

2014/15

# Statement of Accounts



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

[www.tmbc.gov.uk](http://www.tmbc.gov.uk)



[www.tmbc.gov.uk](http://www.tmbc.gov.uk)

# CONTENTS

	<b>Page</b>
Explanatory Foreword	1
Statement of Responsibilities for the Statement of Accounts	12
<b>CORE FINANCIAL STATEMENTS</b>	
Movement in Reserves Statement	13
Comprehensive Income and Expenditure Statement	14
Balance Sheet	15
Cash Flow Statement	16
Notes to the Core Financial Statements	17
<b>SUPPLEMENTARY STATEMENTS</b>	
Collection Fund	62
Notes to the Collection Fund	63
Annual Governance Statement	66
Independent Auditor's Report	68
Glossary	71

# EXPLANATORY FOREWORD

## 1. INTRODUCTION

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

The Accounts should enable the reader to find out:

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

The Accounts are supported by Accounting Policies and by various notes to the Accounts. A Glossary is provided on pages 71 to 74.

## 2. CHANGES IN PRESENTATION AND ACCOUNTING

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. The Code is based on a hierarchy of approved accounting standards.

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

The Council's Accounts for the year 2014/15 are set out on pages 13 to 65.

## 3. OVERVIEW OF STATEMENT OF ACCOUNTS

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

### **Explanatory Foreword**

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

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

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

### **Core Financial Statements**

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

- **Movement in Reserves Statement**

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

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

- **Comprehensive Income and Expenditure Statement**

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

- **Balance Sheet**

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

- **Cash Flow Statement**

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

- **Notes to the Core Financial Statements**

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

## **Supplementary Financial Statements**

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

- **Collection Fund and Associated Notes**

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

## Annual Governance Statement

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

## Independent Auditor's Report

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

## Glossary

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

## 4. REVENUE ACCOUNT

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

In February 2014 the Council set a net revenue budget of £14,967,000. This was to be met from council tax income of £8,421,000; business rates of £2,050,000; revenue support grant of £2,307,000; New Homes Bonus of £2,396,000; other government grants of £17,000; and a contribution of £1,077,000 from the general revenue reserve, less a net contribution to specific revenue reserves of £865,000, used to fund specific projects, and a collection fund of £436,000.

The revised net revenue budget prepared in the year of £15,358,000 which was £391,000 more than the original budget set by the Council in February 2014. This, together with a decrease of £1,126,000 in business rates offset by an increase of £594,000 in other government grants and a decrease in the planned net contribution to specific revenue reserves of £843,000, led to a draw from the general revenue reserve of £1,157,000 compared to the estimated draw from the reserve of £1,077,000 when the budget was set in February 2014, a difference of £80,000.

The actual net revenue spend for the year of £15,020,000 was £53,000 more than the original budget set by the Council in February 2014. This, together with a decrease of £292,000 in business rates and increase in the net contribution to specific revenue reserves of £436,000, offset by an increase of £615,000 in grants and contributions, led to a contribution from the general revenue reserve of £1,243,000 compared to an estimated contribution from the reserve of £1,077,000 when the budget was set in February 2014, a difference of **£166,000**.

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

2013/14 Actual £'000		Original Budget £'000	2014/15 Revised Budget £'000	Actual £'000
4,776	Cultural & Related Services	4,299	4,291	4,311
5,060	Environmental & Regulatory Services	5,308	5,109	5,155
1,998	Planning Services	2,168	2,317	2,077
(463)	Highways & Transport Services	(274)	(451)	(623)
1,569	Housing Services	1,728	1,961	1,901
1,695	Central Services to the Public	1,974	2,094	1,964
2,245	Corporate & Democratic Core	2,338	2,281	2,197
0	Public Health	0	89	81
(827)	Non-Distributed Costs	360	278	198
<b>16,053</b>	<b>Cost of Services</b>	<b>17,901</b>	<b>17,969</b>	<b>17,261</b>
374	Drainage Board Levies	381	381	381
(194)	Trading Undertakings	(317)	(342)	(340)
3	Corporate Impairment Allowance	5	5	3
81	Interest Payable & Similar Charges	22	80	79
(165)	Interest & Investment Income	(174)	(167)	(168)
(10)	Icelandic Investment	0	0	0
(1,275)	Service Cost & Administration Expenses	(2,015)	(1,850)	(2,049)
2,699	Employers' Pension Contributions	2,359	2,411	2,691
2	Employee Benefits - Accrued Annual Leave	0	0	(29)
(2,784)	Depreciation, Amortisation & Impairment	(2,606)	(2,916)	(2,950)
401	Minimum Revenue Provision - Embedded Lease	104	382	379
(353)	Revenue Expenditure Funded from Capital	(693)	(595)	(238)
<b>14,832</b>	<b>Sub-total</b>	<b>14,967</b>	<b>15,358</b>	<b>15,020</b>
(10)	Grants & Contributions	0	0	(7)
(1,636)	New Homes Bonus	(2,396)	(2,396)	(2,396)
(1,003)	Other General Government Grants	(17)	(611)	(625)
1,931	Contributions to or (from) Specific Revenue Reserves	865	22	1,301
<b>14,114</b>	<b>Sub-total</b>	<b>13,419</b>	<b>12,373</b>	<b>13,293</b>
297	Contribution to or (from) General Revenue Reserve	(1,077)	(1,157)	(1,243)
<b>14,411</b>	<b>Budget Requirement</b>	<b>12,342</b>	<b>11,216</b>	<b>12,050</b>
(3,341)	National Non-Domestic Rates	(2,050)	(924)	(1,758)
(3,022)	Revenue Support Grant	(2,307)	(2,307)	(2,307)
50	Collection Fund Adjustment	436	436	436
<b>8,098</b>	<b>BALANCE TO BE MET FROM COUNCIL TAX PAYERS</b>	<b>8,421</b>	<b>8,421</b>	<b>8,421</b>
<b>£180.26</b>	<b>Council Tax at Band D (Borough Council only)</b>	<b>£183.85</b>	<b>£183.85</b>	<b>£183.85</b>

The table below provides in more detail the reasons for the variation of £166,000 in the contribution to the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Major Income Streams	(4,326)	(4,493)	(167)
Cost of Employees (see table below)	11,692	11,586	(106)
Summons Costs Recovered	(230)	(306)	(76)
Benefits Grants	0	(68)	(68)
VAT Refund	0	(64)	(64)
Ground Maintenance Contract	634	598	(36)
Developer Contributions Interest	9	(24)	(33)
Industrial Estate Rents	(72)	(98)	(26)
Appeals & Applications	45	24	(21)
Homelessness Bad Debt Provision	20	0	(20)
Play Equipment Provision	0	(20)	(20)
Elections	30	54	24
Transformation Reserve	0	28	28
Building Repairs Reserve	650	732	82
Land Charges Provision	0	112	112
Housing Benefits	(121)	222	343
Business Rates Retention Scheme	(2,050)	(1,593)	457
Other	3,217	2,974	(243)
<b>TOTAL</b>	<b>9,498</b>	<b>9,664</b>	<b>166</b>

As can be seen from the table above factors that contributed to the adverse variance include the outcome of the personal search fees (Land Charges) litigation, pressure on the housing benefits budget as a result of government initiatives and the shortfall to be met by the Council under the Business Rates Retention scheme including setting aside funds to meet next year's shortfall. Offset by management savings on the salary bill and our major income streams better than budgeted performance despite Aylesford Newsprint going into administration in February 2015 and the resultant adverse impact on the Council's income.

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

2013/14 Actual		Original Budget	2014/15 Actual	Variance
£'000		£'000	£'000	£'000
9,913	Salaries	8,189	8,005	(184)
695	Employers' National Insurance Contributions	620	588	(32)
1,084	Employers' Superannuation Contributions	1,076	1,068	(8)
1,270	Superannuation Lump Sum Contribution	1,322	1,322	0
335	Termination Payments	303	388	85
86	Training	80	82	2
9	Health Care	5	10	5
15	Recruitment	2	15	13
86	Leased Car Costs	79	89	10
16	Professional Subscriptions	16	19	3
<b>13,509</b>	<b>TOTAL</b>	<b>11,692</b>	<b>11,586</b>	<b>(106)</b>

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

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

## 5. CAPITAL PLAN

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

In February 2014 the Council set a capital budget of £2,202,000 net of specific government grants and other contributions of which £2,201,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts.

The original budget was revised during the year to take account of the position at the end of 2013/14 and progress made on our capital projects. The revised budget total was £1,791,000 of which £1,676,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts and capital grants brought forward.

The Council's capital spending in the year on an accruals basis was £1,166,000. The difference between the actual net spend and the revised budget of £625,000 can largely be attributed to a lower than anticipated spend on capital renewals and rescheduling / reprofiling of budgetary provision.



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

2013/14 Actual			Original Budget	2014/15 Revised Budget	Actual
£'000	Service	Scheme	£'000	£'000	£'000
176	<b>Planning, Housing &amp; Env Health</b>	House Renovation Grants	261	288	157
0		Town Lock	300	100	75
71		Car Parking	98	98	29
131		Land Drainage & Flood Defence	33	23	16
37		Other Schemes	41	94	38
<b>415</b>		<b>Total</b>	<b>733</b>	<b>603</b>	<b>315</b>
1	<b>Street Scene &amp; Leisure</b>	Sports Grounds	106	130	133
123		Refuse / Green Waste Bins	104	93	79
0		Larkfield Leisure Centre	280	35	33
20		Tonbridge Memorial Gardens	95	(4)	0
30		Other Schemes	8	59	31
<b>174</b>		<b>Total</b>	<b>593</b>	<b>313</b>	<b>276</b>
86	<b>Corporate</b>	I.T. Initiatives	30	50	36
0		Land & Property	60	0	0
11		Other Schemes	0	14	0
<b>97</b>		<b>Total</b>	<b>90</b>	<b>64</b>	<b>36</b>
5	<b>Capital Renewals</b>	Planning, Housing & Env Health	33	20	23
190		Street Scene & Leisure	403	329	149
234		Corporate	350	462	367
<b>429</b>		<b>Total</b>	<b>786</b>	<b>811</b>	<b>539</b>
<b>1,115</b>	<b>TOTAL CAPITAL EXPENDITURE</b>		<b>2,202</b>	<b>1,791</b>	<b>1,166</b>
1,038	<b>Funding</b>	Revenue Reserve for Capital Sch	2,201	1,676	1,050
9		Grants & Contributions b/fwd	0	1	1
(1)		Grants & Contributions c/fwd	0	0	0
69		Capital Receipts	1	114	115
<b>1,115</b>	<b>TOTAL FUNDING</b>		<b>2,202</b>	<b>1,791</b>	<b>1,166</b>

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

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

## 6. NON-CURRENT ASSETS

In accordance with the rolling programme public conveniences were the subject of revaluation by our external valuers. In addition to public conveniences the Council's larger car parks, council offices and leisure premises were also the subject of revaluation by our external valuers. The resulting revaluation was a net gain of £6,746,000, of which £6,823,000 is recognised in the revaluation reserve and a net impairment of £77,000 charged to cost of services. In liaison with the Council's Estate Service Manager and our external valuers it was determined that no other property asset class required revaluation because of a notable change in value. The revaluation is carried out at the end of each year after accounting for acquisitions and improvements, depreciation and disposals. As at 31 March 2015 the total value of the Council's non-current assets was £72.3m (£67.2m at 31 March 2014).

## **7. TREASURY MANAGEMENT PERFORMANCE**

### **Investments**

Investments are broken down into internally managed core funds and cash flow investments (including cash equivalents). The Council prepares a Treasury Management Strategy Statement and Annual Investment Strategy as part of the Budget Setting Process each year. The Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15 was approved by full Council on 18 February 2014 and outlined the Council's approach to the management of risk both in terms of security and liquidity of its investments. Investment performance is monitored during the year and reported to the Finance, Innovation and Property Advisory Board and a more detailed report on treasury management activity including performance is reported to the Audit Committee. In addition, the Treasury Management Strategy Statement and Annual Investment Strategy and any revisions during the year are presented to the Audit Committee prior to consideration by Cabinet and Council approval to provide an independent scrutiny role.

Core funds have historically been managed by an external fund manager. The 2014/15 Annual Investment Strategy made provision for these funds to be transferred in-house during the year. The transfer to in-house management took place on 1 August 2014. The Council achieved an investment return of 0.7% on its core funds for the year, compared to a 7-day Libid benchmark of 0.35%. This equates to investment income of £94,250. At the end of March 2015 the value of the fund stood at £13.5m.

The Council achieved an investment return of 0.64% on its internal cash flow investments (including cash equivalents) for the year. This equates to investment income of £70,000. At the end of March 2015 the value of cash flow funds managed internally stood at £6.0m.

Further information on Treasury Management performance for the year ended 31 March 2015 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2015.

### **External Borrowing**

The Council remained debt-free at 31 March 2015.

## **8. PENSION FUND**

The Council is a member of the Local Government Pension Scheme which is administered on behalf of the Council by Kent County Council. The Statement of Accounts reflects the full adoption of International Accounting Standard 19 (Retirement Benefits) (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 2015 was £61.9m (£48.8m at 31 March 2014). The increase in pension deficit during the year has arisen due to the corporate bonds based method that is used to value the liabilities. Bond yields have fallen during the year leading to an increase in liabilities. The increase in Scheme assets offset in part the increase in liabilities.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2013. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

Further information relating to the assets, liabilities, income and expenditure of the pension scheme is included in Note 10 on pages 40 to 45.

## 9. REVIEW OF THE YEAR

The Council's overall aim is to be: -

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

The current set of seven key priorities apply to 2012/15 and over the coming months the Council will need to develop a new Corporate Performance Plan taking into account the actions identified following consideration of the 2014 Peer Review and recent issues and challenges. The current seven key priorities are:

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

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

- Council charged with administering a number of Government schemes to support businesses and homeowners recover from the impacts of flooding between December 2013 and March 2014.
- The Tonbridge & Malling Safer Towns Partnership showed how well it works to reduce business crime in Tonbridge when its unified approach led to the arrest of two thieves in the town centre through the radio system known as 'Shop Safe'.
- Tonbridge & Malling Borough Council Leader, following lobbying by the Borough Council, welcomed the decision by the Environment Agency to allocate £300,000 of funding towards a number of flood defence measures in response to the flooding experienced during the Winter 2013.
- A woman from Hadlow was sentenced to 10 months' imprisonment (suspended for two years) 'tagged' as part of a four-month curfew and subject to a two-year supervision order for committing benefit fraud.
- Transport funding boost – a Government announcement on transport funding saw two schemes in the Borough, Tonbridge town centre regeneration and improvements to junction 4 on the M20 awarded 100% funding.

- The Borough Council was presented with a Gold RoSPA Award in recognition of its approach to occupational health and safety.
- Haysden Country Park and Leybourne Lakes Country Park received the Green Flag Award.
- The refurbished Tonbridge Memorial Gardens were opened by His Royal Highness, The Duke of Kent.
- A total of 102 community groups and 15 parish councils awarded funding totalling almost £219,000 from the third and final round of bidding for funding from the Community Enhancement Fund set up to support local projects that will make a positive difference to Tonbridge and Malling residents.
- The Borough Council invested in new LED light fittings in the Sports Hall in Larkfield Leisure Centre as part of an 'invest to save' scheme that will reduce energy consumption and reduce costs.
- The Borough Council organised two drop-in sessions to help food businesses prepare for new rules which affect the way they provide allergen information.
- The Borough Council worked with Energy Deal on a collective switching campaign to help and support residents looking to reduce their gas and electricity bills.
- It was announced that work to improve capacity at the Leigh Flood Storage Area will receive financial support from government and reflects the hard work done by the Borough Council and partners after months of lobbying.
- Tonbridge & Malling Safer Towns Partnership won the national Safer Business Award from the Association of Business Crime Partnerships.
- Voluntary Litter Code launched – Businesses in Snodland can sign up to a voluntary litter code aimed at reducing littering from their premises and the surrounding area.
- The Borough Council together with the West Kent Partnership supported a major Business to Business Exhibition organised by West Kent B2B to provide a day of networking opportunities, free business advice and informative workshops on key business issues.
- Borough Council joined forces with the Food Standards Agency to put the fight against campylobacter – common cause of food poisoning in the UK – at the centre of this year's Food Safety Week.
- A national anti-dog fouling campaign scooped down on Tonbridge, Hildenborough and Hadlow for a series of 'bag and flag' events.
- Despite the impact of further reductions in central Government grant funding the Council is again protecting services this year through a robust schedule of savings and careful financial management.

## 10. THE FUTURE

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

- the ongoing impact of the Government's budget deficit reduction programme on the Council's finances;
- Welfare Reform and cessation of the administration of housing benefits over a transitional period in the lead up to the introduction of Universal Credit;
- the sustainability of the NHB scheme and what will follow;
- the ongoing impact of the localisation of council tax support;
- the ongoing impact of the Business Rates Retention scheme;

- proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees; and
- further develop partnership arrangements with others in order to achieve cost efficiencies.

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

## 11. MEDIUM TERM FINANCIAL STRATEGY

The Council's current Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period. The Strategy affords the opportunity to take a measured and structured approach to budget pressures rather than a "knee jerk" reaction. The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This currently includes achieving a balanced revenue budget that delivers the Council's priorities and to retain a minimum of £2.0m in the General Revenue Reserve by the end of the strategy period. The general revenue reserve balance at 31 March 2015 was £4.7m (£5.9m at 31 March 2014).

The Council has seen its general government grant, the Local Government Settlement Funding Assessment, fall by more than £3.3m or 50% over the five-year period 2011/12 to 2015/16 with further cuts expected in future years. To date this has to a large extent been negated by the grant award under the New Homes Bonus (NHB) scheme. A major concern has always been what happens when the NHB scheme in its current form ceases or is replaced by something else, and the consequential impact on the Councils' finances. Based on assumptions made on further cuts in grant funding and what might happen to NHB and its impact on us, amongst other things, latest projections point to a 'funding gap' between expenditure and income of circa £1.4m. It should be noted that, depending on how any replacement model allocates funding to individual local authorities, there is a real risk that the 'funding gap' could be more than that presently reflected in the MTFS and even more again if the scheme was to be withdrawn and not replaced.

The Council has a robust MTFS and the existence and discipline of the same affords us the time to take a constructive and considered approach to budgetary pressures. Clearly, the absolute size of the 'funding gap' will influence the timescales we afford ourselves to address the problem. Based on the above projection we could, for example, break down the savings target into three tranches (tranche one £200,000, tranche two £700,000 and tranche three £500,000 to be achieved by 2016/17, 2017/18 and 2018/19).

The Council continues to face a significant financial challenge brought about, in the main, by the Government's ongoing budget deficit reduction programme, but we believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, albeit recognising that some difficult choices will have to be made.

More detailed information on the Council's Budget for 2015/16 and the MTFS can be found on the Council's website at: <http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/council-budgets>

# 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 2014/15* ('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 2015.

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

Signed

S. J. Shelton CPFA  
Director of Finance and Transformation

Dated 22 June 2015

Signed

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

Dated 22 June 2015

## MOVEMENT IN RESERVES STATEMENT

2013/14						2014/15						
General Fund	Reserves & Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes	General Fund	Reserves & Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
1,250	17,317	0	18,567	13,943	32,510		1,250	18,515	0	19,765	14,565	34,330
<b>BALANCE AT 1 APRIL</b>												
<b>Comprehensive Income &amp; Expenditure</b>												
(1,486)			(1,486)		(1,486)		(3,989)			(3,989)		(3,989)
			0	3,306	3,306					0	(4,821)	(4,821)
(1,486)	0	0	(1,486)	3,306	1,820		(3,989)	0	0	(3,989)	(4,821)	(8,810)
<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>												
2,874			2,874	(2,874)	0	6	2,873			2,873	(2,873)	0
(90)			(90)	90	0	6	77			77	(77)	0
(1,282)			(1,282)	1,282	0	6				0		0
(97)	8		(89)	89	0		(467)	161		(306)	306	0
605			605	(605)	0	10	1,449			1,449	(1,449)	0
(15)		15	0	0	0	6	(30)		113	83	(83)	0
1,767			1,767	(1,767)	0	11	256			256	(256)	0
(2)			(2)	2	0	13	29			29	(29)	0
(401)			(401)	401	0	8	(379)			(379)	379	0
(685)			(685)	685	0		(813)			(813)	813	0
2		(15)	(13)	13	0	14	2		(113)	(111)	111	0
1,190	8	0	1,198	622	1,820		(992)	161	0	(831)	(7,979)	(8,810)
<b>Net Increase / (Decrease) Before Transfers to / from Earmarked Reserves</b>												
<b>Transfers to / from Earmarked Reserves</b>												
49	(49)		0		0	15	(59)	59		0		0
(1,780)	1,780		0		0	15	(864)	864		0		0
838	(838)		0		0	15	672	(672)		0		0
(297)	297		0		0	15	1,243	(1,243)		0		0
<b>0</b>	<b>1,198</b>	<b>0</b>	<b>1,198</b>	<b>622</b>	<b>1,820</b>		<b>0</b>	<b>(831)</b>	<b>0</b>	<b>(831)</b>	<b>(7,979)</b>	<b>(8,810)</b>
<b>Increase / (Decrease) in Year</b>												
1,250	18,515	0	19,765	14,565	34,330		1,250	17,684	0	18,934	6,586	25,520
<b>BALANCE AT 31 MARCH</b>												

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2013/14 Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2014/15 Income £'000	Net Expenditure £'000
			Notes			
<b>Continuing Operations</b>						
8,057	3,281	4,776		4,612	301	4,311
6,736	1,676	5,060		6,939	1,784	5,155
3,059	1,061	1,998		3,231	1,154	2,077
2,145	2,608	(463)		2,184	2,807	(623)
37,459	35,890	1,569		39,225	37,324	1,901
3,352	1,657	1,695		3,331	1,367	1,964
2,251	6	2,245		2,203	6	2,197
				236	155	81
(450)	377	(827)		703	505	198
<b>62,609</b>	<b>46,556</b>	<b>16,053</b>		<b>62,664</b>	<b>45,403</b>	<b>17,261</b>
<b>Cost of Services</b>						
<b>Other Operating Expenditure</b>						
	15	(15)	6	83	113	(30)
1,878		1,878		1,961		1,961
373		373		381		381
3		3	16	3		3
2		2	14	2		2
<b>Financing &amp; Investing Income &amp; Expenditure</b>						
140	334	(194)	8	25	365	(340)
81		81	8	79		79
10		10				0
	185	(185)	9		168	(168)
2,029		2,029	10	2,091		2,091
	1,282	(1,282)	6			0
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>						
50	10,116	(10,066)	11		10,510	(10,510)
21,302	22,736	(1,434)	11	20,592	21,530	(938)
	5,661	(5,661)	12		5,328	(5,328)
	106	(106)	12		475	(475)
<b>88,477</b>	<b>86,991</b>	<b>1,486</b>		<b>87,881</b>	<b>83,892</b>	<b>3,989</b>
<b>(Surplus) / Deficit on Provision of Services</b>						
<b>Other Comprehensive Income &amp; Expenditure</b>						
		(3,702)	6			(6,823)
		50	9			(51)
		346	10			11,695
<b>(1,820) TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>						<b>8,810</b>



## BALANCE SHEET

At 31 March 2014			At 31 March 2015	
£'000	£'000	Notes	£'000	£'000
<b>Long Term Assets</b>				
		6		
	51,001		55,620	
	4,760		4,247	
	1,149		1,152	
	464		727	
57,414	40		107	61,853
4,997		6		5,753
4,490		6		4,490
320		6		251
2,234		9		0
118		16		89
<b>69,573</b>				<b>72,436</b>
<b>Total Long Term Assets</b>				
<b>Current Assets</b>				
	83	6	0	
	13,184	9	11,047	
	28		25	
	8,061	16	6,970	
	(1,852)	16	(2,228)	
23,462	3,958	17	8,791	24,605
(5,058)	(5,058)	18	(3,900)	(3,900)
<b>Current Liabilities</b>				
<b>Long Term Liabilities</b>				
	(995)	19	(2,079)	
	(48,776)	10	(61,920)	
	(1,808)	20	(1,913)	
(53,647)	(2,068)	8	(1,709)	(67,621)
<b>34,330</b>		<b>NET ASSETS</b>		<b>25,520</b>
<b>Reserves</b>				
<b>Usable Reserves</b>				
	17,135	15	16,143	
	1,380	20	1,541	
	1,250		1,250	
19,765	0	14	0	18,934
<b>Unusable Reserves</b>				
	42,905	21	42,019	
	22,342	22	28,631	
	(52)	9	0	
	10	14	6	
	(1,800)	11	(2,057)	
	(64)	13	(93)	
14,565	(48,776)	10	(61,920)	6,586
<b>34,330</b>		<b>TOTAL RESERVES</b>		<b>25,520</b>

## CASH FLOW STATEMENT

2013/14			2014/15	
£'000	£'000	Notes	£'000	£'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash Inflows</b>				
(31,072)			(31,493)	
(40,335)			(42,657)	
(8,198)			(5,449)	
(118)			(97)	
(3,432)			(4,120)	
(83,155)			(83,816)	
<b>Cash Outflows</b>				
13,150			11,215	
34,329			35,513	
1,878			1,961	
10,358			8,789	
0			0	
24,438			25,116	
84,153			82,594	
<b>998</b>		<b>23</b>	<b>(1,222)</b>	
<b>NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>				
<b>INVESTING ACTIVITIES</b>				
<b>Cash Inflows</b>				
(68)			(113)	
(4,460)			(17,451)	
(31)			(344)	
(4)			(4)	
<b>Cash Outflows</b>				
883			1,168	
2,000			13,000	
2			2	
(1,678)			(3,742)	
<b>NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES</b>				
<b>FINANCING ACTIVITIES</b>				
<b>Cash Outflows</b>				
515			131	
515			131	
<b>NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES</b>				
<b>(165)</b>			<b>(4,833)</b>	
<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>				
<b>3,793</b>			<b>3,958</b>	
<b>Cash &amp; cash equivalents at the beginning of the reporting period</b>				
<b>3,958</b>			<b>8,791</b>	
<b>Cash &amp; cash equivalents at the end of the reporting period</b>				

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15*. The Code is based on a levels of approved accounting standards:

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

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

#### b) Qualitative Characteristics of Financial Information

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

#### c) Accounting Concepts

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.
- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in

the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

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

#### **d) Accruals of Income and Expenditure**

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

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

#### **e) Assets Held for Sale**

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

#### **f) Cash and Cash Equivalents**

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

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

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

Similarly, the Council acts as an agent for the Government, Kent County Council and Kent Fire and Rescue in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor.

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

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

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

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

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

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

## **j) Employee Benefits**

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

### **Benefits Payable during Employment**

This covers:

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

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The next formal valuation is due on 31 March 2016.

## **k) Events After the Balance Sheet Date**

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

The authorised for issue date can be either:

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

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

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

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

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

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

## **m) Financial Instruments**

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

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

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

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

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

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

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

**n) Foreign Currency Transactions**

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

**o) Government Grants and Other Contributions**

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

Grants specific to a service will be shown against that service expenditure line. General grant, e.g. Revenue Support Grant and New Homes Bonus are credited and disclosed separately in the Comprehensive Income and Expenditure Statement under taxation and non-specific grant income.

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

**p) Inventories**

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

**q) Leases**

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

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

**Finance Leases**

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

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

**Operating Leases**

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

**r) Non-Current Assets**

The Council has set a de-minimis level of £5,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimis level, but the aggregate

value of similar items purchased in the year exceed the de-minimis level the expenditure may be treated as capital expenditure.

### **Property, Plant and Equipment**

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

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

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

The policy for each type of asset is explained below.

#### Land and Buildings

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

<b>Asset Category</b>	<b>Year of Valuation</b>	
Public Conveniences	2009/10	Completed
Council Offices	2010/11	Completed
Car Parks	2011/12	Completed
Leisure Premises	2012/13	Completed
Properties for Community Use	2013/14	Completed
Public Conveniences	2014/15	Completed

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

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

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

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

Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. The Council, following a review of the property, plant and equipment asset registers has decided that the



Council's offices and major leisure facilities will be the subject of componentisation if the replacement value of the component is in excess of £100,000.

#### Vehicles, Plant and Equipment

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

#### Infrastructure Assets

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

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

#### Community Assets

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

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

#### Assets under Construction

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

#### **Heritage Assets**

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

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

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

Heritage assets are not subject to depreciation.

#### **Investment Property**

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

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

Investment property is not subject to depreciation.

## **Intangible Assets**

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

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

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

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

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

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

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

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

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

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

### **s) Overheads**

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

### **t) Provisions**

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

Provisions are recognised when:

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

- a reliable estimate can be made of the amount of the obligation.

**u) Reserves**

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

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

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

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

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

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

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

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

In applying the accounting policies set out at Note 1 the authority has to make judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Council's 2014/15 accounts are as follows:

- The Council continues to face a significant financial challenge brought about by, in the main, the Government's budget deficit reduction programme and the economic climate, as well as some specific government-led initiatives that will impact on the Council's finances. The impact of these pressures is not considered to require any impairment in the valuation of the Council's assets.
- The Council has concluded that its Refuse Collection and Recycling and Amenity & Street Cleansing contracts contain lease type arrangements in respect of the vehicles used by the contractor. These vehicles have been included on the Council's balance sheet. Further details on the value of these leased type vehicles are provided at Note 8 to the accounts.
- An assessment is to be made of the potential liability of valuation appeals arising from business rate premises in respect of monies received by the Council up to 31 March 2015. This provision is based on information received from the Valuation Office Agency. Further details are shown within the Collection Fund on page 65.

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

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2015. No events have occurred that require changes to the accounting statements.

#### **5. SEGMENT REPORTING**

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

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

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

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

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

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

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

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

2013/14							2014/15							
Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene & Leisure £'000	Total £'000	Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene & Leisure £'000	Total £'000	
<b>Income</b>														
342	61	1,265	1,269	4,021	4,359	11,317	Fees, Charges & Other Service Income	436	20	1,044	1,277	4,405	1,210	8,392
			185			185	Interest & Investment Income				168			168
	7		34,806	644	5	35,462	Grants & Contributions		46		36,267	869		37,182
<b>342</b>	<b>68</b>	<b>1,265</b>	<b>36,260</b>	<b>4,665</b>	<b>4,364</b>	<b>46,964</b>	<b>Total Income</b>	<b>436</b>	<b>66</b>	<b>1,044</b>	<b>37,712</b>	<b>5,274</b>	<b>1,210</b>	<b>45,742</b>
<b>Expenditure</b>														
5,016	282	362	1,202	3,631	3,086	13,579	Employee Expenses	5,166	161	547	1,192	3,571	960	11,597
470	1	162		316	1,326	2,275	Premises	718		11		333	669	1,731
293				10	164	467	Transport	276				7	146	429
1,477	349	394	765	2,080	887	5,952	Supplies & Services	1,495	708	256	793	2,216	370	5,838
			6	241	4,758	5,005	Third Party Payments					209	4,567	4,776
			374			374	Precepts & Levies				381			381
			300	19		319	Provisions for Bad Debts				357		76	433
			34,287			34,287	Housing Benefits				36,008			36,008
(4,847)	442	242	1,105	2,013	1,034	(11)	Support Service Recharges	(4,685)	268	333	1,192	1,968	923	(1)
580		(27)		77	1,753	2,383	Depreciation, Amortisation & Impairment	398	5	11		162	1,995	2,571
<b>2,989</b>	<b>1,074</b>	<b>1,133</b>	<b>38,039</b>	<b>8,387</b>	<b>13,008</b>	<b>64,630</b>	<b>Total Expenditure</b>	<b>3,368</b>	<b>1,142</b>	<b>1,158</b>	<b>39,923</b>	<b>8,466</b>	<b>9,706</b>	<b>63,763</b>
<b>2,647</b>	<b>1,006</b>	<b>(132)</b>	<b>1,779</b>	<b>3,722</b>	<b>8,644</b>	<b>17,666</b>	<b>COST OF SERVICES</b>	<b>2,932</b>	<b>1,076</b>	<b>114</b>	<b>2,211</b>	<b>3,192</b>	<b>8,496</b>	<b>18,021</b>

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

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

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

	2013/14 £'000	2014/15 £'000
<b>Cost of Services in Service Analysis</b>	<b>17,666</b>	<b>18,021</b>
add Amounts not Reported to Management		
Pension Adjustments	(1,424)	(642)
Embedded Lease Depreciation	401	379
Accrued Annual Leave	(2)	29
Miscellaneous Income and Expenditure	(108)	(192)
less Amounts not included in Comprehensive Income & Expenditure Statement		
Embedded Lease Contract Payments	(482)	(458)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(374)	(381)
Corporate Impairment Allowance	(3)	(3)
less Items Included in Financing & Investment		
Trading Undertakings	194	340
Interest & Investment Income	185	168
<b>NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>16,053</b>	<b>17,261</b>

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

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

Service Analysis	2013/14				Surplus / Deficit on Provision of Services	Service Analysis	2014/15			
	Not Reported to Management	Not Included in Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus / Deficit on Provision of Services			Not Reported to Management	Not Included in Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus / Deficit on Provision of Services
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>										
11,317	120			11,437	Fees, Charges & Other Service Income	8,392	201			8,593
185				185	Interest & Investment Income	168				168
			10,116	10,116	Council Tax				10,510	10,510
			22,736	22,736	National Non-Domestic Rates				21,530	21,530
35,462	(10)		5,767	41,219	Grants & Contributions	37,182	(7)		5,803	42,978
			15	15	Disposal of Non-Current Assets				113	113
			1,282	1,282	Fair Value of Investment Properties					0
<b>46,964</b>	<b>110</b>	<b>0</b>	<b>39,916</b>	<b>86,990</b>	<b>Total Income</b>	<b>45,742</b>	<b>194</b>	<b>0</b>	<b>37,956</b>	<b>83,892</b>
<b>Expenditure</b>										
13,579	(1,427)		2,029	14,181	Employee Expenses	11,597	(613)		2,091	13,075
2,275				2,275	Premises	1,731				1,731
467				467	Transport	429				429
5,952	2			5,954	Supplies & Services	5,838	2			5,840
5,005		(482)		4,523	Third Party Payments	4,776		(458)		4,318
			81	81	Interest Payments				79	79
374			1,878	2,252	Precepts & Levies	381			1,961	2,342
319				319	Provisions for Bad Debts	433				433
34,287				34,287	Housing Benefits	36,008				36,008
(11)				(11)	Support Service Recharges	(1)				(1)
2,383	401			2,784	Depreciation, Amortisation & Impairment	2,571	379			2,950
			10	10	Impairment of Icelandic Investment					0
			2	2	Housing Capital Receipts Pool				2	2
			50	50	Council Tax					0
			21,302	21,302	National Non-Domestic Rates				20,592	20,592
				0	Disposal of Non-Current Assets				83	83
<b>64,630</b>	<b>(1,024)</b>	<b>(482)</b>	<b>25,352</b>	<b>88,476</b>	<b>Total Expenditure</b>	<b>63,763</b>	<b>(232)</b>	<b>(458)</b>	<b>24,808</b>	<b>87,881</b>
<b>17,666</b>	<b>(1,134)</b>	<b>(482)</b>	<b>(14,564)</b>	<b>1,486</b>	<b>TOTAL</b>	<b>18,021</b>	<b>(426)</b>	<b>(458)</b>	<b>(13,148)</b>	<b>3,989</b>

## 6. NON-CURRENT ASSETS

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

	Land & Buildings £'000	PROPERTY, PLANT & EQUIPMENT Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Assets under Const'n £'000	TOTAL PROPERTY, PLANT & EQUIPMENT £'000	HERITAGE ASSETS £'000	INVESTMENT PROPERTIES £'000	INTANGIBLE ASSETS £'000	TOTAL £'000
<b>NET BOOK VALUE AT 1 APRIL 2013</b>	49,789	3,423	1,226	446	82	54,966	3,768	3,208	399	62,341
<b>Cost or Valuation</b>										
At 1 April 2013	51,478	10,785	2,780	446	82	65,571	3,768	3,326	1,036	73,701
Additions	38	2,465	103	18	36	2,660			108	2,768
Derecognition - Disposals		(2,349)	(33)			(2,382)			(200)	(2,582)
Reclassification	(162)	58			(78)	(182)				(182)
Revaluation Recognised in the Revaluation Reserve	2,473					2,473	1,229			3,702
Net Gains from Fair Value Adjustments						0		1,282		1,282
Other Movements in Cost or Valuation	(1,171)					(1,171)				(1,171)
At 31 March 2014	52,656	10,959	2,850	464	40	66,969	4,997	4,608	944	77,518
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2013	(1,689)	(7,362)	(1,554)			(10,605)		(118)	(637)	(11,360)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,359)	(1,150)	(178)			(2,687)			(187)	(2,874)
Impairment Recognised in Surplus/Deficit on the Provision of Services	124	(32)	(2)			90				90
Impairment Recognised in Revaluation Reserve						0				0
Derecognition - Disposals		2,349	33			2,382			200	2,582
Reclassification	98					98				98
Other Movements in Depreciation, Amortisation and Impairment	1,171	(4)				1,167				1,167
At 31 March 2014	(1,655)	(6,199)	(1,701)	0	0	(9,555)	0	(118)	(624)	(10,297)
<b>NET BOOK VALUE AT 31 MARCH 2014</b>	51,001	4,760	1,149	464	40	57,414	4,997	4,490	320	67,221
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	51,001	2,691	1,149	464	40	55,345	4,997	4,490	320	65,152
Leased		2,069				2,069				2,069



	Land & Buildings	PROPERTY, PLANT & EQUIPMENT Vehicles, Plant & Equipment	Infra-Structure Assets	Community Assets	Assets under Const'n	TOTAL PROPERTY, PLANT & EQUIPMENT	HERITAGE ASSETS	INVESTMENT PROPERTIES	INTANGIBLE ASSETS	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>NET BOOK VALUE AT 1 APRIL 2014</b>	51,001	4,760	1,149	464	40	57,414	4,997	4,490	320	67,221
<b>Cost or Valuation</b>										
At 1 April 2014	52,656	10,959	2,850	464	40	66,969	4,997	4,608	944	77,518
Additions	24	1,108	157	261	107	1,657			84	1,741
Derecognition - Disposals	(182)	(532)	(170)			(884)			(255)	(1,139)
Reclassification		28	10	2	(40)	0				0
Revaluation Recognised in the Revaluation Reserve	6,923					6,923	756			7,679
Net Gains from Fair Value Adjustments	0					0				0
Other Movements in Cost or Valuation	(3,867)					(3,867)				(3,867)
At 31 March 2015	55,554	11,563	2,847	727	107	70,798	5,753	4,608	773	81,932
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2014	(1,655)	(6,199)	(1,701)	0	0	(9,555)	0	(118)	(624)	(10,297)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,415)	(1,141)	(164)			(2,720)			(153)	(2,873)
Impairment Recognised in Surplus/Deficit on the Provision of Services	(57)	(20)				(77)				(77)
Impairment Recognised in Revaluation Reserve	(856)					(856)				(856)
Derecognition - Disposals	182	532	170			884			255	1,139
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	3,867	(488)				3,379				3,379
At 31 March 2015	66	(7,316)	(1,695)	0	0	(8,945)	0	(118)	(522)	(9,585)
<b>NET BOOK VALUE AT 31 MARCH 2015</b>	55,620	4,247	1,152	727	107	61,853	5,753	4,490	251	72,347
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	55,620	2,538	1,152	727	107	60,144	5,753	4,490	251	70,638
Leased		1,709				1,709				1,709

Intangible assets held consist of IT software and associated costs.

## Depreciation and Amortisation

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

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

Service	2013/14 £'000	2014/15 £'000
Cultural & Related Services	1	1
Environmental & Regulatory Services	0	0
Planning Services	0	0
Highways & Transport Services	0	0
Housing Services	0	0
Central Services to the Public	0	0
Corporate & Democratic Core	0	0
Non-Distributed Costs	186	152
<b>TOTAL</b>	<b>187</b>	<b>153</b>

## Non-Current Asset Valuation

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

In accordance with the rolling programme public conveniences were the subject of revaluation.

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

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

The Code requires the Council to consider material changes in other assets not due for revaluation in the current year under the five year rolling programme. In addition to public conveniences the Council's larger car parks, council offices and leisure premises were also the subject of revaluation by our external valuers. The resulting revaluation was a net gain of £6,746,000 of which £6,823,000 is recognised in the revaluation reserve and a net impairment of £77,000 charged to cost of services. In liaison with the Council's Estate Service Manager and our external valuers it was determined that no other property asset class required revaluation because of a notable change in value.

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

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

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

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

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
Valued at current value in:					
2014/15	6,534	4,247	4,084		14,865
2013/14	532		1,229	4,490	6,251
2012/13	34,104		178		34,282
2011/12	7,563		166		7,729
2010/11	6,887		96		6,983
<b>TOTAL</b>	<b>55,620</b>	<b>4,247</b>	<b>5,753</b>	<b>4,490</b>	<b>70,110</b>

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

## Outstanding Capital Commitments

As at 31 March 2015 the Council had no significant outstanding capital commitments.

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

	2013/14 £'000	2014/15 £'000
Capital Renewals	429	539
Tonbridge Memorial Gardens	20	266
Sports Grounds	3	133
Refuse / Green Bin Growth / Replacement	123	80
Tonbridge Town Lock	0	75
Information Technology Initiatives	86	36
Larkfield Leisure Centre	0	33
Car Parks	72	32

## The Capital Expenditure was financed as follows: -

	2013/14 £'000	2014/15 £'000
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
<b>Capital Investment</b>		
Purchase of Non-Current Assets		
Property, Plant & Equipment	734	1,150
Intangible Assets	108	84
<b>Total</b>	<b>842</b>	<b>1,234</b>
<b>Sources of Finance</b>		
Revenue	(685)	(813)
Capital Grants & Contributions	(87)	(306)
Capital Receipts	(70)	(115)
<b>Total</b>	<b>(842)</b>	<b>(1,234)</b>
<b>CLOSING CAPITAL FINANCING REQUIREMENT</b>	<b>0</b>	<b>0</b>

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

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

	2013/14 £'000	2014/15 £'000
<b>Net Book Value</b>		
Land at Sovereign Way	0	0
Lamberts Yard Public Convenience	0	49
Ridgeway Public Convenience	0	34
<b>Total</b>	<b>0</b>	<b>83</b>
<b>Sale Proceeds</b>		
Land at Sovereign Way	(15)	0
Lamberts Yard Public Convenience	0	(59)
Ridgeway Public Convenience	0	(54)
<b>Total</b>	<b>(15)</b>	<b>(113)</b>
<b>(GAIN) / LOSS ON DISPOSAL</b>	<b>(15)</b>	<b>(30)</b>

#### Heritage Assets

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

	At 31 March 2014 £'000	At 31 March 2015 £'000
Tonbridge Castle Gatehouse	4,875	5,610
Civic Regalia	55	55
Sculptures	30	50
Paintings	37	38
<b>TOTAL</b>	<b>4,997</b>	<b>5,753</b>

#### Assets Held for Sale

The table below shows assets that were listed as available for sale.

	At 31 March 2014 £'000	At 31 March 2015 £'000
<b>Public Conveniences</b>		
Lamberts Yard, Tonbridge	49	0
Ridgeway, Tonbridge	34	0
<b>TOTAL</b>	<b>83</b>	<b>0</b>

## 7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>				
House Renovation Grants	720		641	
Repair & Renew Grant	0		384	
Land Drainage & Flood Defence	131		18	
Other	52	903	64	1,107
<b>Grants &amp; Contributions Received</b>				
Disabled Facilities Grant Subsidy	(415)		(424)	
Repair & Renew Grant	0		(384)	
Housing Assistance Grant Repaid	(117)		(47)	
Other	(18)	(550)	(14)	(869)
<b>TOTAL</b>		<b>353</b>		<b>238</b>

## 8. LEASES

### Lessee – Operating Lease

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2014/15 (2013/14) was £60,000 (£36,000). The future cash payments required under these leases are: £12,000 not later than one year; £6,000 later than one year but not later than five years; and £nil later than five years.

### Lessee – Finance Lease

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

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

	Current Year 2014/15 £ 000's	Current Year +1 2015/16 £ 000's	Current Year +2 2016/17 £ 000's	Current Year +3 2017/18 £ 000's	Current Year +4 2018/19 £ 000's
Estimated Lease Value					
Principal	379	362	362	362	348
Interest	79	76	76	76	73
Total	458	438	438	438	421
Estimated Net Book Value					
Vehicles	1,709	1,347	985	623	275

## 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.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Rental Income Due	342	328	294	265	258	251	244

## 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.

	2013/14 £'000	2014/15 £'000
<b>Commercial Property</b>		
Income	(272)	(268)
less Expenditure	135	20
<b>(Surplus) / Deficit</b>	<b>(137)</b>	<b>(248)</b>
<b>Industrial Estates</b>		
Income	(62)	(97)
less Expenditure	5	5
<b>(Surplus) / Deficit</b>	<b>(57)</b>	<b>(92)</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>(194)</b>	<b>(340)</b>

The Balance Sheet value of these properties at the 31 March 2015 was £4,494,000 (£4,490,000 Investment Properties and £4,000 Land and Buildings). There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

## Lessor – Finance Lease

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

## 9. INTEREST AND INVESTMENTS

### Interest and Investment Income

	2013/14 £'000	2014/15 £'000	Year on Year Change £'000
Externally Managed Funds	(85)	(28)	57
Internally Managed Funds	(95)	(136)	(41)
Interest on Other Miscellaneous Loans	(5)	(4)	1
<b>TOTAL</b>	<b>(185)</b>	<b>(168)</b>	<b>17</b>

## Long Term Investments

	At 31 March 2014				At 31 March 2015			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Externally Managed Funds</b>								
UK Government	2,281	(52)	5	2,234	0			0
<b>Total</b>	<b>2,281</b>	<b>(52)</b>	<b>5</b>	<b>2,234</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>2,281</b>	<b>(52)</b>	<b>5</b>	<b>2,234</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Short Term Investments

	At 31 March 2014				At 31 March 2015			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Externally Managed Funds</b>								
Commonwealth Bank	600			600	0			0
ING Bank	2,900		3	2,903	0			0
Investec Liquidity Funds	109			109	0			0
Nationwide Building Society	500			500	0			0
Nordea Group	3,000		3	3,003	0			0
Rabobank	140			140	0			0
Standard Chartered Bank	1,300		1	1,301	0			0
Svenska Handelsbanken	2,100		4	2,104	0			0
UK Government	499		1	500	0			0
Cash on Deposit	3			3	0			0
<b>Total</b>	<b>11,151</b>	<b>0</b>	<b>12</b>	<b>11,163</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Internally Managed Funds</b>								
Bank of Scotland	1,000		11	1,011	2,000		12	2,012
Barclays Bank	0			0	2,250		9	2,259
Lloyds Bank	1,000		10	1,010	1,500		11	1,511
Nationwide Building Society	0			0	2,250		5	2,255
Royal Bank of Scotland	0			0	1,000	(1)		999
Standard Chartered Bank	0			0	2,000	1	10	2,011
<b>Total</b>	<b>2,000</b>	<b>0</b>	<b>21</b>	<b>2,021</b>	<b>11,000</b>	<b>0</b>	<b>47</b>	<b>11,047</b>
<b>TOTAL</b>	<b>13,151</b>	<b>0</b>	<b>33</b>	<b>13,184</b>	<b>11,000</b>	<b>0</b>	<b>47</b>	<b>11,047</b>

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

## Transactions in the Year in respect of Externally Managed Funds

Short & Long Term	2013/14 £'000	2014/15 £'000
Balance at 1 April	15,391	13,397
Net Yield on Externally Managed Funds	35	73
Withdrawal of Funds Held	(2,000)	(13,455)
Management Fee	(29)	(15)
<b>BALANCE AT 31 MARCH</b>	<b>13,397</b>	<b>0</b>

### Cash Equivalents (Note 17 refers)

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

### Disclosure Requirements under IFRS 7 (Financial Instruments: Disclosure)

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

- Class of investment.
- Interest received by class of investment.
- Market valuation of each type of investment as at 31 March 2015.
- Management of risk.

### Investment Classification

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

	At 31 March 2014			At 31 March 2015		
	Loans and receivables £'000	Available- for-sale £'000	Total £'000	Loans and receivables £'000	Available- for-sale £'000	Total £'000
<b>Long Term</b>						
Externally Managed Funds		2,234	2,234			0
	<b>0</b>	<b>2,234</b>	<b>2,234</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Short Term</b>						
Externally Managed Funds	252	10,911	11,163			0
Internally Managed Funds	2,021		2,021	8,037	3,010	11,047
	<b>2,273</b>	<b>10,911</b>	<b>13,184</b>	<b>8,037</b>	<b>3,010</b>	<b>11,047</b>
<b>TOTAL</b>	<b>2,273</b>	<b>13,145</b>	<b>15,418</b>	<b>8,037</b>	<b>3,010</b>	<b>11,047</b>



## Interest Received

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

	Loans and receivables £'000	2013/14 Available- for-sale £'000	Total £'000	Loans and receivables £'000	2014/15 Available- for-sale £'000	Total £'000
<b>Interest &amp; Investment Income</b>						
Interest Income	(23)	(90)	(113)	(66)	(28)	(94)
Losses on Derecognition		7	7			0
<b>TOTAL</b>	<b>(23)</b>	<b>(83)</b>	<b>(106)</b>	<b>(66)</b>	<b>(28)</b>	<b>(94)</b>

## Market Valuation

The accounts are required to show the 'fair value' of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

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

	At 31 March 2014		At 31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash held by External Fund Manager	3	3	0	0
Externally Managed Funds	13,394	13,394	0	0
Deposits with Banks & Building Societies	2,021	2,021	11,047	11,047
<b>TOTAL</b>	<b>15,418</b>	<b>15,418</b>	<b>11,047</b>	<b>11,047</b>

## Management of Risk

### Credit Risk

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

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

	Amounts as at 31 March 2015	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2015	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
<b>Investments</b>				
Deposits with Banks & Building Societies	11,047	0.5%	0%	0
<b>TOTAL</b>	<b>11,047</b>			<b>0</b>

### Interest Rate Risk

Interest rate movements will clearly have an impact on investment returns. To put this into context, 1% would currently generate investment income of about £110,000 (£154,000 in 2013/14).

## 10. PENSION COSTS

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

The LGPS is a national scheme that is administered locally – all employees have the right to join and the Council cannot prevent this. The scheme is a career average one, with the pension benefits being determined by career average salary and length of service. Employee contribution rates are set by Government and range from 5.5% to 12.5% and the fund actuary, Barnett Waddingham, sets the employer's contribution rate. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees' career average salary and length of service. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The KCC pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. This Committee is responsible for: setting investment strategy; appointing professional fund managers; carrying out regular reviews; monitoring of investments; monitoring the administration of the pension scheme; and determining pension fund policy in regard to employer admission arrangements. The Committee consists of 12 members with voting rights (nine from KCC and three from district councils) and 5 other members without voting rights. Policy is determined in accordance with the *Local Government Pensions Fund Regulations 1997* as amended.

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

## Transactions Relating to Retirement Benefits

	2013/14 £'000	2014/15 £'000
<b>Amounts Charged to Income and Expenditure Statement</b>		
Net Cost of Services		
Current Service Costs	2,133	1,855
Past Service Costs (Change in Benefit)	69	144
Curtailments and Settlements	(984)	0
Administration Expenses	57	50
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	2,029	2,091
<b>Net Charge to the Income and Expenditure Statement</b>	<b>3,304</b>	<b>4,140</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(3,304)	(4,140)
<b>Actual Amount Charged to the General Fund for Pensions in the Year</b>		
Employers' contributions payable to scheme	2,699	2,691
<b>CONTRIBUTION (FROM) / TO PENSIONS RESERVE</b>	<b>(605)</b>	<b>(1,449)</b>

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

In addition, an actuarial loss of £11,695,000 in 2014/15 and a loss of £346,000 in 2013/14 are included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

## Assets and Liabilities in Relation to Retirement Benefits

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

Reconciliation of the Present Value of Scheme Liabilities	2013/14 £'000	2014/15 £'000
<b>Opening Balance at 1 April - Defined Benefit Obligation</b>	<b>115,810</b>	<b>115,266</b>
Current Service Costs	2,133	1,855
Past Service Costs	69	144
Contributions from Scheme Participants	525	505
(Gains) / Losses on Settlements and Curtailments	(3,169)	0
Interest Cost	4,952	4,979
Change in Financial Assumptions	273	16,207
Change in Demographic Assumptions	2,904	0
Experience Loss / (Gain) on Defined Benefit Obligation	(3,660)	(72)
Benefits Paid	(4,277)	(4,626)
Unfunded Pension Payments	(294)	(295)
<b>CLOSING BALANCE AT 31 MARCH - DEFINED BENEFIT OBLIGATION</b>	<b>115,266</b>	<b>133,963</b>

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

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

Reconciliation of the Fair Value of Scheme Assets	2013/14 £'000	2014/15 £'000
<b>Opening Balance at 1 April - Fair Value of Scheme Assets</b>	<b>67,985</b>	<b>66,490</b>
Interest on Assets	2,923	2,888
Return on Assets Less Interest	2,516	4,440
Other Actuarial Gains/(Losses)	(3,346)	0
Gains / (Losses) on Settlements and Curtailments	(2,185)	0
Employers' Contributions	2,699	2,691
Contributions from Scheme Participants	525	505
Benefits Paid	(4,570)	(4,921)
Administration Expenses	(57)	(50)
<b>CLOSING BALANCE AT 31 MARCH - FAIR VALUE OF SCHEME ASSETS</b>	<b>66,490</b>	<b>72,043</b>

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

The actual return on scheme assets in the year: gain of £7,328,000 (2013/14: gain of £5,439,000).

	2013/14 £'000	2014/15 £'000
Present value of funded obligation	111,917	130,473
Fair value of scheme assets (bid price)	66,490	72,043
<b>Sub-total</b>	<b>45,427</b>	<b>58,430</b>
Present value of unfunded obligation	3,349	3,490
<b>NET PENSION LIABILITY</b>	<b>48,776</b>	<b>61,920</b>

The increase in pension deficit during the year has arisen due to the corporate bonds based method that is used to value the liabilities. Bond yields have fallen during the year leading to an increase in liabilities. The increase in Scheme assets offset in part the increase in liabilities.

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

## Reconciliation of Opening & Closing Surplus / Deficit

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

Surplus / (Deficit)	2013/14 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>(47,825)</b>	<b>(48,776)</b>
Current Service Costs	(2,133)	(1,855)
Past Service Costs	(69)	(144)
(Gains) / Losses on Settlements and Curtailments	984	0
Actuarial Gains / (Losses)	(346)	(11,695)
Employers' Contributions	2,405	2,396
Unfunded Pension Payments	294	295
Administration Expenses	(57)	(50)
Other Finance Income	(2,029)	(2,091)
<b>BALANCE AT 31 MARCH</b>	<b>(48,776)</b>	<b>(61,920)</b>

## Breakdown of Assets Held by Pension Fund shown at Fair Value

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

Assets	At 31 March 2014		At 31 March 2015	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Equities	47,208	71	49,234	68
Bonds	7,314	11	8,013	11
Property	6,649	10	8,949	13
Cash	1,995	3	1,970	3
Target Return Portfolio	2,659	4	3,124	4
Gilts	665	1	753	1
<b>TOTAL</b>	<b>66,490</b>	<b>100</b>	<b>72,043</b>	<b>100</b>

## Scheme History

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Present Value of Liabilities	(89,937)	(105,586)	(115,810)	(115,266)	(133,963)
Fair Value of Assets	59,836	59,799	67,985	66,490	72,043
<b>SURPLUS / (DEFICIT) IN THE SCHEME</b>	<b>(30,101)</b>	<b>(45,787)</b>	<b>(47,825)</b>	<b>(48,776)</b>	<b>(61,920)</b>
Experience Gains / (Losses) on Assets	2,859	(3,284)	0	(3,346)	0
Percentage of Assets	4.8%	(5.5%)	0.0%	(5.0%)	0.0%
Experience Gains / (Losses) on Liabilities	7,259	(133)	(170)	3,660	72
Percentage of Liabilities	8.1%	(0.1%)	(0.1%)	3.2%	0.1%

## Actuarial Gains and Losses

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	22,394	(15,854)	(530)	(346)	(11,695)
<b>CUMULATIVE ACTUARIAL GAINS / (LOSSES)</b>	<b>(17,879)</b>	<b>(33,733)</b>	<b>(34,263)</b>	<b>(34,609)</b>	<b>(46,304)</b>

### Basis for Estimating Assets and Liabilities

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

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

	2013/14	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.7 Years	22.8 Years
Women	25.1 Years	25.2 Years
Longevity at 65 for future pensioners:		
Men	24.9 Years	25.1 Years
Women	27.4 Years	27.6 Years
RPI Increases	3.5%	3.1%
CPI Increases	2.7%	2.3%
Salary Increases	4.5%	4.1%
Pension Increases	2.7%	2.3%
Discount Rate	4.4%	3.2%

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

### Sensitivity Analysis

The following table sets out the impact of a small change in the discount rate; salary increase; pension increase; and mortality assumptions on the defined benefit obligation and projected service cost.

	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present Value of Total Obligation	131,713	133,963	136,251
Projected Service Cost	2,244	2,294	2,345
Adjustment to Long Term Salary Increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	134,218	133,963	133,707
Projected Service Cost	2,295	2,294	2,293
Adjustment to Pensions Increase and Deferred Revaluation	0.1%	0.0%	-0.1%
Present Value of Total Obligation	136,013	133,963	131,946
Projected Service Cost	2,345	2,294	2,244
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	129,261	133,963	138,705
Projected Service Cost	2,216	2,294	2,373

## Projected Pension Expense for the Year to 31 March 2016

These projections are based on the Actuary's assumptions as at 31 March 2015.

	2015/16 Projection £'000
Service Cost	2,294
Net Interest on the defined liability (asset)	1,942
Administration Expenses	54
Total	<u>4,290</u>
Employers' Contributions	2,471

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

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

Council Tax	2013/14 £'000	2014/15 £'000
Borough Council's Council Tax	(8,098)	(8,421)
Parish Councils' Council Tax	(1,878)	(1,961)
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	50	(97)
Council Tax (Surplus) / Deficit	(140)	(31)
<b>TOTAL</b>	<b>(10,066)</b>	<b>(10,510)</b>

National Non-Domestic Rates	2013/14 £'000	2014/15 £'000
Share of National Non-Domestic Rates	(21,553)	(21,205)
Tariff / (Top-Up)	19,395	19,772
Safety Net	(1,183)	(325)
Prior Year's Estimated Accumulated Non Domestic Rates (Surplus) / Deficit	0	533
National Non-Domestic Rates (Surplus) / Deficit	1,907	287
<b>TOTAL</b>	<b>(1,434)</b>	<b>(938)</b>

Collection Fund Adjustment Account	Balance at 1 April 2013 £'000	2013/14 Surplus / (Deficit) £'000	Balance at 31 March 2014 £'000	2014/15 Surplus / (Deficit) £'000	Balance at 31 March 2015 £'000
Council Tax	(34)	140	106	31	137
National Non-Domestic Rates	0	(1,907)	(1,907)	(287)	(2,194)
<b>TOTAL</b>	<b>(34)</b>	<b>(1,767)</b>	<b>(1,801)</b>	<b>(256)</b>	<b>(2,057)</b>

## 12. GRANT INCOME

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

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

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
<b>General Government Grants</b>				
New Homes Bonus	(1,636)		(2,396)	
Revenue Support Grant	(3,023)		(2,307)	
Small Business & Empty Property Rate Relief Grant	(316)		(346)	
Retail Relief Grant	0		(179)	
Business Rates Flood Relief Grant	(109)		(43)	
2% Inflation Cap Grant	0		(12)	
New Build Empty Property Relief	0		(10)	
Business Support Scheme Grant	(250)		0	
Severe Weather Recovery Scheme Grant	(249)		0	
Other	(78)	(5,661)	(35)	(5,328)
<b>Capital Grants &amp; Contributions</b>				
Environment Agency Contribution	0		(150)	
Ashby's Yard Developer Contribution	(20)		(69)	
Council Tax Reform Grant	0		(60)	
River Walk Developer Contribution	0		(38)	
Tonbridge Memorial Garden Trust Contribution	0		(35)	
SITA Trust Contribution	0		(32)	
Implementing Individual Electoral Registration Grant	0		(30)	
Pinnacles PH Developer Contribution	(36)		0	
Lyons House Developer Contribution	(30)		0	
Other	(20)	(106)	(61)	(475)
<b>TOTAL</b>		<b>(5,767)</b>		<b>(5,803)</b>

### Credited to Services

	2013/14	2014/15
	£'000	£'000
Rent Allowance Subsidy	(33,632)	(34,941)
Benefits Administration Grant	(612)	(451)
Disabled Facilities Grant Subsidy	(415)	(424)
Repair & Renew Grant	0	(383)
NNDR Cost of Collection Allowance	(168)	(168)
Discretionary Housing Payment Contribution	(130)	(165)
Council Tax Flood Relief Grant	(41)	(150)
Non-HRA Rent Rebate Subsidy	(56)	(137)
Local Council Tax Support Administration Grant	0	(109)
Local Benefits Scheme Subsidy	(67)	(70)
Implementing Individual Electoral Registration Grant	(7)	(46)
Council Tax Reform Grant	(57)	(16)
Bellwin Grant	(99)	0
Other	(178)	(122)
<b>TOTAL</b>	<b>(35,462)</b>	<b>(37,182)</b>



The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found on page 57 Note 20.

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

#### Emoluments

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

Remuneration Band	Number of Employees	
	2013/14	2014/15
£50,000 - £54,999	16	15
£55,000 - £59,999	4	5
£60,000 - £64,999	2	2
£65,000 - £69,999	-	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	2	2
£90,000 - £94,999	2	2
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	-	1
<b>TOTAL</b>	<b>27</b>	<b>28</b>

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

	Post Title	Salary, Fees & All'ces £'000	Expenses All'ces £'000	Comp for Loss of Office £'000	Benefits in Kind £'000	Total Excl Pension £'000	Pension Contrib's £'000	Total Including Pension £'000
2013/14	Chief Executive	106	2	0	6	114	15	129
	Director of Central Services	81	2	0	4	87	11	98
	Director of Finance and Transformation	85	2	0	4	91	12	103
	Director of Health and Housing	10	0	0	0	10	2	12
	Director of Planning, Housing and Env Health	85	1	0	5	91	12	103
	Chief Leis Off / Director of Street Scene & Leisure	80	6	0	0	86	11	97
	<b>TOTAL</b>	<b>447</b>	<b>13</b>	<b>0</b>	<b>19</b>	<b>479</b>	<b>63</b>	<b>542</b>
2014/15	Chief Executive	109	1	0	6	116	16	132
	Director of Central Services	84	2	0	2	88	13	101
	Director of Finance and Transformation	86	0	0	4	90	13	103
	Director of Planning, Housing and Env Health	86	0	0	5	91	13	104
	Director of Street Scene & Leisure	83	5	0	0	88	13	101
	<b>TOTAL</b>	<b>448</b>	<b>8</b>	<b>0</b>	<b>17</b>	<b>473</b>	<b>68</b>	<b>541</b>

At 31 March 2015 (2014) the Council employed 284 (294) permanent staff, equating to 236 (249) full-time equivalents.

#### Accrued Annual Leave

The Council is required to accrue for annual leave not taken by staff at the end of the accounting period. At the end of 2014/15 (2013/14) this was estimated to be £93,000 (£64,000).

## 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.

	2013/14		2014/15	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
<b>Compulsory Redundancies</b>				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	2	53
£40,000 - £59,999	-	-	-	-
<b>Other Agreed Departures</b>				
£0 - £19,999	4	19	4	16
£20,000 - £39,999	1	36	-	-
£40,000 - £59,999	-	-	1	43
<b>TOTAL</b>	<b>5</b>	<b>55</b>	<b>7</b>	<b>112</b>

## 14. CAPITAL RECEIPTS

### Usable Capital Receipts

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

	2013/14			2014/15		
	General Fund £'000	Housing £'000	Total £'000	General Fund £'000	Housing £'000	Total £'000
Balance at 1 April	0	0	0	0	0	0
Usable Capital Receipts Received	68	4	72	115	4	119
Disposal Costs			0	(2)		(2)
	<u>68</u>	<u>4</u>	<u>72</u>	<u>113</u>	<u>4</u>	<u>117</u>
less <b>Usable Capital Receipts Applied</b>						
Purchase of Non-Current Assets	68	2	70	113	2	115
Pooled Housing Capital Receipts		2	2		2	2
<b>BALANCE AT 31 MARCH</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of council houses, which will be received in instalments over agreed periods of time.

	2013/14 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>66</b>	<b>10</b>
Deferred Sale Proceeds	0	0
Receipts	(56)	(4)
<b>BALANCE AT 31 MARCH</b>	<b>10</b>	<b>6</b>

## 15. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2013/14	Revenue Reserve for Capital Schemes	8,341	350	(1,188)	7,503
	General Revenue Reserve	5,617	297		5,914
	Building Repairs Reserve	66	560	(609)	17
	Earmarked Reserves				
	Business Rates Retention Scheme	0	1,500		1,500
	Special Projects	446	10	(78)	378
	Tonbridge & Malling Leisure Trust	0	200		200
	Housing Assistance	0	150		150
	Election	88	25	(6)	107
	Tonbridge Town Centre	184		(35)	149
	Community Enhancement Fund	264		(3)	261
	Flood Recovery & Defence	0	176		176
	Business Support Scheme	0	250		250
	Other Earmarked Reserves	940	166	(576)	530
<b>TOTAL</b>	<b>15,946</b>	<b>3,684</b>	<b>(2,495)</b>	<b>17,135</b>	
2014/15	Revenue Reserve for Capital Schemes	7,503	405	(1,077)	6,831
	General Revenue Reserve	5,914		(1,243)	4,671
	Building Repairs Reserve	17	750	(691)	76
	Earmarked Reserves				
	Business Rates Retention Scheme	1,500	755		2,255
	Special Projects	378	700	(145)	933
	Tonbridge & Malling Leisure Trust	200		(19)	181
	Housing Assistance	150	26		176
	Election	107	58		165
	Tonbridge Town Centre	149		(22)	127
	Community Enhancement Fund	261		(153)	108
	Flood Recovery & Defence	176		(76)	100
	Business Support Scheme	250		(250)	0
	Other Earmarked Reserves	530	95	(105)	520
<b>TOTAL</b>	<b>17,135</b>	<b>2,789</b>	<b>(3,781)</b>	<b>16,143</b>	

## **Reserve**

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

#### **General Revenue Reserve**

#### **Building Repairs Reserve**

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

#### **Special Projects**

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

#### **Housing Assistance**

#### **Election**

#### **Tonbridge Town Centre**

#### **Community Enhancement Fund**

#### **Flood Recovery & Defence**

#### **Business Support Scheme**

#### **Other Earmarked Reserves**

## **Purpose of the Reserve**

Established to finance future capital expenditure.

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

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

Established, in the main, to take account of accounting arrangements, e.g. safety net payment accounted for in year and the deficit that triggered the safety net payment in the following year.

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

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

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 in respect of the redevelopment of Tonbridge town centre.

Established for the delivery and support of local projects.

Funding from Government to help the Council in its recovery efforts following the severe weather.

One of the flood support schemes administered by local authorities to support businesses recover from the impacts of flooding in 2013/14.

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

## 16. DEBTORS

### Long Term Debtors

	At 31 March 2014 £'000	At 31 March 2015 £'000
Employees	81	66
Mortgagors	37	23
<b>TOTAL</b>	<b>118</b>	<b>89</b>

### Short Term Debtors

	At 31 March 2014			At 31 March 2015		
	Gross Value £'000	Impairment Allowance £'000	Net Value £'000	Gross Value £'000	Impairment Allowance £'000	Net Value £'000
<b>General Fund</b>						
Central Government	1,639		1,639	1,539		1,539
Housing Benefit Claimants (current & former)	2,276	(1,384)	892	2,690	(1,695)	995
Payments in Advance	536		536	343		343
Local Authorities	184		184	166		166
National Health Service	2		2	2		2
Public Corporations	1		1	0		0
Other Debtors	723	(102)	621	606	(145)	461
	<b>5,361</b>	<b>(1,486)</b>	<b>3,875</b>	<b>5,346</b>	<b>(1,840)</b>	<b>3,506</b>
<b>Collection Fund</b>						
Council Tax Payers (Borough Council's share)	781	(202)	579	874	(236)	638
NNDR Payers (Borough Council's share)	731	(164)	567	467	(152)	315
Central Government	990		990	236		236
Local Authorities	198		198	47		47
	<b>2,700</b>	<b>(366)</b>	<b>2,334</b>	<b>1,624</b>	<b>(388)</b>	<b>1,236</b>
<b>TOTAL</b>	<b>8,061</b>	<b>(1,852)</b>	<b>6,209</b>	<b>6,970</b>	<b>(2,228)</b>	<b>4,742</b>

The downward movement in debtors is largely due to the reduction in the amount owed by central government under the Business Rates Retention Scheme including the safety net payment due under the Scheme and our share of sums owed by business ratepayers offset by an increase in the amount owed in respect of housing benefit overpayments.

## Impairment Allowance

	Housing Benefit Claimants £'000	Homeless -ness Debtors £'000	General Debtors £'000	Council Tax Payers £'000	NNDR Payers £'000	Total £'000	
<b>2013/14</b>	Balance at 1 April	1,122	80	23	176	132	1,533
	Write-Offs	(36)	(11)	(14)	(12)	(148)	(221)
	Contribution to Allowance	297	19	3	38	180	537
	Receipts/Adjustments	1		2			3
<b>BALANCE AT 31 MARCH</b>	<b>1,384</b>	<b>88</b>	<b>14</b>	<b>202</b>	<b>164</b>	<b>1,852</b>	
<b>2014/15</b>	Balance at 1 April	1,384	88	14	202	164	1,852
	Write-Offs	(45)	(32)	(4)	(13)	(189)	(283)
	Contribution to Allowance	355		79	47	177	658
	Receipts/Adjustments	1					1
<b>BALANCE AT 31 MARCH</b>	<b>1,695</b>	<b>56</b>	<b>89</b>	<b>236</b>	<b>152</b>	<b>2,228</b>	

The increase in the impairment allowance is largely due to the increase in outstanding housing benefit overpayments and amounts owed by Aylesford Newsprint when they went into administration in February 2015.

The impairment allowance in respect of council tax and national non-domestic rates represent the Borough Council's share only. The total impairment allowance in respect of council tax and national non-domestic rates can be found on page 64.

### Disclosure Requirements under IFRS 7 (Financial Instruments: Disclosures)

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

### Age of Debt

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

Age of Debt	At 31 March 2014				At 31 March 2015			
	General Debtors £'000	Homeless -ness £'000	Public Sector Bodies £'000	Total £'000	General Debtors £'000	Homeless -ness £'000	Public Sector Bodies £'000	Total £'000
< 1 month	551	8	179	738	421	1	168	590
1 - 3 months	39	12	4	55	83	5	0	88
3 - 6 months	14	14	3	31	30	4	0	34
6 - 12 months	4	17	0	21	9	6	0	15
1 year +	10	54	1	65	10	37	0	47
<b>TOTAL</b>	<b>618</b>	<b>105</b>	<b>187</b>	<b>910</b>	<b>553</b>	<b>53</b>	<b>168</b>	<b>774</b>

## Collectability of Debt

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

	Amounts as at 31 March 2015	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2015	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
Debtors				
General Debtors	553	3.4	16.1	89
Homelessness	53	23.9	90.6	48
<b>TOTAL</b>	<b>606</b>			<b>137</b>

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

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

## 17. CASH & CASH EQUIVALENTS

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

	At 31 March 2014 £'000	At 31 March 2015 £'000
<b>Internally Managed Funds</b>		
BNP Paribas MMF	0	1,855
Handelsbanken	0	2,000
Insight	250	1,050
National Westminster Bank	1,202	10
Santander	2,100	3,551
	<b>3,552</b>	<b>8,466</b>
<b>Cash in Hand</b>	<b>406</b>	<b>325</b>
<b>TOTAL</b>	<b>3,958</b>	<b>8,791</b>



## 18. SHORT TERM CREDITORS

	At 31 March 2014 £'000	At 31 March 2015 £'000
<b>General Fund</b>		
Central Government	(465)	(454)
Local Authorities	(391)	(391)
Receipts in Advance	(183)	(193)
Employees	(64)	(93)
Mortgagors	(15)	(6)
Public Corporations	(3)	0
National Health Service	(2)	0
Other Creditors	(954)	(1,404)
	<u>(2,077)</u>	<u>(2,541)</u>
<b>Collection Fund</b>		
Local Authorities	(968)	(613)
NNDR Payers (Borough Council's share)	(784)	(439)
Council Tax Payers (Borough Council's share)	(289)	(204)
Central Government	(940)	(103)
	<u>(2,981)</u>	<u>(1,359)</u>
<b>TOTAL</b>	<b>(5,058)</b>	<b>(3,900)</b>

The downward movement in creditors is largely due to the reduction in the amount owed to central government under the Business Rates Retention Scheme and our share of sums owed to business ratepayers offset by an increase in other creditors largely as a result of the payment of housing benefit in respect of 2014/15 in the first week of 2015/16.

### Disclosure Requirements under IFRS 7 (Financial Instruments: Disclosures)

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

	At 31 March 2014 £'000	At 31 March 2015 £'000
<b>General Fund</b>		
Local Authorities	(141)	(257)
National Health Service	(2)	0
Public Corporations	(3)	0
Mortgagors	(15)	(6)
Other Creditors	(954)	(1,404)
<b>TOTAL</b>	<b>(1,115)</b>	<b>(1,667)</b>

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

## 19. PROVISIONS

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

		Balance at 1 April £'000	Additions in Year £'000	Expenditure in Year £'000	Reversal £'000	Balance at 31 March £'000
2013/14	NNDR Appeals	0	(856)			(856)
	Adoption of Amenity Areas	(89)				(89)
	Municipal Mutual Insurance	(75)		45		(30)
	Bryant Homes Play Equipment	(20)				(20)
	Performance Bonds	(27)			27	0
<b>TOTAL</b>		<b>(211)</b>	<b>(856)</b>	<b>45</b>	<b>27</b>	<b>(995)</b>
2014/15	NNDR Appeals	(856)	(1,848)	856		(1,848)
	Personal Search Fees	0	(112)			(112)
	Adoption of Amenity Areas	(89)				(89)
	Municipal Mutual Insurance	(30)				(30)
	Bryant Homes Play Equipment	(20)			20	0
<b>TOTAL</b>		<b>(995)</b>	<b>(1,960)</b>	<b>856</b>	<b>20</b>	<b>(2,079)</b>

- NNDR Appeals – business ratepayers can appeal against the rateable value applied to the property by the Valuation Office. This provision represents our share of the cost arising from successful appeals.
- Personal Search Fees – A group of property search companies are seeking to claim refunds of fees paid to the Council to access land charges data. The Council has been informed that the value of the claim is in the order of £112,000 at the end of the financial year.
- Adoption of Amenity Areas – repairs to a banked area of the M20 slip road at Junction 4.
- Municipal Mutual Insurance – in 1992 the company failed and went into solvent “run-off”. If a solvent “run-off” is not achieved the Council is liable to repay sums paid out on its behalf to settle claims. The maximum amount liable to clawback is the total claim payments of £352,460 less £50,000. In 2013/14 the appointed administrators, Ernst & Young, set the amount liable to clawback at 15% and as a result a payment was made to MMI in the sum of £45,369.
- Bryant Homes Play Equipment – development of play areas in the Hilltop area. Release of provision to meet expenditure incurred in prior years.

## 20. GRANTS AND CONTRIBUTIONS IN ADVANCE AND GRANTS AND CONTRIBUTIONS UNAPPLIED

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

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

		Balance at 1 April £'000	Receipts £'000	Interest £'000	Transfer to Third Parties £'000	Applied to Capital £'000	Applied to Revenue £'000	Balance at 31 March £'000
2013/14	Medway Wharf Road	(607)		(4)				(611)
	Town Lock	(230)						(230)
	Air Quality	(150)						(150)
	Ashby's Yard	(81)	(148)	(1)	39	20		(171)
	Holborough Valley	(390)		(3)	116			(277)
	Other	(387)	(2)	(1)	5	16		(369)
	<b>TOTAL</b>	<b>(1,845)</b>	<b>(150)</b>	<b>(9)</b>	<b>160</b>	<b>36</b>	<b>0</b>	<b>(1,808)</b>
2014/15	Medway Wharf Road	(611)		(4)				(615)
	Discovery Drive	0	(292)					(292)
	Town Lock	(230)						(230)
	Air Quality	(150)						(150)
	River Walk	0	(168)	(1)		37		(132)
	Peters Village	0	(126)					(126)
	Ashby's Yard	(171)		(1)		69		(103)
	Holborough Valley	(277)		(1)	278			0
Other	(369)		(1)	53	23	29	(265)	
<b>TOTAL</b>	<b>(1,808)</b>	<b>(586)</b>	<b>(8)</b>	<b>331</b>	<b>129</b>	<b>29</b>	<b>(1,913)</b>	

### 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
2013/14	Leybourne Lakes	400				400
	Leybourne Lakes	344				344
	Hale Street	248				248
	Medway Wharf Road	101				101
	Other	278	69	(55)	(5)	287
<b>TOTAL</b>	<b>1,371</b>	<b>69</b>	<b>(55)</b>	<b>(5)</b>	<b>1,380</b>	
2014/15	Leybourne Lakes	400				400
	Leybourne Lakes	344				344
	Hale Street	248				248
	Castle River Bank	0	147			147
	Medway Wharf Road	101				101
	Other	287	99	(78)	(7)	301
<b>TOTAL</b>	<b>1,380</b>	<b>246</b>	<b>(78)</b>	<b>(7)</b>	<b>1,541</b>	

## 21. CAPITAL ADJUSTMENT ACCOUNT

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

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>42,710</b>		<b>42,905</b>
<b>Capital Financing applied in year</b>				
Revenue	685		813	
Capital Grants & Contributions	87		306	
Capital Receipts	70		115	
Minimum Revenue Provision	401	1,243	379	1,613
<b>Reversal of items charged to the Comprehensive Income and Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,874)		(2,873)	
Impairment of Non-Current Assets	90		(77)	
Net Book Value of Assets Disposed	0	(2,784)	(60)	(3,010)
<b>Amounts Written-out of the Revaluation Reserve</b>				
Difference between fair value & historical cost depreciation	454		511	
Accumulated Gains on Assets Disposed	0	454	0	511
<b>Movement in the Fair Value of Investment Properties</b>		<b>1,282</b>		<b>0</b>
<b>BALANCE AT 31 MARCH</b>		<b>42,905</b>		<b>42,019</b>

## 22. REVALUATION RESERVE

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

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>19,094</b>		<b>22,342</b>
<b>Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services</b>				
Upward revaluations	3,702		7,679	
Downward revaluations / impairments	0	3,702	(856)	6,823
<b>Amounts Written-Off to the Capital Adjustment Account</b>				
Difference between fair value & historical cost depreciation	(454)		(511)	
Accumulated gains on assets sold or scrapped	0	(454)	(23)	(534)
<b>BALANCE AT 31 MARCH</b>		<b>22,342</b>		<b>28,631</b>

## 23. RECONCILIATION OF OPERATING ACTIVITIES CASH FLOW

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
<b>(Surplus) / Deficit on Provision of Services</b>		<b>1,486</b>		<b>3,989</b>
less <b>Non-Cash Transactions included within Comprehensive Income &amp; Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,874)		(2,873)	
Impairment of Non-Current Assets	90		(77)	
Service Cost	(1,218)		(1,999)	
Administration Expenses	(57)		(50)	
Net Interest on Defined Benefit Liability	(2,029)		(2,091)	
Embedded Lease Finance Charge	(81)		(80)	
Movement in the Fair Value of Investment Properties	1,282		0	
Provision Set Aside in the Year	(783)		(732)	
Grants & Contributions in Advance / Unapplied	(46)	<b>(5,716)</b>	(235)	<b>(8,137)</b>
plus <b>Cash Transactions excluded from Comprehensive Income &amp; Expenditure Statement</b>				
Employer's Pension Contributions	2,699		2,691	
Refuse, Recycling & Street Cleansing Contract Payments	481	<b>3,180</b>	458	<b>3,149</b>
plus <b>Items on an Accruals Basis</b>				
Increase / (Decrease) in Investments	(2,431)		(4,422)	
Increase / (Decrease) in Inventories	(17)		(3)	
Increase / (Decrease) in Debtors	1,674		323	
(Increase) / Decrease in Creditors	243	<b>(531)</b>	(1,074)	<b>(5,176)</b>
less <b>Items Classified in Another Classification in the Cash Flow Statement</b>				
Proceeds from Short-Term & Long-Term Investments	4,460		17,451	
Purchase of Short-Term & Long-Term Investments	(2,000)		(13,000)	
Gain / (Loss) on Disposal of Non-Current Assets	15		30	
Capital Grants & Contributions	106		474	
Housing Capital Receipts to Government Pool	(2)	<b>2,579</b>	(2)	<b>4,953</b>
<b>OPERATING ACTIVITIES NET CASH FLOW</b>		<b>998</b>		<b>(1,222)</b>

## 24. RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

### United Kingdom Central Government

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

## Members and Chief Officers

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

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

The Council make a number of appointments of Councillors to local outside bodies to act as the Council's representatives. During 2014/15 (2013/14) the Council funded some of these organisations the total sum of £344,000 (£491,000).

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

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

## 25. MEMBERS' ALLOWANCES

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

	2013/14 £'000	2014/15 £'000
Basic Allowance	267	270
Special Responsibility Allowance	132	125
Travel & Subsistence Expenses	9	8
Carers Allowance	0	0
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	10	9
<b>TOTAL</b>	<b>425</b>	<b>419</b>

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

## 26. EXTERNAL AUDIT FEES

The Council's auditors are Grant Thornton UK LLP. The Council incurred the following fees relating to external audit and inspection carried out during 2014/15.

	2013/14 £'000	2014/15 £'000
External audit services	53	55
Certification of grant claims and returns	27	25
Other services	4	0
<b>TOTAL</b>	<b>84</b>	<b>80</b>

## 27. CONTINGENT LIABILITIES

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

The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust to permit its entry into the Kent County Council Superannuation Fund. In the event that the Trust fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. This cannot be quantified, as these will depend on the strength of the Fund at the time and the actuarial assumptions for the valuation of future liabilities.

### **Private Finance Initiative**

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £1.1 million, as at year 10 of the scheme. However, the risk of this occurring as at 31 March 2015 was considered remote.

## COLLECTION FUND

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

### INCOME AND EXPENDITURE ACCOUNT

Council Tax £'000	2013/14 NNDR £'000	Total £'000		Council Tax £'000	2014/15 NNDR £'000	Total £'000
			<b>Income</b>			
67,307	52,295	119,602	Billed to Tax Payers	70,279	54,065	124,344
339		339	Contribution towards Previous Years' Collection Fund Deficit		1,332	1,332
<b>67,646</b>	<b>52,295</b>	<b>119,941</b>	<b>Total Income</b>	<b>70,279</b>	<b>55,397</b>	<b>125,676</b>
			<b>Expenditure</b>			
47,071	4,849	51,920	Precepts and Demands Kent County Council	48,949	4,771	53,720
6,355		6,355	Police & Crime Commissioner for Kent	6,609		6,609
3,053	539	3,592	Kent & Medway Fire & Rescue Authority	3,174	530	3,704
8,098	21,553	29,651	Tonbridge & Malling Borough Council	8,421	21,205	29,626
1,878		1,878	Parish Councils	1,961		1,961
	26,942	26,942	Central Government		26,507	26,507
	421	421	Transitional Protection		13	13
		0	Contribution towards Previous Years' Collection Fund Surplus	645		645
78	369	447	Amounts Written-Off	94	471	565
179	80	259	Provision for Non-Payment	221	(30)	191
	2,140	2,140	Provision for Appeals		2,480	2,480
	168	168	Cost of Collection Allowance		168	168
<b>66,712</b>	<b>57,061</b>	<b>123,773</b>	<b>Total Expenditure</b>	<b>70,074</b>	<b>56,115</b>	<b>126,189</b>
<b>934</b>	<b>(4,766)</b>	<b>(3,832)</b>	<b>Surplus / (Deficit) for the Year</b>	<b>205</b>	<b>(718)</b>	<b>(513)</b>
(226)	0	(226)	Balance B/fwd at 1 April	708	(4,766)	(4,058)
708	(4,766)	(4,058)	<b>BALANCE C/FWD AT 31 MARCH</b>	913	(5,484)	(4,571)



## 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:

	2013/14 £	2014/15 £
Kent County Council	47,070,605	48,949,458
Police & Crime Commissioner for Kent	6,355,417	6,608,676
Kent & Medway Fire & Rescue Authority	3,052,595	3,174,253
Tonbridge & Malling Borough Council	8,097,994	8,421,156
	64,576,611	67,153,543
Parish Councils	1,877,633	1,961,046
<b>TOTAL</b>	<b>66,454,244</b>	<b>69,114,589</b>

#### Council Tax Base

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

Band	Estimated no. of Properties	2013/14 Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	2014/15 Multiplier	Band D Equivalent Dwellings
Disabled A	2.75	5/9ths	1.54	2.75	5/9ths	1.54
A	797.35	6/9ths	531.55	782.74	6/9ths	521.84
B	2,263.60	7/9ths	1,760.54	2,310.09	7/9ths	1,796.71
C	10,669.37	8/9ths	9,483.87	10,971.30	8/9ths	9,752.26
D	10,808.51	9/9ths	10,808.51	10,954.05	9/9ths	10,954.05
E	7,493.45	11/9ths	9,161.08	7,650.66	11/9ths	9,350.82
F	4,469.76	13/9ths	6,456.29	4,541.27	13/9ths	6,559.62
G	4,088.42	15/9ths	6,814.03	4,176.41	15/9ths	6,960.68
H	341.82	18/9ths	683.64	349.52	18/9ths	699.04
			45,701.05			46,596.56
Estimated Collection Rate			98.30%			98.30%
<b>COUNCIL TAX BASE</b>			<b>44,924.13</b>			<b>45,804.52</b>

## Band D Council Tax

	2013/14 £	2014/15 £
Kent County Council	1,047.78	1,068.66
Police & Crime Commissioner for Kent	141.47	144.28
Kent & Medway Fire & Rescue Authority	67.95	69.30
Tonbridge & Malling Borough Council	180.26	183.85
	<u>1,437.46</u>	<u>1,466.09</u>
Parish Councils (average)	41.79	42.81
<b>TOTAL</b>	<b>1,479.25</b>	<b>1,508.90</b>

This basic amount of council tax for a Band D property of £1,466.09 (£1,437.46) for 2014/15 (2013/14) is multiplied by the proportion specified within the *Local Government Finance Act 1992* for the particular band to give an individual amount due. In addition to this, Special Expenses are charged specifically in relation to the precepts of Parish Councils.

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

Non-domestic rates are organised on a national basis. The Government specified a “rate poundage” of 48.2p (47.1p) for large businesses or 47.1p (46.2p) for small businesses in 2014/15 (2013/14) 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 £51,052,000 (£51,874,000) for 2014/15 (2013/14) was based on the total rateable value for the Council’s area which at the year-end was £132,716,194 (£133,466,287 in 2013/14).

## 3. IMPAIRMENT ALLOWANCE

	2013/14			2014/15		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Balance at 1 April	1,171	330	1,501	1,350	410	1,760
Write-Offs	(78)	(369)	(447)	(94)	(471)	(565)
Contribution to Allowance	257	449	706	315	441	756
<b>BALANCE AT 31 MARCH</b>	<b>1,350</b>	<b>410</b>	<b>1,760</b>	<b>1,571</b>	<b>380</b>	<b>1,951</b>

#### 4. NATIONAL NON-DOMESTIC RATES PROVISION FOR VALUATION APPEALS

An assessment has been made of the potential liability of valuation appeals arising from business rate premises in respect of monies received by the Council up to 31 March 2015. This provision for known appeals has been based upon information received from the Valuation Office Agency for appeals lodged up to 31 March 2015. The total amounts are shown in the table under Note 6 below.

Further information received from the Valuation Office Agency as at the 30 June 2015 does not give rise to any further change to the provision shown below.

#### 5. COLLECTION FUND SURPLUSES AND DEFICITS

The Borough Council is required to estimate the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax and, from April 2013, National Non-Domestic Rates. The estimated surplus or deficit is then shared between the Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority, Central Government and the Borough Council as appropriate. The estimated surplus for 2013/14 in respect of council tax was £644,867 and the estimated deficit for 2013/14 in respect of NNDR was £1,331,818. The actual surplus of £912,602 at 31 March 2015 in respect of council tax and the actual deficit of £5,484,345 at 31 March 2015 in respect of NNDR will be taken into account when estimating the surplus/deficit for 2015/16.

#### 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	
<b>At 31 March 2014</b>	Council Tax Arrears	1,994	285	143	427	2,849	
	Council Tax Provision for Bad Debts	(945)	(135)	(68)	(202)	(1,350)	
	Council Tax Prepayments & Refunds	(1,350)	(193)	(97)	(289)	(1,929)	
	Council Tax Cash	797	114	58	170	1,139	
	Council Tax (Surplus) / Deficit	(496)	(71)	(35)	(106)	(708)	
	NNDR Arrears	155		17	861	689	1,722
	NNDR Provision for Bad Debts	(37)		(4)	(205)	(164)	(410)
	NNDR Provision for Appeals	(193)		(21)	(1,070)	(856)	(2,140)
	NNDR Prepayments & Refunds	(176)		(20)	(980)	(784)	(1,960)
	NNDR Cash	(178)		(20)	(989)	(792)	(1,979)
	NNDR (Surplus) / Deficit	429		47	2,383	1,907	4,766
	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2015</b>	Council Tax Arrears	2,185	312	156	468	3,121	
	Council Tax Provision for Bad Debts	(1,100)	(157)	(78)	(236)	(1,571)	
	Council Tax Prepayments & Refunds	(951)	(136)	(68)	(203)	(1,358)	
	Council Tax Cash	505	72	36	108	721	
	Council Tax (Surplus) / Deficit	(639)	(91)	(46)	(137)	(913)	
	NNDR Arrears	98		11	542	434	1,085
	NNDR Provision for Bad Debts	(34)		(4)	(190)	(152)	(380)
	NNDR Provision for Appeals	(416)		(46)	(2,310)	(1,848)	(4,620)
	NNDR Prepayments & Refunds	(99)		(11)	(548)	(439)	(1,097)
	NNDR Cash	(42)		(5)	(236)	(189)	(472)
NNDR (Surplus) / Deficit	493		55	2,742	2,194	5,484	
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## **ANNUAL GOVERNANCE STATEMENT**

### **Purpose of this Statement**

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

### **Scope of responsibility**

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

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

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

### **The purpose of the governance framework**

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

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

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2015 and up to the date of approval of this statement.

### **The governance framework**

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

#### **Community Focus**

The Council's vision is to provide excellent public services, good value for money and effective community leadership. This vision is set out and communicated to the residents of the Borough, the Council's partners and Members and Officers in the Council's Corporate Performance Plan 2012/15. The plan spans a three year period and details the Council's Key Priorities and action it will take alongside its partners to deliver the vision. The plan is reviewed and updated every year to ensure the priorities and actions detailed remain current and to provide an overview of performance and achievements in the previous year. The Plan is considered and approved by Members prior to publication in July each year, the last copy being July 2014. Over the coming months the Council will need to develop a new Corporate Performance Plan taking into account the actions identified following the 2014 Peer Review and recent issues and challenges.

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

#### **Service Delivery Arrangements**

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

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

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

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

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

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

### Structures & Processes

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

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

### Risk Management & Internal Control

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

Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which is used to develop the Council's vision and objectives. This ensures that risks to the achievement of the Council's objectives are identified and managed appropriately. Risks identified are scored on the basis of their likelihood and impact and existing controls and required actions to further mitigate risks are captured in risk registers. The framework sets out the responsibility of Officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.

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

The Council has an effective Internal Audit function which operates in line with proper practices; for 2014/15 this is governed by the Public Sector Internal Audit Standards and the CIPFA application not to the standards. The Review of Effectiveness of the System of Internal Audit for the year 2014/15 concluded that a good system of internal audit is in place within the Council. The Chief Internal Auditor role as delivered in the Council meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit

in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud and corruption arrangements including whistle-blowing. The Chief Internal Auditor is responsible for the maintenance of the Council's Anti-Fraud & Corruption Strategy and Confidential Reporting Code (Whistleblowing) and has arrangements and resources in place to investigate any allegations made under either document.

#### Standards of Conduct

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

The Members' Code of Conduct is based around ethical behaviour and requires objective and impartial decision making. The Code is communicated to all new Members on induction. Upholding standards of Member conduct is the responsibility of the Council's Standards Committee. The Committee are also responsible for ensuring Members receive suitable induction and ongoing training and support.

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

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

#### **Review of effectiveness**

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

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

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

Signed

Signed

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

Councillor N. J. Heslop  
Leader of the Council

Dated

Dated

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

### **Opinion on the Authority financial statements**

We have audited the financial statements of Tonbridge & Malling Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Tonbridge & Malling Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the financial position of Tonbridge & Malling Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Opinion on other matters**

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

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998. We have nothing to report in these respects.

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

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements. We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Tonbridge & Malling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Certificate**

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

SIGNED ON BEHALF OF

Darren Wells Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
 The Explorer Building  
 Fleming Way  
 Manor Royal  
 CRAWLEY  
 RH10 9GT



## **GLOSSARY**

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

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

### **ACCOUNTS**

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

### **ACCRUALS**

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

### **ANNUAL GOVERNANCE STATEMENT**

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

### **ASSETS**

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

### **CAPITAL ADJUSTMENT ACCOUNT**

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

### **CAPITAL FINANCING**

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

## **CAPITAL RECEIPTS**

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

## **CASH EQUIVALENTS**

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

## **CONTINGENT ASSETS**

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

## **CONTINGENT LIABILITIES**

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

## **CORE / SUPPLEMENTARY FINANCIAL STATEMENTS**

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

## **CREDITORS**

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

## **CURRENT ASSETS**

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

## **CURRENT LIABILITIES**

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

## **DEBTORS**

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

## **DEPRECIATION / AMORTISATION**

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

## **IMPAIRMENT**

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

## **INDEPENDENT AUDITOR'S REPORT**

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

## **INVESTMENTS**

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

## **LEASES**

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

## **LIABILITIES**

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

## **NON-CURRENT ASSETS**

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

## **OVERHEADS**

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

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

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

## **PROVISIONS**

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

## **RESERVES**

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

## **REVALUATION RESERVE**

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

## **REVENUE / CAPITAL EXPENDITURE**

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

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

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



2014/15