Non-Current Assets			122	122
			42	42	Fair Value of Investment Properties			293	293
62,753	628	(5,038)	32,504	90,847	Total Expenditure	62,276	(1,731)	(299)	30,825
18,157	1,771	0	(16,638)	3,290	TOTAL	19,893	(1,702)	0	(3,261)

8. NON-CURRENT ASSETS

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

	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					
NET BOOK VALUE AT 1 APRIL 2022	62,663	2,839	1,059	2,047	515	69,123	15,659	4,533	161	89,476
Cost or Valuation										
At 1 April 2022	69,222	9,031	3,458	2,047	515	84,273	15,659	4,533	453	104,918
Additions	251	697	5	0	436	1,389	0	210	0	1,599
Derecognition - Disposals	0	(92)	0	0	0	(92)	0	0	0	(92)
Reclassification	951	0	0	0	(951)	0	0	0	0	0
Revaluation Recognised in the Revaluation Reserve	3,118	0	0	0	0	3,118	1,243	0	0	4,361
Impairment Recognised in Surplus/Deficit on the Provision of Services	9	0	0	0	0	9	0	0	0	9
Net Gains / (Losses) from Fair Value Adjustments	0	0	0	0	0	0	0	163	0	163
Other Movements in Cost or Valuation	(7,939)	0	0	0	0	(7,939)	0	0	0	(7,939)
At 31 March 2023	65,612	9,636	3,463	2,047	0	80,758	16,902	4,906	453	103,019
Depreciation, Amortisation & Impairment										
At 1 April 2022	(6,558)	(6,193)	(2,399)	0	0	(15,150)	0	0	(292)	(15,442)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,933)	(637)	(108)	0	0	(2,678)	0	0	(76)	(2,754)
Derecognition - Disposals	0	92	0	0	0	92	0	0	0	92
Reclassification	0	0	0	0	0	0	0	0	0	0
Other Movements in Depreciation, Amortisation and Impairment	7,938	0	0	0	0	7,938	0	0	0	7,938
At 31 March 2023	(553)	(6,738)	(2,507)	0	0	(9,798)	0	0	(368)	(10,166)
NET BOOK VALUE AT 31 MARCH 2023	65,059	2,898	956	2,047	0	70,960	16,902	4,906	85	92,853
NATURE OF ASSET HOLDINGS										
Owned	65,059	2,898	956	2,047	0	70,960	16,902	4,906	85	92,853

	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					
NET BOOK VALUE AT 1 APRIL 2023	65,059	2,898	956	2,047	0	70,960	16,902	4,906	85	92,853
Cost or Valuation										
At 1 April 2023	65,611	9,637	3,463	2,047	0	80,758	16,902	4,906	453	103,019
Additions	296	608	74	0	0	978	0	0	49	1,027
Derecognition - Disposals	(144)	(53)	0	0	0	(197)	0	0	0	(197)
Reclassification	0	0	0	0	0	0	0	0	0	0
Revaluation Recognised in the Revaluation Reserve	1,374	0	0	0	0	1,374	2,522	0	0	3,896
Impairment Recognised in Surplus/Deficit on the Provision of Services	(994)	(3)	0	0	0	(997)	0	0	0	(997)
Net Gains / (Losses) from Fair Value Adjustments	0	0	0	0	0	0	0	619	0	619
Other Movements in Cost or Valuation	(1,704)	0	0	0	0	(1,704)	0	0	0	(1,704)
At 31 March 2024	64,439	10,189	3,537	2,047	0	80,212	19,424	5,525	502	105,663
Depreciation, Amortisation & Impairment										
At 1 April 2023	(552)	(6,738)	(2,507)	0	0	(9,797)	0	0	(368)	(10,165)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,893)	(496)	(87)	0	0	(2,476)	0	0	(39)	(2,515)
Derecognition - Disposals	23	53	0	0	0	76	0	0	0	76
Reclassification	0	0	0	0	0	0	0	0	0	0
Other Movements in Depreciation, Amortisation and Impairment	1,704	0	0	0	0	1,704	0	0	0	1,704
At 31 March 2024	(718)	(7,181)	(2,594)	0	0	(10,493)	0	0	(407)	(10,900)
NET BOOK VALUE AT 31 MARCH 2024	63,721	3,008	943	2,047	0	69,719	19,424	5,525	95	94,763
NATURE OF ASSET HOLDINGS										
Owned	63,721	3,008	943	2,047	0	69,719	19,424	5,525	95	94,763

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 £38,800 (£76,000 2022/23).

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 26.

In accordance with the rolling programme properties for community use were the subject of revaluation.

Wilks Head & Eve 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.

Heritage asset values have been reviewed and uplifted to reflect the insured value of the asset. The resulting revaluation was a net gain of £2,902,000, of which £3,896,000 is recognised in the revaluation reserve and losses of £994,000 recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure.

In assessing fair value of Investment Properties Wilks Head & Eve has determined a market value given the sites location and likelihood of achieving such values. The resulting increase in asset values of £619,000 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.

Wilks Head & Eve undertook a Market Review and 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 Wilks Head & Eve, 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.

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	
2023/24	38,143	3,008	19,394	5,525	66,070
2022/23	15,493				15,493
2021/22	7,230				7,230
2020/21	702				702
2019/20	2,153				2,153
Prior Years	0		30		30
TOTAL	63,721	3,008	19,424	5,525	91,678

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 2023/24 are reflected in the figures for that year rather than the year of previous valuation.

Heritage Assets

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

	At 31 March 2023 £'000	At 31 March 2024 £'000
Tonbridge Castle Gatehouse	16,686	19,189
Civic Regalia	87	96
Paintings	72	79
Sculptures	57	60
TOTAL	16,902	19,424

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

	2022/23 £'000	2023/24 £'000
Decarbonising the Council Assets	0	118
Waste Collection Containers	322	116
Capital Renewals	206	508
Flood Defence	125	131
Sports Grounds	102	116

The Capital Expenditure was financed as follows: -

	2022/23 £'000	2023/24 £'000
Opening Capital Financing Requirement	0	0
Capital Investment		
Purchase of Non-Current Assets		
Property, Plant & Equipment	1,389	978
Investment Property	210	0
Intangible Assets	0	49
Total	1,599	1,027
Sources of Finance		
Revenue	(126)	(668)
Capital Grants & Contributions	(930)	(112)
Capital Receipts	(543)	(247)
Total	(1,599)	(1,027)
CLOSING CAPITAL FINANCING REQUIREMENT	0	0

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

Outstanding Capital Commitments

As at 31 March 2024 no major capital commitments were outstanding.

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

	2022/23			2023/24		
	Net Book Value £'000	Sale Proceeds £'000	Net (Gain) / Loss £'000	Net Book Value £'000	Sale Proceeds £'000	Net (Gain) / Loss £'000
Hadlow Public Conveniences	0	(77)	(77)	0	0	0
Land at Rear of Hythe Lane	0	(28)	(28)	0	0	0
West Malling Public Conveniences	0	0	0	121	0	121
TOTAL	0	(105)	(105)	121	0	121

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.

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
Gross Expenditure				
House Renovation Grants	889		1,000	
Land Drainage & Flood Defence	125		131	
Other	10	1,024	294	1,425
Grants & Contributions Received				
Better Care Fund	(831)		(943)	
Housing Assistance Grant Repaid	(44)		(48)	
Disabled Facilities Grant Repaid	(23)		(15)	
Other Funding	(10)	(908)	(294)	(1,300)
TOTAL		116		125

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.

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rental Income Due	441	395	311	304	260	250	228

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 2023	31 March 2024
	£'000	£'000
Not later than one year	0	69
Later than one year and not later than five years	726	386
Later than five years and not later than fifty years	1,818	2,223
Later than fifty years	7,136	7,211
	9,680	9,889

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	2022/23	2023/24
	£'000	£'000
Income	(364)	(383)
Expenditure	133	133
TOTAL	(231)	(250)

The Balance Sheet value of these properties at the 31 March 2024 was £6,439,000 (£5,525,000 Investment Properties and £914,000 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 – 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

	2022/23			2023/24		
	Income £'000	Unrealised (Gains) / Losses £'000	Total £'000	Income £'000	Unrealised (Gains) / Losses £'000	Total £'000
Property Investment Funds	(172)	1,012	840	(179)	325	146
Multi-Asset Diversified Income Funds	(174)	407	233	(210)	(62)	(272)
Certificates of Deposit	(518)		(518)	(857)		(857)
Fixed Interest Deposits	(91)		(91)	(632)		(632)
Call Accounts	(810)		(810)	(1,718)		(1,718)
Miscellaneous Interest	(0)		0	(29)		(29)
TOTAL	(1,765)	1,419	(346)	(3,625)	263	(3,362)

Interest and Investment Income Received

	2022/23 £'000	2023/24 £'000
Interest and Investment Income Earned	(346)	(3,362)
Increase / (Decrease) in Debtors	53	58
Increase / (Decrease) in Accrued Interest	319	449
Unrealised Gains / (Losses) on Property Investment Funds / Multi-Asset Funds	(1,419)	(264)
TOTAL	(1,393)	(3,119)

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 2023				At 31 March 2024			
	Capital £'000	Gain / (Loss) £'000	Accrued Interest £'000	Total £'000	Capital £'000	Gain / (Loss) £'000	Accrued Interest £'000	Total £'000
Property Investment Funds								
Hermes Property Unit Trust	1,000	(49)	9	960	1,000	(108)	6	898
Local Authorities' Property Fund	2,000	(208)	20	1,812	2,000	(278)	23	1,745
Lothbury Property Trust	2,000	(376)	13	1,637	2,000	(573)	13	1,441
Total	5,000	(633)	42	4,409	5,000	(959)	42	4,084
Multi-Asset Diversified Income Funds								
Aegon Diversified Income Fund	1,750	(232)	0	1,518	1,750	(151)	0	1,599
Fidelity Multi-Asset Income Fund	1,000	(197)	2	805	1,000	(204)	3	798
Ninety-One Diversified Income Fund	1,500	(121)	0	1,379	1,500	(133)	0	1367
Total	4,250	(550)	2	3,702	4,250	(488)	3	3,764
TOTAL	9,250	(1,183)	44	8,111	9,250	(1,447)	45	7,848

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 2023			At 31 March 2024		
	Capital £'000	Accrued Interest £'000	Total £'000	Capital £'000	Accrued Interest £'000	Total £'000
Certificates of Deposit						
Bank of Montreal	2,000	36	2,036	0		0
Goldman Sachs	2,000	52	2,052	5,000	230	5,230
Lloyds Bank	6,000	56	6,056	6,000	211	6,211
National Westminster Bank	0		0	3,000	24	3,024
Royal Bank of Canada	3,000	78	3,078	0		0
Rabobank				6,000	166	6,166
Toronto Dominion	4,000	70	4,070	6,000	130	6,130
Total	17,000	292	17,292	26,000	761	26,761
Fixed Interest Deposits						
Close Brothers	0		0	3,000	15	3,015
Handelsbanken	3,000	25	3,025	3,000	29	3,029
Rabobank	3,000	40	3,040	0		0
Total	6,000	65	6,065	6,000	44	6,044
TOTAL	23,000	357	23,357	32,000	805	32,805

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 2024.
- 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 2023			At 31 March 2024		
	Amortised Cost £'000	Fair Value Through Profit & Loss £'000	Total £'000	Amortised Cost £'000	Fair Value Through Profit & Loss £'000	Total £'000
Long Term		8,111	8,111		7,848	7,848
Short Term	23,357		23,357	32,805		32,805
TOTAL	23,357	8,111	31,468	32,805	7,848	40,653

Interest Earned

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

	2022/23			2023/24		
	Amortised Cost	Fair Value Through Profit & Loss	Total	Amortised Cost	Fair Value Through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest & Investment Income						
Income	(608)	(347)	(955)	(1,489)	(389)	(1,878)
Unrealised (Gains) / Losses		1,419	1,419		264	264
TOTAL	(608)	1,072	464	(1,489)	(125)	(1,614)

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 2023		At 31 March 2024	
	Carrying Amount	Carrying Amount	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Property Investment Funds	4,409	4,409	4,083	4,083
Multi-Asset Diversified Income Funds	3,702	3,702	3,764	3,764
Deposits with Banks & Building Societies	23,357	23,357	32,805	32,805
TOTAL	31,468	31,468	40,652	40,652

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 2024 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 2024 were invested at rates between 4.7% and 6.75% for Deposits and 4% for Fund investments. An increase in interest rates of 1% would currently generate investment income of about £407,000 (2022/23: £315,000).

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 therefore considers 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

	2022/23 £'000	2023/24 £'000
Amounts Charged to Income and Expenditure Statement		
Net Cost of Services		
Current Service Costs	3,596	1,568
Past Service Costs (Change in Benefit)	0	0
Administration Expenses	63	92
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	<u>1,476</u>	<u>365</u>
Net Charge to the Income and Expenditure Statement	<u>5,135</u>	<u>2,025</u>
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,135)	(2,025)
Actual Amount Charged to the General Fund for Pensions in the Year		
Employers' contributions payable to scheme	3,037	3,391
CONTRIBUTION (FROM) / TO PENSIONS RESERVE	(2,098)	1,366

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 £1,782,000 in 2023/24 (2022/23: gain of £51,084,000) is included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

Assets and Liabilities in Relation to Retirement Benefits

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

Reconciliation of the Present Value of Scheme Liabilities	2022/23 £'000	2023/24 £'000
Opening Balance at 1 April - Defined Benefit Obligation	161,181	111,338
Current Service Costs	3,596	1,568
Past Service Costs	0	0
Contributions from Scheme Participants	564	593
Interest Cost	4,137	5,243
Change in Financial Assumptions	(59,119)	(1,570)
Change in Demographic Assumptions	(4,493)	(1,604)
Experience Loss / (Gain) on Defined Benefit Obligation	10,232	332
Benefits Paid	(4,558)	(4,661)
Unfunded Pension Payments	(202)	(210)
CLOSING BALANCE AT 31 MARCH - DEFINED BENEFIT OBLIGATION	111,338	111,029

The liability shows the underlying commitment that the Council has in the long run to pay retirement benefits. Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

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

Reconciliation of the Fair Value of Scheme Assets	2022/23 £'000	2023/24 £'000
Opening Balance at 1 April - Fair Value of Scheme Assets	102,920	102,063
Interest on Assets	2,661	4,878
Return on Assets Less Interest	(1,329)	(1,060)
Other Actuarial Gains / (Losses)	(967)	0
Employers' Contributions	3,037	3,391
Contributions from Scheme Participants	564	593
Benefits Paid	(4,760)	(4,871)
Administration Expenses	(63)	(92)
CLOSING BALANCE AT 31 MARCH - FAIR VALUE OF SCHEME ASSETS	102,063	104,902

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 £3,818,000 (2022/23: gain of £1,332,000).

Net Liabilities in Relation to Retirement Benefits

	2022/23 £'000	2023/24 £'000
Present value of funded obligation	109,649	109,507
Fair value of scheme assets (bid price)	102,063	104,902
Sub-total	7,586	4,605
Present value of unfunded obligation	1,689	1,522
NET PENSION LIABILITY	9,275	6,127

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

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

Reconciliation of Opening & Closing Surplus / Deficit

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

Surplus / (Deficit)	2022/23 £'000	2023/24 £'000
Balance at 1 April	(58,261)	(9,275)
Current Service Costs	(3,596)	(1,568)
Past Service Costs	0	0
Actuarial Gains / (Losses)	51,084	1,782
Employer's Contributions	3,037	3,391
Administration Expenses	(63)	(92)
Other Finance Income	(1,476)	(365)
BALANCE AT 31 MARCH	(9,275)	(6,127)

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 2023		At 31 March 2024	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Bonds	13,405	13	15,104	14
Cash	1,831	2	1,670	2
Equities	65,128	64	61,027	58
Gilts	559	1	7,686	7
Property	10,187	10	9,412	9
Target Return Portfolio	7,476	7	5,300	5
Infrastructure	3,477	3	4,703	5
TOTAL	102,063	100	104,902	100

Scheme History

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	(135,092)	(163,240)	(161,181)	(111,338)	(111,029)
Fair Value of Assets	79,865	102,067	102,920	102,063	104,902
SURPLUS / (DEFICIT) IN THE SCHEME	(55,227)	(61,173)	(58,261)	(9,275)	(6,127)
Experience Gains / (Losses) on Assets	289	0	0	0	0
Percentage of Assets	0.4%	0.0%	0.0%	0.0%	0.0%
Experience Gains / (Losses) on Liabilities	(1,009)	1,963	(322)	10,232	332
Percentage of Liabilities	(0.7%)	1.2%	(0.2%)	9.2%	(0.3%)

Actuarial Gains and Losses

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	3,484	(4,906)	5,092	51,084	1,782
CUMULATIVE ACTUARIAL GAINS / (LOSSES)	(31,636)	(36,542)	(31,450)	19,634	21,416

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.

	2022/23	2023/24
Mortality assumptions:		
Life expectancy from age 65 (years)		
Retiring today:		
Men	21.1 Years	20.8 Years
Women	23.5 Years	23.3 Years
Retiring in 20 years:		
Men	22.3 Years	22.0 Years
Women	25.0 Years	24.7 Years
Salary Increases	3.90%	3.90%
Pension Increases (CPI)	2.90%	2.90%
Discount Rate	4.80%	4.90%

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 +0.1%	£'000 0.0%	£'000 -0.1%	£'000 -0.5%
Adjustment to discount rate					
Present Value of Total Obligation	103,741	109,503	111,029	112,591	119,225
Projected Service Cost	1,262	1,444	1,493	1,544	1,764
Adjustment to Long Term Salary Increase					
Present Value of Total Obligation	111,779	111,176	111,029	110,882	110,307
Projected Service Cost	1,498	1,494	1,493	1,492	1,488
Adjustment to Pensions Increase and Deferred Revaluation					
Present Value of Total Obligation	118,601	112,472	111,029	109,619	104,295
Projected Service Cost	1,771	1,544	1,493	1,443	1,255
Adjustment to mortality age rating assumption					
Present Value of Total Obligation		+1 Year 116,084	None 111,029	-1 Year 106,220	
Projected Service Cost		1,552	1,493	1,436	

Projected Pension Expense for the Year to 31 March 2025

These projections are based on the Actuary's assumptions as at 31 March 2024.

	2024/25 Projection £'000
Service Cost	1,493
Net Interest on the defined liability (asset)	217
Administration Expenses	91
Total	1,801
Employers' Contributions	3,214

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

Council Tax	2022/23 £'000	2023/24 £'000
Borough Council's Council Tax	(11,729)	(12,187)
Parish Councils' Council Tax	(3,555)	(3,732)
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	(158)	(85)
Council Tax (Surplus) / Deficit	72	52
TOTAL	(15,370)	(15,952)

National Non-Domestic Rates	2022/23 £'000	2023/24 £'000
Share of National Non-Domestic Rates	(20,174)	(25,455)
Tariff / (Top-Up)	21,310	25,884
Levy / Safety Net/ Business Rates Pool	234	377
Prior Year's Estimated Accumulated Non-Domestic Rates (Surplus) / Deficit	5,815	(1,199)
National Non-Domestic Rates (Surplus) / Deficit	(7,332)	(283)
TOTAL	(147)	(676)

	Balance at 31 March 2022	2022/23 Surplus / (Deficit)	Balance at 31 March 2023	2023/24 Surplus / (Deficit)	Balance at 31 March 2024
Collection Fund Adjustment Account	£'000	£'000	£'000	£'000	£'000
Council Tax	134	(72)	62	(52)	10
National Non-Domestic Rates	(6,008)	7,332	1,324	283	1,607
TOTAL	(5,874)	7,260	1,386	231	1,617

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

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
General Government Grants				
Funding Guarantee	0		(1,762)	
Covid-19 Business Rate Relief	(1,233)		(1,831)	
New Homes Bonus	(1,194)		(611)	
Small Business & Empty Property Rate Relief Grant	(1,118)		(1,153)	
Lower Tier Services Grant	(1,006)		0	
Under Indexing Multiplier Grant	(283)		(496)	
Revenue Support Grant	0		(137)	
Services Grant	(159)		(93)	
Other	(62)	(5,055)	(13)	(6,096)
Revenue Grants & Contributions				
Peter's Village Wouldham (S106 Contribution)	0		(118)	
Other	0		(44)	
Capital Grants & Contributions				
Sainsbury's Contribution	(97)		(112)	
Oakhill House Developer Contribution	(354)		0	
Yates Yard Developer Contribution	(179)		0	
Other	(199)	(829)	(10)	(284)
TOTAL		(5,884)		(6,380)

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

Credited to Services

	2022/23 £'000	2023/24 £'000
Rent Allowance Subsidy	(22,697)	(23,133)
Better Care Fund	(917)	(1,033)
Non-HRA Rent Rebate Subsidy	(669)	(710)
Homelessness Prevention Grant	(392)	(398)
Rough Sleeping Initiative Grant	(307)	(302)
Benefits Administration Grant	(256)	(170)
NNDR Cost of Collection Allowance	(155)	(160)
Discretionary Housing Payment Contribution	(152)	(159)
Local Council Tax Support Administration Grant	(117)	(64)
Other	(1,072)	(1,094)
TOTAL	(26,734)	(27,223)

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	
	2022/23	2023/24
£50,000 - £54,999	13	9
£55,000 - £59,999	8	10
£60,000 - £64,999	3	6
£65,000 - £69,999	2	4
£70,000 - £74,999	1	1
£75,000 - £79,999	4	3
£80,000 - £84,999	-	3
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	3	-
£105,000 - £109,999	1	2
£110,000 - £114,999	-	1
£115,000 - £119,999	-	-
£120,000 - £124,999	-	1
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£150,000 - £154,999	-	1
TOTAL	36	41

The numbers above include no employees within the exit packages table for 2023/24 (2022/23: no employees).

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
Post Title	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
TOTAL	521	27	0	0	548	97	645
2023/24	Chief Executive (note 1)	116	35		151	24	175
	Director of Central Services & Deputy Chief Executive (note 1)	113	8		121	24	145
	Director of Finance & Transformation (note 1)	106	7		113	22	135
	Director of Planning, Housing & Environmental Health	103	7		110	22	132
	Director of Street Scene, Leisure & Technical Services	103	7		110	22	132
TOTAL	541	64	0	0	605	112	719

The figures included in the above tables include the remuneration paid to the Returning Officer and her Deputies for work undertaken in the Borough Election in 2023.

At 31 March 2024 the Council employed 261 permanent staff (31 March 2023: 250) or 230 full-time equivalents (31 March 2023: 220).

Accrued Annual Leave

The Council is required to accrue for annual leave not taken by staff at the end of the accounting period. At the end of 2023/24 this was estimated to be £132,000 (2022/23: £202,000).

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.

	2022/23		2023/24	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
Compulsory Redundancies				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	1	29	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Other Agreed Departures				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
TOTAL	1	29	0	0

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*.

	2022/23 £'000	2023/24 £'000
Balance at 1 April	685	247
Usable Capital Receipts Received	105	0
Disposal Costs	0	0
	<u>790</u>	247
less Usable Capital Receipts Applied		
Purchase of Non-Current Assets	543	247
BALANCE AT 31 MARCH	247	0

17. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2022/23	Revenue Reserve for Capital Schemes	6,825	1,298	(241)	7,882
	General Revenue Reserve	7,661	950	0	8,611
	Building Repairs Reserve	1,031	1,050	(781)	1,300
	Property Investment Fund Reserve	3,250	0	0	3,250
	Earmarked Reserves				
	Budget Stabilisation	3,000	0	(869)	2,131
	Planning Services	1,433	107	(424)	1,116
	Homelessness Reduction	727	681	(723)	685
	Climate Change	780	0	(179)	601
	Business Rates Retention Scheme	7,269	0	(6,736)	533
	Tonbridge & Malling Leisure Trust	200	249	0	449
	Transformation	251	222	(39)	434
	Housing Assistance	360	0	0	360
	Election	174	25	(38)	161
	Invest to Save	221	0	(79)	142
	Special Projects	237	68	(69)	236
	Other Earmarked Reserves	237	35	(75)	197
		33,656	4,685	(10,253)	28,088
	2023/24	Revenue Reserve for Capital Schemes	7,882	2,382	(828)
General Revenue Reserve		8,611	1,304	0	9,915
Building Repairs Reserve		1,300	1,063	(1,241)	1,122
Property Investment Fund Reserve		3,250	0	0	3,250
Earmarked Reserves					
Budget Stabilisation		2,131	1,200	(834)	2,497
Planning Services		1,116	480	(521)	1,075
Regeneration of Tonbridge		0	650	0	650
Homelessness Reduction		685	922	(1,098)	509
Climate Change		601	618	(340)	879
Business Rates Retention Scheme		533	549	(167)	915
Tonbridge & Malling Leisure Trust		449	0	(80)	369
Transformation		434	68	(70)	432
Housing Assistance		360	0	(1)	359
Election		161	35	(85)	111
Invest to Save		141	0	0	141
Special Projects		236	77	(97)	216
Other Earmarked Reserves		198	109	(12)	295
		28,088	9,457	(5,374)	32,171

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

Regeneration of Tonbridge

Other Earmarked Reserves

Purpose of the Reserve

Established to finance future capital expenditure.

The Council 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.

Established to fund the Regeneration of the Town Centre and the assets within it.

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

18. DEBTORS

Short Term Debtors

	At 31 March 2023			At 31 March 2024		
	Gross Value	Impairm't Allow'ce	Net Value	Gross Value	Impairm't Allow'ce	Net Value
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund						
Central Government	736	0	736	524	0	524
Local Authorities	620	0	620	1,151		1,151
Housing Benefit Claimants (current & former)	2,742	(2,377)	365	2,558	(2,432)	126
Payments in Advance	255	0	255	515		515
Other Debtors	792	(345)	447	1,176	(303)	873
	5,145	(2,722)	2,423	5,924	(2,735)	3,189
Collection Fund						
Council Tax Payers (Borough Council's share)	1,629	(453)	1,176	1,857	(517)	1,340
Local Authorities	785		785	1,315	0	1,315
NNDR Payers (Borough Council's share)	677	(252)	425	1,076	(400)	676
Central Government	10		10	0	0	0
	3,101	(705)	2,396	4,248	(917)	3,331
TOTAL	8,246	(3,427)	4,819	10,172	(3,652)	6,520

Impairment Allowance

	Housing Benefit Claimants	Homeless Debtors	Garden Waste Debtors	General Debtors	Council Taxpayers	NNDR Payers	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
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	0	0	0	0	4
	BALANCE AT 31 MARCH	2,377	155	60	130	453	252	3,427
2023/24	Balance at 1 April	2,377	155	60	130	453	252	3,427
	Write-Offs	0	(28)	0	(10)	(28)	(66)	(204)
	Contribution to/from Allowance	54	30	(30)	(7)	92	214	425
	Receipts/Adjustments	1	1	0	2	0	0	4
	BALANCE AT 31 MARCH	2,432	158	30	115	517	400	3,652

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 2023				At 31 March 2024			
	General Debtors £'000	Garden Waste £'000	Homeless ness £'000	Total £'000	General Debtors £'000	Garden Waste £'000	Homeless ness £'000	Total £'000
< 1 month	239	67	19	325	502	48	35	585
1 - 3 months	16	42	14	72	78	4	38	120
3 - 6 months	10		8	18	40	115	29	184
6 - 12 months	6	65	16	87	19	2	27	48
1 year +	162		128	290	98	1	141	240
TOTAL	433	174	185	792	737	170	270	1,177

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 2024	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2024	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
Debtors				
General Debtors	737	0.6	15.6	115
Garden Waste	170	2.7	17.6	30
Homelessness	270	27.7	58.5	158
TOTAL	1,177			303

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 2023 £'000	At 31 March 2024 £'000
Short Term Deposits		
Barclays Bank	3,000	3,000
Blackrock	7,999	0
BNP Paribas	1,264	0
CCLA	4,307	0
Federated	0	7,866
HSBC	6,000	3,000
National Westminster Bank	50	50
	22,620	13,916
Cash in Hand	418	289
TOTAL	23,038	14,205

20. CREDITORS

Short Term Creditors

	At 31 March 2023 £'000	At 31 March 2024 £'000
General Fund		
Central Government	(3,990)	(1,107)
Receipts in Advance	(1,541)	(1,362)
Local Authorities	(461)	(948)
Employees	(202)	(133)
Other Creditors	(1,354)	(1,717)
	(7,548)	(5,267)
Collection Fund		
Central Government	(8,505)	(8,257)
Local Authorities	(1,701)	(1,652)
NNDR Payers (Borough Council's share)	(831)	(536)
NNDR Pool	0	(346)
Council Tax Payers (Borough Council's share)	(357)	(389)
	(11,394)	(11,180)
TOTAL	(18,942)	(16,447)

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 2023 £'000	At 31 March 2024 £'000
General Fund		
Other Creditors	(1,354)	(1,803)
TOTAL	(1,354)	(1,803)

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
2022/23	NNDR Appeals	(4,991)	(891)	830	(5,052)
	Adoption of Amenity Areas	(93)	(2)		(95)
	TOTAL	(5,084)	(893)	830	0
2023/24	NNDR Appeals	(5,052)	(1,153)	1,095	(5,110)
	Adoption of Amenity Areas	(95)	(5)		(100)
	TOTAL	(5,147)	(1,158)	1,095	0

- **NNDR Appeals** – business ratepayers can appeal against the rateable value applied to the property by the Valuation Office. This provision represents the Authorities 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 held in a reserve.

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

	Balance at 1 April £'000	Receipts £'000	Interest £'000	Transfer to Third Parties £'000	Applied to Capital £'000	Applied to Revenue £'000	Balance at 31 March £'000
Aylesford Newsprint	(849)	(395)	(25)	100	0	0	(1,169)
Better Care Fund	(906)	(1,078)	0	0	0	831	(1,153)
Carpenters Lane	0	(130)	(3)	0	0	0	(133)
Clare Park Estate	0	(283)	(1)	0	0	0	(284)
Kings Hill Avenue	0	(1,247)	(18)	0	0	0	(1,265)
Oakhill House	(428)	0	(2)	0	354	0	(76)
Peter's Pit	(267)	0	(6)	0	0	0	(273)
Sportsmans' Bungalow	0	(647)	(8)	0	28	0	(627)
Other	(481)	(44)	(7)	103	87	6	(336)
TOTAL	(2,931)	(3,824)	(70)	203	469	837	(5,316)
Aylesford Newsprint	(1,169)	(111)	(49)	568	0	0	(761)
Better Care Fund	(1,153)	(338)	0	0	0	0	(1,491)
Carpenters Lane	(133)	0	(7)	19	0	0	(121)
Clare Park Estate	(284)	0	(16)	0	0	0	(300)
Kings Hill Avenue	(1,265)	0	(70)	204	0	0	(1,131)
Oakhill House	(76)	(338)	(4)	0	0	0	(418)
Peter's Pit	(273)	0	0	123	0	150	0
Sportsmans' Bungalow	(627)	0	(34)	57	0	0	(603)
Other	(336)	(1,117)	(35)	99	292	0	(1,096)
TOTAL	(5,316)	(1,904)	(215)	1,070	292	150	(5,921)

Transactions in the Year in respect of Grants and Contributions Unapplied

	Balance at 1 April £'000	Receipts £'000	Applied to Capital £'000	Applied to Revenue £'000	Balance at 31 March £'000	
2022/23	Leybourne Lakes	269	(269)		0	
	Yates Yard	0	179		179	
	Other	187	28	(39)	(3)	173
	TOTAL	456	207	(308)	(3)	352
2023/24	Yates Yard	179	0	0	0	179
	Other	173	49	0	(44)	178
	TOTAL	352	49	0	(44)	357

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.

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
Balance at 1 April		43,507		43,601
Capital Financing applied in year				
Revenue	126		667	
Capital Grants & Contributions	930		117	
Capital Receipts	<u>543</u>	1,599	<u>246</u>	1,030
Reversal of items charged to the Comprehensive Income and Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(2,754)		(2,514)	
Impairment of Non-Current Assets	9		(996)	
Net Book Value of Assets Disposed	<u>0</u>	(2,745)	<u>(121)</u>	(3,631)
Amounts Written-out of the Revaluation Reserve				
Difference between fair value & historical cost depreciation	1,077		1,061	
Accumulated Gains / (Loss) on Assets Disposed	<u>0</u>	1,077	<u>88</u>	1,149
Movement in the Fair Value of Investment Properties		163		619
BALANCE AT 31 MARCH		43,601		42,768

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.

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
Balance at 1 April		45,963		49,247
Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services				
Upward revaluations	7,285		4,896	
Downward revaluations / impairments	<u>(2,924)</u>	4,361	<u>(1,000)</u>	3,896
Amounts Written-Off to the Capital Adjustment Account				
Difference between fair value & historical cost depreciation	(1,077)		(1,061)	
Accumulated gains / (loss) on assets sold or scrapped	<u>0</u>	(1,077)	<u>(88)</u>	(1,149)
BALANCE AT 31 MARCH		49,247		51,994

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/mgMemberIndex.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 2023/24 the Council funded some of these organisations, the total sum of £878,000 (2022/23: £866,000).

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 2 non-executive members of 44 Councillors elected as at the end of the 2023/24 financial year, and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosure in the Accounts.

26. MEMBERS' ALLOWANCES

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

	2022/23 £'000	2023/24 £'000
Basic Allowance	277	232
Special Responsibility Allowance	116	108
Travel & Subsistence Expenses	1	2
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	9	8
TOTAL	410	357

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 2023/24.

	2022/23	2023/24
	£'000	£'000
External audit services	61	147
Prior year audit fees	11	0
Certification of grant claims and returns	12	30
TOTAL	84	177

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

The Council has identified three contingent liabilities and one offsetting contingent asset that it considers the readers of these account should be made aware of.

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 2024 was considered remote.

Planning Appeal

In March 2023, the High Court awarded a judgment against the Council in respect of the planning application on the area of Bushey Wood, Eccles. As of the 31st March 2024, the costs awarded were still being compiled by the claimant. In addition to this the Council has instructed its own solicitors to undertake a review of this claim, when received, to ensure that Taxpayers funds are safeguarded. Therefore, at the time of preparing the accounts an accurate assessment of the costs cannot be significantly ascertained to provide a provision for such a claim and therefore the Council have decided to treat the liability as contingent in the 2023/24 Accounts. Once the claim has been agreed and settled the actual figure will be reported into the 2024/25 Financial Statements.

Contractor Vehicles

During 2023/24 both this Council and Tunbridge Wells Borough Council made some changes to the Contractual Arrangements with the Company providing Refuse, Recycling and Street Cleansing Services to both Boroughs.

The change involved the alteration of refuse rounds and the replacement of the vehicles used to collect waste from households. The replacement vehicles are now being leased through to 2031, beyond the end of the current contract period which ends in March 2027. At the end of the contract period the lease arrangements will be transferred to the new contract and both the assets and the financing responsibilities for these leases will be, either the responsibility of the Councils, or the new service provider.

Work on the commissioning for the new service arrangements are due to commence during 2024/25 and as such, it is yet to be determined on who any remaining asset and liability values would fall to, therefore, the decision has been taken to include these as contingent assets and liabilities in the financial

statements for 2023/24. Once the contractual terms and conditions have been agreed for the contract commencing in April 2027, further consideration will be made on the effect in future financial statements.

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

2022/23			2023/24			
Council Tax £'000	NNDR £'000	Total £'000		Council Tax £'000	NNDR £'000	Total £'000
			Income			
108,880	54,662	163,542	Billed to Tax Payers	115,086	62,495	177,581
	14,537	14,537	Contribution towards Previous Years' Collection Fund Deficit			0
108,880	69,199	178,079	Total Income	115,086	62,495	177,581
			Expenditure			
			Precepts and Demands			
77,136	4,539	81,675	Kent County Council	80,864	5,727	86,591
12,043		12,043	Police & Crime Commissioner for Kent	12,816		12,816
4,347	504	4,851	Kent & Medway Fire & Rescue Authority	4,601	636	5,237
11,729	20,174	31,903	Tonbridge & Malling Borough Council	12,187	25,455	37,642
3,555		3,555	Parish Councils	3,731		3,731
	25,218	25,218	Central Government		31,819	31,819
	(10)	(10)	Transitional Protection		(5,689)	(5,689)
158		158	Contribution towards Previous Years' Collection Fund Surplus	601	2,998	3,599
119	67	186	Amounts Written-Off	198	166	364
297	70	367	Provision for Non-Payment	450	370	820
	2,227	2,227	Provision for Appeals not Paid		2,883	2,883
	(2,074)	(2,074)	Appeals Paid in Year		(2,739)	(2,739)
	155	155	Cost of Collection Allowance		160	160
109,384	50,870	160,254	Total Expenditure	115,448	61,786	177,234
(504)	18,329	17,825	Surplus / (Deficit) for the Year	(362)	709	347
941	(15,020)	(14,079)	Balance B/fwd at 1 April	437	3,309	3,746
437	3,309	3,746	Balance C/fwd at 31 March	75	4,018	4,093

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:

	2022/23 £	2023/24 £
Kent County Council	76,345,362	80,863,571
Police & Crime Commissioner for Kent	11,920,146	12,815,534
Kent & Medway Fire & Rescue Authority	4,302,538	4,601,259
Tonbridge & Malling Borough Council	11,729,399	12,187,271
	104,297,445	110,467,635
Parish Councils	3,554,738	3,731,383
TOTAL	107,852,183	114,199,018

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	2022/23			2023/24		
	Estimated no of Properties	Multiplier	Band D Equivalent Dwellings	Estimated no of Properties	Multiplier	Band D Equivalent Dwellings
Disabled A	4.50	5/9ths	2.50	3.50	5/9ths	1.95
A	974.00	6/9ths	649.33	984.64	6/9ths	656.44
B	2,764.17	7/9ths	2,149.91	2773.05	7/9ths	2,156.84
C	12,895.94	8/9ths	11,463.06	13,014.73	8/9ths	11,568.64
D	12,315.45	9/9ths	12,315.45	12,462.71	9/9ths	12,462.71
E	8,704.46	11/9ths	10,638.79	8,714.47	11/9ths	10,651.02
F	5,072.36	13/9ths	7,326.74	5,116.10	13/9ths	7,389.93
G	4,652.85	15/9ths	7,754.75	4,714.33	15/9ths	7,857.21
H	425.00	18/9ths	850.00	436.50	18/9ths	873.00
			53,150.53			53,617.74
Estimated Collection Rate			98.30%			98.3%
COUNCIL TAX BASE			52,246.97			52,706.29

Band D Council Tax

	2022/23	2023/24
	£	£
Kent County Council	1,461.24	1,534.23
Police & Crime Commissioner for Kent	228.15	243.15
Kent & Medway Fire & Rescue Authority	82.35	87.30
Tonbridge & Malling Borough Council	205.72	210.71
	1,977.46	2,075.39
Special Expenses (average)	18.78	20.52
Parish Councils (average)	68.04	70.80
TOTAL	2,064.28	2,166.71

This basic amount of council tax for a Band D property of £2,075.39 for 2023/24 (2022/23: £1,977.46) 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 (2022/23: 51.2p) for large businesses or 49.9p (2022/23: 49.9p) for small businesses in 2023/24 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 £68,184,000 for 2023/24 (2022/23: £54,672,000) is based on the total rateable value for the Council’s area which at the year-end was £171,890,667 (2022/23: £139,734,842). The increase is as a result of the Valuations Office Revaluation of Business Rate Premises.

3. IMPAIRMENT ALLOWANCE

	2022/23			2023/24		
	Council		Total	Council		Total
	Tax	NNDR		Tax	NNDR	
£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 1 April	2,856	560	3,416	3,190	630	3,820
Write-Offs	(119)	(67)	(186)	(198)	(166)	(364)
Receipts	36	1	37	0	0	0
Contribution to Allowance	417	136	553	648	536	1,184
BALANCE AT 31 MARCH	3,190	630	3,820	3,640	1,000	4,640

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 2024. This provision has been based upon information received from the Valuation Office Agency for appeals lodged up to 31 March 2024 and an element for appeals in respect of monies received in 2023/24 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 2023/24 in respect of council tax was £601,183 and the estimated surplus 2023/24 in respect of NNDR was £2,998,325. The actual surplus of £74,409 in respect of council tax and the actual surplus of £4,017,437 in respect of NNDR at 31 March 2024 will be taken into account when estimating the surplus/deficit for 2024/25.

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 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)
TOTAL	0	0	0	0	0	0	
At 31 March 2024	Council Tax Arrears	5,647	887	320		1,857	8,711
	Council Tax Provision for Bad Debts	(2,573)	(404)	(146)		(517)	(3,640)
	Council Tax Prepayments & Refunds	(1,936)	(304)	(110)		(389)	(2,739)
	Council Tax Cash	(1,085)	(171)	(61)		(941)	(2,258)
	Council Tax (Surplus) / Deficit	(53)	(8)	(3)		(10)	(74)
	NNDR Arrears	236		26	1,309	1,075	2,646
	NNDR Provision for Bad Debts	(90)		(10)	(500)	(400)	(1,000)
	NNDR Provision for Appeals	(1,150)		(127)	(6,388)	(5,110)	(12,775)
	NNDR Prepayments & Refunds	(121)		(13)	(670)	(536)	(1,340)
	NNDR Cash	1,487		164	8,258	6,578	16,487
	NNDR (Surplus) / Deficit	(362)		(40)	(2,009)	(1,607)	(4,018)
TOTAL	0	0	0	0	0	0	

ANNUAL GOVERNANCE STATEMENT

Purpose of this Statement

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

Scope of responsibility

Tonbridge & Malling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards covering local authority activities, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are carried out, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a Local Code of Corporate Governance which has been developed in consideration of the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's Code can be obtained from the Legal team. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations which requires all relevant bodies to prepare an Annual Governance Statement.

The purpose of the governance framework

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

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

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2024 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 also has 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 was approved by Full Council in the Summer of 2023.

The strategy covers the period 2023 to 2027 and sets out our 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."*

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 provides a reference point for the actions we take to maintain and improve the services which are most important to the local community whilst taking into account a much reduced level of funding. The delivery of the Corporate Strategy 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 2023/24 and identified several high risk areas on the Strategic Risk Register, these risks were monitored reviewed by the Corporate Management Team and reported to the Audit Committee.

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 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 2022/23 audit identified two significant weaknesses in regard to performance management and procurement under the heading of 'Improving economy, efficiency and effectiveness'. These matters were reported to the Audit Committee along with the management response in September 2023. The actions within the management response have been progressed since the committee.

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.

Signed

Signed

Interim Chief Executive

Leader of the Council

Dated 31st May 2024

Dated 31st May 2024

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 and Malling Borough Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the notes to the financial statements, including a summary of significant accounting policies, and the Collection Fund Income and Expenditure Account. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 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 2023/24; 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 (2024) ("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 2023/24 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 November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 for the statement of accounts, 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 2023/24, 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 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, Local Government act 1972, and Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

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. We determined that the principal risks were in relation to unusual journals, management estimates and transactions outside the course of business. We considered where there was any potential management bias in accounting estimates or any significant transactions with related parties which could give rise to an indication of management override. 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 unusual journal entries using criteria developed based on our knowledge of the Authority, use of data analytics and other risk factors identified;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of other land and buildings and pension fund liability; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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 potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of other land and buildings and 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; and
- 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
 - 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. 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 2024.

We have nothing to report in respect of the above matter, except in the 2022-23 financial year, we identified and reported a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. This was in relation to the Council's Procurement Strategy and Contract Standing Orders being outdated and the Council being without an intelligent client function for procurement and contract manager, without a specialist trained officer to lead procurement or contract management, and no regular procurement or contract management training provided to officers or Members. We recommended that the Council updates its Procurement Strategy and Contract Standing Orders and have a suitably trained client lead for procurement and contract management.

The recommendations made are in progress, yet to be fully addressed. Therefore, the significant weakness remains in place.

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 November 2024. 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 and Malling Borough Council for the year ended 31 March 2024 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 consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

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 85 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:

2023/24

The Audit Findings (ISA260) Report for Tonbridge and Malling Borough Council

Year ended 31 March 2024

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**Private and
Confidential**

Tonbridge and Malling Borough Council

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West Malling
ME19 4LZ

13 January 2025

Grant Thornton UK LLP

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London

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www.grantthornton.co.uk

Dear Audit Committee Members

Audit Findings for Tonbridge and Malling Borough Council for the year ending 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

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 expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Sophia Brown

**Director
For Grant Thornton UK LLP**

Chartered Accountants

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect 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.

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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 2024 for the attention of those charged with governance.

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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 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), Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely, over two visits during March and October – December, as planned. Our findings are summarised on pages [6] to [15]. We have identified disclosure adjustments to the financial statements detailed in Appendix D. The adjustments had no impact on the level of the Council's useable reserves. We have raised recommendations for management as a result of our audit work – these are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the satisfactory conclusion of the following outstanding matters:

- review of audit work by senior audit engagement team members;
- review of the final set of financial statements;
- receipt of management representation letter; and
- review of subsequent events.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of the Council and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified.

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.

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have completed our VFM work, and our detailed commentary is set out in the separate 2023-24 Auditor's Annual Report, presented alongside this report. We identified a significant weakness in the Council's arrangements in the prior year, which is yet to be fully addressed and so 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. Our findings are set out in the value for money arrangements section of this report (page 17).

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 have completed the majority of work under the Code but cannot formally conclude the audit and issue the audit closure certificate for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice. The outstanding work pertains to required procedures in relation to the Whole of Government Accounts (WGA) for the year ended 31 March 2024 – we await guidance from the National Audit Office on 2023-24 WGA procedures.

We have not exercised any of our additional statutory powers or duties.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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 will be discussed with and 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 of significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have altered our audit plan, as communicated to you on 15 April 2024, to reflect a change made to materiality. This change only impacts the specific materiality set on senior officers' remuneration and termination benefits and is summarised overleaf.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding matters being resolved (page 4), we anticipate issuing an unqualified audit opinion, as detailed in Appendix G.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff of the Council.

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 on 15 April 2024. We have revised the materiality for specific transactions, balances or disclosures of senior officers' remuneration and termination benefits due to our understanding of a growing public interest and sensitivity associated with the transactions, resulting in a review of the appropriateness of figure.

We set out in this table our determination of materiality for the Council.

Planning amount £ Final amount £ Qualitative factors considered

	Planning amount £	Final amount £	Qualitative factors considered
Materiality for the financial statements	1,155,000	1,155,000	We determined the financial statement materiality based on a proportion of the prior year gross expenditure of the Council, which has remained at approximately 2%. On receipt of the 2023-24 draft financial statements, the current year gross expenditure of the Council remained consistent to prior year and no other factors were identified which would impact our planning materiality figure. As such, our materiality remained unchanged.
Performance materiality	866,250	866,250	Our performance materiality is based on percentage of the materiality figure listed above. The threshold has been adjusted upwards to 75% compared to a 70% applied in prior year.
Trivial matters	57,800	57,800	This balance is set at 5% of materiality for the financial statements. We are required to report all misstatements identified above this threshold to those charged with governance.
Materiality for specific transactions, balances or disclosures senior officer remuneration and termination benefits	100,000	20,000	We have identified senior offices' remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures. We revised the materiality level for senior officers' remuneration and termination benefits to a lower amount to reflect our view of the growing public interest in such remunerations and benefits.

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
Management override of controls	<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. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</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 of material misstatement. To address this risk, we completed the following:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation effectiveness of management controls over journals. • Analysed the journals listing using data analytics tools and determine the criteria for selecting high risk unusual journals. • Identified and tested journals we considered unusual and to have the greatest risk of material misstatement. We tested identified unusual journals made during the year and at year-end for appropriateness and corroboration to supporting evidence. • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work on management override of controls is complete. We have not identified any material issues in respect of this risk.</p>
Valuation of land and buildings (2023-24 £63.72m)	<p>The Council re-values its land and buildings on a rolling five-yearly basis. The Council applies valuation techniques such as the depreciated replacement cost (DRC) for the valuation of its other land and buildings. In applying this method, key assumptions are made by the valuer to arrive to a value of a modern asset equivalent (MEA), meeting the capacity and location requirements of the services being provided by the replaced asset. The Council appointed an external valuer to carry out this work.</p> <p>As part of our audit work, we completed the following:</p> <ul style="list-style-type: none"> • Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to your valuation expert, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert engaged by the Council. • Discussed with, and wrote to, your valuation expert to confirm the basis on which the valuation was carried out. • Challenged the information and assumptions used by your valuer to assess completeness and consistency with our understanding. • Tested revaluations made during the year to see if they were input correctly to the Council’s asset register. • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that the carrying amounts of these assets are not materially different to the current value at 31 March 2024. <p>Our work on valuation of other land and buildings is complete. We reported unadjusted judgemental misstatements in relation to assets not revalued during the current year and reperformance of calculations, see Appendix D.</p>

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
<p>Valuation of the pension fund net liability/asset (2023-24 £6.127m net liability)</p>	<p>Council’s pension fund net liability, reflected in its balance sheet as net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The estimation of the pension fund net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A small change in inputs can have a significant impact on the estimated pension fund liability. The pension fund valuation is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The Council appointed a consulting firm of actuaries to complete the valuation of the net pension liability as at 31 March 2024. The actuarial assumptions used are the responsibility of the Council but are set on advice given by the actuary.</p> <p>As part of our audit work, we completed the following:</p> <ul style="list-style-type: none"> • 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 (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 accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Tested the consistency of the pension fund liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report. • Obtained ISA 19 assurance letter from the Kent Pension Fund auditor over controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the administering authority and the fund assets valuation in the pension fund financial statements. <p>Our work on the valuation of pension fund net liability is complete. We have not identified any material issues in respect of this risk.</p>

2. Financial statements – other risks

This section provides commentary on other audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Risk of fraud and error in revenue recognition (rebutted for all streams)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA(UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical frameworks of local authorities, including that of the Council, meaning that all forms of fraud are seen as unacceptable. <p>As part of our audit work, we completed the following:</p> <ul style="list-style-type: none"> • Selected a sample of revenue items from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness. • Tested a sample of receipts and invoices raised post year end to ensure they were included in the correct financial year. • Updated our understanding of the revenue business process. <p>Our work on revenue recognition is complete. We have not identified any material issues in respect of this risk.</p>
Fraud in expenditure recognition	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also 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).</p> <p>Having considered the risk factors relevant to the Council and the relevant expenditure streams, we determined that no separate risks relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. We considered that the risk relating to expenditure recognition would relate manual accruals of expenditure and the potential volume at year end increasing the risk of error in expenditure recognition.</p> <p>As part of our audit work, we completed the following:</p> <ul style="list-style-type: none"> • Inspected a sample of transactions incurred around the year end to confirm 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 estimation of the accrual was consistent with the value billed after the year. • Tested manual journals as part of our work in relation to work on management override of controls (refer to page 9). <p>Our work on expenditure recognition is complete. We have not identified any material issues in respect of this risk.</p>

2. Financial statements – new issues and risks





This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary
IFRS 16 Implementation – Changes in the accounting of assets under a lease agreement.	<p data-bbox="546 411 1010 435"><i>Lessee accounting up to 31 March 2024</i></p> <p data-bbox="546 443 2074 571">Until March 2024, when a local authority gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.</p> <p data-bbox="546 603 965 627"><i>Lessee accounting from 1 April 2024</i></p> <p data-bbox="546 635 2074 794">From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees. This will require management to gather necessary information to make the assessment and judgements will be required in some areas, such as determining what is deemed to be low value lease, and the valuation of the right of use after recognition.</p> <p data-bbox="546 834 1473 858"><i>In advance of the implementation from 1 April 2024, the Council is expected to:</i></p> <ul data-bbox="546 866 1447 994" style="list-style-type: none"> <li data-bbox="546 866 1447 890">• Disclose the title of the standard within accounting policies of the council. <li data-bbox="546 898 875 922">• The initial adoption date. <li data-bbox="546 930 1137 954">• Nature of the changes in accounting for leases. <li data-bbox="546 962 1395 986">• The estimated impact on the account on first year of implementation. <p data-bbox="546 1010 2074 1066">The Council has not opted for an early adoption of the financial reporting framework set out in IFRS 16 in the financial year ended 31 March 2024, and so we have considered the actions required in the year following the mandatory adoption date of 1 April 2024.</p> <p data-bbox="546 1082 2045 1137">As at 31 March 2024, the Council had disclosed the minimum information required for IFRS 16 in the 2023-24 accounts, including the initial estimated impact on first year of implementation, which was considered immaterial by management.</p> <p data-bbox="546 1153 2000 1249">We have held discussions with management and considered the current ongoing work in gathering adequate information to ensure the completeness of leases, identification of all options to terminate or extend leases, including assessing other requirements of the new reporting framework.</p> <p data-bbox="546 1265 2056 1356">On the basis of this, we are of the view that at 31 March 2024, the Council had met the minimum disclosure requirements for IFRS 16. The Council continues to assess the impact to ensure they meet appropriate accounting requirements for the year ending 31 March 2025. We have no issues to report in relation to this new issue.</p>





2. Financial statements – information technology

This section provides an overview of results from our assessment of the Council’s 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.

Our assessment is set out below.

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)	 Green	 Green	 Green	 Green	No issues noted

Assessment

-  **Red** Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  **Amber** Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  **Green** IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  **Grey** 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 other incidents in the period and no other issues were 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 management.
Audit evidence and explanations	All information and explanations requested from management were provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to counterparties of the Council in relation to bank and investment balances. This permission was granted, and the requests were sent with all requests received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We have reported the details of issues identified in Appendix D. No material issues or omissions identified.

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).

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Issue	Commentary
<p>Going concern</p>	<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"> 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 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. <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"> the nature of the Council and the environment in which it operates; the Council’s financial reporting framework; the Council’s system of internal control for identifying events or conditions relevant to going concern; and management’s going concern assessment. <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"> a material uncertainty related to going concern has not been identified; and management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.</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"> • 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; • if we have applied any of our statutory powers or duties; and/or <p>We have nothing to report on these matters.</p> <ul style="list-style-type: none"> • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>In 2022-23 we identified a significant weakness in the Council’s arrangements for procurement and contract management. The related key recommendation is not yet fully addressed and therefore we are not able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p> <p>Our detailed commentary is set out in the separate 2023-24 Auditors’ 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>As the Council does not exceed the specified group reporting threshold of £2 billion specified by the NAO, we are not required to complete detailed work on WGA returns.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2023-24 audit of Tonbridge and Malling Borough Council in the audit report following submission of the 2023-24 WGA return.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023-24

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.



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 2023-24 Auditor's Annual Report, presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. In 2023-24 we did not identify any new significant weaknesses. The table below set out the significant weakness identified in 2022-23, for which the key recommendation is yet to be fully addressed. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Significant weakness identified in prior year	Key recommendation raised in prior year	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 the following in our work:</p> <ul style="list-style-type: none"> How the Council ensures it delivered its role within significant partnerships and engagements with stakeholders it has identified in order to assess whether it is meeting its objectives. Where it commissions or procures services, it assesses whether it is realising the expected benefits. 	<p>The Council needs to improve its procurement and contract management arrangement by:</p> <ul style="list-style-type: none"> 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. 	<p>The Council has joined the Mid-Kent Procurement Partnership for provision of Procurement Services to the Council, via an external team, under a two-year contract from 1 May 2024. Internally the Council has retained its Officer Study Group, which is now chaired by the Director of Street Scene, Leisure and Technical, who are focussed on responding to prior year recommendations to completion, and are supported by the Partnership.</p> <p>Though we acknowledge the progress made, the key recommendation in relation to weakness in arrangements cannot be fully closed and so we continue to recognise the weakness and monitor implementation of actions by management remaining in progress.</p>

5. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, as part of our assessment of our independence, we disclose the following to you:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a Member of the Council's Cabinet, senior management or staff that would exceed the threshold set in the Ethical Standard.

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. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

5. Independence considerations

Audit and non-audit services

For the purposes of our audit, we made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit-related			
Housing Benefit Assurance Process	29,781	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 £30k in comparison to the total fee for the audit of £139k, 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.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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. 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 two recommendations for the Council as a result of issues identified to date. We have agreed our recommendations with management, and will report on progress on these recommendations during the course of the 2024-25 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
Medium	<p>Related parties disclosure declaration of interest During our testing of the related parties (Note 25) we identified two councillors with missing declarations. As part of our testing of the disclosure, we corroborated the names of Members against the declarations uploaded on the Council website. We carried out Companies House checks to verify the completeness of Member declarations, identifying two declarations outstanding. We did not identify omissions to the disclosure.</p> <p>Risk There is risk of management not being aware of relationships between related parties of the Council resulting in non-compliance with reporting requirements.</p>	<p>We recommend management incorporates a review of the Code of Conduct to enforce the submission of declarations of interest in a timely manner, and regularly review the attendees of meetings to ensure all have submitted declarations as required.</p> <p>Management should encourage submission of electronic copies of declarations to improve the ability to track progress and completion of declarations.</p> <p>Management response Members are currently reminded twice for return of electronic Microsoft form, along with requests to Group Leaders to remind the members that the forms are outstanding and ask for return, consideration will be given to on how non-returns can be declared to wider member body, either through the Audit Committee or within the financial statements.</p>
Medium	<p>Regular review of outstanding creditors' balance In Note 20 we identified one item where a creditor balance related to a contribution payable to the Environment Agency, carried in the books by the Council since 2021-22 and remaining due at 31 March 2024, in line with the agreement entered between the Council and Environment Agency. However, post-year end it was discovered by the Council that no additional liability/creditor was required with the Environment Agency.</p> <p>Risk There is risk of understatement or overstatement of creditor balances on the Statement of Financial Position due to lack of robust review of creditor balances at year-end to confirm existence and validity.</p>	<p>We recommend management routinely reviews outstanding payable amounts across the whole organisation, with particular emphasis around year-end so that creditors balances for the Council are reported accurately at the financial reporting date.</p> <p>Management response As part of 2024-25 closedown process Accountants will share with services outstanding Creditor and Debtor lists that remain unutilised at February 2025 in order to ensure that only ongoing balances remain.</p>

Controls

- Purple High – Significant effect on financial statements
- Teal Medium – Limited Effect on financial statements
- Grey Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Council's 2021-22 and 2022-23 financial statements, resulting in 3 recommendations being reported in our 2022-23 Audit Findings report. We have followed up on the implementation of our recommendations and note that one is ongoing.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Journal approval (2022-23): Management has a policy that all journals with value above £25,000 will be individually approved. However, during the prior year, we noted that there were journal entries which were posted by the Chief Financial Services Officer and approved by him as well. This represented a lack of segregation of duties over approval of journal entries.</p> <p>It was recommended that management should ensure proper segregation of duties exists between journal posters and approvers.</p>	<p>Per management comment: The journal entries were in areas such as the collection fund, pension arrangements, VAT control and cash allocations, which are all year-end entries, and are subject to higher scrutiny under the audit process. From 2023-24 all of these areas are now responsibility of the newly appointed Principal Accountant and will not be posted by CFSSO. They will further be authorised by a different personnel of the Council.</p> <p>The audit team reviewed manual journal entries in the 2023-24 financial year and no journals were identified to be self-approved by same journal poster.</p>
✓	<p>Mapping of trial balance to financial statements (2021-22): Deficiency noted through our journal's completeness work, whereby balances are not categorised to the balance sheet as expected. Specifically, the Council includes some debtor and creditor balances within the same account codes. At year-end, debtors and creditors are manually split out to prepare the financial statements.</p>	<p>Per management comments: 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>Auditors reviewed all manual off-ledger entries made in 2023-24 to split balances in the financial statements. There were no issues identified in the period in relation to these journal entries.</p>
Ongoing	<p>Fixed asset register (FAR) (2021-22): 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>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 was 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 adjusted misstatements

No adjusted misstatements identified above the reporting threshold that require to be reported to those charged with governance.

Impact of unadjusted misstatements in prior year

There were no unadjusted misstatements identified during the 2022-23 audit that were above the reportable threshold. No impact required to be considered in the 2023-24 audit.

Impact of current year unadjusted misstatements

The table below provides details of unadjusted misstatements identified during the 2023-24. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

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Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet £m	Impact on total net expenditure £m	Reason for not adjusting
<p>Note 8 Land and buildings – overstatement</p> <p>We recalculated the external works values used by the external valuer in arriving at the valuation of land and buildings assets valued using the depreciated replacement cost method. For one asset we identified a variance amounting to an overstatement of £0.077m. This is an estimation variance rather than a factual error.</p>	Dr Deficit on the revaluation of PPE 0.077m	Cr PPE 0.077m	Dr 0.077m	Immaterial estimation difference
<p>Note 8 Indexation of assets not revalued</p> <p>We carried out an exercise to review the assets not revalued during 2023-24 using market data. Our review identified a possible overstatement of asset values amounting to £0.778m.</p> <p>The Council's external valuer had carried out a market review of assets not revalued in-year, with a decrease in value that management judged to be immaterial and did not warrant adjusting for.</p>	Dr Deficit on the revaluation of PPE 0.778m	Cr PPE 0.778m	Dr 0.778m	Immaterial estimation difference
Overall impact	Dr 0.856m	Dr 0.856m	Cr 0.856m	

D. Audit adjustments

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/Issue/Omission	Auditor recommendations	Adjusted?
Events after the balance sheet date - Pensions Virgin Media Ltd v NTL Pension Trustees II Ltd case (Note 6)	After the publication of the financial statements, management became aware of the outcome of 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case. As the impact of this case is currently unknown, management agreed to include a disclosure, in line with IAS 10, of a non-adjusting post balance sheet event setting out the background of the case in relation to the pension scheme of the Council and stating that the timing, amount and impact is currently unknown and being investigated.	✓
Material uncertainty disclosure – Note 8	We identified that management had included a disclosure of material valuation uncertainty in relation to two properties. We considered this disclosure to no longer be required. The disclosure was relevant during the Covid pandemic due to physical restrictions on valuations and impact on markets.	✓
Balance sheet include line "Impairment allowance"	We identified that management presented a separate line from short term debtors named "Impairment allowance" on the face of the balance sheet. The Code is clear that the impairment allowance should only be shown separately within the disclosure note, not the face of the balance sheet.	✓
Disclosure on leases (Note 10)	We identified some differences when recalculating the minimum lease payments under non-cancellable leases in future years disclosed in the draft accounts.	Not adjusted. Immaterial.
Capital Adjustment Account – inconsistencies with other notes (Note 23)	We identified inconsistencies when reviewing the Capital Adjustment Account: <ul style="list-style-type: none"> Net book value of assets disposed within Note 23 was inconsistent with that disclosed in Note 8 Property, Plant and Equipment, variance of £88k. Accumulated gains/(loss) within Note 23 was inconsistent with that disclosed in Note 24 on assets sold or scrapped, variance of £88k. This variance nets off with that identified in point above. 	Not adjusted. Immaterial.
Collection Fund Note disclosure	We identified that the council tax base disclosure note (Note 1) did not include the estimated number of properties for 2023-24 in line with the CIPFA Code disclosure requirements.	✓
Statement on authorised for issue – Balance Sheet	Management did not include a statement re-confirming the status of the accounts as required by the CIPFA Code. The responsible financial officer is required to include a statement on the Balance Sheet that the financial statements were authorised for issue.	✓

E. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Final fee
Scale fee for 2023-24	£139,930
ISA 315	£7,530
Total audit fees (excluding VAT)	£147,460

This, together with the non-audit fees covered in page 18, covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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.

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"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
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"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible.
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. <ul style="list-style-type: none"> 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"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance.
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Draft audit opinion

Our anticipated audit report opinion will be unqualified

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Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Contact	Mrs S Shelton
Email	Sharon.shelton@tmbc.gov.uk
Your ref.	
Our ref	
Date	13 January 2025

Dear Grant Thornton UK LLP

Tonbridge & Malling Borough Council
Financial Statements for the year ended 31 March 2024

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 2024 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 2023/24 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 2023/24 ("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.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include Investment

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: Paul Worden CPFA DMS

properties valuation, property, plant and equipment valuation, pension liability valuation, financial instruments, and heritage assets valuation. 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. This includes our assessment of the impact of the Virgin media case which we have considered and disclosed a related contingent liability in relation to.
- 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. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. 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:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. 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 13 January 2025.

Yours faithfully

Name: Councillor Robert Cannon
Position: Chair of the Audit Committee
Date: 13th January 2025

Name: Sharon Shelton
Position: Director of Finance and Transformation
Date: 13th January 2025

Audit Committee

13 January 2025

Part 1 - Public

Delegated



Cabinet Member	Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officer	Sharon Shelton – Director of Finance and Transformation
Report Author	Amanda Riley – Principal Accountant

Accounting Policies

1 Summary and Purpose of Report

- 1.1 This report presents the Accounting Policies proposed for the 2024/25 Financial Statements for consideration and endorsement.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 The Accounting Statement form part of the assessment of the Council's finances in order to maintain efficient and effective services. The accounting policies underpin the preparation and presentation of these accounts.

3 Recommendations

- 3.1 Members are asked to consider and, subject to any required amendments, endorse the Accounting Policies to be used in the preparation of the 2024/25 Financial Statements as set out at [Annex 1].

4 Introduction and Background

- 4.1 The Accounting Policies to be used in the preparation of the 2024/25 Financial Statements are attached at [Annex 1].

5 Accounting Polices for the 2024/25 Statement

- 5.1 The Accounting Policies remain largely unchanged since 2023/24. The only significant change is in respect of Leases.
- 5.2 From 1st April 2024, a new International Financial Reporting Standard, IFRS 16, came into effect for Local Authorities. IFRS 16 introduces a new 'Right of Use'

asset class to the balance sheet from 2024/25 onwards and recognises the corresponding lease liability. This applies to all leases - property, land, vehicles, plant, and equipment.

- 5.3 IFRS 16 was primarily intended to bring more transparency to leases in companies' financial statements. By reducing the number of leases that are off balance sheet and allowing users of financial statements to make more informed comparisons between companies in particular sectors, this should lead to greater transparency. However, despite not having the same comparative and investment requirements as the private sector, IFRS 16 has also been rolled out to the public sector. From 1st April 2024 any operating leasing commitments must be accounted for on the balance sheet (aside from some exemptions). Most existing operating leases will come on to the balance sheet.
- 5.4 Any new and existing operating leases now create a new debt in the Council's accounts over the life of the lease. This has financial implications for the Council's Treasury Management Strategy, its Capital Programme, and its Financial Statements. Under IFRS 16, all leases are now classified as capital expenditure and must be included in the Capital Programme (requiring Full Council approval).
- 5.5 The Council can set a de-minimus limit to exclude smaller leases from the technical accounting requirements. For TMBC, it is proposed that this will be £10,000 in line with the Council's existing de minimis limit for capital expenditure. The standard also makes provision to exclude any leases that run for less than 12 months or that have less than 12 months remaining on 1st April 2024. There is a requirement to disclose the value and number of leases that fall into this category as part of the Statement of Accounts.
- 5.6 After an initial review, the Council does not believe that this will have a material impact to the Accounts. Work continues to take place to identify any leases that the Council is holding.
- 5.7 Annex 1 includes details of the Accounting Policy for Leases under IFRS16, this is subject to review as Officers continue to look at the Council's Lease liabilities.
- 5.8 This latest review found that no other changes were required to the Accounting Policies to be adopted for the 2024/25 Financial Statements.

6 Financial and Value for Money Considerations

- 6.1 As set out in the Accounting Policies.

7 Risk Assessment

- 7.1 Failure to adequately follow Accounting Policies could result in misrepresentation and potential qualification of the Accounts.

8 Legal Implications

8.1 The Accounts are to be prepared in accordance with the Code of Practice on Local Authority Accounting of which the Accounting Policies form an integral part.

9 Cross Cutting Issues

9.1 Equalities and Diversity

9.1.1 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.

Background Papers	None
Annexes	Annex 1 - Accounting Policies 2024/25

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1. ACCOUNTING POLICIES

a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25*. 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.
- There is a de-minimis limit for revenue accruals of £1,000 and there is a de-minimis limit of £10,000 for capital scheme accruals (this can be made up of multiple invoices). Transactions below this limit are not generally accrued for as they are deemed immaterial to the understanding of the accounts. There will be exceptions where accruals are raised below these limits, depending on the nature of the transaction.
- 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 27 February 2026.

Events arising after the Balance Sheet date and before either of the above date 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

The Authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether

they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance Leases

The Council currently has no finance lease arrangements.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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:

Asset Category	Year of Valuation	
Public Conveniences	2019/20	Completed
Council Offices	2020/21	Completed
Car Parks	2021/22	Completed
Leisure Premises	2022/23	Completed
Properties for Community Use	2023/24	Completed
Public Conveniences	2024/25	

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, 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.

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Audit Committee

13 January 2025

Part 1 - Public

Delegated



Cabinet Member	Matt Boughton – Leader of the Council Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officer	Damian Roberts – Chief Executive Sharon Shelton – Director of Finance and Transformation
Report Author	Paul Worden – Chief Financial Services Officer James Flannery – Counter Fraud Manager

Review of Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy

1 Summary and Purpose of Report

1.1 This report informs Members of the outcome of the annual review of the Council's Anti-Fraud, Bribery and Corruption Policy and Whistleblowing Policy.

2 Corporate Strategy Priority Area

2.1 Efficient services for all our residents, maintaining an effective council.

2.2 The promotion of these policies to both staff and public provide structure to prevent fraud and wrongdoing at the Council.

3 Recommendations

3.1 Members are asked to:

- 1) review and, subject to any required amendments, recommend for approval the Anti-Fraud, Bribery and Corruption Policy attached at [Annex 1];
- 2) review and, subject to any required amendments, recommend for approval the Whistleblowing Policy attached at [Annex 2]; and
- 3) delegate to officers the ability to make any necessary amendments to key contacts held within the Whistleblowing policy as and when they occur.

4 Introduction and Background

4.1 The Anti-Fraud, Bribery and Corruption Policy is used to provide structure to the combating of fraud, bribery and corruption, which the Council may be subject to.

- 4.2 The Whistleblowing Policy provides employees and elected councillors with information about how they may report concerns regarding breaches of laws, regulations, policies or procedures committed by other employees or elected councillors of the Council. It also outlines how the Council will deal with those concerns once they have been reported.

5 Anti-Fraud, Bribery and Corruption Policy

- 5.1.1 The Anti-Fraud, Bribery and Corruption Policy was last reviewed by the Committee in January 2024. This latest review has included the failure to prevent fraud offence that has been enacted. TMBC by nature of their functions is at low risk of being impacted by the corporate offence of failing to prevent fraud. Management through this revised policy will be required to assess the risk within their areas where TMBC may benefit from any fraudulent activity.
- 5.1.2 In addition management will be required to complete relevant due diligence through the recruitment process on any position that could enable TMBC to benefit from any fraudulent activity such as DBS checks.
- 5.1.3 A copy of the Anti-Fraud, Bribery and Corruption Policy, is attached at [Annex 1].

6 Whistleblowing Policy

- 6.1 The Whistleblowing Policy was last reviewed by the Committee in January 2024. This latest review found that, other than some minor amendments, no changes are required to bring it up to date with best practice.
- 6.2 A copy of the updated internal Whistleblowing Policy is attached at [Annex 2].
- 6.3 The Whistleblowing Procedure can be found at [Annex 3].
- 6.4 In addition, and in line with best practice it is recommended that an external policy is made available to support those working externally to TMBC who may witness wrongdoing by officers and councillors. This policy will provide the details on who and how to raise concerns a copy of the policy is attached at [Annex 4].

7 Financial and Value for Money Considerations

- 7.1 Fraud prevention and detection is an area subject to central government focus with initiatives such as the National Fraud Initiative and Fighting Fraud and Corruption Locally Strategy. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.
- 7.2 These policies comply with recognised best practice and reinforce the zero-tolerance stance of the Council towards fraud.

7.3 Providing clear guidelines to staff on how they may report concerns of inappropriate conduct or fraud strengthen the Council’s zero tolerance approach to fraud, bribery and corruption.

8 Risk Assessment

8.1 The policies reflect best practice and the culture of the Council and aimed at minimising the risk of fraud, bribery and corruption. The policies are supported by the internal control mechanisms in place and form part of the overall control environment of the Council.

8.2 While there is no statutory requirement to have an appropriate mechanism for dealing with whistleblowing, it is relevant to helping the Council comply with associated law. Failure to have an adequate whistleblowing mechanism carries significant reputational risk.

9 Legal Implications

9.1 The Anti-Fraud and Corruption Policy will be a mandatory policy to meet the requirements of the Economic and Corporate Transparency Act 2023 as well as comply with best practice.

10 Implementation

10.1 The policies, once approved, will be circulated to all staff with computer access using Net Consent and made available on the Council website.

11 Cross Cutting Issues

11.1 Climate Change and Biodiversity

11.1.1 None

11.2 Equalities and Diversity

11.2.1 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.

11.3 Policy Considerations

11.3.1 The promotion of these two internal polices contributes to the reduction of crime and disorder.

Background Papers	None
Annexes	Anti-Fraud, Bribery and Corruption Policy Whistleblowing Policy The Whistleblowing Procedure External Speaking Out - Raising a Concern Policy

ANTI-FRAUD, BRIBERY & CORRUPTION POLICY

Document Owner:	Sharon Shelton Director of Finance and Transformation
Version:	Version 13

Document Review History

Version	Reviewed	Reviewer	Approver	Date Approved
Original	N/A	Audit Assurance Manager	Audit Committee	24 January 2011
9	December 2019	Audit Assurance Manager	Audit Committee	20 January 2020
10	December 2020	Audit Assurance Manager	Audit Committee	18 January 2021
11	December 2021	Audit Assurance Manager	Audit Committee	24 January 2022
12	December 2023	Counter Fraud Manger	Audit Committee	15 January 2024
13	December 2024	Counter Fraud Manager	Audit Committee	



January 2025

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Tonbridge & Malling Borough Council Anti-Fraud, Bribery & Corruption Policy

1 INTRODUCTION

- 1.1. Tonbridge and Malling takes its responsibilities to protect the public purse seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets.
- 1.2. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue appropriate sanctions available in each case, including removal from office, disciplinary action, dismissal and/or prosecution. The required ethical standards are included in both our Members Code of Conduct and Employees Code of Conduct.
- 1.3. To fulfil the Council's Strategy, we must be able to maximise the financial resources available to us. In order to do this, we aim to reduce fraud and corruption to zero.
- 1.4. This policy statement is underpinned by an Anti-Fraud and Corruption Strategy, which sets out the key responsibilities regarding fraud prevention, what to do if fraud is suspected and the action that will be taken by management
 - The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets.
 - The prevention of fraud and the promotion of an anti-fraud culture.
 - A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud.
 - The investigation of a risk-based response to all instances of actual, attempted or suspected fraud. The Council will seek to recover any losses and pursue appropriate sanctions against the perpetrators. This may include criminal prosecution, disciplinary action, legal proceedings and professional sanctions.
 - The Local Government Fraud Strategy: Fighting Fraud Locally which means the Council will:

- **Govern** the anti-fraud, bribery and corruption measures to ensure they are robust and holistic;
- **Acknowledge** the threat of fraud and the opportunities for savings that exist;
- **Prevent** and detect all forms of fraud;
- **Pursue** appropriate sanctions and recover any losses;
- **Protect** itself and the community against serious and organised crime, protecting the organisation from becoming a victim of fraud.

2 DEFINITION OF FRAUD

2.1. The Council defines fraud as ‘any activity where deception is used for personal gain or to cause loss to another.’ Fraud can be committed in one of three ways:

- **Fraud by false representation** – Examples include providing false information on a grant or when applying for a Single Person Discount, staff claiming to be sick when they are in fact fit and well, or submitting time sheets or expenses with exaggerated or entirely false hours and/or expenses;
- **Fraud by failing to disclose information** – Examples include failing to disclose a financial interest in a company the Council is trading with, or failing to disclose a personal relationship with someone who is applying for a job at the council;
- **Fraud by abuse of position** – Examples include staff who order goods and services through the Council’s accounts for their own use.
- **Failure to Prevent Fraud** – Examples including staff manipulation of data to hide poor performance in order to obtain/ retain a contract with another organisation. Staff issuing of public contracts to friends/ family which disadvantages other contractors.

2.2. While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying. Someone will lie, or withhold information, or generally abuse their position to try to trick someone else into believing something that is not true. Acts such as misappropriation or petty theft will therefore also be considered by the Council as fraud and treated under the arrangements within this Policy.

3 DEFINITION OF BRIBERY AND CORRUPTION

3.1. The Council defines corruption as the abuse of entrusted power for private gain; involving the offering, giving or soliciting of an inducement or reward which may influence a person to perform a function or activity improperly. This may involve:

- The offence of bribing another person
- The offence of being bribed
- Bribery of a foreign public official
- A corporate offence of failure to prevent bribery

3.2. Other forms of corruption include:

- Cronyism or nepotism, where someone in public office exploits their authority to provide a job or favor to a friend, associate or family member
- Collusion, where a secret agreement between parties, in the public and/ or private sector conspire to commit actions aimed to deceive or commit fraud
- Conflict of interests, where someone in a public office faces a conflict between the duties and demands of one or more positions that they hold and their private lives
- Gifts and Hospitality, the provisions of gifts, entertainment or other hospitality that could affect or perceived to affect the outcome of business transactions and are not reasonable and bona fide
- Lobbying, any activity carried out by companies, associations, organisations and individuals to influence a government or institution's policies and decisions in favour, cause or outcome

4 CURRENT THREATS AND THEIR IMPACT

4.1. The Council faces a range of fraud and corruption threats, and the impact can be significant causing financial loss, reputational damage and harm to service users and the residents of Tonbridge and Malling. In the last 12 months the most frequent types of fraud and similar crimes that have impacted the council are as follows:

- **Council Tax Discount / Exemption Fraud.** This type of fraud causes a financial loss to the council and the local economy, as well as undermines the public's confidence in the service that is provided. Council Tax fraud is committed where a customer provides false information or fails to declare a change in circumstances to receive a discount/exemption on their council tax.
- **Social Housing Fraud.** Social Housing is a valuable asset to the public

and often a lifeline to the people it's meant for, given the desperate shortage of affordable homes. Social Housing Fraud is estimated to cost the taxpayer £2bn a year. Fraud can be committed in several ways; some of the most common types of fraud include illegal subletting, non-occupancy, or submission of false information.

- **Parking Permit Fraud.** This type of fraud causes financial loss to the council and undermines the public's confidence in the Residential Parking Permit scheme and prevents genuine Residential Parking Permit users accessing safe and convenient parking.
- **Business Rates / Exemption Fraud.** Small Business Rate Relief (SBRR) is provided to a number of businesses across England on the basis that they either only use one property or have a ratable value of less than £15,000. Fraud can occur when a business owner does not declare that they have a property elsewhere where their ratable value (RV) is considered over the threshold amount. SBRR Fraud is estimated to cost over £25 million in England alone.
- **Housing Benefit and Council Tax Reduction Fraud.** This type of fraud causes a financial loss to the council and the local economy, as well as undermines the public's confidence in the service provided. Fraud is committed either by supplying false information on an application form or by failing to declare a change of circumstances that would affect benefit entitlement. It is estimated that 2.2% of total benefit expenditure was overpaid due to fraud and error.
- **Grant Funding.** This type of fraud causes a financial loss to the council and deprives funding from genuine applicants. A number of grant schemes have been administered through local authorities, such as Covid-19 business support grants. Any new grant schemes should therefore have a fraud risk assessment and fraud management plan prior to the scheme going live.
- **Procurement Fraud.** This type of fraud can occur through the pre and post procurement lifecycle, it covers a wide range of illegal activities from bid rigging during the pre-contract phase through to false invoicing in the post-contact award phase. Each procurement plan therefore should capture how these risks will be mitigated.
- **Mandate Fraud (Change of Bank details).** This type of fraud can result in significant loss and reputational damage. Due to rise of cyber related crime the risk spans across the supply chain with the hacking of email accounts (both internally and externally) the most common method used by fraudsters.

5 SETTING THE CULTURE – STANDARDS

- 5.1 Tonbridge & Malling Borough Council wishes to promote a culture of honesty and opposition to fraud and corruption based on the seven principles of public life. The Council will ensure probity in local administration and governance and expects the following from all employees, agency workers, volunteers, suppliers, and those providing services under a contract with TMBC.

- **Selflessness** - Act solely in terms of the public interest.
- **Integrity** - Avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- **Objectivity** - Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability** - Be accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness** - Act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty** - Be truthful.
- **Leadership** - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

6 ROLES AND RESPONSIBILITIES

The Role of Elected Councillors

- 6.1. As elected representatives, all elected councillors of Tonbridge & Malling Borough Council have a duty to act in the public interest and to do whatever they can to ensure that the Council uses its resources in accordance with statute.
- 6.2. This is achieved through elected councillors operating within the Constitution which includes the Code of Member Conduct, Financial Regulations and Spending the Council's Money.

The Role of Council Employees

- 6.3. Tonbridge & Malling Borough Council expects its employees to be alert to

the possibility of fraud, bribery and corruption and to report any suspected fraud or other irregularities to the Audit Assurance Manager.

- 6.4. Employees are expected to comply with appropriate Code of Conduct and the Council's policies and procedures.
- 6.5. Employees are responsible for complying with Tonbridge & Malling Borough Council's policies and procedures and it is their responsibility to ensure that they are aware of them. Where employees are also members of professional bodies they should also follow the standards of conduct laid down by them.
- 6.6. Employees are under a duty to properly account for and safeguard the money and assets under their control/charge.
- 6.7. Employees are required to provide a written declaration of any financial and nonfinancial interests or commitments, which may conflict with TMBC's interests. Employees who have a direct or indirect financial interest in a contract shall not be supplied with, or given access to any tender documents, contracts or other information relating to them, without the authority of the senior manager.
- 6.8. Failure to disclose an interest or the acceptance or offering of an inappropriate reward may result in disciplinary action or criminal liability. Staff must also ensure that they make appropriate disclosures of gifts and hospitality – both offered and accepted.
- 6.9. Managers at all levels are responsible for familiarising themselves with the types of fraud that might occur within their directorates and the communication and implementation of fraud risk assessments and mitigating controls/ actions across their staff.
- 6.10. Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected fraud or any other financial irregularities.
- 6.11. Managers should recognise that training is a vital tool in ensuring that both officers and elected councillors clearly understand their roles and responsibilities within the organisation and carry out these within the Council's framework of policies and procedures in order to minimise fraud.
- 6.12. Managers are responsible for ensuring that any new initiatives, strategies

and polices have had a fraud risk assessment and where deemed appropriate a fraud response plan to manage the risk of fraud and error.

The role of Chief Executive Officer

- 6.13. Ensuring that the authority is measuring itself against the checklist for Fighting Fraud and Corruption Locally and there are sufficient resources to manage the risk of fraud.
- 6.14. Ensure the Audit Committee receives regular reports on the work of those leading on fraud and the external auditor is aware of the reporting.
- 6.15. Ensuring any new initiatives, strategies and policies have relevant fraud risk assessments and fraud response plans in place prior to funding being agreed.
- 6.16. Ensuring through Management Team that directors have assessed the risk of fraud being committed by the council or it's contracted to individuals or organisations through the services being delivered.

The role of the Director of Finance and Transformation

- 6.17. The Director of Finance and Transformation is responsible for developing, reviewing and maintaining an Anti-Fraud, Bribery and Corruption Strategy and for advising on effective systems of internal control to prevent, detect and pursue fraud and corruption; advising anti-fraud and anti-corruption strategies and measures; and, ensuring that effective procedures are in place to investigate any fraud and irregularity in a timely manner.
- 6.18. Ensuring the Audit Assurance Manager is assessing resources and capability at least annually against the current fraud risks and Counter Fraud staff have unfettered access to people and records to prevent and detect fraud.

The Role of the Monitoring Officer

- 6.19. Ensuring that elected councillors, Governance & Audit Committee and Portfolio leads are aware of Counter Fraud Activity and provide training on Counter Fraud risks and approaches.

- 6.20. The Counter Fraud Team is independent of processes and reports to Governance & Audit Committee to ensure there is a Member scrutiny.

The Role of Human Resources

- 6.21. Ensuring that effective steps are taken at the recruitment stage to verify the propriety and integrity of the previous records of potential employees, representatives of the local community and newly elected councillors of the organisation. Adhering to the guidance set out in the Recruitment and Selection Policy, Procedure and Guidance which requires a number of checks at recruitment stage, including the take up of written references and Disclosure and Barring Service checks for certain identified posts.

The role of the Audit Committee

- 6.22. The Audit Committee is responsible for ensuring that the Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit; and, that the Council monitors the implementation of the Anti-Fraud Bribery and Corruption policy to ensure that it is followed at all times.
- 6.23. Ensuring that the Portfolio lead is up to date and understands the activity being undertaken by the Counter Fraud Team.
- 6.24. Provide challenge and support to the Counter Fraud activity being undertaken across the council.

Tonbridge & Malling Borough Council's Commitment

- 6.25. Fraud, bribery and corruption are serious offences and employees, and elected councillors may face disciplinary action if there is evidence that they have been involved in these activities. Where criminal offences are suspected consideration will be given to pursuing criminal sanctions, which may involve referring the matter to the police.
- 6.26. In all cases where the Council has suffered a financial loss, appropriate action will be taken to recover the loss including the cost of the investigation whenever appropriate. Civil penalties will also be applied also whenever deemed appropriate in accordance to policy.
- 6.27. In order to make elected councillors, employees, the general public and

other organisations aware of the Council's continued commitment for taking action against fraud, bribery and corruption, details of completed investigations, including sanctions applied will be publicised where it is deemed appropriate and in the public interest. This will involve releasing press statements immediately after criminal convictions are secured. In addition, the council will promote an anti-fraud culture through fraud awareness campaigns, presentations, training and e-learning.

7 PREVENTION – CAPABILITY, COMPETENCE & CAPACITY

Responsibilities of Management

- 7.1. The primary responsibility for the prevention and detection of fraud is with management. Management must ensure that they promote an anti-fraud culture and assess the risk of fraud, bribery and corruption. They must ensure relevant risks are recorded within their service risk registers and appropriate controls are in place to minimise the risk of fraud and error, for example, this could include establishing procedures, approving transactions or certain activities and segregating duties. Management must ensure the controls are operating as expected and are being complied with. They must ensure that adequate levels of checks are included in working practices, particularly financial to reduce fraud and error occurring. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.
- 7.2. Management must ensure that the development of new policies, strategies and initiatives are fraud-proofed by engaging with the Counter Fraud Team to support the assessment of the fraud risks.
- 7.3. Management should also consider the risk of the Council or those services contracted out committing fraud against individuals or organisations. Failure to prevent fraud risk assessments, including mitigating controls/ actions should be in place where there is a risk of fraud occurring, this includes having relevant contract clauses in place when services are contracted out to third parties.
- 7.4. Management should complete relevant due diligence within the recruitment process, in particular when recruiting into positions that could commit fraud against other organisations/ individuals whilst working in their capacity as a TMBC employee.

Internal Audit and Counter Fraud

- 7.5. The Audit Assurance Manager and Counter Fraud are responsible for the independent review of controls within the council and assisting managers in the investigation of Fraud and Corruption.
- 7.6. The Internal Audit Function has a responsibility to objectively examine, evaluate and report on the adequacy of the control environment by evaluating its effectiveness in achieving the organisations objectives. The work of Internal Audit will include a review of the adequacy and effectiveness of the Council's internal control arrangements which gives due consideration to the risk of fraud, bribery and corruption in each audit that is conducted.
- 7.7. The Audit Assurance Manager will establish performance measurements for counter fraud activity and will report progress against the performance measurements proactive counter fraud activity and on a quarterly basis to Audit Committee.
- 7.8. Internal Audit and the Counter Fraud Team provide advice and guidance on controls when implementing a new or significant change in process by providing a view of the current fraud risks and conducting pro- active audit work to provide assurance on the control framework in place. The Counter Fraud Team will also provide management with specialist support to assess the risk of fraud, bribery and corruption that is faces through the completion of risk assessments.
- 7.9. Through the completion of proactive and reactive work; recommendations will be made to management on how to strengthen the counter fraud culture and control framework to help prevent and detect fraud.

Working with others and sharing information - Collaboration

- 7.10. The Council is committed to working and co-operating with other organisations to prevent and detect fraud, bribery and corruption through undertaking specific initiatives and ensuring that arrangements are in place to encourage the exchange of information between the council and other agencies. This will include:
- Coordinating our activity with the other teams across the Council, such as Revenues & Benefits, Housing and Parking to maximise our impact

- Working closely with other neighboring council's to encourage the exchange of information between the council and other agencies through the Kent and Medway Information sharing agreement
 - Working with and supporting the Police and other enforcement agencies
 - Working with the Cabinet Office in the development and introduction of the Government Counter Fraud Profession
 - Jointly working with the Department of Work and Pensions to investigate potential fraudulent Housing Benefit claims
- 7.11. The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. To achieve this, information may be shared with other bodies responsible for auditing or administering public funds including, but not limited to, the Cabinet Office, National Fraud Initiative, the Department of Work and Pensions, other local authorities, HM Revenue and Customs, and the Police.

National Fraud Initiative

- 7.12. Tonbridge & Malling Borough Council participates in the National Fraud Initiative (NFI). This requires public bodies to submit data sets to the Cabinet Office, for example electoral roll, Council Tax, Pension, and Accounts Payable (but not limited to these) which are then matched to data held between public and private sector bodies to prevent and detect fraud. Further enquiries are made into any positive matches (e.g., an individual on the electoral roll that has not been declared at the address when the account holder is in receipt of Single Person Discount).

Training and Awareness – Communication

- 7.13. The prevention and detection of fraud is dependent on risk awareness, the effectiveness of training and the responsiveness of staff throughout the council.
- 7.14. Management will provide a thorough induction and ongoing training to staff, particularly those involved in financial processes and systems to ensure that their duties and responsibilities are regularly highlighted and reinforced.
- 7.15. The Counter Fraud Team will provide fraud awareness training to risk areas and on request to highlight potential fraud that can occur in a specific service.

8 DETECTION AND INVESTIGATION

- 8.1. Tonbridge & Malling Borough Council have adopted a risk-based approach to investigating all instances of actual, attempted and suspected fraud committed against the Council and the recovery of funds and assets lost through fraud.
- 8.2. Any Manager or officer with information about suspected fraud, bribery or corruption activity must report this immediately to the Internal Audit and Counter Fraud Team. Corporate Fraud will create an Intelligence Report which will be raised to the Corporate Fraud Manager who will decide on the appropriate course of action to ensure that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential criminal or sanction action.
- 8.3. The Council has a formal procedure for conducting such investigations which allows for investigations to be carried out impartially and with complete confidentiality. As well as looking to confirm or refute allegations of fraud, bribery and corruption activity reported, investigatory work will also look to identify any improvements in internal control, training needs or other suitable solutions to prevent and deter the reported activity from occurring.
- 8.4. The Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behavior by a Council employee.
- 8.5. Where financial impropriety is discovered or it appears that a criminal offence may have been committed, the Council's presumption is that the issue will be pursued. The matter may be referred to the Police or progressed by the Council under its own powers within the Local Government Act. Any such decision will not be seen to prohibit and should not unnecessarily delay action under the disciplinary procedure.
- 8.6. When making decisions about sanctions, the Council will have regard to the Code for Crown Prosecutors issued by the Director of Public Prosecutions. It will also consider the aggravating and mitigating factors of the case as detailed in the sentencing guidelines for the relevant offence issued by the Sentencing Council.
- 8.7. The Council will seek, where appropriate, to maximise the recovery of

any loss to the Council, including any costs associated to the investigation and prosecution of an offence.

- 8.8. The investigation process must not be misused. The Council will treat any reporting of unfounded malicious allegations seriously. Where employees are concerned, any such finding from the investigation process may be treated as a disciplinary matter.
- 8.9. Elected councillors and employees will be given advice and support, where considered necessary, if they are the subject of any unfounded malicious allegation.
- 8.10. The responsibility for investigating potential fraud, corruption or other financial regularities within the Council lies mainly (although not exclusively) with Internal Audit and Counter Fraud. Officers involved in this work will therefore be appropriately trained, and this will be reflecting within training plans.

9. RESPONSES TO REPORTED CONCERNS AND SUSPICIONS

- 9.1. Any person or organisation reporting concerns or suspicions of fraud, bribery or corruption activity may request to be kept informed of the progress of any investigation or its outcome. The Council reserves the right to not fulfil this request where doing so may be to the detriment of the effectiveness and confidentiality of the investigation process.
- 9.2. Where people or organisations have raised a concern or suspicion about fraud, bribery or corruption activity but are not satisfied with the response they received, they may pursue the matter further by referring the issue through one of the following channels:
 - the Council's complaints procedure
 - An elected councillor
 - The External Auditor Grant Thornton LLP
 - Public Concern at Work
 - A relevant professional or regulatory body
 - A solicitor or the Police

10. ACTION TO DETER FRAUD, BRIBERY & CORRUPTION

- 9.3. All anti-fraud, bribery and corruption activities undertaken by the Council, including the update of this Policy will be publicised to make employees, elected councillors, the general public and stakeholders

aware of the Council's commitment to taking action on such activity, when it occurs.

- 9.4. The Council will endeavour to act robustly and decisively when fraud, bribery or corruption is suspected and proven. This will be demonstrated through disciplinary action, prosecution, simple caution or civil penalties (where applicable).
- 9.5. The Council's Media & Communications Team is responsible for optimising the opportunities available to publicise to the public any anti-fraud, bribery and corruption activity being undertaken within the Council. Once notified of such cases, the Media & Communications Team is also responsible for endeavouring to ensure that the results of any investigations undertaken, including prosecutions, are reported in the local press.

11. REVIEW AND APPROVAL OF THIS POLICY

- 11.1. This Policy is owned by the Director of Finance and Transformation and reviewed by the Audit Assurance Manager on their behalf.
- 11.2. The Anti-Fraud, Bribery & Corruption Policy will be reviewed and endorsed at least biennially by the Audit Committee at their January meeting. The most recent review was undertaken in January 2025 with the next review due January 2027.

12. ASSOCIATED COUNCIL POLICIES

- 12.1. The following associated policies are also key to managing risks in relation to Fraud, Bribery & Corruption. This list should not be considered exhaustive.
- The Council's Constitution including Financial Procedure Rules
 - The Code of Conduct for Staff and elected councillors (Members)
 - The Whistleblowing Policy
 - The Anti-Money Laundering Policy
 - Policies and procedures in relation to recruitment, personnel and finance processes.
 - Data Protection Policy

WHISTLEBLOWING POLICY

Document Owner:	Damain Roberts Chief Executive
Version:	Version 8

Document Review History

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9	December 2024	Counter Fraud Manager	Audit Committee	13 January 2025



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TONBRIDGE & MALLING BOROUGH COUNCIL WHISTLEBLOWING POLICY

A confidential reporting policy for all Members, employees and contractors

1. Introduction

- 1.1 Tonbridge & Malling Borough Council operates within legal requirements and regulations and expects its employees to co-operate in this by adhering to all laws, regulations, policies and procedures. The Council recognises that employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 The Public Interest Disclosure Act 1998 (the 1998 Act) contains measures which help to promote greater openness between employers and employees in the workplace and supports a structure for whistleblowing. The 1998 Act:
- a) *is designed to give statutory protection to employees who “blow the whistle” on their employer’s malpractice*
 - b) *although not requiring the Council to set up an appropriate mechanism for dealing with whistleblowing, makes clear the important role that such a mechanism can play in helping the Council comply with the law.*
- 1.3 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we expect and support employees, and others that we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. This policy is intended to encourage and enable individuals to raise concerns within the Council, without fear of reprisals, rather than overlooking a problem or “blowing the whistle” outside. The policy does, however, recognise that individuals must be able to take matters further if they are dissatisfied with the Council’s response.

2. Definition of Whistleblowing

- 2.1 *‘Whistleblowing’ means the disclosure of malpractice or wrongdoing within an organisation.*

3. Aims and Scope of this Policy

- 3.1 The Whistleblowing Policy aims to:

- Encourage you to feel confident about raising concerns and to question and act on those concerns

- Provide a way for you to raise concerns and receive appropriate feedback on any action taken
- Confirm that all concerns raised will be examined and the Council will assess what action should be taken
- Reassure you that you will be protected from possible reprisals or victimisation if you have made a disclosure in good faith
- Provide ways for you to take the matter further if you are dissatisfied with the Council's response

3.2 The *Whistleblowing Policy* is intended to cover concerns that fall outside the scope of the Council's Grievance Procedure which enables employees to lodge a grievance relating to their employment.

This Policy is also intended to cover concerns that fall outside the scope of the Council's corporate complaints procedures and other statutory reporting procedures. These may include:

- Any unlawful act, whether criminal (e.g., theft) or a breach of the civil law (e.g., slander or libel)
- Health and safety risks, including risks to the public as well as to other employees (e.g., faulty electrical equipment)
- Damage to the environment (e.g., pollution)
- The unauthorised use of public funds (e.g., expenditure for improper use)
- Possible fraud and corruption
- Inappropriate or improper conduct (e.g., abuse of power, bullying/harassment)
- Serious failure to comply with appropriate professional standards (e.g., TMBC Code of Conduct)
- Breach of Council or statutory codes of practice or the Council's standing orders (e.g., Officers' Code of Conduct)
- Discrimination on the grounds of race, colour, creed, ethnic or national origin, disability, age, sex, sexual orientation, marital status or class
- Abuse of children and vulnerable adults (e.g., through physical, sexual, psychological or financial abuse, exploitation or neglect)
- Other unethical conduct

4. Who does this Policy Cover?

4.1 This policy applies to disclosures made in relation to or by:

- Any employee of the Council, either under contract of employment or apprenticeship
- Any Councillor of the Council
- Any contractors, their agent, subcontractors and suppliers working with or on behalf of the Council
- Consultants and agency staff working with or for the Council
- Any organisation working in partnership with the Council

5. Supporting the Individual Raising a Concern

5.1 **Harassment or Victimisation:** The Council is committed to good practice and high standards. The Council also recognises that the decision to report a concern can be a difficult one to make. It will not tolerate harassment or victimisation of whistle-blowers and will take action to protect individuals who raise concerns in good faith.

Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that may already affect the individual. However, this does not mean that if the individual is already the subject of disciplinary or redundancy procedures, that those procedures will be halted as a result of raising a concern under this policy.

5.2 **Confidentiality:** Individuals are encouraged to put their name to any allegation; however, you are not required to do so and can make a report anonymously. Anonymity can hamper any investigation should further information be required however anonymous reports will be considered, taking into account:

- The seriousness of the issues raised
- The credibility of the concern
- The likelihood of confirming the allegation from attributable sources

All concerns will be treated in confidence and the Council will do its best to protect the individual's identity when they do not want their name to be disclosed. It must be appreciated that the investigation process may reveal the source of the information and a statement by the individual raising the concern may be required as part of the evidence. If the situation arises where the Council is not able to resolve the concern without revealing the individual's

identity, this will be discussed with the individual to identify how the matter can be progressed.

- 5.3 **Untrue Allegations:** Any individual who makes an allegation in good faith, but which is not subsequently confirmed by the investigation, will have no action taken against them. If however, an individual makes malicious or vexatious allegations or an allegation for personal gain, disciplinary action may be taken against them.

6. How to Raise a Concern

- 6.1 When an individual wishes to raise a concern, they will need to identify the issues carefully. An individual must be clear about the standards against which they are judging practice. They should consider the following:

- Is it illegal?
- Does it contravene professional codes of practice?
- Is it against government guidelines?
- Is it against the Council's guidelines?
- Is it about one individual's behaviour or is it about general working practices?
- Does it contradict what the employee has been taught?
- Has the employee witnessed the incident?
- Did anyone else witness the incident at the same time?
- Where an individual is unsure whether to raise a concern, they should contact the Audit Assurance Manager and Fraud Team for advice.

- 6.2 Members should raise a concern in the first instance with the Chief Executive, Monitoring Officer or S151 Officer. Employees should raise concerns in the first instance with their immediate Line Manager or Service Manager, if possible. Similarly, non-employees (e.g., agency workers or contractors) should raise a concern in the first instance with their contact within the Council, usually the person to whom they directly report.

- 6.3 In some cases, the nature, seriousness or sensitivity of the concern or the individuals involved in the activities causing concern means that this may not always be appropriate. If a person feels they cannot raise their concern with their immediate management/contact, they are able to go directly to the Audit Assurance Manager.

- 6.4 Individuals may also contact the Audit Assurance Manager and Fraud Team for advice/guidance on how to pursue matters of concern or if, having raised the

concern with the immediate manager/contact, they feel there has not been an appropriate response.

6.5 In the event of a concern being of an extreme and potentially serious nature, individuals may raise the matter directly with the Chief Executive.

6.6 Once an employee is certain that the concern should be raised, the following action should be considered:

- Concerns may be raised verbally or in writing. Employees who wish to make a written report should give the background and history of the concern and the reason why they are particularly concerned about the situation. The earlier concerns are expressed the easier it is to act. A form is available at Appendix 1 of this policy for those wishing to raise a concern in writing.
- If the employee wishes, they may ask for a private meeting with the person to whom they wish to raise the concern with. An employee may take a Trade Union representative or work colleague with them as a witness or for support. The employee should take to the meeting, if possible, dated and signed written supporting statements from anyone who can also confirm the allegations.
- When raising a concern verbally the employee is encouraged to write down any relevant information and date it. Copies of all correspondence and relevant information should be retained.
- The employee should ask the person to whom they are making the concern to what the next steps will be and if anything more is expected of them.

6.7 Although the individual raising the concern is not expected to prove the truth of an allegation, they will need to demonstrate to the person contacted that there are sufficient grounds for the concern.

7. How the Council will Respond

7.1 Once a concern is raised the appropriate Council manager is responsible for making initial enquiries, taking advice from Human Resources and/or the Audit Assurance Manager and Counter Fraud Manager to help decide if an investigation is appropriate and if so, what form it should take. In determining the action to be taken, the Council will take into consideration public interest and whether the concerns or allegations fall within the scope of and may be dealt with under other specific procedures such as the Council's Grievance Procedure.

7.2 Concerns raised may:

- Be resolved by agreed action without the need for investigation

- Be investigated by management
- Be investigated by the Audit Assurance Manager and Counter Fraud Team, and/or Human Resources
- Be referred to the Police
- Be referred to the External Auditor

7.3 As soon as possible, and in any case within 10 working days of a concern being raised, the person handling the matter will either write to or email the individual raising the concern acknowledging that it has been raised and indicating how, as far as possible, it will be dealt with. The individual will be kept informed of progress and will receive a full and final response, subject to any legal constraints.

7.4 The amount of contact between the persons considering the issues and the individual(s) raising the concern will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If necessary to pursue investigation activity, the Council will seek further information from the individual. Where any meeting is arranged, the individual may be accompanied by a union or professional association representative or a friend or colleague.

7.5 The Council will take steps to minimise any difficulties which individuals may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive advice and support in doing this.

8. How the Matter can be Taken Further

8.1 This policy is intended to provide individuals with an avenue to raise concerns within the Council. The Council hopes that those using this process will be satisfied with the way their concerns are treated and any investigations that may be carried out. However, if they are not satisfied, or feel it is right to take the matter outside the Council, the following are possible contact points:

- The Council's External Auditor, currently Grant Thornton UK LLP (Tel: 020 7728 2936; email: paul.dossett@uk.gt.com)
- Public Concern at Work (Tel: 020 7404 6609, www.pcaw.co.uk), a registered charity whose services are free and confidential
- The local Citizens Advice Bureau
- Relevant professional bodies, Trade Unions or regulatory organisations

- Unison Whistleblowing Hotline: 0800 597 9750
- The Police
- A solicitor
- The Local Government Ombudsman.

8.2 If individuals do feel it is right to take the matter outside the Council, they will need to ensure that confidential information is not disclosed. Advice and guidance on this issue may be sought from the Audit Assurance Manager and Fraud Team or the Council's Monitoring Officer.

9. Review and Approval of this Policy

9.1 This Policy is owned by the Director of Central Services and Deputy Chief Executive and reviewed by the Audit Assurance Manager on his behalf.

9.2 The Whistleblowing Policy will be reviewed at least annually by the Audit Committee for recommendation to the General Purposes Committee for approval. The most recent review was undertaken in January 2024 with the next review due January 2026.

WHISTLEBLOWING POLICY - REPORT OF A CONCERN

Give a description of the concern including any serious risk to persons or property.

Give details of the information that you have relating to the concern, e.g. what evidence do you have that gives rise to your concern.

Have you previously raised this concern? If so, with whom and what action was taken?

Give details about yourself – Please note you are not required to do so and can make a report anonymously, which will still be considered. However, this can hamper any investigation should further information be required. All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.

Name.....

Contact details.....

I understand that this concern is being raised under the Council's Whistleblowing Policy and have read and understood the Policy.

Signed..... Date.....

Whistleblowing Procedure Speaking Up About Wrongdoing

Document Owner	Damian Roberts Chief Executive
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Version	Reviewed	Reviewer	Approver	Date Approved
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2	08 November 2021	Counter Fraud Manager	Audit Committee	24 January 2022
3	11 December 2023	Counter Fraud Manager	General Purposes Committee Audit Committee	TBC 15 January 2024
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1. Introduction

- 1.1. It is important for individuals (employees, agency workers, volunteers and those contractors working on TMBC premises) to have an appropriate means to raise concerns if they believe that something is seriously wrong within Tonbridge & Malling Borough Council.
- 1.2. You may become aware of, or directly witness, situations or conduct that makes you feel uncomfortable, or you regard as inappropriate. The Whistleblowing Procedure provides a means for you to raise concerns about matters not related to your own employment or your work within TMBC but which you feel need to be examined. Examples of the type of matters that could lead to you wishing to raise a whistleblowing concern are:
 - Conduct which is, has been or is likely to be an offence or breach of law
 - Conduct that has occurred, is occurring or is likely to occur the result of which the Council fails to comply with a legal obligation. For example, unauthorised use of public funds, possible fraud and corruption, sexual or physical abuse of clients, or other unethical conduct discrimination of any kind and waste/frivolous expenditure
 - A concern that a TMBC employee (or someone working with us) or a service user may be at risk of being drawn into extremism and terrorism (See para 10.1)
 - Disclosures related to past, current or likely miscarriages of justice
 - Past, current or likely health and safety risks, including risks to the public as well as other employees (see below)
 - Past, current or likely damage to the environment
 - Concerns about any aspect of service provision
 - Other concerns regarding the conduct (including breaches of known standards or TMBC's Standing Orders) of officers or TMBC Members or others acting on behalf of TMBC
- 1.3. This document outlines the process that will be followed in the event of a whistleblowing concern being raised.

2. Other Procedures

- 2.1. This procedure is separate from the Council's Complaints Procedures and other statutory reporting procedures applying to some Directorates. Managers are responsible for making service users aware of these procedures.
- 2.2. Any investigation into allegations of potential malpractice under this procedure will not influence or be influenced by any disciplinary or redundancy procedures that already affect an individual.
- 2.3. Tonbridge & Malling Borough Council's Safety Complaints Procedure should be used to raise any issues, concerns or complaints of a health and safety nature and which are not confidential.

2.4. If, as an employee, you wish to raise a concern regarding issues relating to your own employment TMBC has a Resolution Policy and Procedure that you can use. Further information on these documents can be found on StaffNet.

3. How to Raise a Concern

General

3.1. Concerns can be raised verbally or in writing. A concern should:

- Set out the background and history of the concern, giving names, dates, and places where possible
- Give the reason why you are particularly concerned about the situation

3.2. The earlier a concern is raised the easier it is to act. Although you are not expected to prove beyond doubt the truth of an allegation, you need to demonstrate to the person contacted that there are sufficient grounds for your concern. A trade union or professional association may raise a matter on your behalf.

3.3. If you intend to raise a whistleblowing concern you are encouraged to include your name. If you specifically request for your name not to be released during the examination of your concern, all efforts will be made for this information to remain confidential. However, if you are required to participate in the process as a witness, it may not be possible for your name to be withheld.

3.4. In the event of anonymous allegations being received, this should be sent to one of the Senior Management contact points and/or Internal Audit who will determine whether it is possible and appropriate for the allegations to be examined.

Step One – Raising a Concern

3.5. Whenever possible you should raise your concern with your immediate manager or his/her manager, who can, if needed, seek guidance and advice from one of the Senior Management Contact Points. If this is not appropriate or you feel your concerns are not being addressed, you should approach the following officers and Senior Management contact points who support Corporate Directors according to the nature of the concern:

Directorate	Contact Name	Email
Chief Executive	Damian Roberts	damian.roberts@tmbc.gov.uk
Director of Central Services	Adrian Stanfield	Adrian.Stanfield@tmbc.gov.uk
Director of Finance & Transformation	Sharon Shelton	Sharon.Shelton@tmbc.gov.uk

Director Street Scene, Leisure & Tech Services	Robert Styles	Robert.Styles@tmbc.gov.uk
Director of Planning, Housing and Environmental Health	Eleanor Hoyle	Eleanor.Hoyle@tmbc.gov.uk
Chief Audit Executive	Richard Benjamin	richard.benjamin@kent.gov.uk
Counter Fraud Manager	James Flannery	james.flannery@tmbc.gov.uk

Recording Concerns

- 3.6. Each directorate will be responsible for maintaining their own whistleblowing log. Managers who receive a concern should send details to their relevant directorate contact as above. The log will include the area of business that have been affected, a summary of the concerns being raised, action taken and the resulting outcome.
- 3.7. Audit Assurance maintains a central record of whistleblowing concerns. Directorates will be required to provide a copy of their whistleblowing log on a quarterly basis to the Audit Assurance Manager for inclusion into the central log to ensure a complete record is maintained.
- 3.8. Managers that receive Whistleblowing concerns must report the matter to the above departmental contacts and Internal Audit for inclusion on the central record by sending the details to fraud@tmbc.gov.uk with the subject line 'Whistleblowing'.
- 3.9. Tonbridge & Malling Borough Council has an [Anti-Fraud and Corruption Policy](#) and all suspected financial irregularities must be reported to the Audit Assurance Manager.

Whistleblowing Hotline

- 3.10. Audit Assurance is independent and provides objective assurance and consulting activity designed to add value and improve an organisation's operations. If you wish to raise any type of Whistleblowing concern directly with the Audit Assurance Manager (anonymously if necessary) please call the Whistleblowing helpline on [03000 414500](tel:03000414500) or email fraud@tmbc.gov.uk.

Step Two - How Tonbridge & Malling Borough Council will respond

- 3.11. The action TMBC takes will depend on the nature of the concern. The matters raised may:
- Internal investigation by management, the Audit Assurance Manager or via disciplinary or other internal process/es
 - Referral to the Police

- Referral to the External Auditor
- The subject of an independent inquiry.

3.12. You will be contacted in writing within ten working days of your concern being raised

- Acknowledging that the concern has been received
- Indicating how the Council proposes to deal with the matter
- Giving an estimate of how long it will take to provide a final response
- Informing you if any initial enquiries have been made
- Whether further investigations will take place and, if not, why not.

3.13. To protect individuals and TMBC, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures (e.g., child protection or discrimination issues) will normally be referred for consideration under those procedures.

3.14. An appropriate manager will conduct preliminary enquiries into the matters you have raised. In order to determine whether your concern needs to be formally investigated the manager will seek advice from Human Resources and, where appropriate, safeguarding professionals, Audit Assurance or the Counter Fraud Manager.

3.15. When any meeting is arranged you have the right to be accompanied by a trade union representative or a workplace colleague who is not involved in the area of work to which the concern relates.

3.16. The formal investigation will identify what, if any, action is required to address the concerns you identified via the Whistleblowing Procedure. This may involve disciplinary action against another TMBC employee or the involvement of agencies such as the Police or the External Auditor.

3.17. Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

Protection from Reprisals and Victimisation

3.18. Tonbridge & Malling Borough Council does not tolerate reprisals, victimisation or harassment and will take all reasonable action to protect you if you raise a concern via the Whistleblowing Procedure. The Council will treat any reprisals, victimisation or harassment as a serious matter and if this involves a TMBC employee it will be investigated in accordance with the Disciplinary Procedure. In the event of a disciplinary case being found, this could potentially result in the person's dismissal.

Public Interest Disclosure

3.19. Public Interest Disclosure Act 1998 gives employees two safeguards in respect of disclosures of information.

- An employee is entitled not be subjected to any detriment by virtue of having made a protected disclosure.

- The dismissal of any TMBC employee directly due to the individual having made such a disclosure will automatically be unfair

Support

3.20. Tonbridge & Malling Borough Council will take steps to minimise any difficulties you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, TMBC will advise or arrange for you to have advice about the procedure.

3.21. TMBC accepts that you need to be assured that concerns will be properly addressed and, subject to legal constraints, will provide information about the outcomes of any investigations.

Contact

3.22. The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If necessary, further information will be sought.

4. How the Matter can be taken further

4.1. This procedure is intended to reassure you and provide clear information to help you raise concerns in confidence and directly with the Council.

4.2. The Council hopes you will be satisfied with its response. If you are not, or if you feel for any reason, you can't raise the matter directly with TMBC then alternative points of contact points are listed below.

4.3. Please be assured that we would rather you raised a matter with an appropriate regulator or outside body than not at all.

Contact Details (External Organisations)	Details
Grant Thornton (The Council's external auditors)	Address: 30 Finsbury Square, London, EC2A 1AG Tel no. 020 7383 5100
The Local Government and Social Care Ombudsman	Address: PO Box 4771, Coventry, CV4 0EH Email: advice@lgo.org.uk Website: www.lgo.org.uk Tel no. 03000 061 0614
The Equalities and Human Rights Commission	Address: FREEPOST Equality Advisory Support Service FPN4431 Email: correspondence@equalityhumanrights.com Website: www.equalityhumanrights.com Tel no. 0808 800 0082
The Health and Safety Executive	Address:

(Regional Office)	Health and Safety Executive, International House Dover Place Ashford Kent TN23 1HU Website: www.hse.gov.uk Tel no. 0845 345 0055
The Environment Agency (Regional Office)	Address: National Customer Contact Centre PO Box 544 Rotherham S60 1BY Email: enquiries@environmentagency.gov.uk Website: www.environment-agency.gov.uk Tel No. 0370 850 6506
Citizens Advice	Please refer to website for local information Website: www.citizensadvice.org.uk
Police	Please refer to website for local information Website: www.kent.police.uk Tel No. Non emergencies 101
Your local councillors (if you live in Kent)	Website: www.kent.gov.uk
Protect – Free Confidential Whistleblowing advice	Tel No: 020 3117 2520 Website: www.protect-advice.org.uk
Whistleblowing: List of prescribed people and bodies	Website: https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies

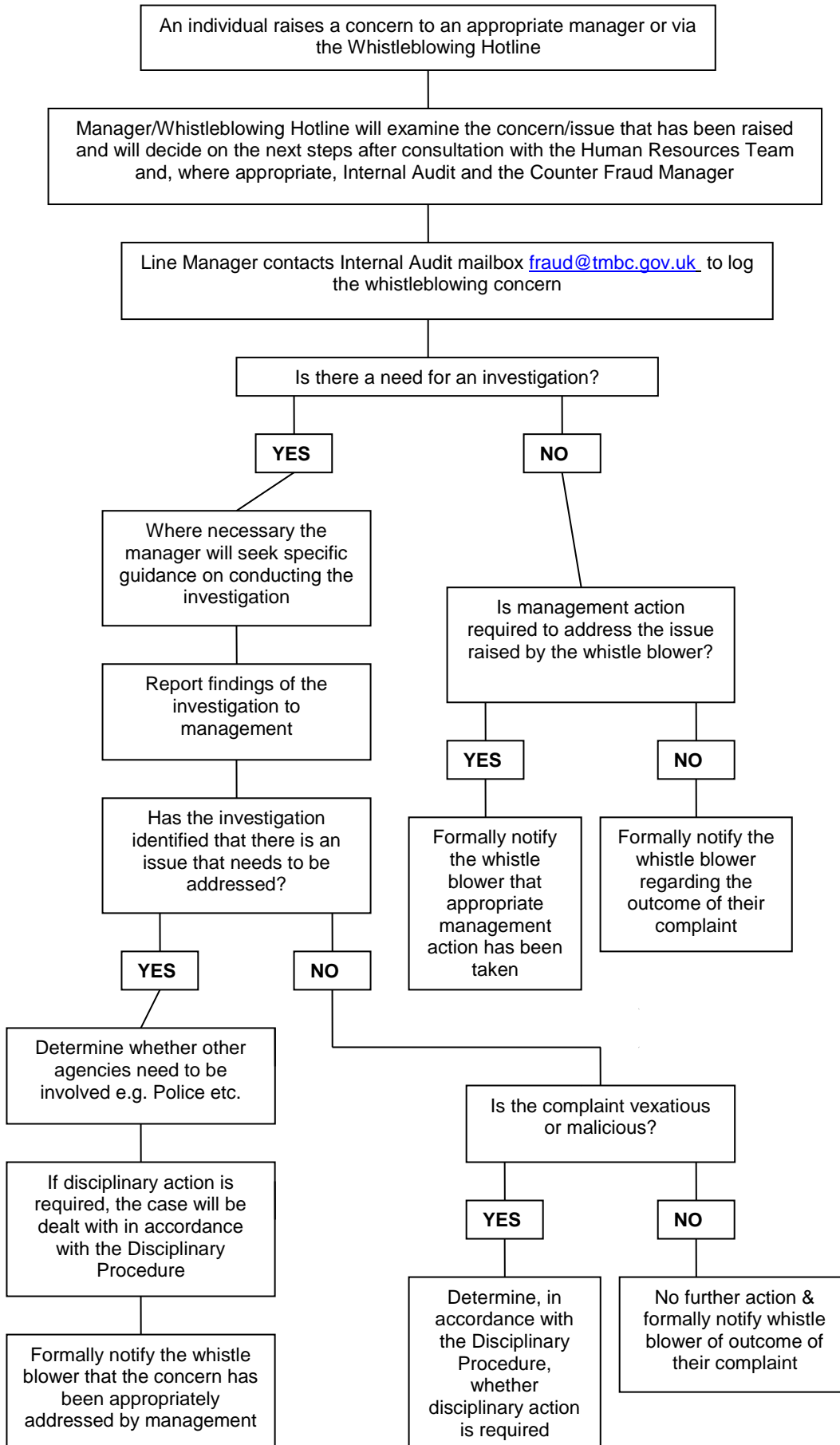
5. Reporting

- 5.1. Anonymised information on the number of referrals, concerns and outcomes will be reported by the whistleblowing policy owner on a yearly basis to the Audit Committee. This is to provide assurance on the communication strategy and current awareness of whistleblowing across the organisation.

6. False or Malicious Allegations.

- 6.1. Disciplinary action will only be taken against individuals who make malicious or vexatious allegations.

Whistleblowing Procedure



Speaking Up About Wrongdoing: Arrangements for the Public



How do I raise a concern?

Ring the Whistleblowing Hotline ☎ [03000 414500](tel:03000414500)

Or

Email / Write

- fraud@tmbc.gov.uk
- Audit Assurance Manager
Tonbridge & Malling Borough Council, Gibson Building, Gibson Dr,
Kings Hill, West Malling ME19 4LZ

Or

Contact a senior officer directly. A list of officers can be found in Annex 1 or on our website or by telephoning Customer Services on 01732 844522

What information should I provide?

- Background and history of the concern.
- Names, dates and places where possible,
- The reason why you are particularly concerned about the situation

You are not expected to prove the truth of your raised concern. You will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

The earlier you express the concern the easier it will be to take appropriate action.

1. Introduction

- 1.1. Tonbridge & Malling Borough Council is committed to the highest possible standards of openness, honesty, integrity and accountability. As part of this commitment, the Council is keen that any activity which falls below these standards is reported to the Council, in order that it can be dealt with promptly. The Council, whilst making every effort to deal fairly and honestly in providing public services, acknowledges that there may be occasions when members of the public suspect that there is or may be something wrong regarding the activities of the Council which needs prompt action to correct it.
- 1.2. The Council recognises the need to encourage anyone with concerns about any aspect of the Council's work to come forward and voice those concerns. Usually, these are easily resolved. However, when these are about unlawful conduct, financial malpractice or dangers to the public, people or the environment, it can be difficult to know what to do. Specific examples could include:
- A criminal offence (e.g., fraud, theft, bribery, corruption etc.) may have or has been committed
 - A miscarriage of justice has been or is likely to occur
 - The health or safety of an individual has been or is likely to be endangered
 - Public funds are being used in an unauthorised manner
 - The environment has been or is likely to be damaged
 - The Council's own rules have been or are being breached
 - Abuse (e.g., physical or verbal) of someone receiving a council service, or council employee is taking place, and
 - Someone receiving a Council service is being discriminated against (e.g., on the grounds of disability, race, gender).
- 1.3. The Council has created this Policy, 'Speaking Up About Wrongdoing: Arrangements for the Public', specifically to enable you, as a member of the public, to raise your concerns about suspected malpractice at an early stage and in the right way. We would rather that you raised the matter when it is just a concern rather than wait for definite proof. This Policy is intended to encourage and enable you to be able to communicate serious concerns with the council rather than overlooking a problem.
- 1.4. If something is troubling you, which you think we should know about, or consider, please use this policy.

Don't ignore the concern. If in doubt – speak up!

2. Scope and objectives

Scope

2.1. This policy is provided for use by anyone who is not employed by the council (staff have their own policy). This includes any:

- Member of the public
- Elected councillors
- Other local authorities
- Council service:
 - Consultants
 - Contractors
 - Customers
 - Partners
 - Providers
 - Recipients
 - Suppliers

2.2. It is not intended that this policy, and its associated procedures, be used to raise concerns which fall within the scope of other council procedures, where these are available and more appropriate, for example complaints about service delivery (please see the Complaints Procedure on the Council's website).

Objectives

2.3. The objectives of this policy are to encourage you as a member of the public or someone who engages with TMBC to:

- Feel confident about raising serious concerns
- Feel reassured that, if you raise any concerns and reasonably believe them to be true (i.e., "Whistle blow"), your concerns will be taken seriously
- Have a range of ways in which to raise concerns and to receive appropriate feedback on any action taken
- Ensure that you receive an appropriate response from the council to the concerns you have raised and, if not satisfied, show how you may take the matter further if you are dissatisfied with the response.

3. Safeguards

Harassment or victimisation

3.1. The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of possible reprisals. The Council will not tolerate victimisation and will act to prevent this when you raise a concern.

Confidentiality

3.2. The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed (information relating to the investigation will be strictly controlled on a need-to-know basis). However, it is not easy for the Council to act on concerns that are made anonymously. If you ask us for your identity to be kept confidential, we will not disclose it without your consent or unless we are required to do so by a Tribunal, Court of Law or an Act of Parliament. If the situation arises where we are not able to resolve the concern without revealing your identity (e.g. a statement by you may be required as part of the evidence), we will discuss with you whether and how we can move forward.

Concerns raised anonymously

3.3. This policy strongly encourages you to put your name to your concern. Concerns expressed anonymously will be much more difficult for us to consider or to give you feedback. Concerns raised anonymously are much less powerful and less likely to be effective, but they will be considered at the discretion of the Council.

3.4. In exercising discretion, the factors considered will include the:

- Seriousness of the issues raised
 - Credibility and plausibility of the concern
 - Likelihood of confirming the allegation from the available sources.
 - How to raise a concern directly with the council
 - As a first step, you should normally call the Whistleblowing Hotline, 03000 414500.
 - You can also raise your concern directly with the Council's Audit Assurance Manager, the Head of Paid Service, Section 151 Officer, or relevant Senior Manager of the service area involved. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. For example, if you believe that management of the service area is involved then, alternatively, the following individuals can be contacted.
- **Chief Executive** - if the wrongdoing is about standards of behaviour
 - **Audit Assurance Manager** - if the wrongdoing is thought to be illegal
 - **Director of Finance & Transformation** – if the wrongdoing is about improper payments
 - **Counter Fraud Manager** – if the wrongdoing is a fraud
 - **Chief Executive** - if the wrongdoing is a safeguarding issue

3.5. Please say if you want to raise the matter in confidence, so the person you contact can make appropriate arrangements.

3.6. Specific contact details for Council officers can be found on our web site www.tmbc.gov.uk or by ringing Customer Services on. Key officer contacts appear in annex one below, along with several external contacts in **[Annex 2]**

3.7. Concerns are better raised in writing. If you choose to do this, you should write:

- An email to fraud@tmbc.gov.uk or,
- A letter to the Audit Assurance Manager, Tonbridge & Malling Borough Council, Gibson Building, Gibson Dr, Kings Hill, West Malling ME19 4LZ

3.8. You are invited to set out:

- The background and history of the concern
- Names, dates and places where possible, and
- The reason or reasons why you are particularly concerned about the situation

If you do not feel able to put your concern in writing, you can telephone or meet the appropriate officer.

3.9. Further advice and guidance on what to do if the matter relates to the safeguarding/financial abuse of children or adults can be found in:

- [Protecting children - Kent County Council](#)
- <https://www.kent.gov.uk/leisure-and-community/consumer-protection/Spot-the-signs-of-financial-abuse>
- [TMBC Safeguarding Policy & Reporting Procedure](#)

The earlier you express the concern the easier it will be for the Council to act.

3.10. You are not expected to prove the truth of your concern, but you will need to demonstrate to the person contacted that there are sufficient grounds for your concern.

4. How the Council will respond

4.1. The action taken by the Council will depend on the nature of the concern. The matters raised may be:

- Investigated internally
- Referred to the police
- Referred to the council's external auditor; or
- Form the subject of an independent enquiry

4.2. To protect individuals and the Council, initial enquiries will be made to decide what form an investigation should take. Concerns or allegations which fall within the scope of specific procedures (for example, child protection) will

normally be referred for consideration under those procedures. Some concerns may be resolved by agreed action without the need for investigation.

4.3. Within ten working days of a concern being received, the Council will contact you to:

- Acknowledge that the concern has been received
- Indicate, in overall terms, how it proposes to deal with the matter

4.4. The amount of contact between you and the Council officers considering the issues will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If necessary, they may contact you for further information.

4.5. The Council will take steps to minimise any difficulties which you may experience because of raising a concern.

4.6. The Council accepts that you need to be assured that the matter has been properly addressed and will inform you of the action it is taking or has taken.

5. How the matter can be taken further

5.1. This policy is intended to reassure you and provide clear information to help you raise concerns in confidence and directly with the Council.

5.2. We hope you will be satisfied with its response. If you are not, or if you feel for any reason, you can't raise the matter directly with the Council then possible alternative points of contact points are listed at **[Annex 2]**. Please be assured that we would rather you raised a matter with an appropriate regulator or outside body than not at all.

6. The responsible officer

6.1. The Director of Central Services has overall responsibility for the maintenance and operation of this Policy for the public. The Monitoring Officer will maintain a corporate register of the number and nature of the concerns raised and the outcomes (but in a form which will protect your confidentiality) and will report as necessary to the Chief Executive and the council, where appropriate.

6.2. The policy will be reviewed on a regular basis to ensure that it remains up to date and effective. The review will be carried out by:

- Director of Central Services & Deputy Chief Executive
- Audit Assurance Manager
- Counter Fraud Manager

Responsible Officer: Director of Central Services & Deputy Chief Executive

Date: December 2024

Annex 1 – List of key contacts

Directorate	Contact Name
Chief Executive	Damian Roberts
Director of Central Services and Deputy Chief Executive	Adrian Stanfield
Director of Street Scene, Leisure & Technical Services	Robert Styles
Director of Finance & Transformation	Sharon Shelton
Director of Planning, Housing and Environmental Health	Eleanor Hoyle
Chief Audit Executive	Richard Benjamin
Counter Fraud Manager	James Flannery

Annex 2 – External Contacts

Contact Details (External Organisations)	Details
Grant Thornton The Council's external auditors	Address: 30 Finsbury Square, London, EC2A 1AG Tel no. 020 7383 5100 https://www.grantthornton.co.uk/contact-us/
The Local Government and Social Care Ombudsman	Address: PO Box 4771, Coventry, CV4 0EH E-mail: advice@lgo.org.uk Web: www.lgo.org.uk Tel no. 03000 061 0614
The Equalities and Human Rights Commission	Address: FREEPOST Equality Advisory Support Service FPN4431 Email: correspondence@equalityhumanrights.com Web: www.equalityhumanrights.com Tel no. 0808 800 0082
The Health and Safety Executive (Regional Office)	Address: Health and Safety Executive, International House Dover Place Ashford Kent TN23 1HU : Web: www.hse.gov.uk Tel no. 0845 345 0055
The Environment Agency (Regional Office)	Address: National Customer Contact Centre PO Box 544 Rotherham S60 1BY E-mail: enquiries@environmentagency.gov.uk Web: www.environment-agency.gov.uk Tel No. 0370 850 6506
Citizens Advice Bureau	Please refer to web for local information Web: www.citizensadvice.org.uk/
Police	Please refer to web for local information Web: www.kent.police.uk Tel No. non emergencies 101
Your local councillors (if you live in Kent)	Web site: Your Councillors (tmbc.gov.uk)
Protect – Free Confidential Whistleblowing advice	Tel No: 020 3117 2520 Website: www.protect-advice.org.uk
List of Prescribed People and Bodies	Website: https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies

Audit Committee

13 January 2025

Part 1 - Public

Matters for Information



Cabinet Member	Kim Tanner – Cabinet Member for Finance and Housing
Responsible Officer	Sharon Shelton – Director of Finance and Transformation
Report Author	Richard Benjamin – Chief Audit Executive

Internal Audit and Counter Fraud Progress Report

1 Summary and Purpose of Report

- 1.1 The report gives Members an update on the progress to date of the Internal Audit and Counter Fraud Teams.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 The provision of Internal Audit and Counter Fraud Services provides assurance on council procedures and policies.

3 Introduction and Background

- 3.1 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.*
- 3.2 Internal Audit Standards require that periodic reports on the work of Internal Audit should be prepared and submitted to those charged with governance.

4 Progress Report

- 4.1 Contained at [Annex 1] to this report is the progress report providing an accumulative summary view of the work undertaken by Internal Audit and Counter Fraud for the period September 2024 to December 2024, together with the resulting conclusions where appropriate.
- 4.2 The report also provides details of additions and amendments to be made to the Internal Audit Plan for 2024/25.

5 Financial and Value for Money Considerations

- 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 the delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.
- 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.

6 Risk Assessment

- 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.
- 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.

7 Legal Implications

- 7.1 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 Internal Audit Standards.
- 7.2 The Council has a legal duty under s151 of the Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.
- 7.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

Background Papers	None
Annexes	Internal Audit and Counter Fraud Progress Report



**INTERNAL AUDIT AND COUNTER FRAUD
PROGRESS REPORT
AUDIT COMMITTEE
13 January 2025**

1. Introduction

The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.

Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

This activity report provides Members of the Audit Committee and Management with 7 summaries of completed work between September and December 2024.

2. Key Messages

- 7 audits have been finalised to draft/final report in the period. The summaries are contained in **Appendix A**
- 14 of 20 audits from the 2024/25 rolling Audit Plan are either in progress or completed with the remaining audits due to commence in quarter 4 of 23/24. **Appendix B**
- There has been one amendment to the 2024/25 Audit Plan. Due to the pause in the development of the Local Plan, the planned audit has been deferred. As a result of further delays to the full implementation of the Agile system, and as Agile remains on the Strategic Risk Register, an additional audit has been added. The audit will conduct an independent review of the Agile system. **Appendix B**
- Actions to ensure compliance with the Global Internal Audit Standards have been progressed and further changes are planned in relation to the release of the 'Global Internal Audit Standards in the UK Public Sector' application note. This is applicable from 1st April 2025
- The Internal Audit and Counter Fraud team were winners of the 'Excellence In Public Sector Audit' at the 2024 Public Finance Awards, with Judges saying: *"The team's operating model reflects improved outcomes, underscoring the success of these development efforts and their positive impact on overall performance. This forward-thinking approach not only fosters collaboration but also drives the organization toward continuous improvement and success."*

3. Resources

In accordance with the Public Sector Internal Audit Standards, Members need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. There are currently no vacancies The key updates are as follows:

- Permanent recruitment for 2 Trainee IT Auditors has been completed, successfully. There are currently no vacancies and there is sufficient resources and expertise to deliver the Annual Rolling Internal Audit Plan.
- The function has now implemented the new K10 Vision Audit Management Software, with new functionality to aid in the delivery of the Internal Audit and Counter Fraud Plan

4. 2024-25 Internal Audit Plan

The audit summaries are provided at [Appendix A](#). A summary is provided on current progress against the 2024-25 Audit Plan.

Table 1- Audit Plan Status

Status	Number of Audits	%
Not yet started	6	30%
Planning	2	10%
Fieldwork	1	5%
Ongoing	3	15%
Draft Report	2	10%
Final Report	5	25%
On Hold	0	0
Removed/ Deferred	1	5
Total	20	

[Appendix B](#) sets out progress against the Rolling 2024-25 Audit Plan.

Table 2 – Summary of Audits by Committee Meeting

With each Progress report, Internal Audit turns the spotlight on the audit reviews, providing the Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at **Appendix A** for the Committee's information and discussion.

Audit Definitions are provided at **Appendix C**

Audit Committee – 15th January 2024

No	Audit	Opinion	Prospects for Improvement
1	Agile Post Implementation (APAS)	N/A	N/A
2	Planning Enforcement	Substantial	Good
3	Volunteer Management - Health and Safety	Substantial	TBC
4	Housing Allocation Process, Assessment and Review	Substantial	TBC
5	Treasury Management	High	Very Good
6	Discretionary Housing Payments	Adequate	Good
7	Climate Change	Substantial	Good

5. Quality Assurance and Improvement Programme

As previously presented to the Audit Committee, a new set of Global Internal Audit Standards (the Standards) are due to come into effect from January 2025. The Standards are arranged into 5 Domains (with 53 individual standards):

- I. Purpose of Internal Auditing
- II. Ethics and Professionalism.
- III. Governing the Internal Audit Function
- IV. Managing the Internal Audit Function
- V. Performing Internal Audit Services

An assessment has been undertaken to identify areas for improvement or enhancement to the practices of Internal Audit to ensure compliance with the Standards. Actions have been identified against each of the standards where either improvement or enhancement is required. These actions have been considered against the new CIPFA application note for the UK Public Sector that has just been released to aid application of the standards.

Full compliance against the Standards will be sought during the course of the 2024-25 Rolling Internal Plan and statement of compliance provided within the Annual Report.

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6. Issue Implementation

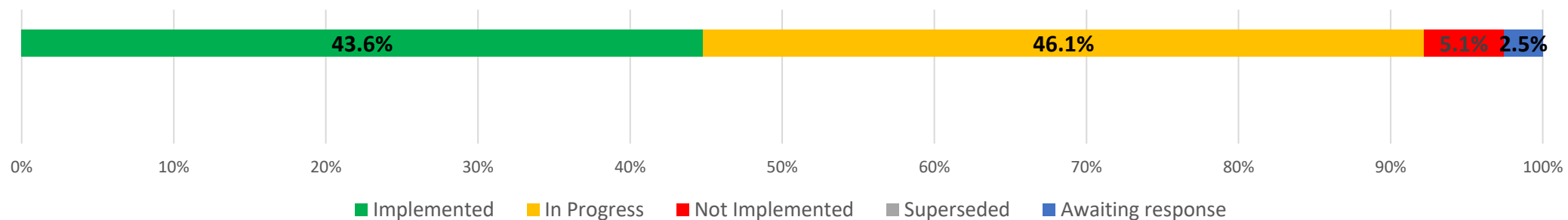
Management Actions identified to address audit findings are followed up to ensure implementation. There are 39 recommendations due for implementation, of which 17 recommendations have been implemented or superseded resulting in 22 being outstanding. The status of the outstanding 22 actions are categorised below by the risk priority assigned in the original report.

Of the 3 actions not implemented 1 is related to the implementation of agile, 1 is related to the completion of other projects and 1 is due to be audited this year as there are other mitigating controls now in place.

Summary of Issue Implementation

Page 341	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded		Awaiting a Response	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	5	34	1	16	2	16	1	2	0	0	1	0
Total %			43.6%		46.1%		5.1%		0%		2.5%	

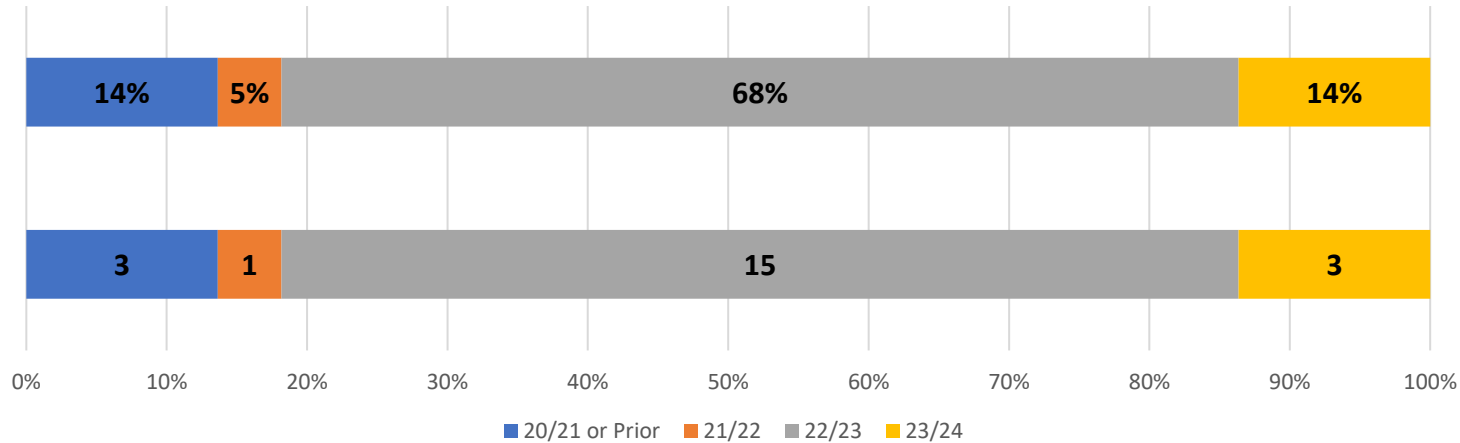
Overall Implementation of Agreed Management Actions



Progress on longstanding issues.

22 issues remain in progress, not started or Awaiting Response for the period. 3 issues are longstanding issues which have remained open past their original implementation date for over 3 years. Updates and revised implementation dates are detailed below.

Issues in Progress by year raised



Audit	Priority	Original Date	Revised Date	Update
Facilities management - Database for reactive works	High		Re-Audit 2024-25	There is a lack resources to implement a records system, particularly due to the number of substantial projects being progressed by property. The service believe there are several processes in place now to mitigate this risk. A re –audit of facilities management is due during 2024/25
General Ledger - Feeder System Procedure Notes	Medium		March 2025	Delayed as awaiting implementation of new version of Integra. Now included in staff objectives for completion of all system procedure notes by end March 2025.
Recruitment and Selection Policy	Medium		August 2025	New Workforce Strategy is to be developed

7. Counter Fraud Update

Prevention and Detection of Fraud, Bribery and Corruption

This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption during 2024/25.

National Fraud Initiative

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.

The NFI biennial and flexible data matching service is progressing with matches being reviewed by relevant teams. To date this has identified 128,774 in benefit overpayments in addition to estimated savings going forward of £41,509.

Kent Intelligence Network

The Kent Intelligence Network continues to support Local Authorities in Kent in preventing and detecting fraud. The key focus area for 2024/25 continues to look at fraud and error within Single Person Discounts, Small Business Rate Relief and unrated business and residential premises.

During the first half of this year the following results have been achieved:

- Single person discount to NFI matches £72,850 increased council tax liability
- Single person discount reviews from fraud referrals £1,079 increased council tax liability
- Unrated businesses £34,947 increased liability
- Retriever debtor tracing £163,023 for recovery action

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7. Counter Fraud Update

Investigating Fraud, Bribery and Corruption

A summary of cases referred or carried into the current fiscal year can be found in **Appendix D**.

A total of 93 referrals have been received by the Counter Fraud Team in the first half of 2024/25. The most reported fraud type is council tax reduction with housing benefit or universal credit attached, where 47 referrals have been received. The second most reported fraud type is single person discount where a total of 15 referrals have been reported. Further detail is available in **Appendix E**.

There are currently 7 referrals which have been added to the system, 4 of which were referred in August, which are yet to be prepared for sifting.

A total of 14 cases were carried forward from earlier years, which are at the following status':

- 4 cases have been closed.
- 10 cases remain open, five have been opened for investigation and five have open requests for joint work with DWP

Of the 93 cases referred this year, 59 have been closed

- 2 closed - error identified and corrected with a recoverable value of £316 (as reported in the first quarter)
- 33 referrals sent to DWP
- 5 referrals shared internally
- 19 referrals closed no further action

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Appendix A - Summaries

TM07-2024 Treasury Management

Audit Opinion	High
Prospects for Improvement	Very Good

Internal Audit's overall Audit Opinion of High is based on the following Key Strengths and Areas for Development:

Key Strengths

- ✓ There are appropriate governance and reporting arrangements in place to enable oversight and scrutiny of treasury management activities and performance.
- ✓ There is a comprehensive Treasury Management Strategy with sufficient detail to provide a structure for investment activity. It conforms to CIPFA guidance. Objectives are clearly set out and the strategy had been appropriately approved.
- ✓ Policies and procedures are compliant with the CIPFA Code.
- ✓ Staff are qualified for the roles that they undertake and there are suitable arrangements in place to maintain and update skills, with suitable training being provided to new starters.
- ✓ Information presented in committee reports is accurate and aligned to the source data.
- ✓ Key risks have been identified and are understood, with appropriate responses in place.
- ✓ There is segregation of duties within the Treasury Management team in relation to recording and authorising transactions as well as requesting access for new users.
- ✓ System access is appropriately restricted and controlled, there is a dual authentication process when requesting access for new users.
- ✓ All leavers have been successfully removed from the system along with their access.

- ✓ All investment decisions have been documented and approved in accordance with the Treasury Strategy
- ✓ All investments reviewed had been appropriately approved and were in line with the Council's Treasury Management Strategy. CHAPs payments had also been appropriately authorised.
- ✓ All investments tested were within the approved Counter Party limits.
- ✓ Investment returns are monitored and reported, they were accurate and complete. Treasury Management function is accurately reporting their position and consistently providing updates in accordance with regulatory requirements.
- ✓ Reconciliations are prompt and thorough.
- ✓ Cash flow forecasts are maintained and regularly reviewed; cash balances and corresponding transaction reports are also downloaded and updated daily.
- ✓ The annual cash flow statement has been accurately documented and reported in accordance to the Treasury Strategy.

Areas for Development

- There are no formalised ESG considerations in the 2024/25 TMBC Treasury Management and Annual Investment Strategy. **(Low)**

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	0	0	0
Low Risk	1	1	0

Audit Opinion	Substantial
Prospects for Improvement	Good

The TMBC Planning Enforcement Plan is a detailed document in line with the National Planning Policy Framework. It highlights that there is proactive management of potential breaches highlighted to the Council and sets out the target timeframes, priorities and proportionate actions that will be taken relevant to the impact of a potential breach. The Planning Enforcement Plan provides transparency and focuses on public confidence, although this is in line with guidance it has not been reviewed since January 2022 by the Overview and Scrutiny Committee and may not be reflective of practices or provide achievable targets.

Most breaches are highlighted to the Planning Enforcement team by the public through email, phone or online form as enforcement have limited resources in a small team. The cases are held securely in a central record that details all required information with appropriate oversight and monitoring.

The enforcement team utilise data analytics and reports to monitor and report on the caseload and progress, this is beneficial not only to the team but the Council to communicate trends and performance of Planning Enforcement. Further to this there is dedicated work underway to implement workflows and a traffic light system for targets which will strengthen the teams tracking and documenting.

Internal Audit’s overall Audit Opinion of **Substantial** is based on the following Key Strengths and Areas for Development:

Key Strengths

- The Tonbridge and Malling Borough Council Planning Enforcement Plan is a detailed document setting out the organisation’s goals and objectives.

- The Planning Enforcement Plan is in line with the guidance set out in the National Planning Policy Framework (December 2023).
- Planning Enforcement have aligned key performance indicators that are monitored and reported to the Overview and Scrutiny Committee as well as Cabinet.
- Planning enforcement hold a central record of enforcement cases that allows monitoring of all the cases raised.
- A dedicated officer is in place completing workflows and implement a traffic light system to monitor and track targets of cases.
- PowerBi and data analytics are utilised by the team to report progress and trends of investigations and cases.

Areas for Development

- Sample testing identified that enforcement targets set out in the Planning Enforcement Plan are not frequently met, only 31% of cases from the sample met the acknowledgment and site visit target dates. **(Medium)**
- Further to this 15% of the sample were unable to have their target deadlines assessed due to incorrect data recording within the system, showing either no case opened dates or letters and visits that were completed prior to the case being opened. **(Low)**
- The Planning Enforcement plan although in line with the National Planning Policy Framework (NPPF) has not been reviewed since January 2022. **(Low)**

Summary of Management Responses

	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	2	2	0

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Audit Opinion	Substantial
Prospects for Improvement	Good

As part of the 2024/25 Internal Audit Plan, it was agreed that Internal Audit would review the effectiveness of TMBC’s implementation of its climate change strategy. This includes assessing progress towards carbon neutrality by 2030, the accuracy of CO2e emissions measurement and reporting, and the level of community and stakeholder engagement.

Internal Audit’s overall Audit Opinion of Substantial is based on the following Key Strengths and Areas for Development:

Key Strengths

- TMBC’s initiatives include well-defined steps and deadlines, such as the installation of solar panels and LED lighting at Larkfield Leisure Centre and Donbridge Swimming Pool, completed by March 2024.
- TMBC’s efforts to reduce emissions are aligned with the 2030 carbon neutrality target, including decarbonisation plans for high-emission areas like leisure centres and refuse collection vehicles.
- There has been successful implementation of UK Government Funding, such as the Green Business Grant through the UK Shared Prosperity Fund, and the social Housing Decarbonisation Fund. These initiatives include detailed timelines, responsible parties, and completion statuses.
- The Climate Change Officer Study Group provides effective oversight of the Climate Change Strategy, meeting quarterly to review progress and address any issues.
- TMBC has allocated detailed budgets for specific projects, ensuring that funds are directed towards impactful initiatives such as the Green Business Grants Scheme and the Shopfront Grant Scheme.
- TMBC has successfully applied to the Public Sector Decarbonisation Scheme and Sport England to secure grants to support its climate initiatives.
- The Climate Change Forum and e-bulletins demonstrate active engagement with partners and stakeholders, ensuring community feedback is continuously addressed.

- The Climate Change Action Plan 2024/25 outlines specific actions, timelines, and key milestones.
- There are detailed progress reports and robust feedback mechanisms, as shown in the Annual Carbon Audit Reports. These reports provide emissions data, highlight areas for improvement, and incorporate community feedback. CO2e data is collected and reported regularly, ensuring accurate and timely tracking to support the goal of carbon neutrality by 2030.
- The Climate Change Action Plan 2024/25 links CO2e data to specific actions like the installation of solar PV and energy efficiency measures, ensuring that the impact of each action is accurately measured and reported.
- The Climate Change Action Plan 2024/25 references past successes in managing risks
- Regular updates and reviews are documented in the minutes from Climate Change Forum meetings and council meeting minutes, providing evidence of continuous oversight and accountability.

Areas for Development

- Despite the structured plans, there are challenges in implementation that could impact the achievement of the 2030 target. **(Medium)**
- Emissions from Scope 3 remain high, with little change from the baseline, underscoring the need for targeted interventions in these areas. **(Medium)**
- The Climate Change Forum Survey Results indicate a gap in public awareness about the Council’s climate actions. **(Low)**

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	1	1	0

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Audit Opinion	Adequate
Prospects for Improvement	Good

Internal Audit’s overall Audit Opinion of Adequate is based on the following Key Strengths and Areas for Development:

Key Strengths

- The DHP policy is available to applicants on the council’s website.
- The DHP procedure document for staff provides a guide on how to work through, assess and process DHP claims and provides clear and practical information for staff.
- From sample testing of applications (a random sample of 10 applications from the 2023/24 financial year) Internal Audit established that 100% of applications were completed in full and on the relevant application form, applicants provided supporting evidence, applications had a completed Determination form that was checked and ratified by another Officer, awards were calculated correctly and paid only to eligible applicants, and no duplicate payments had been made.
- Where appropriate, claimants are signposted to other agencies that can support with budget management.
- There is appropriate segregation of duties between reviewing and approving applications and making payments.
- The Business Continuity Plan considers staff resilience and plans to support with minimising any potential disruptions to the service.
- The Benefits and Welfare Manager carries out routine reviews of the budget spend as part of his day-to-day management responsibility and any issues/concerns regarding DHP are raised at Financial Services Management Team meeting when necessary.
- The Benefits and Welfare Manager carries out reconciliations of the budget a minimum of twice a year and reports this to the Department for Work and Pensions (DWP) as required.

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Areas for Development

- The DHP Policy is not version controlled and does not appear to have been reviewed or amended since its inception in 2013. The DHP Policy also does not account for or align with all elements of the Department for Work and Pensions (DWP) guidance document. **(Low)**
- The DHP guidance document for staff has no version control or apparent schedule for reviewing it, it also does not include the timescales for processing applications and contains some conflicting information. **(Low)**
- There is no specific guidance document or note to support applicants when completing the DHP application form. **(Low)**
- It is not explicitly evident within the Determination form that robust scrutiny and reconciliations of an applicant’s capital and spending are routinely carried out. **(Medium)**
- Applications and requests for reviews of decisions are not consistently being processed in line with the timescales set in the Discretionary Housing Payments Policy. **(Low)**
- In one case sampled, despite an ‘end date’ for an ongoing payment being entered into the system the payment continued for a further 5 weeks. **(Low)**
- The proposed Transfer Incentive Scheme will place additional demand on the DHP team and pressure on the budget. **(Medium)**
- Other than the initial checks carried out by the teams processing Universal Credit or Housing Benefit, there are no additional checks or processes in place to support with the detection and prevention of fraud. **(Medium)**

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	3	3	0
Low Risk	5	4	1

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Audit Opinion	Substantial
Prospects for Improvement	TBC

Internal Audit’s overall Audit Opinion of Substantial is based on the following Key Strengths and Areas for Development:

Key Strengths

- ✓ For the volunteer groups reviewed, Internal Audit understand that there is no legal requirement for volunteers to provide references or undergo background or DBS checks, so the Council’s approach is in line with this.
- ✓ Volunteers at both Haysden and Healthy Walks are provided with an informal induction programme to familiarise them with their roles and responsibilities. At Haysden, there is induction around the Corporate Health and Safety Policy, risk assessments, equipment, and any specific training for the role. For Healthy Walks Leaders, there is induction around risk assessments, recording and reporting walks, and how to report accidents. Note -these informal induction/training sessions are not documented and Internal Audit cannot give assurance on whether they are consistently completed.
- ✓ Where risk assessments are required they are up to date, version controlled and sufficiently detailed.
- ✓ Through a site visit, interviews with both volunteers and TMBC Officers, and review of documents, Internal Audit established that there are processes in place for the Haysden Country Park volunteers to report any hazards and incidents, and interviews with volunteers demonstrated that they were aware of these processes. Internal Audit also found that there is appropriate and proportionate supervision, monitoring and oversight of the volunteer staff, with good lines of communication between the volunteers and Council Staff.

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- ✓ Through a review of documentation and interview with TMBC officers, Internal Audit established that the Healthy Walks Leaders are provided with details of health and safety procedures, and there is oversight and good lines of communication with the Housing and Health department.
- ✓ Haysden Country Park is subjected to a regular schedule of internal Health and Safety Inspections by the Corporate Health and Safety Officer, the last one carried out in September 2023, providing an additional layer of governance and monitoring of the site.
- ✓ Haysden Country Park has been awarded a Green Flag Award for many consecutive years. This demonstrates a level of good external governance and recognises and rewards the hard work of staff and volunteers.

Areas for Development

- ✓ Volunteer workers are considered in the Corporate Health and Safety Policy but the Council does not have an overarching Corporate Volunteer Policy. **(Low)**
- ✓ Information and guidance provided for the volunteer roles was reviewed, however the information available is not subject to a regular schedule of review and as such, particularly the information provided for litter pickers, is outdated. **(Low)**

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	TBC	0
Medium Risk	0	TBC	0
Low Risk	2	TBC	1

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Introduction

TMBC adopted a digital transformation strategy for year 2019 - 2024. TMBC embraced a “Digital by Default” approach with the aim to improve the organisational agility and become early adopters of progressive legislations driven by technological advancements.

Agile software solutions were designed to address the aim above, with an expected rollout of Agile software to take place from January 2021 to May 2023, for Phase 1 of the project.

In October 2023, Agile (Phase 1) went live, having been delayed from original ‘go live’ target date of March 2023. Concerns were raised on the delays and implementation by Council Members. Phase 2 of the Agile system implementation is underway, with delivery in 2024. Internal Audit conducted a lessons learnt review as part of the 2024/25 Internal Audit plan.

Conclusion of work

In conclusion, the successful delivery the Agile project was hindered due to staff unappreciation of the complexity and scale of work that the implementation of the Agile system would entail.

There was a lack of resources, and a lack of skills & knowledge required for the implementation of Agile. This hindered the pace of the project and, quality of the resultant product

A lack of testing and UAT affected the implementation and resulted in bugs, performance, and configuration issues in the delivered Agile system. This meant a lack of buy in by staff and resulting in lack of confidence and inability to perform their jobs effectively.

Longer term strategies and plans are being developed to foster the continuous improvement for the system so it can be tailored to the Councils’ needs. Currently there is a business change manager in place and processes set up to resolve outstanding issues. This is time limited, and future development needs to be led by the service.

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TM12-2024 TMBC Agile (APAS) Post Implementation Lessons Learnt Review

Key Observations

Issue no.	Current Issue	Proposed Lessons Learnt	Management Response
1	No clear milestones in initial project plan provided at initiation.	Clear milestones should have been set on initiation. This was set at later stage of the project and caused delays.	Sub-project plans now in place for different module delivery. Additional sub-projects have milestones built into contract. Milestone/project plan needs to be a fundamental requirement of all inception meetings for project delivery. To be fed back to the Procurement OSG.
2	No user Acceptance Testing (UAT's) defined upon initiation	Defining the UATs is essential to validate requirements, identify defects, enhance user experience, mitigate risks, build confidence, ensure compliance, and align with the Council's objectives.	Agile shared UAT Plan for Planning and Building Control with TMBC on 25 July 23 but there was no support or resource in place to assist with delivering this.
3	Vendor Selection Process not transparent.	Although Agile won the bid, staff did not understand the reasons why the other bidders did not meet the requirements.	Staff FAQs document has subsequently been produced and senior service officers have attended team meetings to discuss. Consideration of how to best direct staff to reports to Members and how to manage this where they are confidential/commercially sensitive needs to be given to all major project documentation/decisions.
4	Project manager role procured with Agile was not understood.	There was a lack of clarity of responsibilities of the procured project manager. This should have been developed jointly between Agile and TMBC.	Agreed. Roles needed to have clear responsibilities laid out and agreed. Mitigated by the direct employment by TMBC of a Business Change PM to liaise with Agile and TMBC staff
5	Weaknesses in internal controls included lack of segregations of duties & resource utilisation.	The resources were underestimated during the procurement as it was felt by senior management that staff didn't appreciate the size of the Agile implementation.	Underestimation when project was procured of the level of change management required and the lack of the necessary digital skills and confidence in services to deliver this alongside BAU. Resource constraints are logged on the risk log.
6	Timescales set for the work involved were too ambitious, and the project was not split with a contingency gap.	An assessment for scope and complexity of the delivery of the Agile project was needed.	Linked to point 5 above – tasks were more time consuming and complex than anticipated by service management, who had not experienced a digital change project of this scope due to the existing system having been in place for c.30 years. Milestone programme needed more regular and realistic review from outset. Agreement between BCPM and Agile PM to move to use of Teams for programming has meant dates can be more easily amended and the implications reviewed on a more flexible basis. MS Teams Planner function now in use to manage all tasks.
7	Ineffective resource allocation in place.	Staff did not possess the appropriate skillsets that was needed for implementation.	As with point 5 above. Level of digital skill not assessed by IT before procuring project management/allocating IT time to the project. Bespoke training and support has now been put in place.
8	Data cleansing was a missed opportunity	Such missed opportunity is essential for maximising the value, reliability, and usability of Agile software.	Better communication of requirements on services and the opportunity to manage data quality prior to transfer was required.

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TM12-2024 TMBC Agile (APAS) Post Implementation Lessons Learnt Review

Issue no.	Current Issue	Proposed Lessons Learnt	Management Response
8	Data cleansing was a missed opportunity	Such missed opportunity is essential for maximising the value, reliability, and usability of Agile software.	Better communication of requirements on services and the opportunity to manage data quality prior to transfer was required.
9	Testing was not carried out prior the 'go live' date.	Testing is essential for ensuring the success of the implementation.	Some testing was undertaken but there was not sufficient time for a full testing programme. Despite assurances from Agile regarding 'post go live' resource to resolve issues, this was difficult to secure in reality.
10	System is designed to be scalable and flexible, but this is an inherent learning curve.	Such benefits have not been seen yet due to implementation challenges.	
11	Resistance to change	Communication of benefits took a while, and delayed the contribution to Agile development.	Ongoing activity includes senior managers attending team meetings and providing email updates on ongoing post implementation issues.
12	Risks to be continuously assessed.	To provide a detailed risk register for Agile.	Risk and issue logs now in place for various sub-projects.
13	DPIA needed to be undertaken	Data protection officer must be aware of DPIA.	DP requirements were part of G-Cloud procurement requirements.
14	Power BI reports were built at a later date to analyse accuracy of data.	This should be done in the 'testing' phase of the project.	Agreed. Power BI is now main reporting tool and has issues. This is being built into testing phase of later implementations with Agile.
15	No UAT testing done	This should be built in the project plan.	As above at point 9. This is now built into programmes for later implementation phases.
16	Development costs increased as more testing needed to be carried out post implementation.	To spend more time on testing.	Tried employing some additional agency resource to run testing – however, the candidate didn't work out and a lot of management time was spent on trying to manage this rather than working with staff.
17	Formal analysis of workflows.	Analysis of workflows were delayed.	
18	Staff turnover in planning was high.	Communication and people management is essential to complete task.	Agreed. Cascade of information wasn't successful due to the high workload of Planning managers. Needed regular forum for a wider group of Planning staff to be engaged. Teams in other implementation areas are smaller and so managing messages back from 'Super Users' to colleagues is now easier.

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Issue no.	Current Issue	Proposed Lessons Learnt	Management Response
19	<i>Additional resources should be accounted for the overall cost of the project.</i>	<i>The Council to communicate the total cost of the project.</i>	<i>Agreed – the overall costs including resources have been formally reported to Members.</i>
20	<i>Miscommunication between Agile & TMBC project manager.</i>	<i>Agree communication strategy at project board.</i>	<i>Agreed.</i>
21	<i>No communication strategy developed.</i>	<i>Agree communication strategy at project board.</i>	<i>Communication plan in use for PLACIS delivery and ongoing engagement with APAS teams through team meetings and Super User sessions in place.</i>
22	<i>Timescales not aligned with the project plan</i>	<i>To work a flexible approach and provide room for flexibility</i>	<i>This did not happen at the outset and there were very mixed expectations. Overall and task specific timescales are now communicated to ‘Super Users’ via BCPM.</i>
23	<i>Lack of skills and experience</i>	<i>To provide context surrounding the skills and experience gap, and an action plan to address issues.</i>	<i>As above. Upskilling of staff in services and ensuring user guides are developed to support continuity is a key ongoing action.</i>

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Appendix B - 2024/25 Internal Audit Plan Status

Ref	Audit	Status	Assurance	Prospects for Improvement
TM12-2024	Agile Post Implementation (APAS)	Complete	Advisory	N/A
TM15-2024	Planning Enforcement	Complete	Substantial	Good
TM01-2025	Tonbridge Town Centre Review	Ongoing		
TM02-2025	Gibson Building Project	Ongoing		
TM03-2025	Volunteer Management - Health and Safety	Draft Report	Substantial	TBC
TM04-2025	Planning applications and fees (Fee payback)	Planning		
TM06-2025	Housing Allocation Process, Assessment and Review	Draft Report	Substantial	TBC
TM07-2025	Treasury Management	Complete	High	Very Good
TM08-2025	Discretionary Housing Payments	Complete	Adequate	Good
TM09-2025	Digital Strategies and Automation	Planning		
TM10-2025	Castle Project	Ongoing		
TM11-2025	Climate Change	Complete	Substantial	Good
TM12-2025	Local Plan	Deferred		
TM13-2025	Facilities Management / Building Maintenance			
TM14-2025	Corporate Governance (SOLACE)			
TM15-2025	Annual Governance Statement			
TM16-2025	Procurement			
TM17-2025	Temporary Accommodation	Planning		
TM18-2025	Complaints			
TM19-2025	Independent Planning Reviewer	Fieldwork		
TM20-2025	Agile Programme Review			

Appendix C - Definitions

Audit Opinion

<p>High</p>	<p>Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.</p> <p>Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.</p> <p>There are examples of best practice. No significant weaknesses have been identified.</p>	<p>Limited</p>	<p>Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.</p> <p>Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.</p>
<p>Substantial</p>	<p>Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.</p> <p>Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.</p>	<p>No Assurance</p>	<p>Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.</p> <p>Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved</p>
<p>Adequate</p>	<p>Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.</p> <p>There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.</p>		

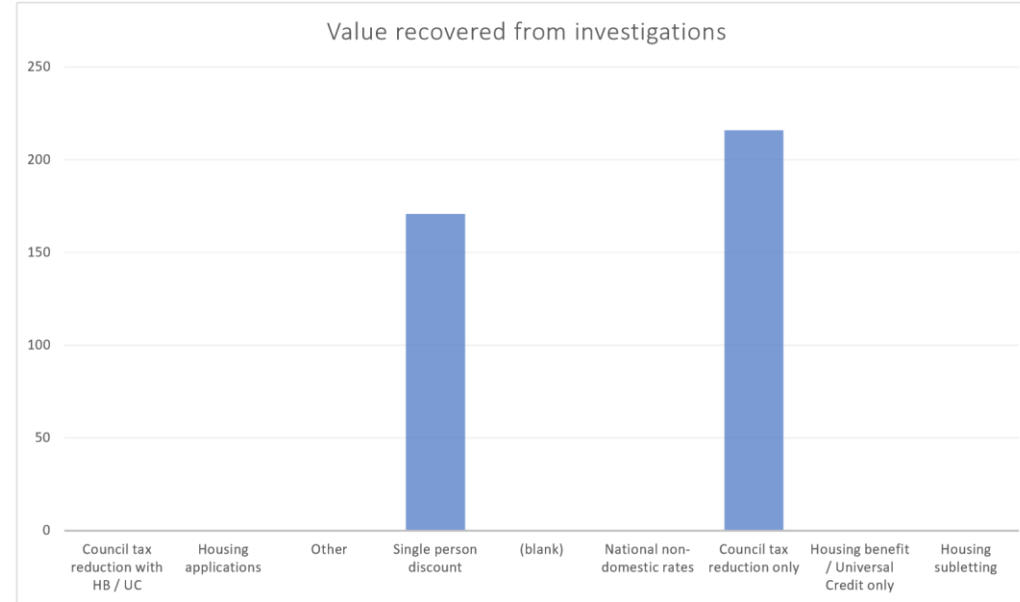
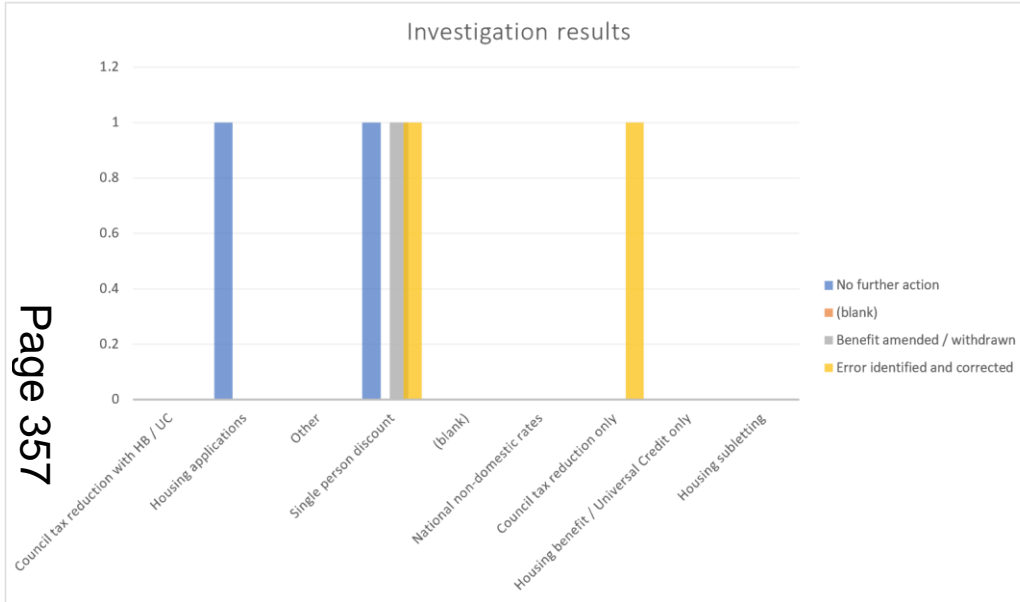
Prospects for Improvement		Issue Risk Ratings	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.	High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.	Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives	Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.		

Adequate
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Appendix E – Fraud Referrals

Appendix D – National Fraud Initiative

Total number of referrals	Open referrals	Closed referrals	Referrals under investigation	Referrals awaiting sifting	% referrals closed
107	44	63	12	21	59%



Investigations completed within 3 months	4
Investigations completed within 3 to 6 months	1
Investigations completed over 6 months	0
All cases closed within 6 months	63
Percentage cases closed within 6 months	100%
All cases closed over 6 months	0
Percentage of referrals prepared for sifting within 10 working days	57%
Percentage of reviewed cases sifted within 10 working days	66%

Appendix E – Fraud Referrals

Section Navigation

Introduction & Key Messages

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[Appendix A - Summaries](#)

[Appendix B – Internal Audit Plan Status](#)

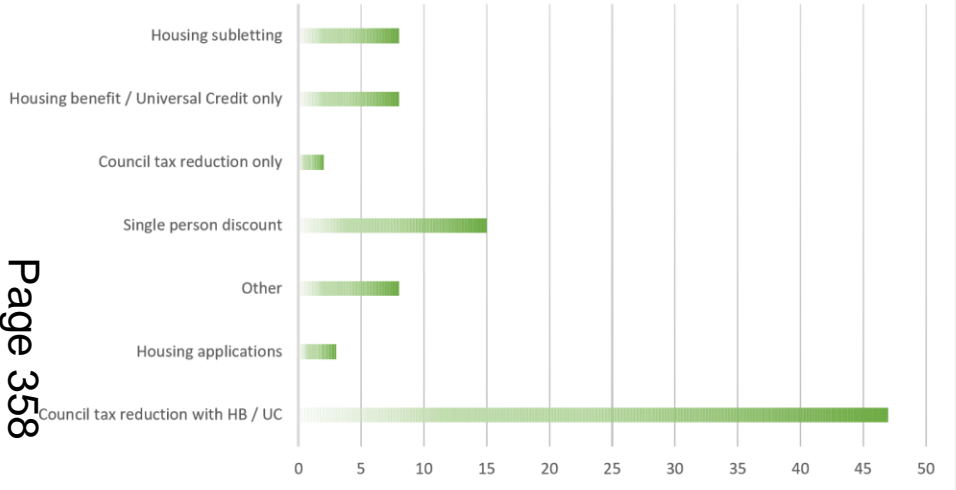
[Appendix C - Definitions](#)

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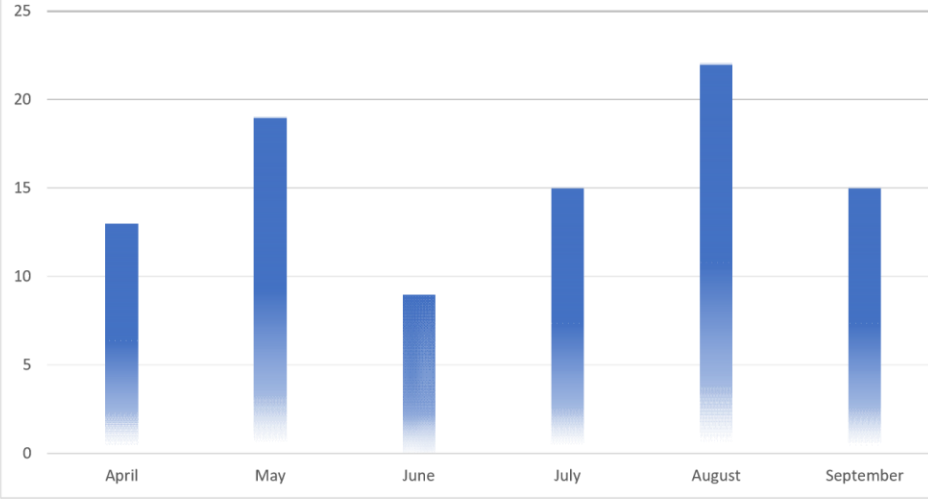
[Appendix E – Fraud Referrals](#)

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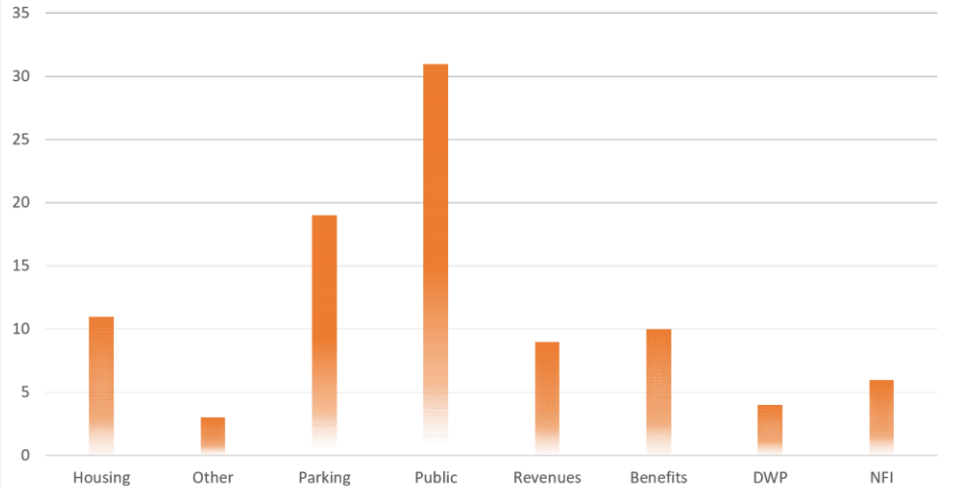
REFERRALS BY FRAUD TYPE



REFERRALS BY MONTH



REFERRALS BY SOURCE



Agenda Item 13

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

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Agenda Item 14

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**

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Agenda Item 15

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

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