

2016/17

Statement of Accounts



This unaudited set of accounts is authorised for release on the date given on page 16



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NARRATIVE REPORT

1. INTRODUCTION

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

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

The Narrative Report provides, amongst other things, an overview of the Borough Council; a brief explanation of the financial aspects of the Council's activities for the year 2016/17; a review of the year; and possible issues for the future.

2. OVERVIEW OF TONBRIDGE AND MALLING BOROUGH COUNCIL

The Borough

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

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

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

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

The Council

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

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

Cabinet comprises the following Councillors:

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

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

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

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

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

Senior Management and Services

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

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

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

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

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

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

3. OVERVIEW OF STATEMENT OF ACCOUNTS

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The Code is based on a hierarchy of approved accounting standards.

There have been a few changes to the presentation of the Accounts most notably the introduction of an Expenditure and Funding Analysis and the cost of services reported on the basis of the Council's organisational structure rather than the Service Reporting Code of Practice.

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

The Council's Accounts for the year 2016/17 in addition to the Narrative Report consists of the following sections.

Statement of Responsibilities for the Statement of Accounts

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

Expenditure and Funding Analysis

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

Core Financial Statements

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

- **Comprehensive Income and Expenditure Statement**

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

- **Movement in Reserves Statement**

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

- **Balance Sheet**

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

- **Cash Flow Statement**

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

- **Notes to the Core Financial Statements**

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

Supplementary Financial Statements

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

- **Collection Fund and Associated Notes**

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

Annual Governance Statement

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

Independent Auditor's Report

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

4. FINANCIAL PERFORMANCE

Day to Day Expenditure and Income

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

In February 2016 the Council set a net revenue budget of £15,053,000. This was to be met from council tax income of £9,169,000, business rates of £1,959,000, revenue support grant of £655,000, New Homes Bonus of £3,843,000, other grants and contributions of £220,000 and council tax surplus of £148,000; offset by a net contribution to specific revenue reserves for specific projects/purposes of £466,000 and a contribution of £475,000 to the general revenue reserve.

The revised net revenue budget of £14,583,000 prepared in the year was £470,000 less than the original budget set by the Council in February 2016. This, together with an increase of £78,000 in other grants and contributions; offset by an increase in the planned net contribution to specific revenue reserves of £157,000, led to a contribution to the general revenue reserve of £866,000 compared to the estimated contribution to the reserve of £475,000 when the budget was set in February 2016, a difference of £391,000.

The actual spend (net) for the year of £14,124,000 was £929,000 less than the original budget set by the Council in February 2016. This, together with an increase of £78,000 in other grants and contributions and an increase of £2,000 in respect of business rates; offset by an increase in the planned net contribution to specific revenue reserves of £575,000, led to a contribution to the general revenue reserve of £909,000 compared to the estimated contribution to the reserve of £475,000 when the budget was set in February 2016, a difference of **£434,000**.

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

2015/16 Actual		Original Budget £'000	2016/17 Revised Budget £'000	Actual £'000
2,609	Corporate Services	2,563	2,842	2,840
865	Chief Executive	756	762	716
(54)	Director of Central Services	89	85	53
1,958	Director of Finance & Transformation	2,280	1,786	1,678
3,625	Director of Planning, Housing & Environmental Health	4,136	3,662	3,462
7,684	Director of Street Scene, Leisure & Technical Services	8,162	8,403	7,831
16,687	Cost of Services	17,986	17,540	16,580
(2,347)	Depreciation, Amortisation & Impairment	(2,641)	(2,653)	(2,260)
(60)	Revenue Expenditure Funded from Capital	(292)	(304)	(196)
14,280	Sub-total	15,053	14,583	14,124
(3,101)	New Homes Bonus	(3,843)	(3,843)	(3,843)
(231)	Other Grants & Contributions	(220)	(298)	(298)
998	Contributions to or (from) Specific Revenue Reserves	466	623	1,041
11,946	Sub-total	11,456	11,065	11,024
369	Contribution to or (from) General Revenue Reserve	475	866	909
12,315	Budget Requirement	11,931	11,931	11,933
(1,840)	Business Rates Retention Scheme	(1,959)	(1,959)	(1,961)
(1,589)	Revenue Support Grant	(655)	(655)	(655)
(92)	Council Tax (Surplus) / Deficit	(148)	(148)	(148)
8,794	BALANCE TO BE MET FROM COUNCIL TAX PAYERS	9,169	9,169	9,169
£187.51	Council Tax at Band D (Borough Council only)	£192.51	£192.51	£192.51

The favourable variance can in large part be attributed to a wide range of individual service budgets, together with management savings on the salary bill, better than budgeted performance in our major operational income streams, adjustment in respect of council tax benefit overpayments/underpayments on the introduction of the Council Tax Support scheme and reduction in housing benefits bill net of subsidy. Offset by contributions to a number of specific earmarked reserves and payment of loss of income to Tonbridge and Malling Leisure Trust.

The table below provides in more detail the reasons for the variation of £434,000 in the contribution to the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Major Income Streams	(4,389)	(4,692)	(303)
Council Tax Benefits	0	(234)	(234)
Cost of Employees (see table below)	11,547	11,326	(221)
Housing Benefits	140	38	(102)
Contributions from KCC	(85)	(151)	(66)
Revenue Reserve for Capital Schemes	375	332	(43)
Refuse, Recycling & Street Cleansing Contract	3,626	3,584	(42)
Bulky Waste Collection	(48)	(77)	(29)
Wayleaves	(1)	(27)	(26)
Investment Income	(206)	(231)	(25)
Developer Contribution	0	(25)	(25)
Grants to CAB & Voluntary Organisations	149	124	(25)
Information Technology	511	553	42
Recycling Vehicle Maintenance	60	108	48
Building Control Partnership	10	62	52
Tonbridge & Malling Leisure Trust Reserve	0	120	120
Building Repairs Reserve	525	675	150
Loss of Income Claims	0	172	172
Invest to Save Reserve	0	400	400
Other	(3,520)	(3,797)	(277)
TOTAL	8,694	8,260	(434)

An analysis of the cost of employees is given in the table below. At 31 March 2017 (2016) the Council employed 270 (269) permanent staff, equating to 220 (227) full-time equivalents.

2015/16 Actual £'000		Original Budget £'000	2016/17 Actual £'000	Variance £'000
7,829	Salaries	7,862	7,658	(204)
572	Employers' National Insurance Contributions	745	721	(24)
1,038	Employers' Superannuation Contributions	1,069	1,008	(61)
1,381	Superannuation Lump Sum Contribution	1,443	1,443	0
381	Termination Payments	287	360	73
74	Training	70	61	(9)
4	Health Care	7	6	(1)
7	Recruitment	1	5	4
65	Leased Car Costs	44	47	3
17	Professional Subscriptions	19	17	(2)
11,368	TOTAL	11,547	11,326	(221)

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

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

Capital Expenditure

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

In February 2016 the Council set a capital budget of £2,583,000 net of specific government grants and other contributions of which £2,582,000 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 2015/16 and progress made on our capital projects. The revised budget total was £1,145,000 of which £1,144,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts.

The Council's capital spending in the year including work completed, but not yet billed was £340,000 all of which was met from the revenue reserve for capital schemes. The underspend of £805,000 can largely be attributed to a lower than anticipated spend on vehicles, plant and equipment (renewals) at our leisure facilities and in respect of information technology; and due to the nature of capital expenditure and funding the rescheduling / re-profiling and review of future budgetary provision.

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

2015/16 Actual			Original Budget £'000	2016/17 Revised Budget £'000	Actual £'000
£'000	Service	Scheme			
23	Planning, Housing & Env Health	House Renovation Grants	235	30	(18)
0		Other Schemes	0	0	0
23		Total	235	30	(18)
91	Street Scene, Leisure & Technical	Refuse / Green Waste Bins	92	92	79
10		Car Parking	50	107	44
474		Larkfield Leisure Centre	0	33	28
0		Wouldham River Wall	1,000	0	0
259		Tonbridge Town Lock	0	(140)	(296)
32		Other Schemes	31	56	15
866		Total	1,173	148	(130)
17	Corporate	I.T. Initiatives	30	262	249
5		Other Schemes	12	8	5
22		Total	42	270	254
0	Capital Renewals	Planning, Housing & Env Health	0	2	1
169		Street Scene, Leisure & Technical	834	468	126
261		Corporate	299	227	107
430		Total	1,133	697	234
1,341	TOTAL CAPITAL EXPENDITURE		2,583	1,145	340
1,017	Funding	Revenue Reserve for Capital Sch	2,582	1,144	340
0		Grants & Contributions b/fwd	0	0	0
0		Grants & Contributions c/fwd	0	0	0
324		Capital Receipts	1	1	0
1,341	TOTAL FUNDING		2,583	1,145	340

Capital projects completed in the year included extension of play area and general site improvements at Haysden Country Park; stabilisation works to a section of the river bank at Tonbridge Castle; and a scheme (capital grant) to facilitate transfer of responsibility for the future replacement and associated support of all Tonbridge and Malling Leisure Trust IT equipment to the Trust.

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

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

Net Worth

The Balance Sheet gives details of what the Council owns in the way of assets such as property, plant and equipment; what the Council has invested; and amounts of money owed to and by the Council to other parties (Net Worth). The table below shows the Council's net worth is £36.6m as at 31 March 2017 (£33.5m at 31 March 2016).

At 31 March 2016 £'000		At 31 March 2017 £'000	
76,083	Council Assets	82,059	
20	Stock	17	
24,711	Cash and Investments held	30,582	
3,954	Money owed to the Council	3,813	
(6,383)	Money owed by the Council	(10,762)	
(6,509)	Long Term Liabilities	(5,993)	
(58,377)	Pension Liability	(63,132)	
33,499	TOTAL	36,584	

This is represented by revenue balances and reserves of £19.1m available to fund services and £17.5m of other balances. A breakdown of the revenue balances and reserves is shown below.

At 31 March 2016 £'000		At 31 March 2017 £'000	
6,582	Revenue Reserve for Capital Schemes	6,748	
5,040	General Revenue Reserve	5,949	
6,318	Other Usable Reserves	5,101	
1,250	Revenue Balances - General Fund	1,250	
19,190	TOTAL	19,048	

Council Assets

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

- Property, plant and equipment are assets that are held for use in the production or supply of goods and services or for administrative purposes and expected to be used during more than one period.
- Heritage assets are defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.
- Investment property are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- Intangible assets do not have physical substance, but are identifiable and controlled by the Council through custody or legal rights. Intangible assets held by this Council currently consist of IT software and associated costs.

The Borough Council has a policy of revaluing its property assets on a five-year rolling programme and in the interim where there is a material change in value. In accordance with the rolling programme car parks were the subject of revaluation by our external valuers. In addition to car parks, council offices and leisure premises were also the subject of revaluation by our external valuers. Heritage asset values have been reviewed and uplifted to reflect the insured value of the property. The resulting revaluation was a net gain of £8,066,000, of which £7,720,000 is recognised in the revaluation reserve and a net impairment reversal of £346,000 is recognised in cost of services in the Comprehensive Income and Expenditure Statement.

In liaison with the Council's Estate Service Manager and our external valuers it was determined that no other property asset class required revaluation because of a material change in value. The revaluation is carried out at the end of each year after accounting for acquisitions and improvements, depreciation and disposals. As at 31 March 2017 the total value of the Council's Assets was £82.1m (£76.1m at 31 March 2016).

Borrowing

The Council had no recourse for short term or long term borrowing during the financial year and remained debt-free at 31 March 2017 and, at least in the short term, does not expect to borrow to support its capital programme.

Investments

Investments are broken down into internally managed core funds and cash flow surpluses (including cash equivalents). The Council prepares a Treasury Management Strategy Statement and Annual Investment Strategy as part of the Budget Setting Process each year. The Strategy for 2016/17 was approved by full Council in February 2016 and outlined the Council's approach to the management of risk both in terms of security and liquidity of its investments. Investment performance is monitored during the year and reported to the Finance, Innovation and Property Advisory Board and a more detailed report on treasury management activity including performance is reported to the Audit Committee. In addition, the Treasury Management Strategy Statement and Annual Investment Strategy and any revisions during the year are presented to the Audit Committee prior to consideration by Cabinet and Council approval to provide an independent scrutiny role.

The Council achieved an investment return of 0.71% on its core funds for the year, compared to a 3-month Libid benchmark of 0.34%. This equates to investment income of £140,000. At the end of March 2017 the value of our core fund investments stood at £24.0m.

The Council achieved an investment return of 0.57% on its cash flow investments (including cash equivalents) for the year, compared to a 7-day Libid benchmark of 0.20%. This equates to investment income of £91,500. At the end of March 2017 the value of our cash flow investments stood at £6.1m.

Further information on Treasury Management performance for the year ended 31 March 2017 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2017.

Cash Flow Statement

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

2015/16 £'000		2016/17 £'000
	Operating Activities	
(86,895)	Cash Inflows (Income)	(85,301)
82,439	Cash Outflows (Expenditure)	82,664
<u>(4,456)</u>		<u>(2,637)</u>
	Investing Activities	
(31,557)	Cash Inflows (Income)	(21,407)
35,040	Cash Outflows (Expenditure)	30,938
<u>3,483</u>		<u>9,531</u>
<u>(2,163)</u>	Financing Activities - Cash (Inflows) / Outflows	<u>(3,493)</u>
(3,136)	NET (INCREASE) / DECREASE IN CASH RESOURCES	3,401

The statement shows that there was a net cash outflow of £3.4m largely as a result of an increase in short term deposits offset by monies held for the outcome of future appeals by business ratepayers and a net cash inflow on operating activities.

Pension Fund

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

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

The net liability at 31 March 2017 was £63.1m (£58.4m at 31 March 2016). The change in the pension fund deficit over the year is mainly dependent on asset returns, corporate bond yields and market

expectations of inflation which when taken together has resulted in an increase in the pension fund deficit compared to the previous year.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council. The most recent valuation was undertaken in March 2016 and gave a pension fund deficit of £19.2m and set the employers' contribution rate at 15.6% for the period 1 April 2017 to 31 March 2020. Employee contribution rates are prescribed by regulation and range from 5.5% to 12.5%.

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

5. REVIEW OF THE YEAR

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

- Small to medium-sized businesses in Aylesford and Larkfield received free health and safety help in May as part of a new project known as 'Estates Excellence'. 'Estates Excellence' brings together councils, regulators and other organisations to guide small firms and help them manage risks to their workers and business.
- Changes made to the way the Council charges for the Borough element of the Council Tax bill from 2017/18 onwards to make Council Tax payments fairer for all borough residents and to save money.
- The new and improved area of Tonbridge known as the Town Lock was officially opened by the Mayor on 13 May. The £1.9m scheme, a joint project with the Environment Agency, has enhanced the riverside along the stretch of Medway Wharf Road between the intersection with the High Street and the River Centre and now offers a fully accessible open space for the whole community to use.
- The Borough Council is making good progress in the production of a new Local Plan.
- New public table tennis tables unveiled at Tonbridge Racecourse Sportsground. Anyone can play on the outdoor table tennis tables, which are free to use and equipment can be borrowed (also free) from the refreshment kiosk nearby.
- United effort to clean up River Medway. A team of volunteers took to the river in Tonbridge in a joint clean-up operation as part of the Love Kent Hate Litter and Littergram campaigns.
- New play area, lake jetty, picnic tables and play sculptures at Haysden Country Park funded in large part by external grant funding.
- The Borough Council is continuing to support Energy Deal, a collective switching scheme which aims to help householders to access cheaper energy tariffs.
- The Borough Council supports national food safety campaign.
- The Borough Council launch Hive Lotto to give charity and community groups the opportunity to raise money for their good causes without the overheads and responsibilities of traditional fundraising methods.
- For the fifth year running, the Borough Council received a Gold Award for Stray Dog Services from the RSPCA. The Award places the Council in the top 15% of local authorities nationally for achieving high standards when dealing with stray dogs.

- The Borough Council successfully prosecutes man for fly-tipping offences in Mereworth.
- Council commits £500,000 towards flood protection in Tonbridge & Malling. The Borough Council is working with the Environment Agency and Kent County Council to deliver the £24.6m scheme, which will include much needed improvements to the Leigh Flood Storage Area together with a flood protection bund at Hildenborough. A separate scheme of flood mitigation measures at East Peckham is also included within the proposed package.
- Sevenoaks District Council, Tunbridge Wells Borough Council and Tonbridge & Malling Borough Council introduce a hospital-based housing service in an effort to help patients ready for discharge return home more quickly.
- Borough Council launch a new advice service for village stores. The new service will include help in developing a business plan, marketing and merchandising advice, assistance with employment issues and advice on how to identify new marketplace opportunities and improve profit margins.
- Funding made available over the Winter to help residents eligible for assistance to keep their homes warm via the Warm & Healthy Homes fund.
- New online council tax billing service launched. The new e-billing service is part of a bespoke online service called My Account, which offers a whole range of benefits to account holders.
- Pilot waste electrical goods collection service extended for a further two years by the Borough Council after the service proved so popular with residents.
- The Borough Council agree to the sale of land and buildings in River Lawn Road and River Walk in Tonbridge to help revitalise the area with a new medical centre and new homes.
- The Borough Council encourage local residents and community groups to take part in the 'Great British Spring Clean' as part of the Council's ongoing commitment to the national 'Love Where You Live' Campaign.

Financial and Performance Statistics

- We collected 99.0% (98.9%) of the £77.3m (£73.1m) of council tax due for the 2016/17 (2015/16) year.
- We collected 99.1% (99.4%) of the £53.8m (£55.0m) of business rates due for the 2016/17 (2015/16) year.
- We paid 99.9% (99.9%) of the 5,500 (5,800) invoices processed within 30 days of receipt in 2016/17 (2015/16).
- On average it took us 14.9 (15.3) days to process a new housing benefit claim in 2016/17 (2015/16).
- On average 42% (43%) of household waste is recycled, 52% (48%) energy recovery and 6% (9%) to landfill in 2016/17 (2015/16).
- Of the 1,140 (1,260) planning applications 91% (84%) were determined within the recommended timeframe in 2016/17 (2015/16).
- 11,925 (9,434) residents and 314 (248) businesses have signed up to My Account, to access services on-line and obtain information important to them, at the end of 2016/17 (2015/16). To register please go to <http://www.tmbc.gov.uk/my-account>.

Transparency

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

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

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

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

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

The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period. The Strategy affords the opportunity to take a measured and structured approach to budget pressures rather than a "knee jerk" reaction. The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This currently includes achieving a balanced revenue budget that delivers the Council's priorities and to retain a minimum of £2.0m in the General Revenue Reserve by the end of the strategy period. The general revenue reserve balance at 31 March 2017 was £5.9m (£5.0m at 31 March 2016).

Since 2010/11 the Council has seen its core funding decrease by £4.3m from £6.6m to £2.3m in 2017/18, or 65% with further cuts planned in future years. Indeed, indicative figures up to 2019/20 suggest that core funding at that time will be £1.3m. The fall in core funding is in part negated by the grant award under the New Homes Bonus (NHB) scheme which in 2017/18 is around £3.5m. However, recent changes to the scheme will see NHB allocations fall year on year, as the changes work their way through the system, such that by 2021/22 it is estimated that NHB could be in the order of £1.4m assuming no further changes are made to the scheme. This gives overall grant funding at that time of circa £2.8m compared to the £6.6m received some ten years earlier.

It can be seen from the above that the ongoing reduction in government grant funding and recent changes to NHB continues to place ever increasing pressure on the Council's finances. Based on the indicative figures provided by the government on future funding levels, amongst other things, latest projections point to a 'funding gap' between expenditure and income of circa £1.6m to be addressed over the short to medium term. It should be noted, that depending on the extent to which NHB is subject to further changes, there is a real risk that the 'funding gap' could be more than that currently reflected in the MTFS.

We do believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but with ever increasing pressure this is becoming progressively more difficult and places financial sustainability at risk. That said, based on the above projection we could, for example, breakdown the savings target into three tranches (tranche one £650,000, tranche two £700,000 and tranche three £250,000 to be achieved by 2018/19, 2019/20 and 2021/22 respectively).

It is clear from what is, undoubtedly, a significant financial challenge, some radical and certainly difficult choices will have to be made. Alongside the MTFS now sits a Savings and Transformation Strategy

(STS). Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead and, in so doing, recognise there is no one simple solution and we will need to adopt a number of ways to deliver the savings within an agreed timetable. A number of key themes have been identified, together with outline targets and an indicative year of implementation for each.

More detailed information on the Council's Budget for 2017/18, the MTFs and the STS can be found on the Council's website at: <http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/council-budgets>

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

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

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

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 2016/17* ('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 2017.

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

Signed



Signed

S. J. Shelton FCPFA
Director of Finance and Transformation

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

Dated 25th May 2017

Dated

EXPENDITURE AND FUNDING ANALYSIS

Net Expenditure Chargeable to the General Fund and Reserve Balances £'000	2015/16 Adjustments Between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and Reserve Balances £'000	2016/17 Adjustments Between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
2,023	89	2,112	Corporate Services	2,375	(116)	2,259
860	5	865	Chief Executive	711	5	716
250	12	262	Director of Central Services	367	12	379
1,719	0	1,719	Director of Finance & Transformation	1,456	0	1,456
3,622	13	3,635	Director of Planning, Housing & Environmental Health	3,460	20	3,480
5,821	1,707	7,528	Director of Street Scene, Leisure & Technical Services	5,971	1,694	7,665
14,295	1,826	16,121	Net Cost of Services	14,340	1,615	15,955
2,431	(323)	2,108	Other Operating Expenditure	2,621	1	2,622
411	626	1,037	Financing & Investing Income & Expenditure	(416)	1,940	1,524
(16,967)	(1,722)	(18,689)	Taxation & Non-Specific Grant Income & Expenditure	(16,535)	(2,277)	(18,812)
170	407	577	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES	10	1,279	1,289
17,973			OPENING GENERAL FUND & RESERVE BALANCES	17,803		
170			(Surplus) / Deficit on Provision of Services	10		
17,803			CLOSING GENERAL FUND & RESERVE BALANCES	17,793		

Further information on the adjustments between the funding and accounting basis can be found on the Movement in Reserves Statement

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2015/16 Income £'000	Net Expenditure £'000	Notes	Gross Expenditure £'000	2016/17 Income £'000	Net Expenditure £'000
Continuing Operations						
2,533	421	2,112		2,619	360	2,259
978	113	865		770	54	716
1,097	835	262		1,101	722	379
39,537	37,818	1,719		38,043	36,587	1,456
5,828	2,193	3,635		5,958	2,478	3,480
11,811	4,283	7,528		12,111	4,446	7,665
61,784	45,663	16,121		60,602	44,647	15,955
Cost of Services						
Other Operating Expenditure						
	324	(324)	6			0
2,043		2,043		2,230		2,230
388		388		391		391
1		1	14	1		1
Financing & Investing Income & Expenditure						
28	344	(316)	8	23	348	(325)
80		80	8	84		84
	230	(230)	9		234	(234)
1,938		1,938	10	1,999		1,999
5	440	(435)	6			0
Taxation & Non-Specific Grant Income & Expenditure						
	10,960	(10,960)	11		11,549	(11,549)
21,346	22,790	(1,444)	11	22,307	23,920	(1,613)
	5,347	(5,347)	12		5,135	(5,135)
	938	(938)	12		515	(515)
87,613	87,036	577		87,637	86,348	1,289
(Surplus) / Deficit on Provision of Services						
Other Comprehensive Income & Expenditure						
		(3,528)	6			(7,720)
		2	9			1
		(5,030)	10			3,345
(7,979) TOTAL COMPREHENSIVE INCOME AND EXPENDITURE						(3,085)

MOVEMENT IN RESERVES STATEMENT

2015/16						2016/17						
General Fund & Reserve Balances	Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves		General Fund & Reserve Balances	Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
£'000	£'000	£'000	£'000	£'000	£'000	Notes	£'000	£'000	£'000	£'000	£'000	£'000
17,973	1,541	0	19,514	6,006	25,520		17,803	1,387	0	19,190	14,309	33,499
(577)			(577)	8,556	7,979		(1,289)			(1,289)	4,374	3,085
Total Comprehensive Income & Expenditure												
Adjustments Between Accounting Basis & Funding Basis Under Regulations												
2,912			2,912	(2,912)	0	6	2,996			2,996	(2,996)	0
(184)			(184)	184	0	6	(340)			(340)	340	0
(435)			(435)	435	0	6	0			0		0
(919)	(154)		(1,073)	1,073	0		(493)	(132)		(625)	625	0
1,487			1,487	(1,487)	0	10	1,410			1,410	(1,410)	0
(324)		324	0		0	6	0			0		0
(784)			(784)	784	0	11	(1,762)			(1,762)	1,762	0
(9)			(9)	9	0	13	7			7	(7)	0
(381)			(381)	381	0	8	(397)			(397)	397	0
(957)			(957)	957	0		(143)			(143)	143	0
1		(324)	(323)	323	0	14	1			1	(1)	0
(170)	(154)	0	(324)	8,303	7,979		(10)	(132)	0	(142)	3,227	3,085
17,803	1,387	0	19,190	14,309	33,499		17,793	1,255	0	19,048	17,536	36,584
BALANCE AT 31 MARCH												

BALANCE SHEET

At 31 March 2016				At 31 March 2017	
£'000	£'000		Notes	£'000	£'000
		Long Term Assets			
	64,999	Property, Plant & Equipment	6	70,839	
	5,930	Heritage Assets	6	6,108	
	4,885	Investment Properties	6	4,885	
	269	Intangible Assets	6	227	
76,160	77	Long Term Debtors	16	45	82,104
		Current Assets			
	12,784	Short Term Investments	9	22,056	
	20	Inventories		17	
	6,389	Short Term Debtors	16	6,490	
	(2,512)	less Impairment Allowance	16	(2,722)	
28,608	11,927	Cash & Cash Equivalents	17	8,526	34,367
		Current Liabilities			
(6,383)	(6,383)	Short Term Creditors	18	(10,762)	(10,762)
		Long Term Liabilities			
	(3,285)	Provisions	19	(3,091)	
	(58,377)	Pensions Liability	10	(63,132)	
	(1,750)	Grants & Contributions in Advance	20	(1,682)	
(64,886)	(1,474)	Deferred Liabilities - Embedded Leases	8	(1,220)	(69,125)
33,499		NET ASSETS			36,584
		Reserves			
		Usable Reserves			
	16,553	Reserves	15	16,543	
	1,250	General Fund		1,250	
	1,387	Grants & Contributions Unapplied	20	1,255	
19,190	0	Usable Capital Receipts Reserve	14	0	19,048
		Unusable Reserves			
	43,190	Capital Adjustment Account	21	42,547	
	31,430	Revaluation Reserve	22	38,302	
	(2)	Available-for-Sale Financial Ins. Reserve	9	(3)	
	5	Deferred Capital Receipts	14	4	
	(1,853)	Collection Fund Adjustment Account	11	(91)	
	(84)	Employee Benefits - Accrued Leave	13	(91)	
14,309	(58,377)	Pensions Reserve	10	(63,132)	17,536
33,499		TOTAL RESERVES			36,584

CASH FLOW STATEMENT

2015/16		2016/17		
£'000	£'000	Notes	£'000	£'000
OPERATING ACTIVITIES				
Cash Inflows				
(32,736)			(33,309)	
(44,734)			(41,492)	
(5,145)			(5,602)	
(251)			(212)	
(4,029)			(4,686)	
(86,895)			(85,301)	
Cash Outflows				
11,067			10,980	
36,210			35,651	
20,150			20,318	
2,043			2,230	
8,385			9,189	
0			0	
4,584			4,296	
82,439			82,664	
(4,456)		23	(2,637)	
NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES				
INVESTING ACTIVITIES				
Cash Inflows				
(324)			0	
(31,000)			(20,750)	
(232)			(656)	
(1)			(1)	
Cash Outflows				
2,289			937	
32,750			30,000	
1			1	
3,483			9,531	
NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES				
FINANCING ACTIVITIES				
Cash (Inflows) / Outflows				
(2,163)			(3,493)	
(2,163)			(3,493)	
NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES				
(3,136)	NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS			3,401
8,791	Cash & cash equivalents at the beginning of the reporting period			11,927
11,927	Cash & cash equivalents at the end of the reporting period			8,526

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 2016/17*. The Code is based on levels of approved accounting standards:

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

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

b) Qualitative Characteristics of Financial Information

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

c) Accounting Concepts

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.
- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- Primacy of legislation - local authorities derive their power from statute and their financial and accounting framework is closely controlled by legislation. Where there is conflict between a legal requirement and an accounting standard, the legal requirement will take precedence.

d) Accruals and Revenue Recognition

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

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

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

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

e) Assets Held for Sale

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

f) Cash and Cash Equivalents

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

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

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

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

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

h) Contingent Assets and Liabilities

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

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

i) Debt Write-Off

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

j) Employee Benefits

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

Benefits Payable during Employment

This covers:

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation to determine contributions was on 31 March 2016.

k) Events After the Balance Sheet Date

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

The authorised for issue date is:

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

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

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

l) Exceptional Items and Prior Period Adjustments

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

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

m) Financial Instruments

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

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

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

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

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

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

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

n) Foreign Currency Transactions

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

o) Government Grants and Other Contributions

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

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

Capital grants and contributions (such as Section 106 developer contributions) received will be credited in full to the Comprehensive Income and Expenditure Statement on receipt where there are no

conditions attached to its use and in the year that the capital expenditure is incurred where there are conditions attached to its use.

p) Inventories

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

q) Leases

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

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

Finance Leases

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

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

Operating Leases

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

r) Non-Current Assets

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

Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained as follows.

Land and Buildings

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

Asset Category	Year of Valuation	
Car Parks	2011/12	Completed
Leisure Premises	2012/13	Completed
Properties for Community Use	2013/14	Completed
Public Conveniences	2014/15	Completed
Council Offices	2015/16	Completed
Car Parks	2016/17	Completed

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

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

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

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

Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. The Council, following a review of the property, plant and equipment asset registers has decided that the Council's offices and major leisure facilities will be the subject of componentisation if the replacement value of the component is in excess of £100,000.

Vehicles, Plant and Equipment

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

Infrastructure Assets

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

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

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

Community Assets

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

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

Assets under Construction

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

Heritage Assets

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

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

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

Heritage assets are not subject to depreciation.

Investment Property

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

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

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

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

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end. However, due to the nature and size of the portfolio held full valuation reviews are carried out once every five years or earlier where there is a material change in value.

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

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

Investment properties are not subject to depreciation.

Intangible Assets

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

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

Impairment of Non-Current Assets

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

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

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

Gains or Losses on Disposal of Non-Current Assets

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

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

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

s) Overheads

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

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

t) Provisions

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

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

u) Reserves

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

v) Revenue Expenditure Funded from Capital Under Statute

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

w) Value Added Tax (VAT)

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

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted.

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

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

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 2016/17 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 2017. This provision is based on information received from the Valuation Office Agency. Further details are shown within [Note 4](#) to the Collection Fund.

4. EVENTS AFTER THE BALANCE SHEET DATE

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2017. No events have occurred that require changes to the accounting statements.

5. SEGMENT REPORTING

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

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

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

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

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

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

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

The following tables provide an analysis of the Council's revenue income and expenditure on a segmental reporting basis and reconciliations to the Comprehensive Income and Expenditure Statement.

Service Analysis

2015/16							2016/17							
Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene, Leisure & Technical Services £'000	Total £'000		Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene, Leisure & Technical Services £'000	Total £'000
Income														
367	55	1,106	1,306	1,589	3,943	8,366	Fees, Charges & Other Service Income	354	30	1,065	1,017	1,747	4,365	8,578
			230			230	Interest & Investment Income				234			234
7	59	73	36,431	615	263	37,448	Grants & Contributions	2	24	6	35,504	749		36,285
374	114	1,179	37,967	2,204	4,206	46,044	Total Income	356	54	1,071	36,755	2,496	4,365	45,097
Expenditure														
4,923	195	592	1,110	3,096	1,482	11,398	Employee Expenses	5,062	244	552	1,018	3,038	1,464	11,378
536	13	13			997	1,559	Premises	493		41			1,302	1,836
250					148	398	Transport	214					186	400
1,494	481	151	645	1,101	1,468	5,340	Supplies & Services	1,409	295	179	682	1,325	1,364	5,254
				34	4,631	4,665	Third Party Payments					95	4,842	4,937
			388			388	Precepts & Levies				391			391
			419	2		421	Provisions for Bad Debts				208	9		217
			36,216			36,216	Housing Benefits				35,005			35,005
(4,770)	285	356	1,147	1,592	1,389	(1)	Support Service Recharges	(4,448)	226	341	1,129	1,489	1,263	0
550	5	13		3	1,775	2,346	Depreciation, Amortisation & Impairment	466	5	11		2	1,775	2,259
2,983	979	1,125	39,925	5,828	11,890	62,730	Total Expenditure	3,196	770	1,124	38,433	5,958	12,196	61,677
2,609	865	(54)	1,958	3,624	7,684	16,686	COST OF SERVICES	2,840	716	53	1,678	3,462	7,831	16,580

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.

	2015/16 £'000	2016/17 £'000
Cost of Services in Service Analysis	16,686	16,580
add Amounts not Reported to Management		
Pension Adjustments	(451)	(589)
Embedded Lease Depreciation	381	397
Accrued Annual Leave	(9)	7
Miscellaneous Income and Expenditure	(183)	(127)
less Amounts not included in Comprehensive Income & Expenditure Statement		
Embedded Lease Contract Payments	(461)	(481)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(388)	(391)
less Items Included in Financing & Investment		
Trading Undertakings	316	325
Interest & Investment Income	230	234
NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	16,121	15,955

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.

2015/16					2016/17				
Service Analysis	Not Reported to Management	Not Included in Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus / Deficit on Provision of Services	Service Analysis	Not Reported to Management	Not Included in Comprehensive Income & Expenditure Statement	Corporate Amounts	Surplus / Deficit on Provision of Services
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income									
8,366	212			8,578	Fees, Charges & Other Service Income	8,578	154		8,732
230				230	Interest & Investment Income	234			234
			10,960	10,960	Council Tax			11,549	11,549
			22,790	22,790	National Non-Domestic Rates			23,920	23,920
37,448	(19)		6,285	43,714	Grants & Contributions	36,285	(22)	5,650	41,913
			324	324	Disposal of Non-Current Assets				0
			440	440	Fair Value of Investment Properties				0
46,044	193	0	40,799	87,036	Total Income	45,097	132	0	41,119
Expenditure									
11,398	(451)		1,938	12,885	Employee Expenses	11,378	(582)	1,999	12,795
1,559				1,559	Premises	1,836			1,836
398				398	Transport	400			400
5,340	1			5,341	Supplies & Services	5,254			5,254
4,665		(461)		4,204	Third Party Payments	4,937	5	(481)	4,461
			80	80	Interest Payments			84	84
388			2,043	2,431	Precepts & Levies	391		2,230	2,621
421				421	Provisions for Bad Debts	217			217
36,216				36,216	Housing Benefits	35,005			35,005
(1)				(1)	Support Service Recharges	0			0
2,346	381			2,727	Depreciation, Amortisation & Impairment	2,259	397		2,656
			1	1	Housing Capital Receipts Pool			1	1
			21,346	21,346	National Non-Domestic Rates			22,307	22,307
			5	5	Fair Value of Investment Properties				0
62,730	(69)	(461)	25,413	87,613	Total Expenditure	61,677	(180)	(481)	26,621
16,686	(262)	(461)	(15,386)	577	TOTAL	16,580	(312)	(481)	1,289

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

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

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	2015/16 £'000	2016/17 £'000
Corporate Services	132	123
Chief Executive	0	0
Director of Central Services	0	0
Director of Finance & Transformation	0	0
Director of Planning, Housing & Environmental Health	0	0
Director of Street Scene, Leisure & Technical Services	1	1
TOTAL	133	124

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 car parks 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 car parks, council offices and leisure premises were also the subject of revaluation by our external valuers. Heritage asset values have been reviewed and uplifted to reflect the insured value of the property. The resulting revaluation was a net gain of £8,066,000, of which £7,720,000 is recognised in the revaluation reserve and a net impairment reversal of £346,000 is recognised in cost of services in the Comprehensive Income and Expenditure Statement. In assessing fair value the Council's valuers (BPS see below) have determined both market value and potential alternative use value given the sites location and likelihood of achieving such values. Under the standard the higher of the valuations have been reported within the statements. In liaison with the Council's Estate Service Manager and our external valuers it was determined that no other property asset class required revaluation because of a notable change in value.

The freehold and leasehold properties which comprise the Council's portfolio have been assessed as at each review date, being 31 March each year, by the Council's Estate Service Manager, Katie 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 / fair value

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
Valued at current/fair value in:		at Current Value		at Fair Value	
2016/17	60,531	3,240	6,078		69,849
2015/16	40			4,885	4,925
2014/15	1,535				1,535
2013/14	1,028				1,028
2012/13	1,294				1,294
Prior Years	0		30		30
TOTAL	64,428	3,240	6,108	4,885	78,661

For vehicles, plant and equipment, depreciated historic cost is used as a proxy of current value due to the short term nature of the majority of assets held in this class. The Council has revalued car parks, council offices and leisure premises. These are reflected in the figures for 2016/17 rather than the year of previous valuation.

Outstanding Capital Commitments

As at 31 March 2017 the Council had the following outstanding capital commitments.

Larkfield Leisure Centre Health Suite Retention	£9,800
Car Parking Ticketing Machines	£100,300

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

	2015/16 £'000	2016/17 £'000
Capital Renewals	428	234
Land Drainage and Flood Defence	8	111
Open Spaces	24	109
Refuse / Green Bin Growth / Replacement	91	79
Tonbridge Town Lock	1,198	75
IT Initiatives	50	73
Larkfield Leisure Centre	535	28

The Capital Expenditure was financed as follows: -

	2015/16 £'000	2016/17 £'000
Opening Capital Financing Requirement	0	0
Capital Investment		
Purchase of Non-Current Assets		
Property, Plant & Equipment	2,203	686
Intangible Assets	151	82
Total	2,354	768
Sources of Finance		
Revenue	(957)	(143)
Capital Grants & Contributions	(1,073)	(625)
Capital Receipts	(324)	0
Total	(2,354)	(768)
CLOSING CAPITAL FINANCING REQUIREMENT	0	0

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

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

	2015/16			2016/17		
	Net Book Value £'000	Sale Proceeds £'000	Net (Gain) / Loss £'000	Net Book Value £'000	Sale Proceeds £'000	Net (Gain) / Loss £'000
Maisonette, 20 Twisden Road	0	(131)	(131)	0	0	0
St. John's Ambulance Site, 136 Vale Road	0	(193)	(193)	0	0	0
TOTAL	0	(324)	(324)	0	0	0

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 2016 £'000	At 31 March 2017 £'000
Tonbridge Castle Gatehouse	5,778	5,952
Civic Regalia	64	66
Sculptures	50	51
Paintings	38	39
TOTAL	5,930	6,108

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.

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Gross Expenditure				
House Renovation Grants	623		631	
Repair & Renew Grant	257		0	
Other	53	933	232	863
Grants & Contributions Received				
Disabled Facilities Grant Subsidy	(490)		(583)	
Housing Assistance Grant Repaid	(81)		(55)	
Repair & Renew Grant	(257)		0	
Other	(45)	(873)	(29)	(667)
TOTAL		60		196

8. LEASES

Lessor – Operating Lease

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

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rental Income Due	466	427	401	395	388	335	335

Trading Undertakings

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

Commercial Properties and Industrial Estates	2015/16	2016/17
	£'000	£'000
Income	(344)	(348)
Expenditure	28	23
TOTAL	(316)	(325)

The Balance Sheet value of these properties at the 31 March 2017 was £4,929,000 (£4,885,000 Investment Properties and £44,000 Land and Buildings). There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

Lessor – Finance Lease

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

Lessee – Operating Lease

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2016/17 (2015/16) was £30,000 (£40,000). The future cash payments required under these leases are: £15,000 not later than one year; £7,000 later than one year but not later than five years; and £nil later than five years.

Lessee – Finance Lease

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

However, under IFRIC 4 (Determining whether an arrangement contains a lease) there is a lease type arrangement if a third party (such as a contractor) uses an asset mainly for the delivery of Council services. The Council has concluded that its Refuse Collection and Recycling and Amenity & Street Cleansing contracts contain lease type arrangements (embedded leases) in respect of the vehicles used by the contractor. The estimated lease payments for these vehicles are provided in the table below. The contract is due to be retendered in 2018/19.

	Current Year 2016/17 £ 000's	Current Year +1 2017/18 £ 000's	Current Year +2 2018/19 £ 000's	Current Year +3 2019/20 £ 000's	Current Year +4 2020/21 £ 000's
Estimated Lease Value					
Principal	397	402	358	-	-
Interest	84	84	75	-	-
Total	<u>481</u>	<u>486</u>	<u>433</u>	<u>-</u>	<u>-</u>
Estimated Net Book Value Vehicles	1,220	818	-	-	-

9. INTEREST AND INVESTMENTS

Interest and Investment Income

	2015/16 £'000	2016/17 £'000	Year on Year Change £'000
Certificates of Deposit	(45)	(31)	14
Fixed Interest Deposits	(110)	(127)	(17)
Call Accounts	(71)	(73)	(2)
Miscellaneous Interest	(4)	(3)	1
TOTAL	(230)	(234)	(4)

Short Term Investments

	At 31 March 2016				At 31 March 2017			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certificates of Deposit								
Barclays Bank	0			0	1,000	(1)		999
Rabobank	1,000	(1)	1	1,000	0			0
Royal Bank of Scotland	0			0	2,000	(2)		1,998
Toronto Dominion Bank	1,000	(1)		999	2,000		12	2,012
Total	2,000	(2)	1	1,999	5,000	(3)	12	5,009
Fixed Interest Deposits								
Bank of Scotland	2,000		4	2,004	2,500		7	2,507
Barclays Bank	1,250		8	1,258	4,000		14	4,014
Goldman Sachs	2,000		5	2,005	4,000		14	4,014
Lloyds Bank	2,500		14	2,514	2,500		5	2,505
Nationwide Building Society	3,000		4	3,004	0			0
Standard Chartered Bank	0			0	4,000		7	4,007
Total	10,750	0	35	10,785	17,000	0	47	17,047
TOTAL	12,750	(2)	36	12,784	22,000	(3)	59	22,056

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

Cash Equivalents ([Note 17](#) refers)

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

Disclosure Requirements under IFRS 7 (Financial Instruments: Disclosure)

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

- Class of investment.
- Interest received by class of investment.
- Market valuation of each type of investment as at 31 March 2017.
- 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 2016			At 31 March 2017		
	Loans and receivables £'000	Available-for-sale £'000	Total £'000	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Short Term	10,785	1,999	12,784	17,047	5,009	22,056
TOTAL	10,785	1,999	12,784	17,047	5,009	22,056

Interest Received

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

	Loans and receivables £'000	2015/16 Available-for-sale £'000	Total £'000	Loans and receivables £'000	2016/17 Available-for-sale £'000	Total £'000
Interest & Investment Income						
Interest Income	(109)	(1)	(110)	(127)	(31)	(158)
Losses on Derecognition			0			0
TOTAL	(109)	(1)	(110)	(127)	(31)	(158)

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 2016		At 31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Deposits with Banks & Building Societies	12,784	12,784	22,056	22,056
TOTAL	12,784	12,784	22,056	22,056

Management of Risk

Credit Risk

Credit risk arises from deposits with banks and financial institutions. The Council's Investment Strategy sets out the approach the Council will take to the management of risk both in terms of the security and liquidity of its investments and as at 31 March 2017 the risk of default is considered remote.

Interest Rate Risk

Interest rate movements will clearly have an impact on investment returns. To put this into context, 1% would currently generate investment income of about £220,000 (£128,000 in 2015/16).

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

	2015/16 £'000	2016/17 £'000
Amounts Charged to Income and Expenditure Statement		
Net Cost of Services		
Current Service Costs	2,200	1,969
Past Service Costs (Change in Benefit)	34	197
Administration Expenses	50	46
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	1,938	1,999
Net Charge to the Income and Expenditure Statement	4,222	4,211
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,222)	(4,211)
Actual Amount Charged to the General Fund for Pensions in the Year		
Employers' contributions payable to scheme	2,735	2,801
CONTRIBUTION (FROM) / TO PENSIONS RESERVE	(1,487)	(1,410)

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 £3,345,000 in 2016/17 and a gain of £5,030,000 in 2015/16 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	2015/16 £'000	2016/17 £'000
Opening Balance at 1 April - Defined Benefit Obligation	133,963	129,388
Current Service Costs	2,200	1,969
Past Service Costs	34	197
Contributions from Scheme Participants	500	488
Interest Cost	4,216	4,451
Change in Financial Assumptions	(6,475)	19,141
Experience Loss / (Gain) on Defined Benefit Obligation	(60)	(5,167)
Benefits Paid	(4,702)	(4,927)
Unfunded Pension Payments	(288)	(277)
CLOSING BALANCE AT 31 MARCH - DEFINED BENEFIT OBLIGATION	129,388	145,263

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

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

Reconciliation of the Fair Value of Scheme Assets	2015/16 £'000	2016/17 £'000
Opening Balance at 1 April - Fair Value of Scheme Assets	72,043	71,011
Interest on Assets	2,278	2,452
Return on Assets Less Interest	(1,505)	12,200
Other Actuarial Gains / (Losses)	0	(1,571)
Employers' Contributions	2,735	2,801
Contributions from Scheme Participants	500	488
Benefits Paid	(4,990)	(5,204)
Administration Expenses	(50)	(46)
CLOSING BALANCE AT 31 MARCH - FAIR VALUE OF SCHEME ASSETS	71,011	82,131

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 £14,652,000 (2015/16: gain of £773,000).

Net Liabilities in Relation to Retirement Benefits

	2015/16 £'000	2016/17 £'000
Present value of funded obligation	126,215	142,118
Fair value of scheme assets (bid price)	71,011	82,131
Sub-total	55,204	59,987
Present value of unfunded obligation	3,173	3,145
NET PENSION LIABILITY	58,377	63,132

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

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

Reconciliation of Opening & Closing Surplus / Deficit

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

Surplus / (Deficit)	2015/16 £'000	2016/17 £'000
Balance at 1 April	(61,920)	(58,377)
Current Service Costs	(2,200)	(1,969)
Past Service Costs	(34)	(197)
Actuarial Gains / (Losses)	5,030	(3,345)
Employer's Contributions	2,447	2,524
Unfunded Pension Payments	288	277
Administration Expenses	(50)	(46)
Other Finance Income	(1,938)	(1,999)
BALANCE AT 31 MARCH	(58,377)	(63,132)

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 2016		At 31 March 2017	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Equities	47,356	67	57,963	71
Bonds	7,797	11	8,001	9
Property	10,315	14	10,235	12
Cash	1,828	3	2,098	3
Target Return Portfolio	3,086	4	3,221	4
Gilts	629	1	613	1
TOTAL	71,011	100	82,131	100

Scheme History

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Present Value of Liabilities	(115,810)	(115,266)	(133,963)	(129,388)	(145,263)
Fair Value of Assets	67,985	66,490	72,043	71,011	82,131
SURPLUS / (DEFICIT) IN THE SCHEME	(47,825)	(48,776)	(61,920)	(58,377)	(63,132)
Experience Gains / (Losses) on Assets	0	(3,346)	0	0	(1,571)
Percentage of Assets	0.0%	(5.0%)	0.0%	0.0%	(1.9%)
Experience Gains / (Losses) on Liabilities	(170)	3,660	72	60	5,167
Percentage of Liabilities	(0.1%)	3.2%	0.1%	0.0%	3.6%

Actuarial Gains and Losses

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	(530)	(346)	(11,695)	5,030	(3,345)
CUMULATIVE ACTUARIAL GAINS / (LOSSES)	(34,263)	(34,609)	(46,304)	(41,274)	(44,619)

Basis for Estimating Assets and Liabilities

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2016.

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

	2015/16	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9 Years	23.0 Years
Women	25.3 Years	25.0 Years
Longevity at 65 for future pensioners:		
Men	25.2 Years	25.1 Years
Women	27.7 Years	27.4 Years
RPI Increases	3.2%	3.5%
CPI Increases	2.3%	2.6%
Salary Increases	4.1%	4.1%
Pension Increases	2.3%	2.6%
Discount Rate	3.5%	2.7%

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

Sensitivity Analysis

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

	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present Value of Total Obligation	142,871	145,263	147,695
Projected Service Cost	2,530	2,588	2,684
Adjustment to Long Term Salary Increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	145,562	145,263	144,964
Projected Service Cost	2,588	2,588	2,588
Adjustment to Pensions Increase and Deferred Revaluation	0.1%	0.0%	-0.1%
Present Value of Total Obligation	147,396	145,263	143,164
Projected Service Cost	2,648	2,588	2,530
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	150,984	145,263	139,763
Projected Service Cost	2,671	2,588	2,508

Projected Pension Expense for the Year to 31 March 2018

These projections are based on the Actuary's assumptions as at 31 March 2017.

	2017/18 Projection £'000
Service Cost	2,588
Net Interest on the defined liability (asset	1,668
Administration Expenses	53
Total	<u>4,309</u>
Employers' Contributions	2,428

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 (BUSINESS) RATES INCOME

Council Tax	2015/16 £'000	2016/17 £'000
Borough Council's Council Tax	(8,794)	(9,169)
Parish Councils' Council Tax	(2,043)	(2,230)
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	(93)	(148)
Council Tax (Surplus) / Deficit	(30)	(2)
TOTAL	(10,960)	(11,549)

National Non-Domestic Rates	2015/16 £'000	2016/17 £'000
Share of National Non-Domestic Rates	(21,583)	(21,521)
Tariff / (Top-Up)	20,150	20,318
Safety Net	(452)	(639)
Prior Year's Estimated Accumulated Non Domestic Rates (Surplus) / Deficit	1,195	1,989
National Non-Domestic Rates (Surplus) / Deficit	(754)	(1,760)
TOTAL	(1,444)	(1,613)

Collection Fund Adjustment Account	Balance at 1 April 2015 £'000	2015/16 Surplus / (Deficit) £'000	Balance at 31 March 2016 £'000	2016/17 Surplus / (Deficit) £'000	Balance at 31 March 2017 £'000
Council Tax	137	30	167	2	169
National Non-Domestic Rates	(2,774)	754	(2,020)	1,760	(260)
TOTAL	(2,637)	784	(1,853)	1,762	(91)

Business Rates Pool

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

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

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
General Government Grants				
New Homes Bonus	(3,101)		(3,843)	
Revenue Support Grant	(1,589)		(655)	
Small Business & Empty Property Rate Relief Grant	(367)		(407)	
Transition Grant	0		(135)	
New Build Empty Property Relief Grant	(5)		(69)	
Retail Relief Grant	(234)		(1)	
Other	(51)	(5,347)	(25)	(5,135)
Capital Grants & Contributions				
Priory Works Developer Contribution	(154)		(314)	
Suez Communities Contribution	0		(50)	
Sovereign House Developer Contribution	(311)		0	
Environment Agency Contribution	(205)		0	
Ashby's Yard Developer Contribution	(102)		0	
TMLT Contribution	(62)		0	
River Centre Developer Contribution	(52)		0	
Other	(52)	(938)	(151)	(515)
TOTAL		(6,285)		(5,650)

Credited to Services

	2015/16 £'000	2016/17 £'000
Rent Allowance Subsidy	(35,329)	(34,334)
Disabled Facilities Grant Subsidy	(490)	(619)
Benefits Administration Grant	(403)	(339)
Non-HRA Rent Rebate Subsidy	(159)	(227)
NNDR Cost of Collection Allowance	(165)	(166)
Discretionary Housing Payment Contribution	(140)	(163)
Local Council Tax Support Administration Grant	(103)	(116)
Local Benefits Scheme Subsidy	(58)	(62)
Implementing Individual Electoral Registration Grant	(59)	(24)
Repair & Renew Grant	(257)	0
Local Land Charges Grant	(73)	0
Other	(212)	(235)
TOTAL	(37,448)	(36,285)

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 ([Note 20](#) refers).

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

Emoluments

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

Remuneration Band	Number of Employees	
	2015/16	2016/17
£50,000 - £54,999	16	10
£55,000 - £59,999	6	9
£60,000 - £64,999	1	-
£65,000 - £69,999	2	3
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	4	4
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	1
TOTAL	30	28

The numbers above include 1 (2) employees included in the exit packages table for 2016/17 (2015/16).

Senior Officer Remuneration

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

	Post Title	Salary, Fees & All'ces £'000	Expenses All'ces £'000	Comp for Loss of Office £'000	Benefits in Kind £'000	Total Excl Pension £'000	Pension Contrib's £'000	Total Including Pension £'000
2015/16	Chief Executive	112	0	0	7	119	17	136
	Director of Central Services	86	5	0	0	91	13	104
	Director of Finance & Transformation	87	0	0	4	91	13	104
	Director of Planning, Housing & Env Health	87	0	0	6	93	13	106
	Director of Street Scene, Leisure & Tech Services	86	5	0	0	91	13	104
	TOTAL	458	10	0	17	485	69	554
2016/17	Chief Executive	114	0	0	7	121	17	138
	Director of Central Services	89	5	0	0	94	13	107
	Director of Finance & Transformation	89	0	0	4	93	13	106
	Director of Planning, Housing & Env Health	89	0	0	5	94	13	107
	Director of Street Scene, Leisure & Tech Services	89	5	0	0	94	13	107
	TOTAL	470	10	0	16	496	69	565

At 31 March 2017 (2016) the Council employed 270 (269) permanent staff, equating to 220 (227) 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 2016/17 (2015/16) this was estimated to be £91,000 (£84,000).

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.

	2015/16		2016/17	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
Compulsory Redundancies				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	2	55	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Other Agreed Departures				
£0 - £19,999	3	23	3	21
£20,000 - £39,999	1	33	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	1	76
TOTAL	6	111	4	97

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.

	2015/16			2016/17		
	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	329	1	330		1	1
Disposal Costs	(5)		(5)			0
	<u>324</u>	<u>1</u>	<u>325</u>	<u>0</u>	<u>1</u>	<u>1</u>
less Usable Capital Receipts Applied						
Purchase of Non-Current Assets	324		324			0
Pooled Housing Capital Receipts		1	1		1	1
BALANCE AT 31 MARCH	0	0	0	0	0	0

Deferred Capital Receipts

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

	2015/16 £'000	2016/17 £'000
Balance at 1 April	6	5
Receipts	(1)	(1)
BALANCE AT 31 MARCH	5	4

15. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2015/16	Revenue Reserve for Capital Schemes	6,831	791	(1,040)	6,582
	General Revenue Reserve	4,671	369		5,040
	Building Repairs Reserve	76	850	(520)	406
	Earmarked Reserves				
	Special Projects	933		(8)	925
	Business Rates Retention Scheme	2,835		(521)	2,314
	Invest to Save	102	50		152
	Tonbridge & Malling Leisure Trust	181			181
	Local Development Framework	111	45	(7)	149
	Housing Assistance	176	24		200
	Election	165	65	(117)	113
	Transformation	28	50		78
	Asset Review	127		(28)	99
	Community Development	108		(73)	35
	Flood Recovery & Defence	100		(75)	25
Other Earmarked Reserves	278	38	(62)	254	
TOTAL	16,722	2,282	(2,451)	16,553	
2016/17	Revenue Reserve for Capital Schemes	6,582	516	(350)	6,748
	General Revenue Reserve	5,040	909		5,949
	Building Repairs Reserve	406	675	(762)	319
	Earmarked Reserves				
	Special Projects	925		(14)	911
	Business Rates Retention Scheme	2,314		(1,620)	694
	Invest to Save	152	700	(221)	631
	Tonbridge & Malling Leisure Trust	181	120		301
	Local Development Framework	149	85	(9)	225
	Housing Assistance	200	10	(10)	200
	Election	113	45	(8)	150
	Transformation	78	70		148
	Asset Review	99		(40)	59
	Community Development	35		(31)	4
	Flood Recovery & Defence	25		(25)	0
Other Earmarked Reserves	254		(50)	204	
TOTAL	16,553	3,130	(3,140)	16,543	

Reserve

Revenue Reserve for Capital Schemes

General Revenue Reserve

Building Repairs Reserve

Special Projects

Business Rates Retention Scheme

Invest to Save

Tonbridge & Malling Leisure Trust

Local Development Framework

Housing Assistance

Election

Transformation

Other Earmarked Reserves

Purpose of the Reserve

Established to finance future capital expenditure.

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

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

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

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

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

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

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 fund initiatives that deliver operational efficiencies.

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

16. DEBTORS

Long Term Debtors

	At 31 March 2016 £'000	At 31 March 2017 £'000
Employees	55	25
Mortgagors	22	20
TOTAL	77	45

Short Term Debtors

	At 31 March 2016			At 31 March 2017		
	Gross Value £'000	Impairment Allowance £'000	Net Value £'000	Gross Value £'000	Impairment Allowance £'000	Net Value £'000
General Fund						
Housing Benefit Claimants (current & former)	3,046	(2,053)	993	3,134	(2,193)	941
Local Authorities	837		837	971		971
Payments in Advance	369		369	527		527
Central Government	227		227	160		160
National Health Service	4		4	0		0
Other Debtors	674	(133)	541	350	(142)	208
	5,157	(2,186)	2,971	5,142	(2,335)	2,807
Collection Fund						
Council Tax Payers (Borough Council's share)	799	(234)	565	799	(243)	556
NNDR Payers (Borough Council's share)	433	(92)	341	549	(144)	405
	1,232	(326)	906	1,348	(387)	961
TOTAL	6,389	(2,512)	3,877	6,490	(2,722)	3,768

The upward movement in the gross value of debtors is spread across all classes rather than one or more specific classes.

Impairment Allowance

	Housing Benefit Claimants £'000	Homeless -ness Debtors £'000	General Debtors £'000	Council Tax Payers £'000	NNDR Payers £'000	Total £'000	
2015/16	Balance at 1 April	1,695	56	89	236	152	2,228
	Write-Offs	(58)	(10)	(8)	(24)	(112)	(212)
	Contribution to Allowance	415	2	4	22	52	495
	Receipts/Adjustments	1					1
BALANCE AT 31 MARCH	2,053	48	85	234	92	2,512	
2016/17	Balance at 1 April	2,053	48	85	234	92	2,512
	Write-Offs	(68)	(2)		(32)	(93)	(195)
	Contribution to Allowance	206	9	2	41	145	403
	Receipts/Adjustments	2					2
BALANCE AT 31 MARCH	2,193	55	87	243	144	2,722	

The increase in the impairment allowance is largely due to a reassessment of the impairment allowance in respect of outstanding housing benefit overpayments and national non-domestic rates.

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

Disclosure Requirements under IFRS 7 (Financial Instruments: Disclosures)

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

Age of Debt

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

Age of Debt	At 31 March 2016				At 31 March 2017			
	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	477	6	775	1,258	109	16	971	1,096
1 - 3 months	36	5	7	48	29	11	0	40
3 - 6 months	6	4	59	69	26	8	0	34
6 - 12 months	2	8	0	10	3	12	0	15
1 year +	97	32	0	129	99	38	0	137
TOTAL	618	55	841	1,514	266	85	971	1,322

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 2017	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2017	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
Debtors				
General Debtors	266	0.9	32.7	87
Homelessness	85	23.7	64.7	55
TOTAL	351			142

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 2016 £'000	At 31 March 2017 £'000
Internally Managed Funds		
BNP Paribas MMF	4,327	2,388
Morgan Stanley	254	0
National Westminster Bank	10	10
Prime Rate	2,085	0
Santander	4,792	5,700
	11,468	8,098
Cash in Hand	459	428
TOTAL	11,927	8,526

18. SHORT TERM CREDITORS

	At 31 March 2016 £'000	At 31 March 2017 £'000
General Fund		
Central Government	(703)	(984)
Local Authorities	(358)	(402)
Receipts in Advance	(202)	(143)
Employees	(84)	(90)
Mortgagors	(1)	(2)
Other Creditors	(1,945)	(1,871)
	<u>(3,293)</u>	<u>(3,492)</u>
Collection Fund		
Central Government	(1,510)	(4,385)
Local Authorities	(1,008)	(1,804)
NDR Payers (Borough Council's share)	(353)	(843)
Council Tax Payers (Borough Council's share)	(219)	(238)
	<u>(3,090)</u>	<u>(7,270)</u>
TOTAL	(6,383)	(10,762)

The upward movement in creditors is largely due to the amount owed to central government in respect of housing benefit subsidy paid on account, the decrease in the net deficit on business rates to be recovered from central government and local authorities under the Business Rates Retention Scheme and an increase in prepayments by business ratepayers.

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 2016 £'000	At 31 March 2017 £'000
General Fund		
Local Authorities	(95)	(120)
Mortgagors	(1)	(2)
Other Creditors	(1,945)	(1,871)
TOTAL	(2,041)	(1,993)

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
2015/16	NNDR Appeals	(2,428)	(3,164)	2,428		(3,164)
	Other Provisions	(231)	(32)	30	112	(121)
	TOTAL	(2,659)	(3,196)	2,458	112	(3,285)
2016/17	NNDR Appeals	(3,164)	(818)	982		(3,000)
	Other Provisions	(121)	(1)	31		(91)
	TOTAL	(3,285)	(819)	1,013	0	(3,091)

- **NNDR Appeals** – business ratepayers can appeal against the rateable value applied to the property by the Valuation Office. This provision represents our share of the cost arising from successful appeals. Due to the appeals being heard by an external party the Council is unable to determine the likely settlement date of any appeal, therefore the provision is recognised as long term rather than short term. See [Note 4](#) to the Collection Fund Accounts for further details.
- **Other Provisions** as at 31 March 2017 comprise:
 - Adoption of Amenity Areas – repairs to a banked area of the M20 slip road at Junction 4.

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
2015/16	Medway Wharf Road	(628)		(4)		13		(619)
	Oakwood Poultry Farm	0	(350)	(1)				(351)
	River Walk	(131)						(131)
	Discovery Drive	(292)	(33)	(1)	215			(111)
	Air Quality	(150)						(150)
	Peters Village	(127)		(1)				(128)
	Town Lock	(230)	25			205		0
	Ashby's Yard	(102)				102		0
	Other	(253)	(543)	(1)	1	536		(260)
TOTAL	(1,913)	(901)	(8)	216	856	0	(1,750)	
2016/17	Medway Wharf Road	(619)		(3)				(622)
	Oakwood Poultry Farm	(351)		(2)				(353)
	River Walk	(131)		(1)				(132)
	Discovery Drive	(111)		(1)				(112)
	DFG Subsidy	0	(109)					(109)
	Air Quality	(150)			150			0
	Peters Village	(128)			128			0
	Other	(260)	(910)	(2)	416	377	25	(354)
	TOTAL	(1,750)	(1,019)	(9)	694	377	25	(1,682)

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
2015/16	Leybourne Lakes	400				400
	Leybourne Lakes	344			(3)	341
	Hale Street	248				248
	Castle River Bank	147		(6)		141
	Medway Wharf Road	101		(101)		0
	Other	301	20	(48)	(16)	257
TOTAL	1,541	20	(155)	(19)	1,387	
2016/17	Leybourne Lakes	400				400
	Leybourne Lakes	341				341
	Hale Street	248				248
	Castle River Bank	141		(110)		31
	Other	257	38	(38)	(22)	235
TOTAL	1,387	38	(148)	(22)	1,255	

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.

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		42,019		43,190
Capital Financing applied in year				
Revenue	957		143	
Capital Grants & Contributions	1,073		625	
Capital Receipts	324		0	
Minimum Revenue Provision	381	2,735	397	1,165
Reversal of items charged to the Comprehensive Income and Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(2,912)		(2,996)	
Impairment of Non-Current Assets	184		339	
Net Book Value of Assets Disposed	0	(2,728)	0	(2,657)
Amounts Written-out of the Revaluation Reserve				
Difference between fair value & historical cost depreciation	729		849	
Accumulated Gains on Assets Disposed	0	729	0	849
Movement in the Fair Value of Investment Properties		435		0
BALANCE AT 31 MARCH		43,190		42,547

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.

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		28,631		31,430
Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services				
Upward revaluations	3,528		8,069	
Downward revaluations / impairments	0	3,528	(348)	7,721
Amounts Written-Off to the Capital Adjustment Account				
Difference between fair value & historical cost depreciation	(729)		(849)	
Accumulated gains on assets sold or scrapped	0	(729)	0	(849)
BALANCE AT 31 MARCH		31,430		38,302

23. RECONCILIATION OF OPERATING ACTIVITIES CASH FLOW

	2015/16		2016/17	
	£'000	£'000	£'000	£'000
(Surplus) / Deficit on Provision of Services		577		1,289
less Non-Cash Transactions included within Comprehensive Income & Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(2,912)		(2,996)	
Impairment of Non-Current Assets	184		339	
Service Cost	(2,234)		(2,166)	
Administration Expenses	(50)		(46)	
Net Interest on Defined Benefit Liability	(1,938)		(1,999)	
Embedded Lease Finance Charge	(80)		(84)	
Movement in the Fair Value of Investment Properties	435		0	
Provision Set Aside in the Year	(626)		394	
Grants & Contributions in Advance / Unapplied	(247)	(7,468)	(23)	(6,581)
plus Cash Transactions excluded from Comprehensive Income & Expenditure Statement				
Employer's Pension Contributions	2,735		2,801	
Refuse, Recycling & Street Cleansing Contract Payments	461	3,196	481	3,282
plus Items on an Accruals Basis				
Increase / (Decrease) in Investments	1,738		9,273	
Increase / (Decrease) in Inventories	(5)		(3)	
Increase / (Decrease) in Debtors	(2,495)		(284)	
(Increase) / Decrease in Creditors	490	(272)	(877)	8,109
less Items Classified in Another Classification in the Cash Flow Statement				
Proceeds from Short-Term & Long-Term Investments	31,000		20,750	
Purchase of Short-Term & Long-Term Investments	(32,750)		(30,000)	
Gain / (Loss) on Disposal of Non-Current Assets	324		0	
Capital Grants & Contributions	938		515	
Housing Capital Receipts to Government Pool	(1)	(489)	(1)	(8,736)
NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES		(4,456)		(2,637)

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 2016/17 (2015/16) the Council funded some of these organisations the total sum of £483,000 (£330,000).

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

Returns were received from all 54 Councillors elected as at the end of the 2016/17 financial year and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosure in the Accounts.

25. MEMBERS' ALLOWANCES

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

	2015/16 £'000	2016/17 £'000
Basic Allowance	277	279
Special Responsibility Allowance	108	107
Travel & Subsistence Expenses	5	3
Carers Allowance	0	0
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	8	8
TOTAL	405	404

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 carried out during 2016/17.

	2015/16 £'000	2016/17 £'000
External audit services	46	46
Certification of grant claims and returns	19	18
TOTAL	65	64

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

27. CONTINGENT LIABILITIES

Tonbridge and Malling Leisure Trust

The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust. In the event that the Trust fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. As at the 31 March 2016 these liabilities, calculated under FRS 102, amounted to £1.75m, however, the Trust remains a going concern and recourse to such a guarantee is considered remote; and is not one and the same as the actual liability if the guarantee was to be called on. The triennial valuation undertaken as at 31 March 2016 reported a liability of £147,000.

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 2017 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	2015/16 NNDR £'000	Total £'000		Council Tax £'000	2016/17 NNDR £'000	Total £'000
Income						
73,135	55,043	128,178	Billed to Tax Payers	77,315	53,751	131,066
	2,988	2,988	Contribution towards Previous Years' Collection Fund Deficit		4,973	4,973
73,135	58,031	131,166	Total Income	77,315	58,724	136,039
Expenditure						
51,121	4,856	55,977	Precepts and Demands			
			Kent County Council	53,990	4,842	58,832
6,902		6,902	Police & Crime Commissioner for Kent	7,247		7,247
3,314	540	3,854	Kent & Medway Fire & Rescue Authority	3,429	538	3,967
8,794	21,583	30,377	Tonbridge & Malling Borough Council	9,169	21,522	30,691
2,043		2,043	Parish Councils	2,230		2,230
	26,979	26,979	Central Government		26,902	26,902
	52	52	Transitional Protection		401	401
614		614	Contribution towards Previous Years' Collection Fund Surplus	985		985
158	281	439	Amounts Written-Off	211	233	444
(10)	(150)	(160)	Provision for Non-Payment	58	130	188
	2,331	2,331	Provision for Appeals not Paid		2,045	2,045
	(491)	(491)	Appeals Paid in Year		(2,455)	(2,455)
	165	165	Cost of Collection Allowance		166	166
72,936	56,146	129,082	Total Expenditure	77,319	54,324	131,643
199	1,885	2,084	Surplus / (Deficit) for the Year	(4)	4,400	4,396
913	(6,934)	(6,021)	Balance B/fwd at 1 April	1,112	(5,049)	(3,937)
1,112	(5,049)	(3,937)	BALANCE C/FWD AT 31 MARCH	1,108	(649)	459

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:

	2015/16 £	2016/17 £
Kent County Council	51,121,098	53,990,000
Police & Crime Commissioner for Kent	6,901,412	7,246,772
Kent & Medway Fire & Rescue Authority	3,313,522	3,429,297
Tonbridge & Malling Borough Council	8,794,301	9,169,057
	70,130,333	73,835,126
Parish Councils	2,043,129	2,230,015
TOTAL	72,173,462	76,065,141

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	2015/16 Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	2016/17 Multiplier	Band D Equivalent Dwellings
Disabled A	2.75	5/9ths	1.53	2.75	5/9ths	1.53
A	807.07	6/9ths	538.05	827.86	6/9ths	551.91
B	2,402.24	7/9ths	1,868.40	2,416.03	7/9ths	1,879.13
C	11,309.12	8/9ths	10,052.54	11,480.09	8/9ths	10,204.50
D	11,164.90	9/9ths	11,164.90	11,358.72	9/9ths	11,358.70
E	7,875.00	11/9ths	9,624.99	8,000.63	11/9ths	9,778.54
F	4,621.20	13/9ths	6,675.06	4,653.69	13/9ths	6,721.99
G	4,242.11	15/9ths	7,070.17	4,327.68	15/9ths	7,212.79
H	357.99	18/9ths	715.98	371.87	18/9ths	743.74
			47,711.62			48,452.83
Estimated Collection Rate			98.30%			98.30%
COUNCIL TAX BASE			46,900.52			47,629.13

Band D Council Tax

	2015/16 £	2016/17 £
Kent County Council	1,089.99	1,133.55
Police & Crime Commissioner for Kent	147.15	152.15
Kent & Medway Fire & Rescue Authority	70.65	72.00
Tonbridge & Malling Borough Council	187.51	192.51
	<u>1,495.30</u>	<u>1,550.21</u>
Parish Councils (average)	43.56	46.82
TOTAL	1,538.86	1,597.03

This basic amount of council tax for a Band D property of £1,550.21 (£1,495.30) for 2016/17 (2015/16) is multiplied by the proportion specified within the *Local Government Finance Act 1992* for the particular band to give an individual amount due. In addition to this, charges are made specifically in relation to the precepts of Parish Councils.

2. NATIONAL NON-DOMESTIC RATES (NNDR)

Non-domestic rates are organised on a national basis. The Government specified a “rate poundage” of 49.7p (49.3p) for large businesses or 48.4p (48.0p) for small businesses in 2016/17 (2015/16) 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 £53,350,000 (£54,991,000) for 2016/17 (2015/16) was based on the total rateable value for the Council’s area which at the year-end was £135,337,264 (£135,267,956 in 2015/16).

3. IMPAIRMENT ALLOWANCE

	2015/16			2016/17		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Balance at 1 April	1,571	380	1,951	1,561	230	1,791
Write-Offs	(158)	(281)	(439)	(211)	(233)	(444)
Contribution to Allowance	148	131	279	269	363	632
BALANCE AT 31 MARCH	1,561	230	1,791	1,619	360	1,979

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 2017. This provision has been based upon information received from the Valuation Office Agency for appeals lodged up to 31 March 2017 and an element for appeals in respect of monies received in 2016/17 but no appeal has yet been lodged. The total amounts are shown in the table under [Note 6](#) below.

5. COLLECTION FUND SURPLUSES AND DEFICITS

The Borough Council is required to estimate the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax and, from April 2013, National Non-Domestic Rates. The estimated surplus or deficit is then shared between the Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority, Central Government and the Borough Council as appropriate. The estimated surplus for 2015/16 in respect of council tax was £984,801 and the estimated deficit for 2015/16 in respect of NNDR was £4,973,117. The actual surplus of £1,108,188 at 31 March 2017 in respect of council tax and the actual deficit of £649,649 at 31 March 2017 in respect of NNDR will be taken into account when estimating the surplus/deficit for 2017/18.

6. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

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

	KCC £'000	PCC £'000	KMFRA £'000	Gov't £'000	TMBC £'000	Total £'000	
At 31 March 2016	Council Tax Arrears	2,302	329	165		493	3,289
	Council Tax Provision for Bad Debts	(1,093)	(156)	(78)		(234)	(1,561)
	Council Tax Prepayments & Refunds	(1,021)	(146)	(73)		(219)	(1,459)
	Council Tax Cash	590	84	42		127	843
	Council Tax (Surplus) / Deficit	(778)	(111)	(56)		(167)	(1,112)
	NNDR Arrears	95		11	528	433	1,067
	NNDR Provision for Bad Debts	(21)		(2)	(115)	(92)	(230)
	NNDR Provision for Appeals	(712)		(79)	(3,955)	(3,164)	(7,910)
	NNDR Prepayments & Refunds	(80)		(9)	(441)	(352)	(882)
	NNDR Cash	264		29	1,458	1,155	2,906
	NNDR (Surplus) / Deficit	454		50	2,525	2,020	5,049
TOTAL	0	0	0	0	0	0	
At 31 March 2017	Council Tax Arrears	2,220	297	141		469	3,127
	Council Tax Provision for Bad Debts	(1,149)	(154)	(73)		(243)	(1,619)
	Council Tax Prepayments & Refunds	(1,127)	(151)	(71)		(238)	(1,587)
	Council Tax Cash	842	113	52		180	1,187
	Council Tax (Surplus) / Deficit	(786)	(105)	(49)		(168)	(1,108)
	NNDR Arrears	122		14	675	549	1,360
	NNDR Provision for Bad Debts	(32)		(4)	(180)	(144)	(360)
	NNDR Provision for Appeals	(675)		(75)	(3,750)	(3,000)	(7,500)
	NNDR Prepayments & Refunds	(190)		(21)	(1,054)	(843)	(2,108)
	NNDR Cash	717		80	3,984	3,178	7,959
	NNDR (Surplus) / Deficit	58		6	325	260	649
TOTAL	0	0	0	0	0	0	

ANNUAL GOVERNANCE STATEMENT

Purpose of this Statement

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

Scope of responsibility

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

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

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

The purpose of the governance framework

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

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

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2017 and up to the date of approval of this statement.

The governance framework

The Council's Local Code of Corporate Governance sets out the arrangements in place to govern the Council's activities under seven main headings.

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

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

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

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

The Council's duty to ensure that all activities undertaken are in accordance with the law is discharged in part by the Council's Constitution including its Financial Procedure Rules and Contracts Procedure Rules

and supported by strategies/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.

Ensuring openness and comprehensive stakeholder engagement

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

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

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

The Council has established arrangements to communicate and consult with stakeholders on the Council's work and key policy changes and this consultation allows the development of strategic priorities and the Corporate Strategy. In addition, the Council uses its complaints procedure to understand where services can be improved.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Council has an effective Internal Audit function which operates in line with proper practices; for 2016/17 this is governed by the Public Sector Internal Audit Standards and the CIPFA application note to the Standards. The Chief Audit Executive role meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud and corruption arrangements including whistleblowing. The Chief Audit Executive is responsible for the maintenance of the Council's Anti-Fraud & Corruption Policy and Whistleblowing Policy and has arrangements and resources in place to investigate any allegations made under either document.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council's financial information and reporting arrangements are sound and the external auditor following the 2015/16 audit concluded that the Council continues to have an effective framework of financial control and robust arrangements for financial governance; and a structured approach to addressing financial pressures within a strong medium term planning framework.

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

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

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

The annual Statement of Accounts reports the Council's financial performance and is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK and is subject to

external audit. Included within the Accounts is an opinion given by the Council's external auditors on value for money through economic, efficient and effective use of resources.

The Review of Effectiveness of the System of Internal Audit for the year 2016/17 concluded that a good system of internal audit is in place within the Council.

Review of effectiveness

Tonbridge & Malling Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the 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 principles of the CIPFA/SOLACE document, *Delivering Good Governance in Local Government Framework 2016*.

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

Signed

Signed

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

Councillor N. J. Heslop
Leader of the Council

Dated

Dated

Subject to Review

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

We have audited the financial statements of Tonbridge & Malling Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Director of Finance and Transformation and auditor

As explained more fully in the Statement of 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 2016/17, which 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 Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2017.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

SIGNED BY SARAH IRONMONGER

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

2016/17