

2018/19

Statement of Accounts



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NARRATIVE REPORT

1. INTRODUCTION

The Council has published a [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 2018/19; 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 129,000, 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 Nicolas Heslop	Leader and Economic Regeneration
Cllr Martin Coffin	Finance, Innovation and Property and Deputy Executive Leader
Cllr Maria Heslop	Community Services
Cllr David Lettington	Street Scene and Environment Services
Cllr Piers Montague	Housing
Cllr Howard Rogers	Strategic Planning and Infrastructure

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 Deputy Chief Executive 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, Eleanor Hoyle. Service responsibilities include building control, development control, environmental protection, homelessness, housing advice and local plan.
- Director of Street Scene, Leisure and Technical Services, Robert Styles. Service responsibilities include car parking, leisure centres, parks and open spaces, refuse collection and recycling and street cleansing.

Further information on the Council's senior management can be found 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 2018/19. The Code is based on a hierarchy of approved accounting standards.

There have been no material changes to the presentation of the Accounts for 2018/19.

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 2018/19 in addition to the Narrative Report consists of the following sections.

Statement of Responsibilities for the Statement of Accounts

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

Core Financial Statements

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

- **Comprehensive Income and Expenditure Statement**

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

- **Movement in Reserves Statement**

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

- **Balance Sheet**

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

- **Cash Flow Statement**

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

- **Notes to the Core Financial Statements**

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

Supplementary Financial Statements

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

- **Collection Fund and Associated Notes**

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

Annual Governance Statement

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

Independent Auditor's Report

The Council's independent external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in 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 2018 the Council set a net revenue budget of £14,387,000. This was to be met from council tax income of £10,156,000, business rates of £2,720,000, New Homes Bonus of £3,334,000, other grants and contributions of £131,000 and council tax surplus of £124,000; offset by a net contribution to specific revenue reserves for specific projects/purposes of £1,645,000 and a contribution of £433,000 to the general revenue reserve.

The revised net revenue budget of £14,302,000 prepared in the year was £85,000 less than the original budget set by the Council in February 2018. This, together with an increase of £92,000 in other grants and contributions and an increase of £265,000 in respect of business rates; offset by an increase in the planned net contribution to specific revenue reserves of £763,000, led to a contribution to the general revenue reserve of £112,000 compared to the estimated contribution to the reserve of £433,000 when the budget was set in February 2018, a difference of £321,000.

The actual spend (net) for the year of £13,911,000 was £476,000 less than the original budget set by the Council in February 2018. This, together with an increase of £100,000 in other grants and contributions and an increase of £319,000 in respect of business rates; offset by an increase in the planned net contribution to specific revenue reserves of £1,252,000, led to a contribution to the general revenue reserve of £76,000 compared to the estimated contribution to the reserve of £433,000 when the budget was set in February 2018, a difference of **£357,000**.

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

2017/18 Actual		Original Budget £'000	2018/19 Revised Budget £'000	Actual £'000
3,575	Corporate Services	3,842	3,581	3,526
640	Chief Executive	695	709	692
41	Director of Central Services	36	98	91
1,308	Director of Finance & Transformation	1,612	1,438	1,167
3,054	Director of Planning, Housing & Environmental Health	3,322	3,223	3,085
7,351	Director of Street Scene, Leisure & Technical Services	7,743	8,075	8,105
15,969	Cost of Services	17,250	17,124	16,666
(2,628)	Depreciation, Amortisation & Impairment	(2,825)	(2,769)	(2,750)
(13)	Revenue Expenditure Funded from Capital	(38)	(53)	(5)
13,328	Sub-total	14,387	14,302	13,911
(3,485)	New Homes Bonus	(3,334)	(3,334)	(3,334)
(304)	Other Grants & Contributions	(131)	(223)	(231)
1,819	Contributions to or (from) Specific Revenue Reserves	1,645	2,408	2,897
11,358	Sub-total	12,567	13,153	13,243
698	Contribution to or (from) General Revenue Reserve	433	112	76
12,056	Budget Requirement	13,000	13,265	13,319
(2,254)	Business Rates Retention Scheme	(2,720)	(2,985)	(3,039)
(148)	Council Tax (Surplus) / Deficit	(124)	(124)	(124)
9,654	BALANCE TO BE MET FROM COUNCIL TAX PAYERS	10,156	10,156	10,156
£197.51	Council Tax at Band D (Borough Council only)	£203.42	£203.42	£203.42

The favourable variance can in large part be attributed to savings on the salary bill arising from establishment reviews and vacant posts, higher retained income under the Business Rates Retention Scheme and better than budgeted performance in our major operational income streams and investment income. Offset by increased contributions to a number of specific earmarked reserves in recognition of recent and future cost pressures.

The table on the next page provides in more detail the reasons for the variation of £357,000 in the contribution to the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Building Repairs Reserve	600	1,250	650
Revenue Reserve for Capital Schemes	732	1,182	450
Tonbridge & Malling Leisure Trust Reserve	200	500	300
Waste Contract	3,956	4,112	156
Legal Expenses	42	152	110
Trees	15	86	71
TMLT Loss of Income Claims	0	51	51
Drainage Board Levies	440	411	(29)
Information Technology	672	636	(36)
Temporary Accommodation	220	177	(43)
Housing Benefits	(67)	(140)	(73)
Contributions from KCC	(85)	(174)	(89)
Investment Income	(377)	(486)	(109)
Major Income Streams	(5,677)	(5,801)	(124)
Business Rates Retention Scheme Reserve	0	(269)	(269)
Business Rates Retention Scheme	(2,720)	(3,039)	(319)
Cost of Employees (see table below)	11,699	11,269	(430)
Other	72	162	90
TOTAL	9,722	10,079	357

Major income streams represents income from Planning and Building Control Applications, Recycling, Car Parking, Land Charges and Licensing.

An analysis of the cost of employees is given in the table below. At 31 March 2019 the Council employed 263 permanent staff (31 March 2018: 275) or 222 full-time equivalents (31 March 2018: 224).

2017/18 Actual £'000		Original Budget £'000	2018/19 Actual £'000	Variance £'000
7,408	Salaries	7,955	7,644	(311)
697	Employers' National Insurance Contributions	758	713	(45)
1,023	Employers' Superannuation Contributions	1,134	1,062	(72)
1,374	Superannuation Lump Sum Contribution	1,407	1,407	0
356	Termination Payments	296	267	(29)
65	Training	70	67	(3)
6	Health Care	6	6	0
7	Recruitment	2	38	36
37	Leased Car Costs	28	26	(2)
15	Professional Subscriptions	17	15	(2)
23	Apprenticeship Levy	26	24	(2)
11,011	TOTAL	11,699	11,269	(430)

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 2018 the Council set a capital budget of £3,151,000 net of specific government grants and other contributions of which £3,150,000 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 2017/18 and progress made on our capital projects. The revised budget total was £1,507,000 of which £756,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts.

The Council's capital spend net of specific government grants and other contributions in the year including work completed, but not yet billed was £1,040,000 of which £805,000 is to be met from capital receipts and £235,000 from the revenue reserve for capital schemes. The underspend of £467,000 can largely be attributed to a lower than anticipated spend on renewal of vehicles, plant and equipment at our leisure facilities, printing and reprographics equipment 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.

2017/18 Actual £'000	Service	Scheme	2018/19		
			Original Budget £'000	Revised Budget £'000	Actual £'000
6	Planning, Hsg & Env Health	House Renovation Grants	30	30	(14)
6		Total	30	30	(14)
10	Street Scene, Leisure & Technical	Larkfield Leisure Centre	505	203	114
113		Refuse / Green Waste Bins	92	84	64
0		Wouldham River Wall	998	25	21
108		Other Schemes	113	106	60
231		Total	1,708	418	259
198	Corporate	I.T. Initiatives	30	258	156
0		Other Schemes	60	0	0
198		Total	90	258	156
5	Capital Renewals	Planning, Housing & Env Health	0	0	0
575		Street Scene, Leisure & Technical	725	498	430
79		Corporate	598	303	209
659		Total	1,323	801	639
1,094	TOTAL CAPITAL EXPENDITURE		3,151	1,507	1,040
1,078	Funding	Revenue Reserve for Capital Sch	3,150	756	235
16		Capital Receipts	1	751	805
1,094	TOTAL FUNDING		3,151	1,507	1,040

Capital projects completed / commenced in the year included purchase of property for homelessness purposes to give the Council more options to assist people to whom it had a duty to house temporarily and help to manage and reduce costs; Tonbridge School Athletics Track improvement works which

provides community use via agreement with the Council; extension of car park at Haysden Country Park to meet demand; newly resurfaced Tonbridge to Penshurst Cycle Path; and continuing the 'virtual' desktop IT infrastructure project to enhance security and facilitate remote and alternative working arrangements to deliver efficiency savings.

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 (Net Worth). The table below shows the Council's Net Worth is £57.8m as at 31 March 2019 (31 March 2018: £42.7m). The increase in net worth can largely be attributed to higher investment balances arising from the Business Rates Retention scheme, reduced pension liability and revaluation of Council assets.

At 31 March 2018 £'000		At 31 March 2019 £'000	
84,825	Council Assets	87,893	
20	Stock	15	
29,765	Cash and Investments held	36,717	
5,546	Money owed to the Council	4,903	
(9,633)	Money owed by the Council	(12,270)	
(6,046)	Long Term Liabilities	(4,342)	
(61,775)	Pension Liability	(56,696)	
42,702	TOTAL	56,220	

This is represented by revenue balances and reserves of £24.1m available to fund services and £32.2m of other balances. A breakdown of the revenue balances and reserves is shown below.

At 31 March 2018 £'000		At 31 March 2019 £'000	
6,812	Revenue Reserve for Capital Schemes	7,845	
6,647	General Revenue Reserve	6,723	
492	Building Repairs Reserve	652	
500	Property Investment Fund Reserve	1,750	
3,591	Earmarked Reserves	4,530	
1,250	Revenue Balances - General Fund	1,250	
1,267	Grants & Contributions Unapplied	1,310	
20,559	TOTAL	24,060	

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 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 properties for community use were the subject of revaluation by our external valuers. In addition to properties for community use, leisure premises, car parks where material and council offices 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 £5,217,000, of which £3,884,000 is recognised in the revaluation reserve and £1,333,000 is recognised in the (surplus) / deficit on provision 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 2019 the total value of the Council's Assets was £87.9m (31 March 2018: £84.8m).

Borrowing

The Council had no recourse for short term or long term borrowing during the financial year and remained debt-free at 31 March 2019 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 2018/19 was approved by full Council in February 2018 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.

At the start of the year the sum of £3m was invested in property investment funds and a further £2m invested during the year. The Council achieved an investment return of 3.55% on its property investment funds for the year. This equates to investment income of £162,908. At the end of March 2019 the value of our property investment funds stood at £4.9m including the entry fee paid at the time the investment was made.

The Council achieved an investment return of 0.91% on its core funds for the year, compared to a 3-month Libid benchmark of 0.68%. This equates to investment income of £210,690. At the end of March 2019 the value of our core fund investments stood at £24.0m.

The Council achieved an investment return of 0.73% on its cash flow investments (including cash equivalents) for the year, compared to a 7-day Libid benchmark of 0.51%. This equates to investment income of £112,189. At the end of March 2019 the value of our cash flow investments stood at £7.4m.

Further information on Treasury Management performance for the year ended 31 March 2019 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2019.

Cash Flow Statement

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

2017/18 £'000		2018/19 £'000
	Operating Activities	
(83,400)	Cash Inflows (Income)	(90,726)
83,167	Cash Outflows (Expenditure)	83,789
<u>(233)</u>		<u>(6,937)</u>
	Investing Activities	
(35,023)	Cash Inflows (Income)	(41,907)
34,094	Cash Outflows (Expenditure)	52,272
<u>(929)</u>		<u>10,365</u>
<u>(95)</u>	Financing Activities - Cash (Inflows) / Outflows	<u>(1,372)</u>
(1,257)	NET (INCREASE) / DECREASE IN CASH RESOURCES	2,056

The net cash outflow of £2.1m can largely be attributed to increased investment balances arising from the Business Rates Retention scheme placed in short term deposits offset by a net cash inflow on operating activities in part due to receipt of government grant owed for prior years.

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 2019 was £56.7m (31 March 2018: £61.8m). The change in the pension fund deficit over the year is mainly dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in a decrease in the pension fund deficit compared to the previous year.

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 11](#) to the accounts.

5. REVIEW OF THE YEAR

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

- Kent wide bid to pilot 100% Business Rates Retention in 2018/19 was one of ten to be approved.
- Events organised by Tonbridge and Malling's Community Safety Partnership to raise awareness of the importance of keeping safe and their work with Community Alcohol Partnerships in tackling underage drinking.
- Haysden Country Park now has a new footpath around the Children's play area thanks to the Tesco Bags of Help in-store community donation scheme.
- Sale of the Teen & Twenty site in Tonbridge for the construction of a purpose built medical centre completed.
- The Borough Council pass a resolution to formalise its support to the successful campaign for Tonbridge to secure Fairtrade status.
- A series of events across the borough organised as part of the Love Kent – Hate Litter campaign and in support of Kent County Council's Keep Kent Clean Campaign.
- Council pull together a wide range of activities provided by a host of groups across the borough and coordinated by the Borough Council to keep children and young people entertained over the Summer and Easter holidays.
- Newly resurfaced Tonbridge to Penshurst Cycle Path completed.

- Haysden Country Park awarded a Green Flag Award for the thirteenth year and Leybourne Lakes Country Park for the twelfth year in a row from Keep Britain Tidy.
- The Borough Council continues to support Energy Deal, a collective switching scheme which aims to help householders to access cheaper energy tariffs.
- Council purchases property for homelessness purposes. The property converted into six apartments will give the Council more options to assist people to whom it had a duty to house temporarily and help to manage and reduce costs.
- The Borough Council continues to make good progress in the production of a new Local Plan which will guide and manage future development in the borough up to the year 2031. The purpose of having a Local Plan is to identify how future needs for new homes will be met along with jobs, businesses and community facilities such as schools, medical facilities, roads and public open spaces. The Local Plan will also provide a framework for considering and determining planning applications.
- A number of economic regeneration initiatives to be progressed funded from the Housing and Commercial Growth fund element of the 2018/19 100% Business Rates Retention pilot.
- The Borough Council and Tunbridge Wells Borough Council award an eight-year contract for a new recycling and waste collection and street cleansing service. The new contract will see a greatly improved recycling service as well as enhanced street cleansing services across both boroughs.
- Local schools visit Council at the invitation of the Mayor to learn more about local government and decision making and to express their views on issues that matter to them.
- Footpath resurfacing work at Leybourne Lakes Country Park completed.
- New features added to the online service 'My Account'.
- The Council working with Dartford Orienteering Klubb produce a new orienteering course at Leybourne Lakes Country Park using a leaflet or mobile phone app for guidance.
- The Council worked with partners in staging West Kent Jobs and Training Fair.
- In partnership with Deskrenters, co-working business accommodation for start-up businesses opened at Castle Lodge, Tonbridge.
- Bid for funding to help tackle rough sleeping within the Borough successful. Council awarded £100,000 to fund a multi-agency approach to tackling rough sleeping.

Financial and Performance Statistics

- We collected 98.9% of the £88.0m of council tax due for the 2018/19 year (2017/18: 98.6% of the £82.3m due).
- We collected 99.4% of the £57.5m of business rates due for the 2018/19 year (2017/18: 99.7% of the £54.7m due).
- We paid 99.9% of the 5,864 invoices processed within 30 days of receipt in 2018/19 (2017/18: 99.9% of the 5,614 invoices processed).
- On average it took us 12.8 days to process a new housing benefit claim in 2018/19 (2017/18: 12.9 days).
- On average 42% (2017/18: 43%) of household waste is recycled, 57% (2017/18: 53%) energy recovery and 1% (2017/18: 4%) to landfill in 2018/19.

- Of the 1,186 (2017/18: 1,245) planning applications 81% (2017/18: 89%) were determined within the recommended timeframe in 2018/19.
- Working with its registered social landlord partners, in 2018/19, the Council secured 238 homes (2017/18: 186 homes) for affordable rent, social rent, shared ownership and extra care accommodation.
- 18,755 (2017/18: 14,800) residents and 468 (2017/18: 380) businesses have signed up to My Account, to access services on-line and obtain information important to them, at the end of 2018/19. 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 £3.0m in the General Revenue Reserve (was £2.0m) by the end of the strategy period. The general revenue reserve balance at 31 March 2019 was £6.7m (31 March 2018: £6.6m).

Since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 65% or £4.3m (from £6.6m in 2010/11 to £2.3m in 2019/20). The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2019/20 is around £3.5m. However, NHB funding is expected to fall sharply in future years as the changes made to the scheme in 2017 work their way through the system, and the high levels of housing growth seen in recent years fall out of the calculation, and remains at risk of further changes or at worse withdrawal. It is our ambition to restructure the MTFS so it is not as reliant on NHB or its replacement.

For medium term financial planning purposes, from 2020/21, it is assumed that overall grant funding will add up to around £2.4m. For comparative purposes in 2010/11 overall grant funding was on or around £6.6m. If overall grant funding is in excess of £2.4m which at least in the early years we hope it could be, sums over and above this amount could be used to establish a 'stabilisation reserve' going forward to assist in meeting future saving and transformation contributions and or help manage risk. This will need to be revisited following the outcome of the 2019 Spending Review and the Fair Funding Review.

The ongoing reduction in government grant funding has and continues to place ever increasing pressure on the Council's finances where latest projections point to a 'funding gap' between expenditure and

income of circa £550,000 to be addressed over the period of the MTFS. It should be noted, that dependent on the outcome of the 2019 Spending Review and the Fair Funding Review and what happens to NHB, there is a risk the 'funding gap' could be more than is presently reflected in the MTFS.

We do believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but this is becoming progressively more difficult. That said, based on the above projection we can and propose to breakdown the required savings and transformation contribution into tranches to enable more measured steps to be taken and the 2019 Spending Review and the Fair Funding Review to be concluded (tranche one £100,000 by 2020/21, tranche two £400,000 by 2024/25 and tranche three £50,000 by 2028/29).

The year 2019/20 could be seen as a holding year as we await the outcome of the two Reviews referred to above, but at the same time acknowledge based on latest projections a not insignificant funding gap remains to be addressed over the period of the MTFS. Alongside the MTFS sits a Savings and Transformation Strategy (STS). The purpose of the STS is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale. A number of key themes have been identified, together with outline targets and timescales.

More detailed information on the Council's Budget for 2019/20, 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 outcome of the 2019 Spending Review and the Fair Funding Review;
- 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;
- proposed move to 75% business rates retention in 2020/21 followed by 100% at a future date;
- 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 and improve resilience.

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 2018/19* ('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 2019.

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

Signed

Signed

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

Councillor Vivian Branson
Chair of the Audit Committee

Dated 29th July 2019

Dated 29th July 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2017/18		Notes	2018/19		
	Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Continuing Operations						
3,924	321	3,603		3,718	335	3,383
700	60	640		714	22	692
1,042	686	356		1,051	656	395
37,758	36,602	1,156		37,063	35,909	1,154
5,839	2,785	3,054		6,758	3,673	3,085
11,654	4,474	7,180		12,817	4,873	7,944
60,917	44,928	15,989		62,121	45,468	16,653
Cost of Services						
Other Operating Expenditure						
5	24	(19)	7	750	780	(30)
2,666		2,666		2,780		2,780
395		395		411		411
1		1	15	1		1
Financing & Investing Income & Expenditure						
28	343	(315)	9	44	349	(305)
89		89	9	79		79
	293	(293)	10		429	(429)
1,672		1,672	11	1,541		1,541
		0	7	280	1,605	(1,325)
Taxation & Non-Specific Grant Income & Expenditure						
28	12,468	(12,440)	12		13,066	(13,066)
20,011	21,652	(1,641)	12	20,706	24,335	(3,629)
	4,632	(4,632)	13		4,572	(4,572)
	27	(27)	13		1,280	(1,280)
85,812	84,367	1,445		88,713	91,884	(3,171)
(Surplus) / Deficit on Provision of Services						
Other Comprehensive Income & Expenditure						
		(4,618)	7			(3,884)
		92				0
		(3,037)	11			(6,462)
		(6,118)	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		(13,517)	

MOVEMENT IN RESERVES STATEMENT

2017/18						2018/19						
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
17,793	1,255	0	19,048	17,536	36,584		19,292	1,267	0	20,559	22,144	42,703
(1,445)			(1,445)	7,563	6,118		3,171			3,171	10,346	13,517
Total Comprehensive Income & Expenditure												
Adjustments Between Accounting Basis & Funding Basis Under Regulations												
3,060			3,060	(3,060)	0	7	3,134			3,134	(3,134)	0
(8)			(8)	8	0	7	(6)			(6)	6	0
0			0		0	7	(1,325)			(1,325)	1,325	0
(24)	12		(12)	12	0		(1,276)	43		(1,233)	1,233	0
1,680			1,680	(1,680)	0	11	1,384			1,384	(1,384)	0
(19)			(19)	19	0	7	(30)		780	750	(750)	0
(276)			(276)	276	0	12	(1,055)			(1,055)	1,055	0
19			19	(19)	0	14	11			11	(11)	0
(424)			(424)	424	0	9	(378)			(378)	378	0
(1,065)			(1,065)	1,065	0		(230)			(230)	230	0
			0		0		57			57	(57)	0
1			1	(1)	0	15	1		(780)	(779)	779	0
1,499	12	0	1,511	4,607	6,118		3,458	43	0	3,501	10,016	13,517
19,292	1,267	0	20,559	22,143	42,702		22,750	1,310	0	24,060	32,160	56,220
BALANCE AT 31 MARCH												

BALANCE SHEET

At 31 March 2018 £'000	At 1 April 2018 £'000		Notes	At 31 March 2019 £'000	£'000
Long Term Assets					
72,575	72,575	Property, Plant & Equipment	7	73,415	
6,351	6,351	Heritage Assets	7	7,953	
4,885	4,885	Investment Properties	7	6,210	
264	264	Intangible Assets	7	315	
2,934	2,934	Long Term Investments	10	4,894	
11	11	Long Term Debtors	17	4	92,791
Current Assets					
750	750	Assets Held for Sale	7	0	
17,048	17,049	Short Term Investments	10	24,096	
20	20	Inventories		15	
8,505	8,505	Short Term Debtors	17	7,961	
(2,970)	(2,970)	less Impairment Allowance	17	(3,062)	
9,783	9,783	Cash & Cash Equivalents	18	7,727	36,737
Current Liabilities					
(9,583)	(9,583)	Short Term Creditors	19	(12,224)	(12,224)
Long Term Liabilities					
(50)	(50)	Long Term Creditors	19	(46)	
(3,035)	(3,035)	Provisions	20	(3,275)	
(61,775)	(61,775)	Pensions Liability	11	(56,696)	
(2,102)	(2,102)	Grants & Contributions in Advance	21	(1,067)	
(909)	(909)	Deferred Liabilities - Embedded Leases	9	0	(61,084)
42,702	42,703	NET ASSETS			56,220
Reserves					
Usable Reserves					
18,042	18,042	Reserves	16	21,500	
1,250	1,250	General Fund		1,250	
1,267	1,267	Grants & Contributions Unapplied	21	1,310	
0	0	Usable Capital Receipts Reserve	15	0	24,060
Unusable Reserves					
41,988	41,988	Capital Adjustment Account	22	43,917	
41,923	41,923	Revaluation Reserve	23	43,970	
(94)	0	Available-for-Sale Financial Ins. Reserve		0	
0	(93)	Pooled Investment Funds Adjustment A/c	10	(151)	
26	26	Deferred Capital Receipts	15	1	
185	185	Collection Fund Adjustment Account	12	1,240	
(110)	(110)	Employee Benefits - Accrued Leave	14	(121)	
(61,775)	(61,775)	Pensions Reserve	11	(56,696)	32,160
42,702	42,703	TOTAL RESERVES			56,220

CASH FLOW STATEMENT

2017/18		2018/19		
£'000	£'000	Notes	£'000	£'000
OPERATING ACTIVITIES				
Cash Inflows				
(34,202)			(35,706)	
(37,634)			(42,529)	
(5,302)			(5,997)	
(272)			(420)	
(5,990)			(6,074)	
(83,400)			(90,726)	
Cash Outflows				
10,737			11,051	
35,210			34,525	
19,971			20,530	
2,666			2,780	
8,552			10,301	
0			0	
6,031			4,602	
83,167			83,789	
(233)		24	(6,937)	
NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES				
INVESTING ACTIVITIES				
Cash Inflows				
0			(803)	
(35,000)			(41,000)	
(6)			(102)	
(17)			(2)	
Cash Outflows				
1,093			2,271	
33,000			50,000	
1			1	
(929)			10,365	
NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES				
FINANCING ACTIVITIES				
Cash (Inflows) / Outflows				
(95)			(1,372)	
(95)			(1,372)	
NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES				
(1,257)			2,056	
8,526			9,783	
9,783			7,727	

NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS

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

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund & Reserve Balances £'000	Adjustments Between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund & Reserve Balances £'000	Adjustments Between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
3,163	440	3,603	Corporate Services	3,107	276	3,383
635	5	640	Chief Executive	687	5	692
345	11	356	Director of Central Services	380	15	395
1,156	0	1,156	Director of Finance & Transformation	1,096	58	1,154
3,051	3	3,054	Director of Planning, Housing & Environmental Health	3,074	11	3,085
5,069	2,111	7,180	Director of Street Scene, Leisure & Technical Services	5,724	2,220	7,944
13,419	2,570	15,989	Net Cost of Services	14,068	2,585	16,653
3,061	(18)	3,043	Other Operating Expenditure	3,191	(29)	3,162
458	695	1,153	Financing & Investing Income & Expenditure	(505)	66	(439)
(18,437)	(303)	(18,740)	Taxation & Non-Specific Grant Income & Expenditure	(20,212)	(2,335)	(22,547)
(1,499)	2,944	1,445	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES	(3,458)	287	(3,171)
17,793			OPENING GENERAL FUND & RESERVE BALANCES	19,292		
(1,499)			(Surplus) / Deficit on Provision of Services	(3,458)		
19,292			CLOSING GENERAL FUND & RESERVE BALANCES	22,750		

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

2. ACCOUNTING POLICIES

a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*. 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 of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 (excluding council offices) 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 and for the year 2018/19 only the Kent & Medway Business Rates pilot. 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 31 July.

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

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

l) Exceptional Items and Prior Period Adjustments

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

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

m) Financial Instruments

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

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

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

Investments are broken down in two ways. Firstly, by maturity, in that any investment with a maturity date of more than 364 days after the Balance Sheet date will be classed as long-term and less than as short-term; and secondly by class of asset such as amortised cost or fair value through profit and loss.

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

Assets classified as fair value through profit and loss have a quoted active market price and do not have fixed or determinable payments. These are measured and carried on the Balance Sheet at fair value through profit and loss.

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

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

n) Foreign Currency Transactions

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

o) Government Grants and Other Contributions

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

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

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

p) Inventories

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

q) Leases

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

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

Finance Leases

The Council currently has no finance lease arrangements where it is the lessor or where it is a lessee 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	
Properties for Community Use	2013/14	Completed
Public Conveniences	2014/15	Completed
Council Offices	2015/16	Completed
Car Parks	2016/17	Completed
Leisure Premises	2017/18	Completed
Properties for Community Use	2018/19	Completed

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

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

All buildings are subject to straight line depreciation over their estimated useful lives which range between 15 and 125 years depending on the building. In accordance with the Code land is not depreciated.

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

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

Vehicles, Plant and Equipment

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

Infrastructure Assets

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

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

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

Community Assets

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

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

Assets under Construction

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

Heritage Assets

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

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

Heritage assets are not subject to depreciation.

Investment Property

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

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

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

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

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

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

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

Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are not subject to depreciation.

Intangible Assets

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

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

Impairment of Non-Current Assets

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

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

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

Gains or Losses on Disposal of Non-Current Assets

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

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

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

s) Overheads

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

t) Provisions

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

- the Council has a present obligation (legal or constructive) as a result of a past event;

- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

u) Reserves

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

v) Revenue Expenditure Funded from Capital Under Statute

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

w) Value Added Tax (VAT)

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

3. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out at [Note 2](#) the authority has to make estimates and judgements about complex transactions or those involving uncertainty about future events. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The critical judgements made in preparing the Council's 2018/19 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.
- An assessment is to be made in respect of the requirement to value separately (componentisation) parts of an asset where the replacement value of the component is significant in relation to the gross book value of the asset. No single component required to be the subject of componentisation in 2018/19.
- 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 2019 these liabilities, calculated under FRS 102, amounted to £4.56m (31 March 2018: £4.36m) 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. An indicative cessation report of the estimated liability

is obtained at each triennial valuation. The next triennial valuation is to be undertaken in March 2019.

- The Council concluded that the Refuse Collection and Recycling and Amenity and Street Cleansing contract which ended in February 2019 contain lease type arrangements in respect of the vehicles used by the contractor, but does not apply in respect of the new waste services contract.
- 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 2019. This provision is based on information received from the Valuation Office Agency. Further details are shown within [Note 4](#) to the Collection Fund.

5. 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 2019. No events have occurred that require changes to the accounting statements.

6. 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

2017/18							2018/19							
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														
320	39	1,008	1,151	1,700	4,392	8,610	Fees, Charges & Other Service Income	333	4	1,005	1,026	2,040	4,608	9,016
			293			293	Interest & Investment Income				486			486
1	22	20	35,400	1,085		36,528	Grants & Contributions	1	17		34,794	1,634	183	36,629
321	61	1,028	36,844	2,785	4,392	45,431	Total Income	334	21	1,005	36,306	3,674	4,791	46,131
Expenditure														
5,405	210	511	928	2,657	1,351	11,062	Employee Expenses	5,422	236	524	973	2,749	1,426	11,330
580		71		4	1,301	1,956	Premises	750		63		70	1,543	2,426
211					167	378	Transport	221					182	403
1,411	269	138	260	1,504	852	4,434	Supplies & Services	1,565	256	140	265	2,085	1,270	5,581
2				145	4,850	4,997	Third Party Payments	2				93	5,072	5,167
				395		395	Precepts & Levies				411			411
				306	25	331	Provisions for Bad Debts				193	47		240
			35,219			35,219	Housing Benefits				34,490			34,490
(4,125)	217	338	1,044	1,501	1,025	0	Support Service Recharges	(4,523)	216	354	1,141	1,704	1,107	(1)
412	5	11		3	2,197	2,628	Depreciation, Amortisation & Impairment	423	5	15		11	2,296	2,750
3,896	701	1,069	38,152	5,839	11,743	61,400	Total Expenditure	3,860	713	1,096	37,473	6,759	12,896	62,797
3,575	640	41	1,308	3,054	7,351	15,969	COST OF SERVICES	3,526	692	91	1,167	3,085	8,105	16,666

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.

	2017/18 £'000	2018/19 £'000
Cost of Services in Service Analysis	15,969	16,666
add Amounts not Reported to Management		
Pension Adjustments	8	(158)
Embedded Lease Depreciation	424	379
Accrued Annual Leave	19	11
Miscellaneous Income and Expenditure	(131)	(167)
less Amounts not included in Comprehensive Income & Expenditure Statement		
Embedded Lease Contract Payments	(513)	(458)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(395)	(411)
less Items Included in Financing & Investment		
Trading Undertakings	315	305
Interest & Investment Income	293	486
NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	15,989	16,653

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.

2017/18					2018/19				
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									
8,610	135			8,745	Fees, Charges & Other Service Income	9,016	175		9,191
293				293	Interest & Investment Income	486	(57)		429
			12,468	12,468	Council Tax			13,066	13,066
			21,652	21,652	National Non-Domestic Rates			24,335	24,335
36,528	(3)		4,659	41,184	Grants & Contributions	36,629	(3)	5,852	42,478
			24	24	Disposal of Non-Current Assets			780	780
				0	Fair Value of Investment Properties			1,605	1,605
45,431	132	0	38,803	84,366	Total Income	46,131	115	0	91,884
Expenditure									
11,062	27		1,672	12,761	Employee Expenses	11,330	(147)	1,541	12,724
1,956				1,956	Premises	2,426			2,426
378				378	Transport	403			403
4,434	1			4,435	Supplies & Services	5,581	5		5,586
4,997		(513)		4,484	Third Party Payments	5,167		(458)	4,709
			89	89	Interest Payments			79	79
395			2,666	3,061	Precepts & Levies	411		2,780	3,191
331				331	Provisions for Bad Debts	240			240
35,219				35,219	Housing Benefits	34,490			34,490
0				0	Support Service Recharges	(1)			(1)
2,628	424			3,052	Depreciation, Amortisation & Impairment	2,750	379		3,129
			1	1	Housing Capital Receipts Pool			1	1
			27	27	Council Tax				0
			20,011	20,011	National Non-Domestic Rates			20,706	20,706
			6	6	Disposal of Non-Current Assets			750	750
				0	Fair Value of Investment Properties			280	280
61,400	452	(513)	24,472	85,811	Total Expenditure	62,797	237	(458)	88,713
15,969	320	(513)	(14,331)	1,445	TOTAL	16,666	122	(458)	(19,501)
									(3,171)

7. NON-CURRENT ASSETS

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

	Land & Buildings £'000	PROPERTY, PLANT & EQUIPMENT Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Assets under Const'ion £'000	TOTAL PROPERTY, PLANT & EQUIPMENT £'000	HERITAGE ASSETS £'000	INVESTMENT PROPERTIES £'000	INTANGIBLE ASSETS £'000	TOTAL £'000
NET BOOK VALUE AT 1 APRIL 2017	61,749	3,240	1,125	2,046	0	68,160	6,108	4,885	227	79,380
Cost or Valuation										
At 1 April 2017	62,113	11,736	3,047	2,046	0	78,942	6,108	4,885	668	90,603
Additions	96	1,017	19			1,132			143	1,275
Derecognition - Disposals		(1,138)	(16)			(1,154)			(240)	(1,394)
Reclassification	(750)					(750)				(750)
Revaluation Recognised in the Revaluation Reserve	7,053					7,053	243			7,296
Net Gains from Fair Value Adjustments						0				0
Other Movements in Cost or Valuation	(1,779)					(1,779)				(1,779)
At 31 March 2018	66,733	11,615	3,050	2,046	0	83,444	6,351	4,885	571	95,251
Depreciation, Amortisation & Impairment										
At 1 April 2017	(364)	(8,496)	(1,922)	0	0	(10,782)	0	0	(441)	(11,223)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,834)	(982)	(138)			(2,954)			(106)	(3,060)
Impairment Recognised in Surplus/Deficit on the Provision of Services	19	(10)				9				9
Impairment Recognised in Revaluation Reserve						0				0
Derecognition - Disposals		1,133	16			1,149			240	1,389
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	1,779	(70)				1,709				1,709
At 31 March 2018	(400)	(8,425)	(2,044)	0	0	(10,869)	0	0	(307)	(11,176)
NET BOOK VALUE AT 31 MARCH 2018	66,333	3,190	1,006	2,046	0	72,575	6,351	4,885	264	84,075
NATURE OF ASSET HOLDINGS										
Owned	66,333	2,281	1,006	2,046	0	71,666	6,351	4,885	264	83,166
Leased		909				909				909

	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 2018	66,333	3,190	1,006	2,046	0	72,575	6,351	4,885	264	84,075
Cost or Valuation										
At 1 April 2018	66,733	11,615	3,050	2,046	0	83,444	6,351	4,885	571	95,251
Additions	1,252	745	101			2,098			169	2,267
Derecognition - Disposals		(4,275)	(89)			(4,364)			(107)	(4,471)
Reclassification						0				0
Revaluation Recognised in the Revaluation Reserve	3,017					3,017	1,602			4,619
Net Gains from Fair Value Adjustments						0		1,325		1,325
Other Movements in Cost or Valuation	(2,443)			1		(2,442)				(2,442)
At 31 March 2019	<u>68,559</u>	<u>8,085</u>	<u>3,062</u>	<u>2,047</u>	<u>0</u>	<u>81,753</u>	<u>7,953</u>	<u>6,210</u>	<u>633</u>	<u>96,549</u>
Depreciation, Amortisation & Impairment										
At 1 April 2018	(400)	(8,425)	(2,044)	0	0	(10,869)	0	0	(307)	(11,176)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,910)	(977)	(129)			(3,016)			(118)	(3,134)
Impairment Recognised in Surplus/Deficit on the Provision of Services	25	(17)				8		0		8
Impairment Recognised in Revaluation Reserve	(735)					(735)				(735)
Derecognition - Disposals		3,742	89			3,831			107	3,938
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	2,443					2,443				2,443
At 31 March 2019	<u>(577)</u>	<u>(5,677)</u>	<u>(2,084)</u>	<u>0</u>	<u>0</u>	<u>(8,338)</u>	<u>0</u>	<u>0</u>	<u>(318)</u>	<u>(8,656)</u>
NET BOOK VALUE AT 31 MARCH 2019	67,982	2,408	978	2,047	0	73,415	7,953	6,210	315	87,893
NATURE OF ASSET HOLDINGS										
Owned	67,982	2,408	978	2,047	0	73,415	7,953	6,210	315	87,893

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	2017/18 £'000	2018/19 £'000
Corporate Services	106	118
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	0	0
TOTAL	106	118

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 properties for community use were the subject of revaluation.

In arriving at the valuation the Council's valuers have made the following assumptions:

- That the valuations given are based on existing use values or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost.
- That the properties are repaired and maintained to a reasonable standard.
- That no significant Planning or Highways applications exist that could affect the value.

The Code requires the Council to consider material changes in other assets not due for revaluation in the current year under the five year rolling programme. In addition to properties for community use, leisure premises, car parks where material and council offices 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 £5,217,000, of which £3,884,000 is recognised in the revaluation reserve and £1,333,000 is recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement.

In assessing fair value of Investment Properties the Council's valuers have determined a market value given the sites location and likelihood of achieving such values. Under the standard the higher of the valuations is 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.

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	
2018/19	55,963	2,408	7,923	6,210	72,504
2017/18	1,810				1,810
2016/17	8,861				8,861
2015/16	0				0
2014/15	1,348				1,348
Prior Years	0		30		30
TOTAL	67,982	2,408	7,953	6,210	84,553

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 leisure premises, car parks and council offices. These are reflected in the figures for 2018/19 rather than the year of previous valuation.

Heritage Assets

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

	At 31 March 2018 £'000	At 31 March 2019 £'000
Tonbridge Castle Gatehouse	6,190	7,785
Civic Regalia	69	72
Sculptures	51	53
Paintings	41	43
TOTAL	6,351	7,953

Outstanding Capital Commitments

As at 31 March 2019 the Council had no outstanding capital commitments.

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

	2017/18 £'000	2018/19 £'000
Temporary Accommodation	0	1,088
Capital Renewals	662	689
IT Initiatives	200	156
Larkfield Leisure Centre	0	114
Refuse / Green Bin Growth / Replacement	113	64
Open Spaces	16	64
Car Parks	74	35

The Capital Expenditure was financed as follows: -

	2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement	0	0
Capital Investment		
Purchase of Non-Current Assets		
Property, Plant & Equipment	950	2,098
Intangible Assets	143	170
Total	1,093	2,268
Sources of Finance		
Revenue	(1,065)	(230)
Capital Grants & Contributions	(12)	(1,233)
Capital Receipts	(16)	(805)
Total	(1,093)	(2,268)
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

	2017/18			2018/19		
	Net Book Value £'000	Sale Proceeds £'000	Net (Gain) / Loss £'000	Net Book Value £'000	Sale Proceeds £'000	Net (Gain) / Loss £'000
Angel Centre Fitness Equipment	5	(24)	(19)	0	1	1
Larkfield Leisure Centre Fitness Equipment	0	0	0	0	(31)	(31)
Teen & Twenty	0	0	0	750	(750)	0
TOTAL	5	(24)	(19)	750	(780)	(30)

8. 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.

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Gross Expenditure				
House Renovation Grants	734		1,161	
Sports Grounds	4		140	
Other	3	741	19	1,320
Grants & Contributions Received				
Better Care Fund	(559)		(918)	
Disabled Facilities Grant Subsidy	(107)		(192)	
Priory Works Developer Contribution	0		(140)	
Disabled Facilities Grant Repaid	(9)		(33)	
Housing Assistance Grant Repaid	(53)	(728)	(32)	(1,315)
TOTAL		13		5

9. 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.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rental Income Due	434	414	393	344	344	247	217

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	2017/18	2018/19
	£'000	£'000
Income	(343)	(349)
Expenditure	28	44
TOTAL	(315)	(305)

The Balance Sheet value of these properties at the 31 March 2019 was £6,256,000 (£6,210,000 Investment Properties and £46,000 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 2018/19 was £12,000 (2017/18: £21,000). The future cash payments required under these leases are: £5,000 not later than one year; £nil 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 and Street Cleansing contract which ended in February 2019 contain lease type arrangements (embedded leases) in respect of the vehicles used by the contractor.

	Current Year 2018/19 £ 000's	Current Year +1 2019/20 £ 000's	Current Year +2 2020/21 £ 000's	Current Year +3 2021/22 £ 000's	Current Year +4 2022/23 £ 000's
Estimated Lease Value					
Princippal	379	-	-	-	-
Interest	79	-	-	-	-
Total	<u>458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Net Book Value Vehicles	-	-	-	-	-

10. INTEREST AND INVESTMENTS

Interest and Investment Income

	Income £'000	2017/18 Unrealised (Gains) / Losses £'000	Total £'000	Income £'000	2018/19 Unrealised (Gains) / Losses £'000	Total £'000
Property Investment Funds	(75)	0	(75)	(163)	57	(106)
Certificates of Deposit	(44)	0	(44)	(93)	0	(93)
Fixed Interest Deposits	(111)	0	(111)	(157)	0	(157)
Call Accounts	(62)	0	(62)	(72)	0	(72)
Miscellaneous Interest	(1)	0	(1)	(1)	0	(1)
TOTAL	(293)	0	(293)	(486)	57	(429)

Long Term Investments

	At 31 March 2018				At 31 March 2019			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Investment Funds								
Hermes Property Unit Trust	1,000	(25)	9	984	1,000	10	9	1,019
Local Authorities' Property Fund	1,000	(41)	10	969	2,000	(94)	21	1,927
Lothbury Property Trust	1,000	(27)	8	981	2,000	(67)	15	1,948
Total	3,000	(93)	27	2,934	5,000	(151)	45	4,894
TOTAL	3,000	(93)	27	2,934	5,000	(151)	45	4,894

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

Short Term Investments

	At 31 March 2018				At 31 March 2019			
	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	2,000	(1)	12	2,011	0			0
National Westminster Bank	0			0	4,000		13	4,013
Rabobank	0			0	2,000		5	2,005
Royal Bank of Scotland	2,000		10	2,010	0			0
Toronto Dominion Bank	0			0	2,000		10	2,010
Total	4,000	(1)	22	4,021	8,000	0	28	8,028
Fixed Interest Deposits								
Bank of Scotland	2,000		8	2,008	4,000		16	4,016
Barclays Bank	1,000		4	1,004	3,000		17	3,017
Goldman Sachs	4,000		9	4,009	2,000		1	2,001
Lloyds Bank	1,000		5	1,005	2,000		18	2,018
North Kesteven District Council	5,000		1	5,001	0			0
Santander	0			0	5,000		16	5,016
Total	13,000	0	27	13,027	16,000	0	68	16,068
TOTAL	17,000	(1)	49	17,048	24,000	0	96	24,096

Cash Equivalents ([Note 18](#) refers)

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

Financial Instruments Disclosures

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

- Class of investment.
- Interest received by class of investment.
- Market valuation of each type of investment as at 31 March 2019.
- Management of risk.

Investment Classification

Following a change in the code the Council's investments have now been classified as either amortised cost or fair value through profit and loss as detailed in the table below.

	At 31 March 2018			At 1 April 2018			At 31 March 2019		
	Loans & Receivables	Available for Sale	Total	Amortised Cost	Fair Value Through Profit & Loss	Total	Amortised Cost	Fair Value Through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Long Term		2,934	2,934		2,934	2,934		4,894	4,894
Short Term	13,027	4,021	17,048	17,048		17,048	24,096		24,096
TOTAL	13,027	6,955	19,982	17,048	2,934	19,982	24,096	4,894	28,990

Interest Received

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

	2017/18			2018/19		
	Amortised Cost	Fair Value Through Profit & Loss	Total	Amortised Cost	Fair Value Through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest & Investment Income						
Income	(155)	(75)	(230)	(250)	(163)	(413)
Unrealised Losses			0		57	57
TOTAL	(155)	(75)	(230)	(250)	(106)	(356)

Market Valuation

The accounts are required to show the 'fair value' of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. Our property investment funds are an actively quoted value per share on the market and have been valued on accordance with the closing value at year end. Other deposits are held on book value as no active market exists for bank deposits.

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

	At 31 March 2018		At 31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Property Investment Funds	2,934	2,934	4,894	4,894
Deposits with Banks & Building Societies	12,047	12,047	24,096	24,096
Deposits with Other Local Authorities	5,001	5,001		
TOTAL	19,982	19,982	28,990	28,990

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 2019 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 £290,000 (2017/18: £200,000).

11. 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

	2017/18 £'000	2018/19 £'000
Amounts Charged to Income and Expenditure Statement		
Net Cost of Services		
Current Service Costs	2,519	2,527
Past Service Costs (Change in Benefit)	176	
Administration Expenses	41	41
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	1,672	1,541
Net Charge to the Income and Expenditure Statement	4,408	4,109
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,408)	(4,109)
Actual Amount Charged to the General Fund for Pensions in the Year		
Employers' contributions payable to scheme	2,728	2,725
CONTRIBUTION (FROM) / TO PENSIONS RESERVE	(1,680)	(1,384)

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

In addition, an actuarial gain of £6,462,000 in 2018/19 (2017/18: gain of £3,037,000) is included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

Assets and Liabilities in Relation to Retirement Benefits

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

Reconciliation of the Present Value of Scheme Liabilities	2017/18 £'000	2018/19 £'000
Opening Balance at 1 April - Defined Benefit Obligation	145,263	144,784
Current Service Costs	2,519	2,526
Past Service Costs	176	
Contributions from Scheme Participants	481	489
Interest Cost	3,864	3,634
Change in Financial Assumptions	(2,434)	5,877
Change in Demographic Assumptions		(8,033)
Experience Loss / (Gain) on Defined Benefit Obligation	0	0
Benefits Paid	(4,813)	(4,814)
Unfunded Pension Payments	(272)	(254)
CLOSING BALANCE AT 31 MARCH - DEFINED BENEFIT OBLIGATION	144,784	144,209

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	2017/18 £'000	2018/19 £'000
Opening Balance at 1 April - Fair Value of Scheme Assets	82,131	83,009
Interest on Assets	2,192	2,093
Return on Assets Less Interest	603	4,306
Other Actuarial Gains / (Losses)	0	0
Employers' Contributions	2,728	2,725
Contributions from Scheme Participants	481	489
Benefits Paid	(5,085)	(5,068)
Administration Expenses	(41)	(41)
CLOSING BALANCE AT 31 MARCH - FAIR VALUE OF SCHEME ASSETS	83,009	87,513

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 £6,399,000 (2017/18: gain of £2,795,000).

Net Liabilities in Relation to Retirement Benefits

	2017/18 £'000	2018/19 £'000
Present value of funded obligation	141,853	141,563
Fair value of scheme assets (bid price)	83,009	87,513
Sub-total	58,844	54,050
Present value of unfunded obligation	2,931	2,646
NET PENSION LIABILITY	61,775	56,696

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

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

Reconciliation of Opening & Closing Surplus / Deficit

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

Surplus / (Deficit)	2017/18 £'000	2018/19 £'000
Balance at 1 April	(63,132)	(61,775)
Current Service Costs	(2,519)	(2,526)
Past Service Costs	(176)	
Actuarial Gains / (Losses)	3,037	6,462
Employer's Contributions	2,456	2,471
Unfunded Pension Payments	272	254
Administration Expenses	(41)	(41)
Other Finance Income	(1,672)	(1,541)
BALANCE AT 31 MARCH	(61,775)	(56,696)

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 2018		At 31 March 2019	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Bonds	7,937	9	7,969	9
Cash	2,751	3	1,527	2
Equities	55,391	67	60,009	68
Gilts	635	1	575	1
Property	10,437	13	10,511	12
Target Return Portfolio	5,858	7	6,922	8
TOTAL	83,009	100	87,513	100

Scheme History

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Present Value of Liabilities	(133,963)	(129,388)	(145,263)	(144,784)	(144,209)
Fair Value of Assets	72,043	71,011	82,131	83,009	87,513
SURPLUS / (DEFICIT) IN THE SCHEME	(61,920)	(58,377)	(63,132)	(61,775)	(56,696)
Experience Gains / (Losses) on Assets	0	0	(1,571)	0	0
Percentage of Assets	0.0%	0.0%	(1.9%)	0.0%	0.0%
Experience Gains / (Losses) on Liabilities	72	60	5,167	0	0
Percentage of Liabilities	0.1%	0.0%	3.6%	0.0%	0.0%

Actuarial Gains and Losses

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	(11,695)	5,030	(3,345)	3,037	6,462
CUMULATIVE ACTUARIAL GAINS / (LOSSES)	(46,304)	(41,274)	(44,619)	(41,582)	(35,120)

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.

	2017/18	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.1 Years	22.0 Years
Women	25.2 Years	24.0 Years
Longevity at 65 for future pensioners:		
Men	25.3 Years	23.7 Years
Women	27.5 Years	25.8 Years
RPI Increases	3.4%	3.5%
CPI Increases	2.4%	2.5%
Salary Increases	3.9%	4.0%
Pension Increases	2.4%	2.5%
Discount Rate	2.6%	2.4%

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	141,828	144,209	146,632
Projected Service Cost	2,454	2,511	2,569
Adjustment to Long Term Salary Increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	144,421	144,209	143,998
Projected Service Cost	2,511	2,511	2,511
Adjustment to Pensions Increase and Deferred Revaluation	0.1%	0.0%	-0.1%
Present Value of Total Obligation	146,416	144,209	142,038
Projected Service Cost	2,569	2,511	2,454
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	149,456	144,209	139,146
Projected Service Cost	2,597	2,511	2,428

Projected Pension Expense for the Year to 31 March 2020

These projections are based on the Actuary's assumptions as at 31 March 2019.

	2019/20 Projection £'000
Service Cost	2,511
Net Interest on the defined liability (asset)	1,327
Administration Expenses	44
Total	<u>3,882</u>
Employers' Contributions	2,499

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.

MCCloud / Sargeant Ruling on Pension Account Disclosures

Two successful employment tribunal cases were brought against the Government in relation to discrimination on reforms to public sector pensions in 2015. The impact of the results of these cases has yet to be determined within the confines of the LGPS. At the suggestion of both the Government Actuaries Department (GAD), the Ministry of Housing, Communities and Local Government (MHCLG) and our External Auditors, Grant Thornton, we asked the Funds Actuaries, Barnett Waddingham to undertake a review on whether the ruling would have a material impact on the figures shown within this note. They have concluded that any impact would not be of a material nature. The Council has not therefore restated any of the details supplied within the year end assessment.

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

Council Tax	2017/18 £'000	2018/19 £'000
Borough Council's Council Tax	(9,654)	(10,156)
Parish Councils' Council Tax	(2,666)	(2,780)
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	(148)	(124)
Council Tax (Surplus) / Deficit	28	(6)
TOTAL	(12,440)	(13,066)
National Non-Domestic Rates	2017/18 £'000	2018/19 £'000
Share of National Non-Domestic Rates	(21,348)	(21,713)
Tariff / (Top-Up)	19,901	20,499
Business Rates Pool	98	207
Kent wide 100% Business Rates Retention pilot	0	(1,567)
Prior Year's Estimated Accumulated Non-Domestic Rates (Surplus) / Deficit	12	(6)
National Non-Domestic Rates (Surplus) / Deficit	(304)	(1,049)
TOTAL	(1,641)	(3,629)

Collection Fund Adjustment Account	Balance at 1 April 2017 £'000	2017/18 Surplus / (Deficit) £'000	Balance at 31 March 2018 £'000	2018/19 Surplus / (Deficit) £'000	Balance at 31 March 2019 £'000
Council Tax	169	(28)	141	6	147
National Non-Domestic Rates	(260)	304	44	1,049	1,093
TOTAL	(91)	276	185	1,055	1,240

Business Rates Pool

The Council is a member of the Kent Business Rates Pool and in 2018/19 only a Kent wide 100% Business Rates Retention pilot. 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.

13. GRANT INCOME

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

Credited to Taxation & Non-Specific Grant Income & Expenditure

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
General Government Grants				
New Homes Bonus	(3,485)		(3,334)	
Small Business & Empty Property Rate Relief Grant	(823)		(1,062)	
Discretionary Relief Grant	(110)		(48)	
Transition Grant	(117)		0	
Other	(97)	(4,632)	(128)	(4,572)
Capital Grants & Contributions				
Oakwood Poultry Farm Developer Contribution	0		(345)	
A to Z Geographers Developer Contribution	0		(321)	
Medway Wharf Road Developer Contribution	0		(224)	
River Walk Developer Contribution	0		(133)	
Other	(27)	(27)	(257)	(1,280)
TOTAL		(4,659)		(5,852)

The Council has also received a number of developer contributions but which as yet have not been applied to revenue and capital projects ([Note 21](#) refers).

Credited to Services

	2017/18 £'000	2018/19 £'000
Rent Allowance Subsidy	(34,208)	(33,667)
Better Care Fund	(636)	(1,042)
Benefits Administration Grant	(313)	(295)
Flexible Homelessness Support Grant	(175)	(202)
Discretionary Housing Payment Contribution	(284)	(201)
Disabled Facilities Grant Subsidy	(107)	(193)
Non-HRA Rent Rebate Subsidy	(171)	(182)
NNDR Cost of Collection Allowance	(163)	(162)
Priory Works Developer Contribution	0	(140)
Local Council Tax Support Administration Grant	(114)	(109)
Local Benefits Scheme Subsidy	(64)	(56)
Other	(294)	(380)
TOTAL	(36,529)	(36,629)

14. 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	
	2017/18	2018/19
£50,000 - £54,999	6	3
£55,000 - £59,999	7	7
£60,000 - £64,999	2	2
£65,000 - £69,999	3	2
£70,000 - £74,999	-	1
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	1	-
£90,000 - £94,999	4	-
£95,000 - £99,999	-	3
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	1
TOTAL	24	19

The numbers above include nil employees included in the exit packages table for 2018/19 (2017/18: two employees).

Senior Officer Remuneration

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

	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
2017/18	Chief Executive	114	5	0	0	119	18	137
	Director of Central Services	89	5	0	0	94	14	108
	Director of Finance & Transformation	89	0	0	5	94	14	108
	Director of Planning, Housing & Env Health	89	0	0	6	95	14	109
	Director of Street Scene, Leisure & Tech Services	89	5	0	0	94	14	108
	TOTAL	470	15	0	11	496	74	570
2018/19	Chief Executive	116	5			121	18	139
	Director of Central Services & Deputy Chief Executive	91	6			97	14	111
	Director of Finance & Transformation	91	1		5	97	14	111
	Director of Planning, Housing & Env Health	45			3	48	7	55
	Director of Planning, Housing & Env Health	13	1			14	2	16
	Director of Street Scene, Leisure & Tech Services	91	5			96	14	110
	TOTAL	447	18	0	8	473	69	542

The post of Director of Central Services was re-designated Director of Central Services and Deputy Chief Executive in February 2019. The post of Director of Planning, Housing and Environmental Health was vacant between the period September 2018 and February 2019 following their retirement and subsequent replacement commencing employment.

At 31 March 2019 the Council employed 263 permanent staff (31 March 2018: 275) or 222 full-time equivalents (31 March 2018: 224).

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 2018/19 this was estimated to be £121,000 (2017/18: £110,000).

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.

	2017/18		2018/19	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
Compulsory Redundancies				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
Other Agreed Departures				
£0 - £19,999	4	27	2	15
£20,000 - £39,999	1	30	-	-
£40,000 - £59,999	1	46	-	-
£60,000 - £79,999	-	-	-	-
TOTAL	6	103	2	15

15. 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.

	2017/18			2018/19		
	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	16	1	17	804	2	806
Disposal Costs			0			0
	<u>16</u>	<u>1</u>	<u>17</u>	<u>804</u>	<u>2</u>	<u>806</u>
less Usable Capital Receipts Applied						
Purchase of Non-Current Assets	16	0	16	804	1	805
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 assets, which will be received in instalments over agreed periods of time.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	4	26
Sale Proceeds	24	0
Receipts	(2)	(25)
BALANCE AT 31 MARCH	26	1

16. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2017/18	Revenue Reserve for Capital Schemes	6,748	1,151	(1,087)	6,812
	General Revenue Reserve	5,949	698		6,647
	Building Repairs Reserve	319	900	(727)	492
	Property Investment Fund Reserve	0	500		500
	Earmarked Reserves				
	Tonbridge & Malling Leisure Trust	301	100		401
	Special Projects	911	41	(61)	891
	Business Rates Retention Scheme	694	60	(200)	554
	Local Development Framework	225	76	(74)	227
	Homelessness Reduction	0	185	(5)	180
	Invest to Save	631		(139)	492
	Transformation	148	60		208
	Election	150	39	(3)	186
	Housing Assistance	200	9	(9)	200
Other Earmarked Reserves	267	74	(89)	252	
TOTAL	16,543	3,893	(2,394)	18,042	
2018/19	Revenue Reserve for Capital Schemes	6,812	2,025	(992)	7,845
	General Revenue Reserve	6,647	76		6,723
	Building Repairs Reserve	492	1,250	(1,090)	652
	Property Investment Fund Reserve	500	1,250		1,750
	Earmarked Reserves				
	Tonbridge & Malling Leisure Trust	401	500		901
	Special Projects	891	768	(792)	867
	Business Rates Retention Scheme	554	829	(520)	863
	Local Development Framework	227	293	(139)	381
	Homelessness Reduction	180	260	(100)	340
	Invest to Save	492		(178)	314
	Transformation	208	94	(48)	254
	Election	186	25		211
	Housing Assistance	200	8	(8)	200
Other Earmarked Reserves	252		(53)	199	
TOTAL	18,042	7,378	(3,920)	21,500	

Reserve

Revenue Reserve for Capital Schemes

General Revenue Reserve

Building Repairs Reserve

Property Investment Fund Reserve

Tonbridge & Malling Leisure Trust

Special Projects

Business Rates Retention Scheme

Local Development Framework

Homelessness Reduction

Invest to Save

Transformation

Election

Housing Assistance

Other Earmarked Reserves

Purpose of the Reserve

Established to finance future capital expenditure.

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

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

Established to recognise proceeds from the sale of Council owned assets and other funds set aside for long term investment with the aim of generating a higher rate of return.

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

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 in respect of the Local Development Framework.

Established to meet costs associated with the Homelessness Reduction Act.

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

Established to fund initiatives that deliver operational efficiencies.

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

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

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

17. DEBTORS

Long Term Debtors

	At 31 March 2018 £'000	At 31 March 2019 £'000
Employees	9	3
Mortgagors	2	1
TOTAL	11	4

Short Term Debtors

	At 31 March 2018			At 31 March 2019		
	Gross Value £'000	Impairment Allowance £'000	Net Value £'000	Gross Value £'000	Impairment Allowance £'000	Net Value £'000
General Fund						
Local Authorities	334		334	1,622		1,622
Housing Benefit Claimants (current & former)	3,309	(2,448)	861	3,315	(2,552)	763
Central Government	2,854		2,854	761		761
Payments in Advance	336		336	385		385
National Health Service	8		8	0		0
Other Debtors	521	(151)	370	482	(126)	356
	7,362	(2,599)	4,763	6,565	(2,678)	3,887
Collection Fund						
Council Tax Payers (Borough Council's share)	898	(271)	627	991	(264)	727
NNDR Payers (Borough Council's share)	245	(100)	145	405	(120)	285
	1,143	(371)	772	1,396	(384)	1,012
TOTAL	8,505	(2,970)	5,535	7,961	(3,062)	4,899

The downward movement in the gross value of debtors is primarily due to a reduction in Housing Benefit subsidy owed by the Department for Work and Pensions offset by an increase in payments owed under the Business Rates Retention Scheme.

Impairment Allowance

		Housing Benefit Claimants £'000	Homeless -ness Debtors £'000	General Debtors £'000	Council Tax Payers £'000	NNDR Payers £'000	Total £'000
2017/18	Balance at 1 April	2,193	55	87	243	144	2,722
	Write-Offs	(47)	(20)		(23)	(159)	(249)
	Contribution to Allowance	302	24	5	51	115	497
	Receipts/Adjustments						0
	BALANCE AT 31 MARCH	2,448	59	92	271	100	2,970
2018/19	Balance at 1 April	2,448	59	92	271	100	2,970
	Write-Offs	(86)	(75)	(3)	(74)	(25)	(263)
	Contribution to Allowance	188	47	6	67	45	353
	Receipts/Adjustments	2					2
	BALANCE AT 31 MARCH	2,552	31	95	264	120	3,062

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

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.

Financial Instruments Disclosures

Some debtors meet the definition of financial instruments. The council considers these to be debtors to be of a contractual nature rather than statutory debt or debts with other public sector bodies. These debtors are all classified as amortised cost financial instruments. The carrying amount is deemed to be the fair value (being the amount that the market is willing to exchange assets). For these debtors additional disclosures are required on the age profile and collectability of the debt.

Age of Debt

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

Age of Debt	At 31 March 2018			At 31 March 2019		
	General Debtors £'000	Homeless -ness £'000	Total £'000	General Debtors £'000	Homeless -ness £'000	Total £'000
< 1 month	248	14	262	284	14	298
1 - 3 months	18	14	32	10	7	17
3 - 6 months	41	25	66	9	7	16
6 - 12 months	6	11	17	8	16	24
1 year +	100	44	144	105	22	127
TOTAL	413	108	521	416	66	482

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 2019	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2019	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
Debtors				
General Debtors	416	0.5	22.8	95
Homelessness	66	42.8	47.0	31
TOTAL	482			126

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.

18. CASH & CASH EQUIVALENTS

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

	At 31 March 2018 £'000	At 31 March 2019 £'000
Internally Managed Funds		
Blackrock MMF	0	250
BNP Paribas MMF	3,674	2,500
Deutsche Bank MMF	0	250
Federated MMF	0	3,911
Morgan Stanley MMF	250	500
National Westminster Bank	10	0
Santander	5,500	0
	<u>9,434</u>	<u>7,411</u>
Cash in Hand	<u>349</u>	<u>316</u>
TOTAL	9,783	7,727

19. CREDITORS

Long Term Creditors

	At 31 March 2018 £'000	At 31 March 2019 £'000
Local Authorities	(50)	(46)
TOTAL	(50)	(46)

Short Term Creditors

	At 31 March 2018 £'000	At 31 March 2019 £'000
General Fund		
Local Authorities	(649)	(1,924)
Central Government	(286)	(241)
Employees	(110)	(121)
Receipts in Advance	(174)	(93)
Other Creditors	(1,009)	(1,245)
	<u>(2,228)</u>	<u>(3,624)</u>
Collection Fund		
Local Authorities	(1,720)	(7,502)
NDR Payers (Borough Council's share)	(655)	(581)
Council Tax Payers (Borough Council's share)	(260)	(272)
Central Government	(4,720)	(245)
	<u>(7,355)</u>	<u>(8,600)</u>
TOTAL	(9,583)	(12,224)

The upward movement in creditors is largely due to sums owed under the Business Rates Retention Scheme and also sums moving from Central Government to Local Authorities as a result of the Kent wide 100% Business Rates Retention pilot.

Financial Instruments Disclosures

Creditors meeting the definition of financial instruments are disclosed below. The council considers these to be creditors to be of a contractual nature rather than statutory creditors or creditors with other public sector bodies. For these creditors the carrying amount is also deemed to be the fair value (being the amount that the market is willing to settle liabilities).

	At 31 March 2018 £'000	At 31 March 2019 £'000
General Fund		
Other Creditors	(1,009)	(1,245)
TOTAL	(1,009)	(1,245)

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

20. 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
2017/18	NNDR Appeals	(3,000)	(781)	838		(2,943)
	Other Provisions	(91)	(1)			(92)
	TOTAL	(3,091)	(782)	838	0	(3,035)
2018/19	NNDR Appeals	(2,943)	(459)	219		(3,183)
	Other Provisions	(92)				(92)
	TOTAL	(3,035)	(459)	219	0	(3,275)

- **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 2019 comprise:
 - Adoption of Amenity Areas – repairs to a banked area of the M20 slip road at Junction 4.

21. 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
2017/18	A to Z Geographers	0	(320)	(1)				(321)
	Better Care Fund	(109)	(146)					(255)
	Discovery Drive	(112)						(112)
	Medway Wharf Road	(622)		(2)	400			(224)
	Oakwood Poultry Farm	(353)		(2)	4			(351)
	Priory Works	0	(445)		282			(163)
	River Walk	(132)		(1)				(133)
	Ryarsh Brickworks	0	(436)		384			(52)
	World of Pots	0	(234)					(234)
	Other	(353)	(10)	(1)	104	3		(257)
TOTAL	(1,681)	(1,591)	(7)	1,174	3	0	(2,102)	
2018/19	A to Z Geographers	(321)				321		0
	Better Care Fund	(255)	(284)				255	(284)
	Discovery Drive	(112)		(1)	113			0
	Medway Wharf Road	(224)				224		0
	Oakwood Poultry Farm	(351)			3	345		(3)
	Peter's Pit	0	(264)	(1)				(265)
	Priory Works	(163)					140	(23)
	River Walk	(133)				133		0
	Ryarsh Brickworks	(52)						(52)
	World of Pots	(234)		(1)		65	65	(105)
	Other	(257)	(142)	(1)	49	10	6	(335)
TOTAL	(2,102)	(690)	(4)	165	1,098	466	(1,067)	

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
2017/18	Hale Street	248				248
	Leybourne Lakes	741				741
	Other	266	19	(4)	(3)	278
TOTAL	1,255	19	(4)	(3)	1,267	
2018/19	Hale Street	248				248
	Leybourne Lakes	741				741
	Other	278	107	(61)	(3)	321
TOTAL	1,267	107	(61)	(3)	1,310	

22. 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.

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		42,547		41,988
Capital Financing applied in year				
Revenue	1,065		230	
Capital Grants & Contributions	12		1,233	
Capital Receipts	16		804	
Minimum Revenue Provision	<u>424</u>	1,517	<u>378</u>	2,645
Reversal of items charged to the Comprehensive Income and Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(3,060)		(3,134)	
Impairment of Non-Current Assets	8		6	
Net Book Value of Assets Disposed	<u>(6)</u>	(3,058)	<u>(750)</u>	(3,878)
Amounts Written-out of the Revaluation Reserve				
Difference between fair value & historical cost depreciation	997		1,087	
Accumulated Gains on Assets Disposed	<u>0</u>	997	<u>750</u>	1,837
Movement in the Fair Value of Investment Properties		0		1,325
General Fund Mortgage Receipts		(15)		0
BALANCE AT 31 MARCH		41,988		43,917

23. 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.

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
Balance at 1 April		35,623		41,923
Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services				
Upward revaluations	7,297		4,619	
Downward revaluations / impairments	<u>0</u>	7,297	<u>(735)</u>	3,884
Amounts Written-Off to the Capital Adjustment Account				
Difference between fair value & historical cost depreciation	(997)		(1,087)	
Accumulated gains on assets sold or scrapped	<u>0</u>	(997)	<u>(750)</u>	(1,837)
BALANCE AT 31 MARCH		41,923		43,970

24. RECONCILIATION OF OPERATING ACTIVITIES CASH FLOW

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
(Surplus) / Deficit on Provision of Services		1,445		(3,171)
less Non-Cash Transactions included within Comprehensive Income & Expenditure Statement				
Depreciation & Amortisation of Non-Current Assets	(3,061)		(3,134)	
Impairment of Non-Current Assets	8		6	
Service Cost	(2,695)		(2,526)	
Administration Expenses	(41)		(41)	
Net Interest on Defined Benefit Liability	(1,672)		(1,541)	
Embedded Lease Finance Charge	(89)		(79)	
Unrealised Gains / Losses on Property Invest Funds	0		(57)	
Movement in the Fair Value of Investment Properties	0		1,325	
Provision Set Aside in the Year	56		(240)	
Grants & Contributions in Advance / Unapplied	(442)	(7,936)	(144)	(6,431)
plus Cash Transactions excluded from Comprehensive Income & Expenditure Statement				
Employer's Pension Contributions	2,728		2,725	
Refuse, Recycling & Street Cleansing Contract Payments	513	3,241	458	3,183
plus Items on an Accruals Basis				
Increase / (Decrease) in Investments	(1,982)		9,064	
Increase / (Decrease) in Inventories	4		(5)	
Increase / (Decrease) in Debtors	1,569		(552)	
(Increase) / Decrease in Creditors	1,381	972	(1,333)	7,174
less Items Classified in Another Classification in the Cash Flow Statement				
Proceeds from Short-Term & Long-Term Investments	35,000		41,000	
Purchase of Short-Term & Long-Term Investments	(33,000)		(50,000)	
Gain / (Loss) on Disposal of Non-Current Assets	19		30	
Capital Grants & Contributions	27		1,279	
Housing Capital Receipts to Government Pool	(1)	2,045	(1)	(7,692)
NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES		(233)		(6,937)

25. RELATED PARTY TRANSACTIONS

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

United Kingdom Central Government

United Kingdom Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are included in the subjective analysis in [Note 6](#) on segmental reporting and in the analysis of grant income in [Note 13](#).

Members and Chief Officers

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

When completing the disclosure both Members and Chief Officers are asked to confirm that their register of interests held by the Council's Monitoring Officer (<https://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/councillors-declaration-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 2018/19 the Council funded some of these organisations the total sum of £205,000 (2017/18: £314,000).

In addition, under the Council's Code of Conduct for Members (<https://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/council-constitution/articles/standards-committee>) they are required to declare at Council meetings any interest they may have in an item on the agenda. If it is considered that the interest is prejudicial the Member is required to leave the meeting and not take part in the discussion or decision.

Returns were received from all but 3 non-executive members of 54 Councillors elected as at the end of the 2018/19 financial year and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosure in the Accounts.

26. MEMBERS' ALLOWANCES

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

	2017/18 £'000	2018/19 £'000
Basic Allowance	282	282
Special Responsibility Allowance	100	98
Travel & Subsistence Expenses	3	3
Carers Allowance	0	0
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	7	7
TOTAL	399	397

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.

27. EXTERNAL AUDIT FEES

The Council's auditors are Grant Thornton UK LLP. The Council incurred the following fees relating to external audit carried out during 2018/19.

	2017/18 £'000	2018/19 £'000
External audit services	40	35
Certification of grant claims and returns	18	20
TOTAL	58	55

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

28. CONTINGENT LIABILITIES

Private Finance Initiative

In 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £0.78 million, as at year 20 of the scheme. However, the risk of this occurring as at 31 March 2019 was considered remote.

Business Rates – Automated Teller Machines (ATM's)

In 2018/19 the Court of Appeal determined that ATMs hosted by retailers should not be assessed separately for business rates and refused the Valuation Office Agency (VOA) leave to appeal to the Supreme Court, although the VOA could and did petition the Supreme Court for leave to appeal. Dependent on the outcome and potential subsequent impact on business rates liability refunds could be due to certain business ratepayers.

COLLECTION FUND

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

INCOME AND EXPENDITURE ACCOUNT

Council Tax £'000	2017/18 NNDR £'000	Total £'000		Council Tax £'000	2018/19 NNDR £'000	Total £'000
			Income			
82,331	54,699	137,030	Billed to Tax Payers	87,962	57,519	145,481
	29	29	Contribution towards Previous Years' Collection Fund Deficit			0
82,331	54,728	137,059	Total Income	87,962	57,519	145,481
			Expenditure			
57,619	4,803	62,422	Precepts and Demands			
			Kent County Council	61,791	32,027	93,818
7,681		7,681	Police & Crime Commissioner for Kent	8,445		8,445
3,585	534	4,119	Kent & Medway Fire & Rescue Authority	3,770	543	4,313
9,654	21,348	31,002	Tonbridge & Malling Borough Council	10,155	21,713	31,868
2,666		2,666	Parish Councils	2,779		2,779
	26,685	26,685	Central Government			0
	291	291	Transitional Protection		(274)	(274)
990		990	Contribution towards Previous Years' Collection Fund Surplus	819	15	834
131	397	528	Amounts Written-Off	148	63	211
167	(110)	57	Provision for Non-Payment	(15)	50	35
	1,953	1,953	Provision for Appeals not Paid		1,146	1,146
	(2,095)	(2,095)	Appeals Paid in Year		(548)	(548)
	163	163	Cost of Collection Allowance		162	162
82,493	53,969	136,462	Total Expenditure	87,892	54,897	142,789
(162)	759	597	Surplus / (Deficit) for the Year	70	2,622	2,692
1,108	(649)	459	Balance B/fwd at 1 April	946	110	1,056
946	110	1,056	BALANCE C/FWD AT 31 MARCH	1,016	2,732	3,748

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:

	2017/18 £	2018/19 £
Kent County Council	57,619,401	61,790,568
Police & Crime Commissioner for Kent	7,681,316	8,444,731
Kent & Medway Fire & Rescue Authority	3,585,266	3,769,800
Tonbridge & Malling Borough Council	9,654,030	10,155,641
	78,540,013	84,160,740
Parish Councils	2,665,633	2,779,637
TOTAL	81,205,646	86,940,377

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	2017/18 Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	2018/19 Multiplier	Band D Equivalent Dwellings
Disabled A	2.75	5/9ths	1.53	1.75	5/9ths	0.97
A	857.10	6/9ths	571.40	909.85	6/9ths	606.56
B	2,493.48	7/9ths	1,939.37	2,631.47	7/9ths	2,046.70
C	11,924.67	8/9ths	10,599.71	12,251.54	8/9ths	10,890.26
D	11,530.07	9/9ths	11,530.07	11,731.81	9/9ths	11,731.81
E	8,233.79	11/9ths	10,063.52	8,339.67	11/9ths	10,192.93
F	4,733.47	13/9ths	6,837.23	4,863.75	13/9ths	7,025.42
G	4,451.20	15/9ths	7,418.67	4,500.45	15/9ths	7,500.75
H	381.35	18/9ths	762.70	396.25	18/9ths	792.50
			49,724.20			50,787.90
Estimated Collection Rate			98.30%			98.30%
COUNCIL TAX BASE			48,878.88			49,924.51

Band D Council Tax

	2017/18 £	2018/19 £
Kent County Council	1,178.82	1,237.68
Police & Crime Commissioner for Kent	157.15	169.15
Kent & Medway Fire & Rescue Authority	73.35	75.51
Tonbridge & Malling Borough Council	197.51	203.42
	<u>1,606.83</u>	<u>1,685.76</u>
Parish Councils (average)	54.53	55.68
TOTAL	1,661.36	1,741.44

This basic amount of council tax for a Band D property of £1,685.76 for 2018/19 (2017/18: £1,606.83) 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 49.3p (2017/18: 47.9p) for large businesses or 48.0p (2017/18: 46.6p) for small businesses in 2018/19 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 Council is a member of the Kent Business Rates Pool and in 2018/19 only a Kent wide 100% Business Rates Retention pilot.

The NNDR income after relief and provisions of £57,793,000 for 2018/19 (2017/18: £54,408,000) was based on the total rateable value for the Council’s area which at the year-end was £142,214,422 (2017/18: £143,796,396).

3. IMPAIRMENT ALLOWANCE

	2017/18			2018/19		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Balance at 1 April	1,619	360	1,979	1,786	250	2,036
Write-Offs	(131)	(397)	(528)	(148)	(63)	(211)
Contribution to Allowance	298	287	585	133	113	246
BALANCE AT 31 MARCH	1,786	250	2,036	1,771	300	2,071

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 2019. This provision has been based upon information received from the Valuation Office Agency for appeals lodged up to 31 March 2019 and an element for appeals in respect of monies received in 2018/19 but no appeal has yet been lodged. The total amounts are shown in the table under [Note 6](#) below.

5. COLLECTION FUND SURPLUSES AND DEFICITS

The Borough Council is required to estimate the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax and national non-domestic rates. The estimated surplus or deficit is then shared between the Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority, Central Government and the Borough Council as appropriate. The estimated surplus for 2017/18 in respect of council tax was £818,893 and the estimated surplus for 2017/18 in respect of NNDR was £15,308. The actual surplus of £1,015,737 in respect of council tax and £2,731,231 in respect of NNDR at 31 March 2019 will be taken into account when estimating the surplus/deficit for 2019/20.

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 2018	Council Tax Arrears	2,444	327	152	898	3,821	
	Council Tax Provision for Bad Debts	(1,266)	(170)	(79)	(271)	(1,786)	
	Council Tax Prepayments & Refunds	(1,211)	(162)	(75)	(259)	(1,707)	
	Council Tax Cash	705	97	43	(227)	618	
	Council Tax (Surplus) / Deficit	(672)	(92)	(41)	(141)	(946)	
	NNDR Arrears	54		6	301	245	606
	NNDR Provision for Bad Debts	(23)		(2)	(125)	(100)	(250)
	NNDR Provision for Appeals	(662)		(74)	(3,679)	(2,943)	(7,358)
	NNDR Prepayments & Refunds	(147)		(16)	(819)	(655)	(1,637)
	NNDR Cash	788		87	4,377	3,497	8,749
	NNDR (Surplus) / Deficit	(10)		(1)	(55)	(44)	(110)
TOTAL	0	0	0	0	0	0	
At 31 March 2019	Council Tax Arrears	2,714	370	164	569	3,817	
	Council Tax Provision for Bad Debts	(1,259)	(172)	(76)	(264)	(1,771)	
	Council Tax Prepayments & Refunds	(1,299)	(177)	(78)	(272)	(1,826)	
	Council Tax Cash	563	86	33	114	796	
	Council Tax (Surplus) / Deficit	(719)	(107)	(43)	(147)	(1,016)	
	NNDR Arrears	585		10	396	991	
	NNDR Provision for Bad Debts	(177)		(3)	(120)	(300)	
	NNDR Provision for Appeals	(4,694)		(80)	(3,182)	(7,956)	
	NNDR Prepayments & Refunds	(857)		(15)	(581)	(1,453)	
	NNDR Cash	6,708		115	47	4,580	11,450
	NNDR (Surplus) / Deficit	(1,565)		(27)	(47)	(1,093)	(2,732)
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 2019 and up to the date of approval of this statement.

The governance framework

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

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

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

The Members' Code of Conduct is based around ethical behaviour and requires objective and impartial decision making. The Code is communicated to all new Members on induction. Upholding standards of Member conduct is the responsibility of the 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. Where it is appropriate strategies/policies are allocated to a lead Officer who is responsible for their periodic review and updating.

Ensuring openness and comprehensive stakeholder engagement

The decision-making framework of the Council is set out in the Constitution including statutory functions and the scheme of delegation of responsibilities. The Constitution is kept under review by the Monitoring Officer and Management Team with any proposed changes presented to the Council for adoption where not delegated to the Monitoring Officer. 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 or a Cabinet Member on the recommendation of 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 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 and a risk management escalation process in place. The framework sets out the responsibility of Officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.

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 2018/19 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, bribery and corruption arrangements including whistleblowing. The Chief Audit Executive is responsible for the maintenance of the Council's Anti-Fraud, Bribery & Corruption Policy and Whistleblowing Policy and has arrangements and resources in place to investigate any allegations made under either document.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council's financial information and reporting arrangements are sound and the external auditor following the 2017/18 audit concluded that although the Council faces significant pressures it continues to have a robust financial 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 2018/19 concluded that a good system of internal audit is in place within the Council.

Review of effectiveness

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

The effectiveness of the Council's governance arrangements has been evaluated through a self-assessment against the principles of the CIPFA/SOLACE document, *Delivering Good Governance in Local Government Framework 2016*.

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

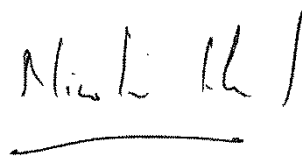
Signed



Julie Beilby BSc (Hons) MBA
Chief Executive

Dated 21 May 2019

Signed



Councillor Nicolas Heslop BA (Hons)
Leader of the Council

Dated 21 May 2019

Independent auditor's report to the members of Tonbridge and Malling Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tonbridge and Malling Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Transformation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Transformation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Transformation is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Transformation and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Transformation. The Director of Finance and Transformation is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Transformation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Transformation is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Tonbridge and Malling Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 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 Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

2018/19