

2013/14

# Statement of Accounts



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

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# EXPLANATORY FOREWORD

## 1. INTRODUCTION

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

The Accounts should enable the reader to find out:

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

The Accounts are supported by Accounting Policies and by various notes to the Accounts. A Glossary is provided on pages 73 to 76.

## 2. CHANGES IN PRESENTATION AND ACCOUNTING

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. The Code is based on a hierarchy of approved accounting standards.

The Accounts reflect the changes to International Accounting Standard 19 in respect of pensions. The main changes are: the expected return on assets and pensions interest cost are replaced by a net interest cost; some labelling changes to the charges to income and expenditure; and administration expenses are now accounted for within the charges to income and expenditure.

The Accounts reflect the introduction of the Business Rates Retention scheme where the Council acts as an agent for the Government, Kent County Council and Kent Fire and Rescue in respect of business rates. As a result 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 scheme as a net debtor or creditor. In addition, the Income and Expenditure Statement includes our share of the surplus/deficit for the year in respect of business rates which is subsequently reversed within the Movement in Reserves Statement.

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

The Council's Accounts for the year 2013/14 are set out on pages 13 to 66.

## 3. OVERVIEW OF STATEMENT OF ACCOUNTS

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

### **Explanatory Foreword**

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

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

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

## Core Financial Statements

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

- **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus / (deficit) on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The 'net increase / decrease before transfers to / from earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

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

- **Balance Sheet**

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

- **Cash Flow Statement**

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

- **Notes to the Core Financial Statements**

The notes present information about the basis of preparation of the financial statements and the specific accounting policies used, for example, the method of depreciation used, policies in respect of provisions and reserves and accounting for pension costs. The notes also disclose information

required by the Code that is not presented elsewhere in the financial statements. They also provide information that is not provided elsewhere in the financial statements, but is relevant to understanding them.

### **Supplementary Financial Statements**

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

- **Collection Fund and Associated Notes**

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

### **Annual Governance Statement**

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

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

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

### **Glossary**

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

## **4. REVENUE ACCOUNT**

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

In February 2013 the Council set a net revenue budget of £15,643,000. This was to be met from central government grant of £5,033,000 comprising business rates of £2,011,000 and revenue support grant of £3,022,000; council tax income of £8,098,000; New Homes Bonus of £1,636,000; other government grants of £39,000; a net contribution from specific revenue reserves of £191,000 and a contribution of £696,000 from the general revenue reserve less a collection fund adjustment of £50,000.

The revised net revenue budget of £15,275,000 was £368,000 less than the original budget set by the Council in February 2013. This, together with an increase of £356,000 in other government grants and £148,000 in business rates offset by a decrease in the planned net contribution from specific revenue reserves of £105,000, led to a contribution to the general revenue reserve of 71,000 compared to the estimated draw from the reserve of £696,000 when the budget was set in February 2013, a difference of £767,000.

The actual net revenue spend for the year of £14,832,000 was £811,000 less than the original budget set by the Council in February 2013. This, together with an increase of £974,000 in grants and contributions and other government grants and £1,330,000 in business rates offset by the movement in the net contribution to specific revenue reserves of £2,122,000, led to a contribution **to** the general revenue reserve of £297,000 compared to an estimated contribution **from** the reserve of £696,000 when the budget was set in February 2013, a difference of **£993,000**.

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

2012/13 Actual		Original Budget	2013/14 Revised Budget	Actual
£'000		£'000	£'000	£'000
4,624	Cultural & Related Services	4,898	4,778	4,776
5,071	Environmental & Regulatory Services	5,218	5,298	5,060
2,280	Planning Services	2,334	2,121	1,998
(231)	Highways & Transport Services	(107)	(281)	(463)
1,633	Housing Services	1,767	1,812	1,569
1,819	Central Services to the Public	1,932	1,896	1,695
2,248	Corporate & Democratic Core	2,386	2,290	2,245
33	Non-Distributed Costs	268	353	(827)
<b>17,477</b>	<b>Cost of Services</b>	<b>18,696</b>	<b>18,267</b>	<b>16,053</b>
364	Drainage Board Levies	374	374	374
(297)	Trading Undertakings	(240)	(231)	(194)
3	Corporate Impairment Allowance	5	5	3
29	Interest Payable & Similar Charges	7	23	81
(345)	Interest & Investment Income	(268)	(171)	(165)
(54)	Icelandic Investment	0	0	(10)
(2,127)	Service Cost & Administration Expenses	(2,146)	(2,172)	(1,275)
2,665	Employers' Pension Contributions	2,514	2,375	2,699
2	Employee Benefits - Accrued Annual Leave	0	0	2
(2,682)	Depreciation, Amortisation & Impairment	(2,516)	(2,650)	(2,784)
137	Minimum Revenue Provision - Embedded Lease	35	110	401
(355)	Revenue Expenditure Funded from Capital	(818)	(655)	(353)
<b>14,817</b>	<b>Sub-total</b>	<b>15,643</b>	<b>15,275</b>	<b>14,832</b>
(12)	Grants & Contributions	0	0	(10)
(1,125)	New Homes Bonus	(1,636)	(1,636)	(1,636)
(14)	Other General Government Grants	(39)	(395)	(1,003)
165	Contributions to or (from) Specific Revenue Reserves	(191)	(86)	1,931
<b>13,831</b>	<b>Sub-total</b>	<b>13,777</b>	<b>13,158</b>	<b>14,114</b>
(638)	Contribution to or (from) General Revenue Reserve	(696)	71	297
<b>13,193</b>	<b>Budget Requirement</b>	<b>13,081</b>	<b>13,229</b>	<b>14,411</b>
(4,395)	National Non-Domestic Rates	(2,011)	(2,159)	(3,341)
(85)	Revenue Support Grant	(3,022)	(3,022)	(3,022)
0	Collection Fund Adjustment	50	50	50
<b>8,713</b>	<b>BALANCE TO BE MET FROM COUNCIL TAX PAYERS</b>	<b>8,098</b>	<b>8,098</b>	<b>8,098</b>
<b>£176.90</b>	<b>Council Tax at Band D (Borough Council only)</b>	<b>£180.26</b>	<b>£180.26</b>	<b>£180.26</b>

The outturn position for the year reflects the transfer of responsibility for the management of the Council's leisure facilities to the Tonbridge and Malling Leisure Trust on 1 November 2013.

The movement in other government grants, the net contribution to specific revenue reserves and business rates is largely due to the introduction of the Business Rates Retention scheme in 2013/14 and government support following the recent severe weather.

The £10,000 shown against the Icelandic Investment in the table opposite represents both impairment and the notional interest due on the deposit.

The table below provides in more detail the reasons for the variation of £993,000 in the contribution to the General Revenue Reserve.

	Original Budget £'000	Actual £'000	Variance £'000
Tonbridge & Malling Leisure Trust (excluding Employees)	(2,237)	(1,195)	1,042
Tonbridge & Malling Leisure Trust Reserve	0	200	200
Building Repairs Reserve	400	525	125
Invest to Save Reserve	0	100	100
Interest & Investment Income (exc Landsbanki)	(261)	(180)	81
Empty Home Review	0	35	35
Contributions from Kent County Council	(146)	(116)	30
Applications & Appeals	30	56	26
Street / House Naming & Numbering	(10)	(30)	(20)
Telephones / Mobiles / Leased Lines	87	67	(20)
Electoral Registration	50	29	(21)
Homelessness Bad Debts	40	19	(21)
Pest Control	44	23	(21)
Members Allowances	439	417	(22)
Energy	147	122	(25)
Benefits Administration Grant	(583)	(612)	(29)
Housing Benefits	(73)	(106)	(33)
Software Support, Hire & Maintenance	426	392	(34)
Flooding (excluding Cost of Employees)	(15)	(49)	(34)
Home Improvement Agency	45	0	(45)
Public Conveniences	166	116	(50)
Rates	491	414	(77)
Welfare Reform	0	(84)	(84)
Summons Costs Recovered	(210)	(317)	(107)
Refuse, Recycling & Street Cleansing Contract	3,428	3,312	(116)
Business Rates Retention Scheme	(2,011)	(2,267)	(256)
Cost of Employees (see table below)	14,921	13,509	(1,412)
Other	(6,374)	(6,579)	(205)
<b>TOTAL</b>	<b>8,794</b>	<b>7,801</b>	<b>(993)</b>



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

2012/13 Actual		Original Budget	2013/14 Actual	Variance
£'000		£'000	£'000	£'000
10,884	Salaries	11,098	9,913	(1,185)
760	Employers' National Insurance Contributions	746	695	(51)
1,153	Employers' Superannuation Contributions	1,256	1,084	(172)
1,210	Superannuation Lump Sum Contribution	1,270	1,270	0
305	Termination Payments	303	335	32
87	Training	124	86	(38)
8	Health Care	11	9	(2)
18	Recruitment	9	15	6
99	Leased Car Costs	88	86	(2)
16	Professional Subscriptions	16	16	0
<b>14,540</b>	<b>TOTAL</b>	<b>14,921</b>	<b>13,509</b>	<b>(1,412)</b>

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

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

## 5. CAPITAL PLAN

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

In February 2013 the Council set a capital budget of £1,942,000 net of specific government grants and other contributions of which £1,941,000 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 2012/13 and progress made on our capital projects. The revised budget total was £1,941,000 of which £1,931,000 was to be met from the revenue reserve for capital schemes and the balance from capital receipts and capital grants brought forward.

The Council's capital spending in the year on an accruals basis was £1,115,000. The difference between the actual net spend and the revised budget of £826,000 can largely be attributed to a lower than anticipated spend on capital renewals and rescheduling / reprofiling of budgetary provision.



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

2012/13 Actual			Original Budget £'000	2013/14 Revised Budget £'000	Actual £'000
£'000	Service	Scheme			
209	Planning, Housing & Env Health	House Renovation Grants	348	352	176
72		Land Drainage & Flood Defence	44	143	131
172		Car Parking	85	77	71
0		Town Lock	300	0	0
106		Other Schemes	90	91	37
<b>559</b>		<b>Total</b>	<b>867</b>	<b>663</b>	<b>415</b>
43	Street Scene & Leisure	Refuse / Green Waste Bins	104	104	123
2		Sports Grounds	76	20	1
52		Tonbridge Swimming Pool	75	92	0
151		Larkfield Leisure Centre	0	0	0
77		Angel Centre	0	0	0
26		Other Schemes	54	102	50
<b>351</b>		<b>Total</b>	<b>309</b>	<b>318</b>	<b>174</b>
107	Corporate	I.T. Initiatives	30	71	86
186		Land & Property	0	0	0
2		Other Schemes	21	25	11
<b>295</b>		<b>Total</b>	<b>51</b>	<b>96</b>	<b>97</b>
110	Capital Renewals	Planning, Housing & Env Health	164	120	5
565		Street Scene & Leisure	315	362	190
280		Corporate	236	382	234
<b>955</b>		<b>Total</b>	<b>715</b>	<b>864</b>	<b>429</b>
<b>2,160</b>	<b>TOTAL CAPITAL EXPENDITURE</b>		<b>1,942</b>	<b>1,941</b>	<b>1,115</b>
2,165	Funding	Revenue Reserve for Capital Sch	1,941	1,931	1,038
2		Grants & Contributions b/fwd	0	9	9
(9)		Grants & Contributions c/fwd	0	0	(1)
2		Capital Receipts	1	1	69
<b>2,160</b>	<b>TOTAL FUNDING</b>		<b>1,942</b>	<b>1,941</b>	<b>1,115</b>

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

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

## 6. NON-CURRENT ASSETS

In accordance with the rolling programme properties for community use were the subject of revaluation. In addition, the asset class car parks, council offices and major leisure premises were also the subject of revaluation, together with heritage assets and investment property. The revaluation resulted in an overall gain of £3,826,000 excluding investment property of which £3,702,000 is recognised in the revaluation reserve and £124,000 in the Comprehensive Income and Expenditure Statement representing the reversal of revaluation losses in previous years. Investment property experienced an increase in fair value of £1,282,000 which is recognised in the Comprehensive Income and Expenditure Statement. The revaluation is carried out at the end of each year after accounting for acquisitions and improvements, depreciation and disposals. As at 31 March 2014 the total value of the Council's non-current assets was £67.2m (£62.3m at 31 March 2013).

## **7. TREASURY MANAGEMENT PERFORMANCE**

### **Investments**

Investments are broken down into externally managed core funds and internally managed cash flow investments (including cash equivalents). The Council prepares a Treasury Management Strategy Statement and Annual Investment Strategy as part of the Budget Setting Process each year. The Treasury Management Strategy Statement and Annual Investment Strategy for 2013/14 was approved by full Council on 14 February 2013 and outlined the Council's approach to the management of risk both in terms of security and liquidity of its investments. Investment performance is monitored during the year and reported to the Finance, Innovation and Property Advisory Board and a more detailed report on treasury management activity including performance is reported to the Audit Committee. In addition, the Treasury Management Strategy Statement and Annual Investment Strategy and any revisions during the year are presented to the Audit Committee prior to consideration by Cabinet and Council approval to provide an independent scrutiny role.

The Council had money invested in the Icelandic bank, Landsbanki that in October 2008 went into administration. The Council had £1 million deposited with Landsbanki at an interest rate of 5.86% and a maturity date of 30 October 2008. The Council participated in a joint action, co-ordinated by the Local Government Association, to recover the investment and associated interest. Prior to the 30 January 2014 the Council had received £542,700 in partial payments from the Landsbanki Winding-up Board. On the 30 January 2014 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale means that the Council has recovered 95% of the £1 million that was deposited with Landsbanki in 2008.

The Council's Fund Manager Investec Asset Management, achieved a return of 0.56% for the year, compared to a 7-day Libid benchmark of 0.41%. This equates to investment income of £84,495. At the end of March 2014 the value of the fund stood at £13.4m.

The Council achieved an investment return of 0.69% on its internal cash flow investments (including cash equivalents) for the year. This equates to investment income of £75,130 excluding interest due on the Landsbanki investment. At the end of March 2014 the value of cash flow funds managed internally stood at £5.6m.

Further information on Treasury Management performance for the year ended 31 March 2014 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2014.

### **External Borrowing**

The Council remained debt-free at 31 March 2014.

## 8. PENSION FUND

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

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 2014 was £48.8m (£47.8m at 31 March 2013).

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

Further information relating to the assets, liabilities, income and expenditure of the pension scheme is included in Note 10 on pages 42 to 46.

## 9. REVIEW OF THE YEAR

The Council's overall aim is to be: -

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

The Council sets numerous improvement priorities and during 2012/15 will work with a range of partners and our local communities towards achieving the following key priorities.

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

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

- All of our licenses can now be applied for online. During 2013/14 we enabled online payments and granting of licenses in pdf format, and semi-automated renewal reminders, all of which has substantially reduced costs of administration and postage.

- During 2013/14 full self-service web forms have been developed for abandoned vehicles and repair/replacement of damaged bins.
- Facebook page developed for TM Youth Forum.
- Residents can now check their council tax balances online. The next stage is to implement E-billing.
- Implementation of a new payment system provided the opportunity to develop our website payment pages to enable payment of council tax via smartphones and other hand-held devices.
- A new Leisure Trust was established to manage the Council's main leisure facilities from 1 November 2013.
- The senior management structure was rationalised from seven to five chief officers.
- New pest control and public conveniences cleansing contracts implemented saw reduced service costs of just under £100,000.
- The Council adopted a Tenancy Strategy that permits housing associations to build new affordable homes for affordable rent instead of much lower social rents. This additional income supports the development of new schemes.
- Introduced a new scheme for assessing housing applications and for allocating housing association properties across the borough. The new Housing Allocation Scheme will give greater priority to local people and families in housing need, with an emphasis on local housing for those with local connections.
- Second Love Where You Live campaign successfully completed with assistance of partners.
- Haysden Country Park and Leybourne Lakes Country Park received the Green Flag Award.
- Environmental Visual Audit of the Nelson Avenue area of Tonbridge completed. Actions taken by partners included a general clean-up of the area as well as creation of a new footpath between Nelson Avenue and the bridge over the nearby railway line.
- Programme of works to improve the visual amenity of Woodlands Walk, Tonbridge completed.
- In March work started on the refurbishment of Tonbridge Memorial Gardens.
- To celebrate the heritage of Tonbridge and Malling the Council launches the Blue Plaque Scheme in the borough. The Council hopes the scheme will bring the borough's heritage to life, by highlighting where important people from history once lived or worked.
- In 2013/14 we delivered three learn, eat and play programmes and two 'Go 4 It' at schools across the borough to help children adopt a healthy lifestyle and lose weight naturally.
- In 2013/14 four health events were held at Platform 51 to help promote healthy living messages and available public health services.
- Eight retail centres in Tonbridge and Malling set to benefit from grant funding of £7,500 each as part of a scheme aimed at boosting trade in the borough.
- The West Kent Partnership successfully completed a "100 in 100" campaign. This involved the placement of 100 new apprenticeships in 100 local companies.
- Despite the impact of further reductions in central Government grant funding and the continuing difficult economic climate the Council is again protecting services this year through a robust schedule of savings and careful financial management.

## 10. THE FUTURE

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

- Welfare Reform and cessation of the administration of housing benefits over a transitional period;
- the sustainability of the NHB scheme and what will follow;
- the ongoing impact of the localisation of council tax support;
- the ongoing impact of the Business Rates Retention scheme;
- the ongoing impact of the economic climate on the Council's finances;
- proposals to devolve the setting of planning fees; and
- further develop partnership arrangements with others in order to achieve cost efficiencies.

## 11. MEDIUM TERM FINANCIAL STRATEGY

The Council's current Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period. The Strategy affords the opportunity to take a measured and structured approach to budget pressures rather than a "knee jerk" reaction. The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This currently includes achieving a balanced revenue budget that delivers the Council's priorities and to retain a minimum of £2.0m in the general revenue reserve by the end of the strategy period. The general revenue reserve balance at 31 March 2014 was £5.9m (£5.6m at 31 March 2013).

The Council has seen its general government grant, the Local Government Settlement Funding Assessment, fall by more than £2.6m or 45% over the four-year period 2011/12 to 2014/15 with further cuts expected in future years. To date this has to a large extent been negated by the grant award under the New Homes Bonus (NHB) scheme. A major concern has always been what happens when the NHB scheme in its current form ceases or is replaced by something else, and the consequential impact on the Councils' finances. Based on assumptions about further cuts in grant funding and what might happen to NHB and its impact on us, amongst other things, latest projections point to a 'funding gap' between expenditure and income of circa £1.875m.

The Council has a robust MTFS and the existence and discipline of the same affords us the time to take a constructive and considered approach to budgetary pressures. Clearly, the absolute size of the 'funding gap' will influence the timescales we afford ourselves to address the problem. Based on the above projection we could, for example, breakdown the savings target into three tranches (tranche one £650,000, tranche two £700,000 and tranche three £525,000 to be achieved by 2016/17, 2017/18 and 2019/20). However, in order to maintain momentum and focus a savings target has been set for 2015/16 by breaking out the first savings tranche into two parts, i.e. £200,000 followed by £450,000.

The Council continues to face a significant financial challenge brought about, in the main, by the Coalition Government's budget deficit reduction programme and the current economic climate, but we believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, albeit recognising that some difficult choices will have to be made. More detailed information on the Council's Budget for 2014/15 and the MTFS can be found on the Council's website at: <http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/council-budgets>

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required:

- ❖ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Transformation.
- ❖ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ❖ to approve the Statement of Accounts.

## The Director of Finance and Transformation's Responsibilities

The Director of Finance and Transformation is responsible for the preparation of the authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* ('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 2014.

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

Signed

Signed

S. J. Shelton CPFA  
Director of Finance and Transformation

Councillor M. Balfour  
Chairman, General Purposes Committee

Dated 23 June 2014

Dated 23 June 2014

## MOVEMENT IN RESERVES STATEMENT

2012/13 Restated						2013/14						
General Fund	Reserves & Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes	General Fund	Reserves & Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
1,250	19,691	0	20,941	8,331	29,272		1,250	17,317	0	18,567	13,943	32,510
						<b>BALANCE AT 1 APRIL</b>						
						<b>Comprehensive Income &amp; Expenditure</b>						
(4,533)			(4,533)		(4,533)		(1,486)			(1,486)		(1,486)
			0	7,771	7,771					0	3,306	3,306
(4,533)	0	0	(4,533)	7,771	3,238		(1,486)	0	0	(1,486)	3,306	1,820
						<b>Total Comprehensive Income &amp; Expenditure</b>						
						<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>						
2,619			2,619	(2,619)	0	6	2,874			2,874	(2,874)	0
63			63	(63)	0	6	(90)			(90)	90	0
			0		0	6	(1,282)			(1,282)	1,282	0
(343)	264		(79)	79	0		(97)	8		(89)	89	0
1,508			1,508	(1,508)	0	10	605			605	(605)	0
(7)			(7)	7	0		(15)		15	0	0	0
2			2	(2)	0		1,767			1,767	(1,767)	0
(2)			(2)	2	0	13	(2)			(2)	2	0
(137)			(137)	137	0	8	(401)			(401)	401	0
(1,810)			(1,810)	1,810	0		(685)			(685)	685	0
2		0	2	(2)	0	14	2		(15)	(13)	13	0
(2,638)	264	0	(2,374)	5,612	3,238		1,190	8	0	1,198	622	1,820
						<b>Net Increase / (Decrease) Before Transfers to / from Earmarked Reserves</b>						
						<b>Transfers to / from Earmarked Reserves</b>						
(26)	26		0		0	15	49	(49)		0		0
220	(220)		0		0	15	(1,780)	1,780		0		0
1,806	(1,806)		0		0	15	838	(838)		0		0
638	(638)		0		0	15	(297)	297		0		0
<b>0</b>	<b>(2,374)</b>	<b>0</b>	<b>(2,374)</b>	<b>5,612</b>	<b>3,238</b>		<b>0</b>	<b>1,198</b>	<b>0</b>	<b>1,198</b>	<b>622</b>	<b>1,820</b>
						<b>Increase / (Decrease) in Year</b>						
1,250	17,317	0	18,567	13,943	32,510		1,250	18,515	0	19,765	14,565	34,330
						<b>BALANCE AT 31 MARCH</b>						



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13			2013/14				
Gross Expenditure £'000	Restated Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000	
			Notes				
<b>Continuing Operations</b>							
9,482	4,858	4,624		8,057	3,281	4,776	
6,598	1,527	5,071		6,736	1,676	5,060	
3,291	1,011	2,280		3,059	1,061	1,998	
2,293	2,524	(231)		2,145	2,608	(463)	
36,585	34,952	1,633		37,459	35,890	1,569	
10,058	8,239	1,819		3,352	1,657	1,695	
2,257	9	2,248		2,251	6	2,245	
461	428	33		(450)	377	(827)	
<b>71,025</b>	<b>53,548</b>	<b>17,477</b>		<b>62,609</b>	<b>46,556</b>	<b>16,053</b>	
<b>Cost of Services</b>							
<b>Other Operating Expenditure</b>							
46	53	(7)	6		15	(15)	
1,943		1,943		1,878		1,878	
364		364		373		373	
3		3	17	3		3	
2		2	14	2		2	
<b>Financing &amp; Investing Income &amp; Expenditure</b>							
30	327	(297)	8	140	334	(194)	
29		29	8	81		81	
(26)		(26)	9	10		10	
	373	(373)	9		185	(185)	
2,046		2,046	10	2,029		2,029	
		0	6		1,282	(1,282)	
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>							
2	10,656	(10,654)	11	50	10,116	(10,066)	
	4,395	(4,395)	11	21,302	22,736	(1,434)	
	1,224	(1,224)	12		5,661	(5,661)	
	355	(355)	12		106	(106)	
<b>75,464</b>	<b>70,931</b>	<b>4,533</b>		<b>88,477</b>	<b>86,991</b>	<b>1,486</b>	
<b>(Surplus) / Deficit on Provision of Services</b>							
<b>Other Comprehensive Income &amp; Expenditure</b>							
		(8,321)	6			(3,702)	
		20	9			50	
		530	10			346	
<b>(3,238)</b>			<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(1,820)</b>

## BALANCE SHEET

At 31 March 2013			At 31 March 2014	
£'000	£'000	Notes	£'000	£'000
<b>Long Term Assets</b>				
		6		
	49,789		51,001	
	3,423		4,760	
	1,226		1,149	
	446		464	
54,966	82		40	57,414
3,768		6		4,997
3,208		6		4,490
399		6		320
449		9		2,234
130		17		118
<b>62,920</b>				<b>69,573</b>
<b>Total Long Term Assets</b>				
<b>Current Assets</b>				
	0	6	83	
	17,449	9	13,184	
	45	16	28	
	4,447	17	8,061	
	(1,401)	17	(1,852)	
24,333	3,793	18	3,958	23,462
(4,315)	(4,315)	19	(5,058)	(5,058)
<b>Current Liabilities</b>				
<b>Long Term Liabilities</b>				
	(211)	20	(995)	
	(47,825)	10	(48,776)	
	(1,845)	21	(1,808)	
(50,428)	(547)	8	(2,068)	(53,647)
<b>32,510</b>	<b>NET ASSETS</b>			<b>34,330</b>
<b>Reserves</b>				
	15,946	15	17,135	
	1,371	21	1,380	
	1,250		1,250	
18,567	0	14	0	19,765
	42,710	22	42,905	
	19,094	23	22,342	
	(2)	9	(52)	
	66	14	10	
	(34)	11	(1,800)	
	(66)	13	(64)	
13,943	(47,825)	10	(48,776)	14,565
<b>32,510</b>	<b>TOTAL RESERVES</b>			<b>34,330</b>

## CASH FLOW STATEMENT

2012/13			2013/14	
£'000	£'000	Notes	£'000	£'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash Inflows</b>				
(10,635)			(31,072)	
(47,323)			(40,335)	
(9,413)			(8,198)	
(182)			(118)	
(2,974)			(3,432)	
(70,527)			(83,155)	
<b>Cash Outflows</b>				
14,397			13,150	
40,668			34,329	
1,943			1,878	
9,898			10,358	
0			0	
4,804			24,438	
71,710			84,153	
<b>1,183</b>		<b>24</b>	<b>998</b>	
<b>NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>				
<b>INVESTING ACTIVITIES</b>				
<b>Cash Inflows</b>				
0			(68)	
(6,174)			(4,460)	
(217)			(31)	
(4)			(4)	
<b>Cash Outflows</b>				
1,965			883	
2,000			2,000	
2			2	
(2,428)			(1,678)	
<b>NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES</b>				
<b>FINANCING ACTIVITIES</b>				
<b>Cash Outflows</b>				
2,090			515	
2,090			515	
<b>NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES</b>				
<b>845</b>			<b>(165)</b>	
<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>				
<b>4,638</b>			<b>3,793</b>	
<b>Cash &amp; cash equivalents at the beginning of the reporting period</b>				
<b>3,793</b>			<b>3,958</b>	
<b>Cash &amp; cash equivalents at the end of the reporting period</b>				

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### a) General

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14*. The Code is based on a hierarchy of approved accounting standards:

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

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

#### b) Qualitative Characteristics of Financial Information

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

### **c) Accounting Concepts**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **j) Employee Benefits**

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

### **Benefits Payable during Employment**

This covers:

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

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The next formal valuation is due on 31 March 2016. The outcome of the 2013 valuation is to take effect from 1 April 2014.

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

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

The authorised for issue date can be either:

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

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

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

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

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

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



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

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

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

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

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

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

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

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

#### **n) Foreign Currency Transactions**

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

#### **o) Government Grants and Other Contributions**

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

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

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

#### **p) Inventories**

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

## q) Leases

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

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

### Finance Leases

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

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

### Operating Leases

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

## r) Non-Current Assets

The Council has set a de-minimis level of £5,000 for the purposes of capital expenditure. In the case where the individual value of an item, e.g. computer is below the de-minimis level, but the aggregate value of similar items purchased in the year exceed the de-minimis level the expenditure may be treated as capital expenditure.

### Property, Plant and Equipment

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

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

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

The policy for each type of asset is explained below.

#### Land and Buildings

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

Asset Class	Year of Valuation	
Properties for Community Use	2008/09	Completed
Public Conveniences	2009/10	Completed
Council Offices	2010/11	Completed
Car Parks	2011/12	Completed
Leisure Premises	2012/13	Completed
Properties for Community Use	2013/14	Completed

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

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

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

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

#### Vehicles, Plant and Equipment

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

#### Infrastructure Assets

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

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

#### Community Assets

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

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

#### Assets under Construction

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

### **Heritage Assets**

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

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

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

Heritage assets are not subject to depreciation.

### **Investment Property**

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

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

Investment property is not subject to depreciation.

### **Intangible Assets**

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

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

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

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

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

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

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

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

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

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

### **s) Overheads**

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

### **t) Provisions**

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

Provisions are recognised when:

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

### **u) Reserves**

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

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

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

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

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

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

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted. There are no new standards that have been issued, but not yet adopted relevant to this Council.

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

In applying the accounting policies set out at Note 1 the authority has to make judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Council's 2013/14 accounts are as follows:

- The Council continues to face a significant financial challenge brought about by, in the main, the Coalition Government's budget deficit reduction programme and the economic climate, as well as some specific government-led initiatives that will impact on the Council's finances. The impact of these pressures is not considered to require any impairment in the valuation of the Council's assets.
- The Council has concluded that its Refuse Collection and Recycling and Amenity & Street Cleansing contracts contain lease type arrangements in respect of the vehicles used by the contractor. These vehicles have been included on the Council's balance sheet. Further details are provided at Note 8 to the accounts.

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

In preparing these accounts the Council is required to consider events that may have an impact on the accounting statements since 31 March 2014. No events have occurred that require changes to the accounting statements.

## **5. SEGMENT REPORTING**

The Council is required to present information on reportable segments. Reporting segments are to be based on an authority's internal management reporting arrangements. In 2013/14 the reporting arrangements were aligned to the new Directorate structure introduced by the senior management restructure as detailed below.

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

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

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

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

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

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

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

## Service Analysis

2012/13							2013/14							
Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene & Leisure £'000	Total £'000	Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene & Leisure £'000	Total £'000	
<b>Income</b>														
398	60	916	712	3,615	5,935	11,636	Fees, Charges & Other Service Income	342	61	1,265	1,269	4,021	4,359	11,317
			373			373	Interest & Investment Income				185			185
	110		41,448	572		42,130	Grants & Contributions		7		34,806	644	5	35,462
<b>398</b>	<b>170</b>	<b>916</b>	<b>42,533</b>	<b>4,187</b>	<b>5,935</b>	<b>54,139</b>	<b>Total Income</b>	<b>342</b>	<b>68</b>	<b>1,265</b>	<b>36,260</b>	<b>4,665</b>	<b>4,364</b>	<b>46,964</b>
<b>Expenditure</b>														
4,982	298	346	1,091	3,626	4,307	14,650	Employee Expenses	5,016	282	362	1,202	3,631	3,086	13,579
567		37		310	1,868	2,782	Premises	470	1	162		316	1,326	2,275
309				9	165	483	Transport	293				10	164	467
1,620	475	234	666	1,778	1,056	5,829	Supplies & Services	1,477	349	394	765	2,080	887	5,952
				261	4,209	4,470	Third Party Payments				6	241	4,758	5,005
			364			364	Precepts & Levies				374			374
			204	21		225	Provisions for Bad Debts				300	19		319
			40,656			40,656	Housing Benefits & Council Tax Benefits				34,287			34,287
(5,108)	383	243	1,165	2,191	1,108	(18)	Support Service Recharges	(4,847)	442	242	1,105	2,013	1,034	(11)
639		11		176	1,719	2,545	Depreciation, Amortisation & Impairment	580		(27)		77	1,753	2,383
<b>3,009</b>	<b>1,156</b>	<b>871</b>	<b>44,146</b>	<b>8,372</b>	<b>14,432</b>	<b>71,986</b>	<b>Total Expenditure</b>	<b>2,989</b>	<b>1,074</b>	<b>1,133</b>	<b>38,039</b>	<b>8,387</b>	<b>13,008</b>	<b>64,630</b>
<b>2,611</b>	<b>986</b>	<b>(45)</b>	<b>1,613</b>	<b>4,185</b>	<b>8,497</b>	<b>17,847</b>	<b>COST OF SERVICES</b>	<b>2,647</b>	<b>1,006</b>	<b>(132)</b>	<b>1,779</b>	<b>3,722</b>	<b>8,644</b>	<b>17,666</b>

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.

	2012/13 £'000	2013/14 £'000
<b>Cost of Services in Service Analysis</b>	<b>17,847</b>	<b>17,666</b>
add Amounts not Reported to Management		
Pension Adjustments	(538)	(1,424)
Embedded Lease Depreciation	138	401
Accrued Annual Leave	(2)	(2)
Miscellaneous Income and Expenditure	(105)	(108)
less Amounts not included in Comprehensive Income & Expenditure Statement		
Embedded Lease Contract Payments	(166)	(482)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(364)	(374)
Corporate Impairment Allowance	(3)	(3)
less Items Included in Financing & Investment		
Trading Undertakings	297	194
Interest & Investment Income	373	185
<b>NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>17,477</b>	<b>16,053</b>

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

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

Service Analysis	2012/13				Surplus / Deficit on Provision of Services		2013/14			
	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
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
<b>Income</b>										
11,636	120			11,756	Fees, Charges & Other Service Income	11,317	120			11,437
373				373	Interest & Investment Income	185				185
0			10,656	10,656	Council Tax	0		10,116		10,116
0				0	National Non-Domestic Rates	0		22,736		22,736
42,130	(11)		5,974	48,093	Grants & Contributions	35,462	(10)	5,767		41,219
0			53	53	Disposal of Non-Current Assets	0		15		15
0				0	Fair Value of Investment Properties	0		1,282		1,282
<b>54,139</b>	<b>109</b>	<b>0</b>	<b>16,683</b>	<b>70,931</b>	<b>Total Income</b>	<b>46,964</b>	<b>110</b>	<b>0</b>	<b>39,916</b>	<b>86,990</b>
<b>Expenditure</b>										
14,650	(540)		2,046	16,156	Employee Expenses	13,579	(1,427)	2,029		14,181
2,782				2,782	Premises	2,275				2,275
483				483	Transport	467				467
5,829	4			5,833	Supplies & Services	5,952	2			5,954
4,470		(166)		4,304	Third Party Payments	5,005		(482)		4,523
0			29	29	Interest Payments	0		81		81
364			1,943	2,307	Precepts & Levies	374		1,878		2,252
225				225	Provisions for Bad Debts	319				319
40,656				40,656	Housing Benefits & Council Tax Benefits	34,287				34,287
(18)				(18)	Support Service Recharges	(11)				(11)
2,545	138			2,683	Depreciation, Amortisation & Impairment	2,383	401			2,784
0			(26)	(26)	Impairment of Icelandic Investment	0		10		10
0			2	2	Housing Capital Receipts Pool	0		2		2
0			2	2	Council Tax	0		50		50
0				0	National Non-Domestic Rates	0		21,302		21,302
0			46	46	Disposal of Non-Current Assets	0				0
<b>71,986</b>	<b>(398)</b>	<b>(166)</b>	<b>4,042</b>	<b>75,464</b>	<b>Total Expenditure</b>	<b>64,630</b>	<b>(1,024)</b>	<b>(482)</b>	<b>25,352</b>	<b>88,476</b>
<b>17,847</b>	<b>(507)</b>	<b>(166)</b>	<b>(12,641)</b>	<b>4,533</b>	<b>TOTAL</b>	<b>17,666</b>	<b>(1,134)</b>	<b>(482)</b>	<b>(14,564)</b>	<b>1,486</b>

## 6. NON-CURRENT ASSETS

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

	Land & Buildings	PROPERTY, PLANT & EQUIPMENT Vehicles, Plant & Equipment	Infra-Structure Assets	Community Assets	Assets under Const'n	TOTAL PROPERTY, PLANT & EQUIPMENT	HERITAGE ASSETS	INVESTMENT PROPERTIES	INTANGIBLE ASSETS	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>NET BOOK VALUE AT 1 APRIL 2012</b>	<b>42,542</b>	<b>2,722</b>	<b>1,305</b>	<b>446</b>	<b>155</b>	<b>47,170</b>	<b>3,590</b>	<b>3,208</b>	<b>363</b>	<b>54,331</b>
<b>Cost or Valuation</b>										
At 1 April 2012	53,028	9,997	2,678	446	155	66,304	3,590	3,326	989	74,209
Additions	403	1,056	109	0	82	1,650	0	0	241	1,891
Derecognition - Disposals	(170)	(894)	(7)	0	0	(1,071)	0	0	(194)	(1,265)
Reclassification	70	85	0	0	(155)	0	0	0	0	0
Revaluation Recognised in the Revaluation Reserve	9,746	0	0	0	0	9,746	178	0	0	9,924
Other Movements in Cost or Valuation	(11,599)	541	0	0	0	(11,058)	0	0	0	(11,058)
At 31 March 2013	<u>51,478</u>	<u>10,785</u>	<u>2,780</u>	<u>446</u>	<u>82</u>	<u>65,571</u>	<u>3,768</u>	<u>3,326</u>	<u>1,036</u>	<u>73,701</u>
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2012	(10,486)	(7,275)	(1,373)	0	0	(19,134)	0	(118)	(626)	(19,878)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,317)	(909)	(188)	0	0	(2,414)	0	0	(205)	(2,619)
Impairment Recognised in Surplus/Deficit on the Provision of Services	(52)	(11)	0	0	0	(63)	0	0	0	(63)
Impairment Recognised in Revaluation Reserve	(1,603)	0	0	0	0	(1,603)	0	0	0	(1,603)
Derecognition - Disposals	170	848	7	0	0	1,025	0	0	194	1,219
Other Movements in Depreciation, Amortisation and Impairment	11,599	(15)	0	0	0	11,584	0	0	0	11,584
At 31 March 2013	<u>(1,689)</u>	<u>(7,362)</u>	<u>(1,554)</u>	<u>0</u>	<u>0</u>	<u>(10,605)</u>	<u>0</u>	<u>(118)</u>	<u>(637)</u>	<u>(11,360)</u>
<b>NET BOOK VALUE AT 31 MARCH 2013</b>	<b>49,789</b>	<b>3,423</b>	<b>1,226</b>	<b>446</b>	<b>82</b>	<b>54,966</b>	<b>3,768</b>	<b>3,208</b>	<b>399</b>	<b>62,341</b>
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	49,789	2,876	1,226	446	82	54,419	3,768	3,208	399	61,794
Leased	0	547	0	0	0	547	0	0	0	547

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

Intangible assets held consist of IT software and associated costs.

## Depreciation and Amortisation

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

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

Service	2012/13 £'000	2013/14 £'000
Cultural & Related Services	1	1
Environmental & Regulatory Services	0	0
Planning Services	0	0
Highways & Transport Services	0	0
Housing Services	0	0
Central Services to the Public	0	0
Corporate & Democratic Core	0	0
Non-Distributed Costs	204	186
<b>TOTAL</b>	<b>205</b>	<b>187</b>

## Non-Current Asset Valuation

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

In accordance with the rolling programme properties for community use were the subject of revaluation. In addition, the asset class car parks, council offices and major leisure premises were also the subject of revaluation, together with heritage assets and investment property. The revaluation resulted in an overall gain of £3,826,000 excluding investment property of which £3,702,000 is recognised in the revaluation reserve and £124,000 in the Comprehensive Income and Expenditure Statement representing the reversal of revaluation losses in previous years. Investment property experienced an increase in fair value of £1,282,000 which is recognised in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

## Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. In liaison with the Council's Estate Service Manager and the Council's independent valuers it was determined that no other property asset class required revaluation because of a notable change in value.

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

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
Valued at current value in:					
2013/14	532	4,760	1,229	4,490	11,011
2012/13	34,104		178		34,282
2011/12	7,563		166		7,729
2010/11	6,887		96		6,983
2009/10	1,915		3,328		5,243
<b>TOTAL</b>	<b>51,001</b>	<b>4,760</b>	<b>4,997</b>	<b>4,490</b>	<b>65,248</b>

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

## Outstanding Capital Commitments

As at 31 March 2014 the Council had no significant outstanding capital commitments.

## The Council held the following assets as at 31 March 2014: -

Land:	Pleasure Grounds & Open Spaces	300 hectares
	Sportsgrounds	56 hectares
	Golf Course (inc. Club House)	49 hectares
	Cemetery (inc. Chapel)	6 hectares
	Allotments	6 hectares
	Industrial Estate (Residue)	1 hectare
	Car Parks	31
Buildings:	Council Offices	2
	Depots	1
	Public Conveniences	16
	Leisure Centres	2
	Swimming Pool	1
	Shops / Offices	29
	Maisonettes/Residential	8
	Historic Monument	1
Vehicles:	Heavy / Med' / Light Commercials	2
	Embedded Lease Vehicles	42
	Light Vans	3
	Other	5

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

	2012/13 £'000	2013/14 £'000
Capital Renewals	955	429
Refuse / Green Bin Growth / Replacement	43	123
Information Technology Initiatives	169	86
Car Parks	143	72
Land & Property	186	0
Larkfield Leisure Centre	151	0
Angel Centre	77	0
Tonbridge Castle	72	0
Tonbridge Swimming Pool	52	0

The Capital Expenditure was financed as follows: -

	2012/13 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	<b>0</b>	<b>0</b>
<b>Capital Investment</b>		
Purchase of Non-Current Assets		
Property, Plant & Equipment	1,650	734
Intangible Assets	241	108
<b>Total</b>	<b>1,891</b>	<b>842</b>
<b>Sources of Finance</b>		
Revenue	(1,810)	(685)
Capital Grants & Contributions	(79)	(87)
Capital Receipts	(2)	(70)
<b>Total</b>	<b>(1,891)</b>	<b>(842)</b>
<b>CLOSING CAPITAL FINANCING REQUIREMENT</b>	<b>0</b>	<b>0</b>

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

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

	2012/13 £'000	2013/14 £'000
<b>Net Book Value</b>		
Larkfield Leisure Centre Fitness Equipment	23	0
Angel Centre Fitness Equipment	23	0
Land at Sovereign Way	0	0
<b>Total</b>	<b>46</b>	<b>0</b>
<b>Sale Proceeds</b>		
Larkfield Leisure Centre Fitness Equipment	(28)	0
Angel Centre Fitness Equipment	(25)	0
Land at Sovereign Way	0	(15)
<b>Total</b>	<b>(53)</b>	<b>(15)</b>
<b>(GAIN) / LOSS ON DISPOSAL</b>	<b>(7)</b>	<b>(15)</b>



## Heritage Assets

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

	At 31 March 2013 £'000	At 31 March 2014 £'000
Tonbridge Castle Gatehouse	3,648	4,875
Civic Regalia	53	55
Paintings	37	37
Sculptures	30	30
<b>TOTAL</b>	<b>3,768</b>	<b>4,997</b>

## Assets Held for Sale

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

	At 31 March 2013 £'000	At 31 March 2014 £'000
Public Conveniences		
Lamberts Yard, Tonbridge	0	49
Ridgeway, Tonbridge	0	34
<b>TOTAL</b>	<b>0</b>	<b>83</b>

## 7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2012/13		2013/14	
	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>				
House Renovation Grants	723		720	
Land Drainage & Flood Defence	72		131	
Other	74	869	52	903
	<u>          </u>		<u>          </u>	
<b>Grants &amp; Contributions Received</b>				
Disabled Facilities Grant Subsidy	(485)		(415)	
Housing Assistance Grant Repaid	(29)		(117)	
Other	0	(514)	(18)	(550)
	<u>          </u>		<u>          </u>	
<b>TOTAL</b>		<b>355</b>		<b>353</b>

## 8. LEASES

### Lessee – Operating Lease

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2013/14 (2012/13) was £36,000 (£81,000). The future cash payments required under these leases are: £30,000 not later than one year; £15,000 later than one year but not later than five years; and £nil later than five years.

### Lessee – Finance Lease

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

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

	Current Year 2013/14 £ 000's	Current Year +1 2014/15 £ 000's	Current Year +2 2015/16 £ 000's	Current Year +3 2016/17 £ 000's	Current Year +4 2017/18 £ 000's
Estimated Lease Value					
Principal	401	379	361	361	361
Interest	81	79	76	76	76
Total	<u>482</u>	<u>458</u>	<u>437</u>	<u>437</u>	<u>437</u>
Estimated Net Book Value Vehicles	2,068	1,689	1,328	967	606

In 2013/14 the contractor acquired a number of vehicles. This is reflected in Note 6 on page 31 under other movements in cost and other movements in depreciation.

### 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.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Rental Income Due	354	331	317	283	254	247	240

## 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.

	2012/13 £'000	2013/14 £'000
<b>Commercial Property</b>		
Income	(265)	(272)
less Expenditure	25	135
<b>(Surplus) / Deficit</b>	<b>(240)</b>	<b>(137)</b>
<b>Industrial Estates</b>		
Income	(62)	(62)
less Expenditure	5	5
<b>(Surplus) / Deficit</b>	<b>(57)</b>	<b>(57)</b>
<b>TOTAL (SURPLUS) / DEFICIT</b>	<b>(297)</b>	<b>(194)</b>

The Balance Sheet value of these properties at the 31 March 2014 was £4,495,000 (£4,490,000 Investment Properties and £5,000 Land and Buildings). There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

### Lessor – Finance Lease

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

## 9. INTEREST AND INVESTMENTS

### Icelandic Investments

Early in October 2008 the Icelandic bank, Landsbanki collapsed and went into administration. The Council had £1 million deposited with Landsbanki at an interest rate of 5.86% and a maturity date of 30 October 2008.

The Council participated in a joint action, co-ordinated by the Local Government Association, to recover the investment and associated interest. Prior to the 30 January 2014 the Council had received £542,700 in partial payments from the Landsbanki Winding-up Board.

On the 30 January 2014 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale means that the Council has recovered 95% of the £1 million that was deposited with Landsbanki in 2008.

## Interest and Investment Income

	2012/13	2013/14	Year on Year Change
	£'000	£'000	£'000
<b>Externally Managed Funds</b>			
Gross Interest	(170)	(92)	78
Realised (Gains) / Losses	(53)	7	60
<b>Net Yield</b>	<b>(223)</b>	<b>(85)</b>	<b>138</b>
<b>Internally Managed Funds</b>			
Interest on Deposits	(145)	(95)	50
Interest on Other Miscellaneous Loans	(5)	(5)	0
<b>Net Yield</b>	<b>(150)</b>	<b>(100)</b>	<b>50</b>
<b>TOTAL</b>	<b>(373)</b>	<b>(185)</b>	<b>188</b>

## Long Term Investments

	At 31 March 2013				At 31 March 2014			
	Capital	Gain /	Accrued	Total	Capital	Gain /	Accrued	Total
	£'000	(Loss)	Interest	£'000	£'000	(Loss)	Interest	£'000
<b>Externally Managed Funds</b>								
UK Government	0			0	2,281	(52)	5	2,234
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,281</b>	<b>(52)</b>	<b>5</b>	<b>2,234</b>
<b>Internally Managed Funds</b>								
Landsbanki	613	(275)	111	449	0			0
<b>Total</b>	<b>613</b>	<b>(275)</b>	<b>111</b>	<b>449</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>613</b>	<b>(275)</b>	<b>111</b>	<b>449</b>	<b>2,281</b>	<b>(52)</b>	<b>5</b>	<b>2,234</b>

## Short Term Investments

	At 31 March 2013				At 31 March 2014			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Externally Managed Funds</b>								
Bank of Nova Scotia	2,856		1	2,857	0			0
Barclays Bank	1,700			1,700	0			0
Commonwealth Bank	0			0	600			600
Deutsche Bank	2,500		1	2,501	0			0
European Bank	488	(3)	3	488	0			0
HSBC	100			100	0			0
ING Bank	0			0	2,900		3	2,903
Investec Liquidity Funds	1,008			1,008	109			109
Nationwide Building Society	0			0	500			500
Nordea Group	3,000		2	3,002	3,000		3	3,003
Rabobank	808	1	4	813	140			140
Standard Chartered Bank	0			0	1,300		1	1,301
Svenska Handelsbanken	2,500		1	2,501	2,100		4	2,104
UK Government	399			399	499		1	500
Cash on Deposit	22			22	3			3
<b>Total</b>	<b>15,381</b>	<b>(2)</b>	<b>12</b>	<b>15,391</b>	<b>11,151</b>	<b>0</b>	<b>12</b>	<b>11,163</b>
<b>Internally Managed Funds</b>								
Bank of Scotland	1,000		29	1,029	1,000		11	1,011
Lloyds Bank	1,000		29	1,029	1,000		10	1,010
<b>Total</b>	<b>2,000</b>	<b>0</b>	<b>58</b>	<b>2,058</b>	<b>2,000</b>	<b>0</b>	<b>21</b>	<b>2,021</b>
<b>TOTAL</b>	<b>17,381</b>	<b>(2)</b>	<b>70</b>	<b>17,449</b>	<b>13,151</b>	<b>0</b>	<b>33</b>	<b>13,184</b>

The amount shown on the Available-for-Sale Financial Instruments Reserve represents unrealised gains/losses in respect of our externally managed investments.

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

	2012/13	2013/14
	£'000	£'000
<b>Short &amp; Long Term</b>		
Balance at 1 April	21,022	15,391
Net Yield on Externally Managed Funds	203	35
Withdrawal of Funds Held	(5,800)	(2,000)
Management Fee	(34)	(29)
<b>BALANCE AT 31 MARCH</b>	<b>15,391</b>	<b>13,397</b>

## 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).

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

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

- Class of investment.
- Interest received by class of investment.
- Market valuation of each type of investment as at 31 March 2014.
- Management of risk.

### Investment Classification

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

	At 31 March 2013			At 31 March 2014		
	Loans and receivables £'000	Available-for-sale £'000	Total £'000	Loans and receivables £'000	Available-for-sale £'000	Total £'000
<b>Long Term</b>						
Externally Managed Funds			0		2,234	2,234
Internally Managed Funds	449		449			0
	<u>449</u>	<u>0</u>	<u>449</u>	<u>0</u>	<u>2,234</u>	<u>2,234</u>
<b>Short Term</b>						
Externally Managed Funds	3,094	12,297	15,391	252	10,911	11,163
Internally Managed Funds	2,058		2,058	2,021		2,021
	<u>5,152</u>	<u>12,297</u>	<u>17,449</u>	<u>2,273</u>	<u>10,911</u>	<u>13,184</u>
<b>TOTAL</b>	<b>5,601</b>	<b>12,297</b>	<b>17,898</b>	<b>2,273</b>	<b>13,145</b>	<b>15,418</b>

### Interest Received

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

	2012/13			2013/14		
	Loans and receivables £'000	Available-for-sale £'000	Total £'000	Loans and receivables £'000	Available-for-sale £'000	Total £'000
<b>Interest &amp; Investment Income</b>						
Interest Income	(67)	(161)	(228)	(23)	(90)	(113)
Losses on Derecognition		1	1		7	7
Gains on Derecognition		(54)	(54)		0	0
<b>TOTAL</b>	<b>(67)</b>	<b>(214)</b>	<b>(281)</b>	<b>(23)</b>	<b>(83)</b>	<b>(106)</b>

## Market Valuation

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

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

	At 31 March 2013		At 31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash held by External Fund Manager	22	22	3	3
Externally Managed Funds	15,369	15,369	13,394	13,394
Deposits with Banks & Building Societies	2,507	2,507	2,021	2,021
<b>TOTAL</b>	<b>17,898</b>	<b>17,898</b>	<b>15,418</b>	<b>15,418</b>

## Management of Risk

### Credit Risk

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

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

	Amounts as at 31 March 2014 £'000	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions as at 31 March 2014 %	Estimated Maximum Exposure to Default and Uncollectability £'000
<b>Investments</b>				
Deposits with Banks & Building Societies	2,021	2.5%	0%	0
Externally Managed Funds	13,397	0%	0%	0
<b>TOTAL</b>	<b>15,418</b>			<b>0</b>

### Interest Rate Risk

Interest rate movements will clearly have an impact on investment returns. To put this into context, 1% would currently generate investment income of about £154,000 (£180,000 in 2012/13).



## 10. PENSION COSTS

Employees of Tonbridge & Malling Borough Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by KCC in accordance with the *Local Government Pension Scheme 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

	Restated	
	2012/13	2013/14
	£'000	£'000
<b>Amounts Charged to Income and Expenditure Statement</b>		
Net Cost of Services		
Current Service Costs	2,076	2,133
Past Service Costs (Change in Benefit)	0	69
Curtailments and Settlements	0	(984)
Administration Expenses	52	57
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	2,046	2,029
<b>Net Charge to the Income and Expenditure Statement</b>	<b>4,174</b>	<b>3,304</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,174)	(3,304)
<b>Actual Amount Charged to the General Fund for Pensions in the Year</b>		
Employers' contributions payable to scheme	2,665	2,699
<b>CONTRIBUTION (FROM) / TO PENSIONS RESERVE</b>	<b>(1,509)</b>	<b>(605)</b>

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

In addition, an actuarial loss of £346,000 in 2013/14 and a loss of £530,000 (Restated) in 2012/13 are included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

## Assets and Liabilities in Relation to Retirement Benefits

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

LIABILITIES	Restated 2012/13 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>105,586</b>	<b>115,810</b>
Current Service Costs	2,076	2,133
Past Service Costs	0	69
(Gains) / Losses on Settlements and Curtailments	0	(3,169)
Interest Cost	4,771	4,952
Change in Financial Assumptions	6,967	273
Change in Demographic Assumptions	0	2,904
Experience Loss / (Gain) on Defined Benefit Obligation	170	(3,660)
Contributions from Scheme Participants	545	525
Benefits Paid	(4,010)	(4,277)
Unfunded Pension Payments	(295)	(294)
<b>BALANCE AT 31 MARCH</b>	<b>115,810</b>	<b>115,266</b>

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

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

ASSETS	Restated 2012/13 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>59,799</b>	<b>67,985</b>
Interest on Assets	2,726	2,923
Return on Assets Less Interest	6,607	2,516
Other Actuarial Gains/(Losses)	0	(3,346)
Employers' Contributions	2,665	2,699
Gains / (Losses) on Settlements and Curtailments	0	(2,185)
Contributions from Scheme Participants	545	525
Benefits Paid	(4,305)	(4,570)
Administration Expenses	(52)	(57)
<b>BALANCE AT 31 MARCH</b>	<b>67,985</b>	<b>66,490</b>

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

The actual return on scheme assets in the year: gain of £5,439,000 (Restated 2012/13: gain of £9,333,000).

	2012/13 £'000	2013/14 £'000
Present value of funded obligation	112,537	111,917
Fair value of scheme assets (bid price)	67,985	66,490
<b>Sub-total</b>	<b>44,552</b>	<b>45,427</b>
Present value of unfunded obligation	3,273	3,349
<b>NET PENSION LIABILITY</b>	<b>47,825</b>	<b>48,776</b>

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)	2012/13 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>(45,787)</b>	<b>(47,825)</b>
Current Service Costs	(2,076)	(2,133)
Past Service Costs	0	(69)
(Gains) / Losses on Settlements and Curtailments	0	984
Actuarial Gains / (Losses)	(530)	(346)
Employers' Contributions	2,370	2,405
Unfunded Pension Payments	295	294
Administration Expenses	(52)	(57)
Other Finance Income	(2,045)	(2,029)
<b>BALANCE AT 31 MARCH</b>	<b>(47,825)</b>	<b>(48,776)</b>

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

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

Assets	At 31 March 2013		At 31 March 2014	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Equities	48,270	71	47,208	71
Bonds	8,838	13	7,314	11
Property	5,439	8	6,649	10
Cash	2,719	4	1,995	3
Target Return Portfolio	2,719	4	2,659	4
Gilts	0	0	665	1
<b>TOTAL</b>	<b>67,985</b>	<b>100</b>	<b>66,490</b>	<b>100</b>

## Scheme History

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Present Value of Liabilities	(113,602)	(89,937)	(105,586)	(115,810)	(115,266)
Fair Value of Assets	53,676	59,836	59,799	67,985	66,490
<b>SURPLUS / (DEFICIT) IN THE SCHEME</b>	<b>(59,926)</b>	<b>(30,101)</b>	<b>(45,787)</b>	<b>(47,825)</b>	<b>(48,776)</b>
Experience Gains / (Losses) on Assets	11,297	2,859	(3,284)	0	(3,346)
Percentage of Assets	21.0%	4.8%	(5.5%)	0.0%	(5.0%)
Experience Gains / (Losses) on Liabilities	760	7,259	(133)	(170)	3,660
Percentage of Liabilities	0.7%	8.1%	(0.1%)	(0.1%)	3.2%

## Actuarial Gains and Losses

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	(24,393)	22,394	(15,854)	(530)	(346)
<b>CUMULATIVE ACTUARIAL GAINS / (LOSSES)</b>	<b>(40,273)</b>	<b>(17,879)</b>	<b>(33,733)</b>	<b>(34,263)</b>	<b>(34,609)</b>

## Basis for Estimating Assets and Liabilities

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

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

	2012/13	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.1 Years	22.7 Years
Women	24.1 Years	25.1 Years
Longevity at 65 for future pensioners:		
Men	22.1 Years	24.9 Years
Women	26.0 Years	27.4 Years
RPI Increases	3.4%	3.5%
CPI Increases	2.6%	2.7%
Salary Increases	4.8%	4.5%
Pension Increases	2.6%	2.7%
Discount Rate	4.4%	4.4%

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	113,352	115,266	117,212
Projected Service Cost	1,792	1,832	1,872
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	115,507	115,266	115,024
Projected Service Cost	1,832	1,832	1,832
Adjustment to Pensions Increase and Deferred Revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	117,000	115,266	113,560
Projected Service Cost	1,873	1,832	1,791
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	111,209	115,266	119,358
Projected Service Cost	1,769	1,832	1,895

## Projected Pension Expense for the Year to 31 March 2015

These projections are based on the Actuary's assumptions as at 31 March 2014.

	2014/15 Projection £'000
Service Cost	1,832
Net Interest on the defined liability (asset)	2,093
Administration Expenses	56
Total	<u>3,981</u>
Employers' Contributions	2,398

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

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

Council Tax	2012/13 £'000	2013/14 £'000
Borough Council's Council Tax	(8,713)	(8,098)
Parish Councils' Council Tax	(1,943)	(1,878)
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	0	50
Council Tax (Surplus) / Deficit	2	(140)
<b>TOTAL</b>	<b>(10,654)</b>	<b>(10,066)</b>

National Non-Domestic Rates	2012/13 £'000	2013/14 £'000
Share of National Non-Domestic Rates	0	(21,553)
Tariff / (Top-Up)	0	19,395
Levy / (Safety Net)	0	(1,183)
National Non-Domestic Rates (Surplus) / Deficit	0	1,907
National Non-Domestic Rates Distribution	(4,395)	0
<b>TOTAL</b>	<b>(4,395)</b>	<b>(1,434)</b>

## 12. GRANT INCOME

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

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

	2012/13		2013/14	
	£'000	£'000	£'000	£'000
General Government Grants				
Revenue Support Grant	(85)		(3,023)	
New Homes Bonus	(1,125)		(1,636)	
Small Business & Empty Property Rate Relief Grant	0		(316)	
Business Support Scheme Grant	0		(250)	
Severe Weather Recovery Scheme Grant	0		(249)	
Business Rates Flood Relief Grant	0		(109)	
Other	(14)	(1,224)	(78)	(5,661)
Capital Grants & Contributions				
Pinnacles PH Developer Contribution	(35)		(36)	
Lyons House Developer Contribution	0		(30)	
Hale Street Developer Contribution	(248)		0	
Council Tax Reform Grant	(63)		0	
Other	(9)	(355)	(40)	(106)
<b>TOTAL</b>		<b>(1,579)</b>		<b>(5,767)</b>

### Credited to Services

	2012/13 £'000	2013/14 £'000
Rent Allowance Subsidy	(33,185)	(33,632)
Benefits Administration Grant	(674)	(612)
Disabled Facilities Grant Subsidy	(485)	(415)
NNDR Cost of Collection Allowance	(169)	(168)
Discretionary Housing Payment Contribution	(42)	(130)
Bellwin Grant	0	(99)
Local Benefits Scheme Subsidy	(65)	(67)
Non-HRA Rent Rebate Subsidy	(55)	(56)
Council Tax Reform Grant	(21)	(57)
Council Tax Flood Relief Grant	0	(41)
Council Tax Benefit Subsidy	(7,206)	0
High Street Innovation Fund	(100)	0
Homelessness Grant	(57)	0
Other	(71)	(185)
<b>TOTAL</b>	<b>(42,130)</b>	<b>(35,462)</b>

The Council has also received a number of developer contributions that have yet to be recognised as income as they have conditions that are yet to be met. Further details can be found on page 58 Note 21.

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

#### Emoluments

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

Remuneration Band	Number of Employees	
	2012/13	2013/14
£50,000 - £54,999	11	16
£55,000 - £59,999	7	4
£60,000 - £64,999	-	2
£65,000 - £69,999	2	-
£70,000 - £74,999	1	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	2	2
£90,000 - £94,999	2	2
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
<b>TOTAL</b>	<b>26</b>	<b>27</b>

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

	Post Title	Salary, Fees & All'ces £'000	Expenses All'ces £'000	Comp for Loss of Office £'000	Benefits in Kind £'000	Total Excl Pension £'000	Pension Contrib's £'000	Total Including Pension £'000
2012/13	Chief Executive	95	0	0	4	99	14	113
	Central Services Director / Chief Executive	88	0	0	5	93	13	106
	Chief Solicitor / Director of Central Services	67	0	0	3	70	9	79
	Director of Finance and Transformation	85	0	0	3	88	12	100
	Director of Health and Housing	85	0	0	5	90	13	103
	Director of Planning, Transport and Leisure	85	0	0	5	90	12	102
	<b>TOTAL</b>	<b>505</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>530</b>	<b>73</b>	<b>603</b>
2013/14	Chief Executive	106	2	0	6	114	15	129
	Director of Central Services	81	2	0	4	87	11	98
	Director of Finance and Transformation	85	2	0	4	91	12	103
	Director of Health and Housing	10	0	0	0	10	2	12
	Director of Planning, Housing and Env Health	85	1	0	5	91	12	103
	Chief Leis Off / Director of Street Scene & Leisure	80	6	0	0	86	11	97
<b>TOTAL</b>	<b>447</b>	<b>13</b>	<b>0</b>	<b>19</b>	<b>479</b>	<b>63</b>	<b>542</b>	

The Council had entered into a formal agreement with Gravesham Borough Council to share the Council's Chief Executive for a two-year period commencing 1 August 2011. The Chief Executive's salary and associated costs were apportioned equally between the two councils, but Tonbridge & Malling Borough Council continued to be his employing authority and as such his full remuneration is reflected in the tables above.

This arrangement ended on 31 January 2013 when the Chief Executive stood down from his position to take up the role of full-time Chief Executive of Gravesham Borough Council. The Central Services Director was subsequently appointed as this Council's Chief Executive and the Chief Solicitor appointed to the re-designated post of Director of Central Services; and the post of Director of Finance was re-designated Director of Finance and Transformation.

The Director of Health and Housing retired on 16 May 2013 and the post of Director of Planning, Transport and Leisure was re-designated Director of Planning, Housing and Environmental Health; and the Chief Leisure Officer was appointed to the re-designated post of Director of Street Scene and Leisure.



At 31 March 2014 (2013) the Council employed 294 (409) permanent staff, equating to 249 (344) full-time equivalents. The reduction in staffing levels is as a result of the establishment and transfer of staff to Tonbridge and Malling Leisure Trust.

### 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 2013/14 (2012/13) this was estimated to be £64,000 (£66,000).

### 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.

	2012/13		2013/14	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
<b>Compulsory Redundancies</b>				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	-	-
<b>Other Agreed Departures</b>				
£0 - £19,999	2	13	4	19
£20,000 - £39,999	-	-	1	36
<b>TOTAL</b>	<b>2</b>	<b>13</b>	<b>5</b>	<b>55</b>

## 14. CAPITAL RECEIPTS

### Usable Capital Receipts

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

	2012/13			2013/14		
	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	0	3	3	68	4	72
	<u>0</u>	<u>3</u>	<u>3</u>	<u>68</u>	<u>4</u>	<u>72</u>
<b>less Usable Capital Receipts Applied</b>						
Purchase of Non-Current Assets	0	1	1	68	2	70
Pooled Housing Capital Receipts	0	2	2	0	2	2
<b>BALANCE AT 31 MARCH</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Deferred Capital Receipts

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

	2012/13 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>17</b>	<b>66</b>
Deferred Sale Proceeds	52	0
Receipts	(3)	(56)
<b>BALANCE AT 31 MARCH</b>	<b>66</b>	<b>10</b>

## 15. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2012/13	Revenue Reserve for Capital Schemes	10,147	359	(2,165)	8,341
	General Revenue Reserve	6,255		(638)	5,617
	Building Repairs Reserve	40	600	(574)	66
	Earmarked Reserves				
	Special Projects	471	10	(35)	446
	Community Enhancement Fund	386		(122)	264
	Tonbridge Town Centre	232	100	(148)	184
	Other Earmarked Reserves	1,053	345	(370)	1,028
<b>TOTAL</b>	<b>18,584</b>	<b>1,414</b>	<b>(4,052)</b>	<b>15,946</b>	
2013/14	Revenue Reserve for Capital Schemes	8,341	350	(1,188)	7,503
	General Revenue Reserve	5,617	297		5,914
	Building Repairs Reserve	66	560	(609)	17
	Earmarked Reserves				
	Business Rates Retention Scheme	0	1,500		1,500
	Special Projects	446	10	(78)	378
	Community Enhancement Fund	264		(3)	261
	Business Support Scheme	0	250		250
	Tonbridge & Malling Leisure Trust	0	200		200
	Flood Recovery & Defence	0	176		176
	Housing Assistance	0	150		150
Tonbridge Town Centre	184		(35)	149	
Other Earmarked Reserves	1,028	191	(582)	637	
<b>TOTAL</b>	<b>15,946</b>	<b>3,684</b>	<b>(2,495)</b>	<b>17,135</b>	

## Reserve

### Revenue Reserve for Capital Schemes

#### General Revenue Reserve

#### Building Repairs Reserve

#### Business Rates Retention Scheme

#### Special Projects

#### Community Enhancement Fund

#### Business Support Scheme

#### Tonbridge & Malling Leisure Trust

#### Flood Recovery & Defence

#### Housing Assistance

#### Tonbridge Town Centre

#### Other Earmarked Reserves

## Purpose of the Reserve

Established to finance future capital expenditure.

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

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

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

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

Established for the delivery and support of local projects.

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

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

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

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

Established to meet costs in respect of the redevelopment of Tonbridge town centre.

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

## 16. INVENTORIES

	1 April 2012 £'000	Purchases £'000	Expense in Year £'000	31 March 2013 £'000	Purchases £'000	Expense in Year £'000	31 March 2014 £'000
Tourist Information Centre	14	3	(4)	13	5	(6)	12
Postages	11	35	(41)	5	29	(29)	5
Walk Cards	6			6	0	(1)	5
Catering / Vending / Bar	3	109	(107)	5	85	(89)	1
Other	12	34	(30)	16	22	(33)	5
<b>TOTAL</b>	<b>46</b>	<b>181</b>	<b>(182)</b>	<b>45</b>	<b>141</b>	<b>(158)</b>	<b>28</b>

## 17. DEBTORS

### Long Term Debtors

	At 31 March 2013 £'000	At 31 March 2014 £'000
Employees	90	81
Mortgagors	40	37
<b>TOTAL</b>	<b>130</b>	<b>118</b>

### Short Term Debtors

	At 31 March 2013			At 31 March 2014		
	Gross Value £'000	Impair'nt Allowance £'000	Net Value £'000	Gross Value £'000	Impair'nt Allowance £'000	Net Value £'000
<b>General Fund</b>						
Central Government	117		117	1,639		1,639
Housing Benefit Claimants (current & former)	1,846	(1,122)	724	2,276	(1,384)	892
Payments in Advance	409		409	536		536
Local Authorities	371		371	184		184
National Health Service	2		2	2		2
Public Corporations	1		1	1		1
Other Debtors	505	(103)	402	723	(102)	621
	<b>3,251</b>	<b>(1,225)</b>	<b>2,026</b>	<b>5,361</b>	<b>(1,486)</b>	<b>3,875</b>
<b>Collection Fund</b>						
Central Government	0		0	990		990
Council Tax Payers (Borough Council's share)	683	(176)	507	781	(202)	579
NNDR Payers (Borough Council's share)	0		0	731	(164)	567
Local Authorities	513		513	198		198
	<b>1,196</b>	<b>(176)</b>	<b>1,020</b>	<b>2,700</b>	<b>(366)</b>	<b>2,334</b>
<b>TOTAL</b>	<b>4,447</b>	<b>(1,401)</b>	<b>3,046</b>	<b>8,061</b>	<b>(1,852)</b>	<b>6,209</b>

The upward movement in debtors is largely due to the introduction of the Business Rates Retention scheme in 2013/14 comprising a safety net payment due to the Council, sums owed by the other participants in the scheme representing their share of the deficit at the year-end and our share of sums owed by business ratepayers; increase in the amount owed in respect of housing benefit overpayments; and severe weather grant funding due to the Council.

## Impairment Allowance

		Housing Benefit Claimants £'000	Homeless -ness Debtors £'000	General Debtors £'000	Council Tax Payers £'000	NNDR Payers £'000	Total £'000
<b>2012/13</b>	Balance at 1 April	1,058	85	20	154	0	1,317
	Write-Offs	(138)	(26)	0	(9)		(173)
	Contribution to Allowance	201	21	3	20		245
	Receipts/Adjustments	1			11		12
	<b>BALANCE AT 31 MARCH</b>	<b>1,122</b>	<b>80</b>	<b>23</b>	<b>176</b>	<b>0</b>	<b>1,401</b>
<b>2013/14</b>	Balance at 1 April	1,122	80	23	176	132	1,533
	Write-Offs	(36)	(11)	(14)	(12)	(148)	(221)
	Contribution to Allowance	297	19	3	38	180	537
	Receipts/Adjustments	1		2			3
	<b>BALANCE AT 31 MARCH</b>	<b>1,384</b>	<b>88</b>	<b>14</b>	<b>202</b>	<b>164</b>	<b>1,852</b>

The increase in the impairment allowance is largely due to the introduction of the Business Rates Retention scheme in 2013/14 and increase in 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 on page 65.

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

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

### Age of Debt

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

Age of Debt	At 31 March 2013				At 31 March 2014			
	General Debtors £'000	Homeless -ness £'000	Public Sector Bodies £'000	Total £'000	General Debtors £'000	Homeless -ness £'000	Public Sector Bodies £'000	Total £'000
< 1 month	350	9	278	637	551	8	1,818	2,377
1 - 3 months	24	13	94	131	39	12	4	55
3 - 6 months	10	5	1	16	14	14	3	31
6 - 12 months	5	10	1	16	4	17	0	21
1 year +	23	56	0	79	10	54	1	65
<b>TOTAL</b>	<b>412</b>	<b>93</b>	<b>374</b>	<b>879</b>	<b>618</b>	<b>105</b>	<b>1,826</b>	<b>2,549</b>

## Collectability of Debt

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

	Amounts as at 31 March 2014	Historical Experience of Default	Historical Experience Adjusted for Market Conditions as at 31 March 2014	Estimated Maximum Exposure to Default and Uncollectability
	£'000	%	%	£'000
<b>Debtors</b>				
General Debtors	618	3.3	2.3	14
Homelessness	105	28.9	83.8	88
<b>TOTAL</b>	<b>723</b>			<b>102</b>

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

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

## 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). These are considered as financial assets under IAS 32.

	At 31 March 2013 £'000	At 31 March 2014 £'000
<b>Internally Managed Funds</b>		
Santander	0	2,100
National Westminster Bank	2,500	1,202
Insight Enhanced Cash Fund	0	250
Prime Rate Money Market Fund	940	0
	<b>3,440</b>	<b>3,552</b>
<b>Cash in Hand</b>	<b>353</b>	<b>406</b>
<b>TOTAL</b>	<b>3,793</b>	<b>3,958</b>

## 19. SHORT TERM CREDITORS

	At 31 March 2013 £'000	At 31 March 2014 £'000
<b>General Fund</b>		
Central Government	(730)	(465)
Local Authorities	(458)	(391)
Receipts in Advance	(305)	(183)
Employees	(66)	(64)
Mortgagors	(15)	(15)
Public Corporations	(17)	(3)
National Health Service	0	(2)
Other Creditors	(1,045)	(954)
	<b>(2,636)</b>	<b>(2,077)</b>
<b>Collection Fund</b>		
Local Authorities	0	(968)
Central Government	(1,521)	(940)
NNDR Payers (Borough Council's share)	0	(784)
Council Tax Payers (Borough Council's share)	(158)	(289)
	<b>(1,679)</b>	<b>(2,981)</b>
<b>TOTAL</b>	<b>(4,315)</b>	<b>(5,058)</b>

The upward movement in creditors is largely due to the introduction of the Business Rates Retention scheme in 2013/14 representing our share of sums owed to business ratepayers; and sums owed to major precepting authorities in respect of their share of the council tax surplus at the year-end offset by a decrease in amounts owed to central government in respect of prior years' business rates and housing benefit and council tax benefit subsidy.

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

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

	At 31 March 2013 £'000	At 31 March 2014 £'000
<b>General Fund</b>		
Local Authorities	(458)	(391)
National Health Service	0	(2)
Employees	0	0
Public Corporations	(17)	(3)
Mortgagors	(15)	(15)
Other Creditors	(1,045)	(954)
<b>TOTAL</b>	<b>(1,535)</b>	<b>(1,365)</b>

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
<b>2012/13</b>	Adoption of Amenity Areas	(88)	(1)		(89)
	Municipal Mutual Insurance	0	(75)		(75)
	Bryant Homes Play Equipment	(20)			(20)
	Performance Bonds	(27)			(27)
<b>TOTAL</b>	<b>(135)</b>	<b>(76)</b>	<b>0</b>	<b>0</b>	<b>(211)</b>
<b>2013/14</b>	NNDR Appeals	0	(856)		(856)
	Adoption of Amenity Areas	(89)			(89)
	Municipal Mutual Insurance	(75)		45	(30)
	Bryant Homes Play Equipment	(20)			(20)
	Performance Bonds	(27)			27
<b>TOTAL</b>	<b>(211)</b>	<b>(856)</b>	<b>45</b>	<b>27</b>	<b>(995)</b>

- NNDR Appeals – business ratepayers can appeal against the rateable value applied to the property by the Valuation Office. This provision represents our share of the cost arising from successful appeals.
- Adoption of Amenity Areas – repairs to a banked area of the M20 slip road at Junction 4.
- Municipal Mutual Insurance – in 1992 the company failed and went into solvent “run-off”. If a solvent “run-off” is not achieved the Council is liable to repay sums paid out on its behalf to settle claims. The maximum amount liable to clawback is the total claim payments of £352,460 less £50,000. In 2013/14 the appointed administrators, Ernst & Young, set the amount liable to clawback at 15% and as a result a payment was made to MMI in the sum of £45,369.
- Bryant Homes Play Equipment – development of play areas in the Hilltop area.
- Performance Bonds – amounts provided by contractors for non-compliance with contract conditions. Sums repaid to contractors in year following responsibility for the contracts transferring to the Tonbridge and Malling Leisure Trust.



## 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
2012/13	Medway Wharf Road	(600)		(7)				(607)
	Holborough Valley	(586)		(6)	202			(390)
	Town Lock	(230)						(230)
	Ashby's Yard	0	(130)	(1)	50			(81)
	Air Quality	0	(150)					(150)
	Other	(372)	(20)	(6)	26	(15)		(387)
	<b>TOTAL</b>	<b>(1,788)</b>	<b>(300)</b>	<b>(20)</b>	<b>278</b>	<b>(15)</b>	<b>0</b>	<b>(1,845)</b>
2013/14	Medway Wharf Road	(607)		(4)				(611)
	Holborough Valley	(390)		(3)	116			(277)
	Town Lock	(230)						(230)
	Ashby's Yard	(81)	(148)	(1)	39	20		(171)
	Air Quality	(150)						(150)
	Other	(387)	(2)	(1)	5	16		(369)
	<b>TOTAL</b>	<b>(1,845)</b>	<b>(150)</b>	<b>(9)</b>	<b>160</b>	<b>36</b>	<b>0</b>	<b>(1,808)</b>

### 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
2012/13	Leybourne Lakes	400				400
	Leybourne Lakes	344				344
	Hale Street	0	248			248
	Medway Wharf Road	101				101
	Other	262	55	(27)	(12)	278
	<b>TOTAL</b>	<b>1,107</b>	<b>303</b>	<b>(27)</b>	<b>(12)</b>	<b>1,371</b>
2013/14	Leybourne Lakes	400				400
	Leybourne Lakes	344				344
	Hale Street	248				248
	Medway Wharf Road	101				101
	Other	278	69	(55)	(5)	287
	<b>TOTAL</b>	<b>1,371</b>	<b>69</b>	<b>(55)</b>	<b>(5)</b>	<b>1,380</b>

## 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.

	2012/13		2013/14	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>43,160</b>		<b>42,710</b>
<b>Capital Financing applied in year</b>				
Revenue	1,810		685	
Capital Grants & Contributions	79		87	
Capital Receipts	2		70	
Minimum Revenue Provision	137	2,028	401	1,243
<b>Reversal of items charged to the Comprehensive Income and Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,619)		(2,874)	
Impairment of Non-Current Assets	(63)		90	
Net Book Value of Assets Disposed	(46)	(2,728)	0	(2,784)
<b>Amounts Written-out of the Revaluation Reserve</b>				
Difference between fair value & historical cost depreciation	250		454	
Accumulated Gains on Assets Disposed	0	250	0	454
<b>Movement in the Fair Value of Investment Properties</b>		0		1,282
<b>BALANCE AT 31 MARCH</b>		<b>42,710</b>		<b>42,905</b>

## 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.

	2012/13		2013/14	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>11,023</b>		<b>19,094</b>
<b>Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services</b>				
Upward revaluations	9,924		3,702	
Downward revaluations / impairments	(1,603)	8,321	0	3,702
<b>Amounts Written-Off to the Capital Adjustment Account</b>				
Difference between fair value & historical cost depreciation	(250)		(454)	
Accumulated gains on assets sold or scrapped	0	(250)	0	(454)
<b>BALANCE AT 31 MARCH</b>		<b>19,094</b>		<b>22,342</b>

## 24. RECONCILIATION OF OPERATING ACTIVITIES CASH FLOW

	2012/13		2013/14	
	£'000	£'000	£'000	£'000
<b>(Surplus) / Deficit on Provision of Services</b>		<b>4,533</b>		<b>1,486</b>
<b>less Non-Cash Transactions included within Comprehensive Income &amp; Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,619)		(2,874)	
Impairment of Non-Current Assets	(63)		90	
Service Cost	(2,076)		(1,218)	
Administration Expenses	(51)		(57)	
Net Interest on Defined Benefit Liability	(2,046)		(2,029)	
Embedded Lease Finance Charge	(29)		(81)	
Movement in the Fair Value of Investment Properties	0		1,282	
Provision Set Aside in the Year	(77)		(783)	
Grants & Contributions in Advance / Unapplied	(186)	<b>(7,147)</b>	(46)	<b>(5,716)</b>
<b>plus Cash Transactions excluded from Comprehensive Income &amp; Expenditure Statement</b>				
Employer's Pension Contributions	2,665		2,699	
Refuse, Recycling & Street Cleansing Contract Payments	166	<b>2,831</b>	481	<b>3,180</b>
<b>plus Items on an Accruals Basis</b>				
Increase / (Decrease) in Investments	(3,989)		(2,431)	
Increase / (Decrease) in Inventories	(1)		(17)	
Increase / (Decrease) in Debtors	(81)		1,674	
(Increase) / Decrease in Creditors	503	<b>(3,568)</b>	243	<b>(531)</b>
<b>less Items Classified in Another Classification in the Cash Flow Statement</b>				
Proceeds from Short-Term & Long-Term Investments	6,174		4,460	
Purchase of Short-Term & Long-Term Investments	(2,000)		(2,000)	
Gain / (Loss) on Disposal of Non-Current Assets	7		15	
Capital Grants & Contributions	355		106	
Housing Capital Receipts to Government Pool	(2)	<b>4,534</b>	(2)	<b>2,579</b>
<b>OPERATING ACTIVITIES NET CASH FLOW</b>		<b>1,183</b>		<b>998</b>

## 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 5 on segmental reporting and in the analysis of grant income in Note 12.

## Members and Chief Officers

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

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

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

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

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

## 26. MEMBERS' ALLOWANCES

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

	2012/13	2013/14
	£'000	£'000
Basic Allowance	266	267
Special Responsibility Allowance	139	132
Travel & Subsistence Expenses	12	9
Carers Allowance	1	0
Mayor's & Deputy Mayor's Allowance	7	7
Members' National Insurance Contributions	12	10
<b>TOTAL</b>	<b>437</b>	<b>425</b>

The Council also produce a statement, in accordance with provision 1021 15(3) of the *Local Authorities (Members Allowance) (England) Regulations 2003*, giving details of allowances paid to individual Members for the year. The statement may be seen on the Council's website at:

<http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/councillors-allowances-and-expenses> and on notice boards at the Council's main offices and its Tonbridge Castle offices.

## 27. EXTERNAL AUDIT FEES

The Council's auditors are Grant Thornton UK LLP. The Council incurred the following fees relating to external audit and inspection carried out during 2013/14.

	2012/13 £'000	2013/14 £'000
External audit services	55	53
Certification of grant claims and returns	51	27
Other services	0	4
<b>TOTAL</b>	<b>106</b>	<b>84</b>

## 28. CONTINGENT LIABILITIES

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

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

### **Personal Search Fees**

A group of property search companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £123,717.91 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council.

### **Private Finance Initiative**

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £1.1 million, as at year 10 of the scheme. However, the risk of this occurring as at 31 March 2014 was considered remote.

## COLLECTION FUND

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

### INCOME AND EXPENDITURE ACCOUNT

Council Tax £'000	2012/13 NNDR £'000	Total £'000		Council Tax £'000	2013/14 NNDR £'000	Total £'000
<b>Income</b>						
65,468	52,889	118,357	Billed to Tax Payers	67,307	52,295	119,602
7,097		7,097	Council Tax Benefits			0
		0	Contribution towards Previous Years' Collection Fund Deficit	339		339
<b>72,565</b>	<b>52,889</b>	<b>125,454</b>	<b>Total Income</b>	<b>67,646</b>	<b>52,295</b>	<b>119,941</b>
<b>Expenditure</b>						
			Precepts and Demands			
51,610		51,610	Kent County Council	47,071	4,849	51,920
6,831		6,831	Police & Crime Commissioner for Kent	6,355		6,355
3,347		3,347	Kent & Medway Fire & Rescue Authority	3,053	539	3,592
8,713		8,713	Tonbridge & Malling Borough Council	8,098	21,553	29,651
1,943		1,943	Parish Councils	1,878		1,878
		0	Central Government		26,942	26,942
	52,498	52,498	Payment to National Pool			0
		0	Transitional Protection		421	421
65	192	257	Amounts Written-Off	78	369	447
69	30	99	Provision for Non-Payment	179	80	259
		0	Provision for Appeals		2,140	2,140
	169	169	Cost of Collection Allowance		168	168
<b>72,578</b>	<b>52,889</b>	<b>125,467</b>	<b>Total Expenditure</b>	<b>66,712</b>	<b>57,061</b>	<b>123,773</b>
<b>(13)</b>	<b>0</b>	<b>(13)</b>	<b>Surplus / (Deficit) for the Year</b>	<b>934</b>	<b>(4,766)</b>	<b>(3,832)</b>
(213)	0	(213)	Balance B/fwd at 1 April	(226)	0	(226)
<b>(226)</b>	<b>0</b>	<b>(226)</b>	<b>BALANCE C/FWD AT 31 MARCH</b>	<b>708</b>	<b>(4,766)</b>	<b>(4,058)</b>

## NOTES TO THE COLLECTION FUND

### 1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at 1 April 1991 values for this specific purpose. The property valuations are carried out by the Valuation Office Agency. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority and the Borough Council and dividing this by the Council Tax Base.

#### Precepts

Authorities who made a precept on the Collection Fund are:

	2012/13 £	2013/14 £
Kent County Council	51,610,164	47,070,605
Police & Crime Commissioner for Kent	6,830,916	6,355,417
Kent & Medway Fire & Rescue Authority	3,346,991	3,052,595
Tonbridge & Malling Borough Council	8,713,281	8,097,994
	70,501,352	64,576,611
Parish Councils	1,943,031	1,877,633
<b>TOTAL</b>	<b>72,444,383</b>	<b>66,454,244</b>

#### Council Tax Base

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

Band	Estimated no. of Properties	2012/13 Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	2013/14 Multiplier	Band D Equivalent Dwellings
Disabled A	2.75	5/9ths	1.53	2.75	5/9ths	1.54
A	1,287.99	6/9ths	858.66	797.35	6/9ths	531.55
B	3,179.72	7/9ths	2,473.12	2,263.60	7/9ths	1,760.54
C	12,744.09	8/9ths	11,328.06	10,669.37	8/9ths	9,483.87
D	11,719.96	9/9ths	11,719.96	10,808.51	9/9ths	10,808.51
E	7,746.74	11/9ths	9,468.21	7,493.45	11/9ths	9,161.08
F	4,488.84	13/9ths	6,483.88	4,469.76	13/9ths	6,456.29
G	4,050.72	15/9ths	6,751.20	4,088.42	15/9ths	6,814.03
H	334.80	18/9ths	669.60	341.82	18/9ths	683.64
			49,754.22			45,701.05
Estimated Collection Rate			99.00%			98.30%
<b>COUNCIL TAX BASE</b>			<b>49,256.68</b>			<b>44,924.13</b>

## Band D Council Tax

	2012/13 £	2013/14 £
Kent County Council	1,047.78	1,047.78
Police & Crime Commissioner for Kent	138.68	141.47
Kent & Medway Fire & Rescue Authority	67.95	67.95
Tonbridge & Malling Borough Council	176.90	180.26
	<u>1,431.31</u>	<u>1,437.46</u>
Parish Councils (average)	39.44	41.79
<b>TOTAL</b>	<b>1,470.75</b>	<b>1,479.25</b>

This basic amount of council tax for a Band D property of £1,437.46 (£1,431.31) for 2013/14 (2012/13) is multiplied by the proportion specified within the *Local Government Finance Act 1992* for the particular band to give an individual amount due. In addition to this, Special Expenses are charged specifically in relation to the precepts of Parish Councils.

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

Non-domestic rates are organised on a national basis. The Government specified a “rate poundage” of 47.1p (45.8p) for large businesses or 46.2p (45.0p) for small businesses in 2013/14 (2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

Business rates income after taking into account tariffs and top-ups collected above or below a pre-determined baseline funding level will be shared between central government, the billing authority and other major precepting authorities covered by the Business Rates Retention scheme subject to safety net and levy arrangements.

The NNDR income after relief and provisions of £51,874,000 (£52,889,000) for 2013/14 (2012/13) was based on the total rateable value for the Council’s area which at the year-end was £134,356,098 (£135,306,331 in 2012/13).

## 3. IMPAIRMENT ALLOWANCE

	2012/13			2013/14		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Balance at 1 April	1,102	300	1,402	1,171	330	1,501
Write-Offs	(65)	(192)	(257)	(78)	(369)	(447)
Contribution to Allowance	134	222	356	257	449	706
<b>BALANCE AT 31 MARCH</b>	<b>1,171</b>	<b>330</b>	<b>1,501</b>	<b>1,350</b>	<b>410</b>	<b>1,760</b>



#### 4. COLLECTION FUND SURPLUSES AND DEFICITS

The Borough Council is required to estimate the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax and, from April 2013, National Non-Domestic Rates. The estimated surplus or deficit is then shared between the Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority, Central Government and the Borough Council as appropriate. The estimated deficit for 2012/13 in respect of council tax was £338,551. The actual surplus of £708,566 at 31 March 2014 in respect of council tax and the actual deficit of £4,766,572 at 31 March 2014 in respect of NNDR will be taken into account when estimating the surplus/deficit for 2014/15.

#### 5. 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 2013	Council Tax Arrears	1,848	234	130		390	2,602
	Council Tax Provision for Bad Debts	(831)	(105)	(59)		(176)	(1,171)
	Council Tax Prepayments & Refunds	(749)	(95)	(52)		(158)	(1,054)
	Council Tax Cash	(426)	(57)	(30)		(90)	(603)
	Council Tax (Surplus) / Deficit	158	23	11		34	226
	NNDR Pool				(1,474)		(1,474)
	NNDR Arrears				1,883		1,883
	NNDR Provision for Bad Debts				(330)		(330)
	NNDR Prepayments & Refunds				(1,599)		(1,599)
	NNDR Cash				1,520		1,520
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
At 31 March 2014	Council Tax Arrears	1,994	285	143		427	2,849
	Council Tax Provision for Bad Debts	(945)	(135)	(68)		(202)	(1,350)
	Council Tax Prepayments & Refunds	(1,350)	(193)	(97)		(289)	(1,929)
	Council Tax Cash	797	114	58		170	1,139
	Council Tax (Surplus) / Deficit	(496)	(71)	(35)		(106)	(708)
	NNDR Arrears	155		17	861	689	1,722
	NNDR Provision for Bad Debts	(37)		(4)	(205)	(164)	(410)
	NNDR Provision for Appeals	(193)		(21)	(1,070)	(856)	(2,140)
	NNDR Prepayments & Refunds	(176)		(20)	(980)	(784)	(1,960)
	NNDR Cash	(178)		(20)	(989)	(792)	(1,979)
NNDR (Surplus) / Deficit	429		47	2,383	1,907	4,766	
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## **ANNUAL GOVERNANCE STATEMENT**

### **Purpose of this Statement**

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

### **Scope of responsibility**

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

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

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

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

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

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

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2014 and up to the date of approval of this statement.

### **The governance framework**

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

#### **Community Focus**

The Council's vision is to provide excellent public services, good value for money and effective community leadership. This vision is set out and communicated to the residents of the Borough, the Council's partners and Members and Officers in the Council's Corporate Performance Plan 2012/15. The plan spans a three year period and details the Council's Key Priorities and action it will take alongside its partners to deliver the vision. The plan is reviewed and updated every year to ensure the priorities and actions detailed remain current and to provide an overview of performance and achievements in the previous year. The Plan is considered and approved by Members prior to publication in July each year, the last copy being July 2013.

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

## Service Delivery Arrangements

Delivering excellent quality services while providing good value for money is fundamental to the Council's vision and this is demonstrated in the focus within the Corporate Performance Plan on redesigning services and further improving efficiency across all services. The delivery of the Corporate Performance Plan is supported by detailed operational plans prepared by individual services, which in turn are fed down to team and individual objectives through performance management arrangements.

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

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

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

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

## Structures & Processes

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

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

## Risk Management & Internal Control

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

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

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

The Council has an effective Internal Audit function which operates in line with proper practices; for 2013-14 this is governed by the CIPFA Code of Practice for Internal Audit in Local Government, 2006. The Review of Effectiveness of the System of Internal Audit conducted in 2012 concluded that a good system of internal audit is in place within the Council. The Chief Internal Auditor role as delivered in the Council meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud and corruption arrangements including whistle-blowing. The Chief Internal Auditor is responsible for the maintenance of the Council's Anti-Fraud & Corruption Strategy and Confidential Reporting Code and has arrangements and resources in place to investigate any allegations made under either document. All staff are required to read and accept the Strategy and Code through the Council's IT Solution and both are available on the Council's website for referrals from the public.

### Standards of Conduct

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

The Members' Code of Conduct is based around ethical behaviour as dictated in the seven principles of public life and requires objective and impartial decision making. The Code is communicated to all new Members on induction. Upholding standards of Member conduct is the responsibility of the Council's Standards & Training 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 through the Council's IT Solution and all employees are bound by it as detailed in employee contracts. The Council has an appraisal scheme in place for all staff that seeks to ensure staff achieve agreed levels of performance and the monitoring and management of Officer performance is the responsibility of line managers. In addition the Council's statutory Officers are subject to Continuing Professional Development (CPD) through their respective Professional Organisations.

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

### **Update on emerging issues identified in the 2012-13 Annual Governance Statement and further impacts for 2014/15 and beyond.**

The Council's 2013-14 Annual Governance Review Process and the Annual Governance Statement did not identify any governance issues arising requiring action. In the context of new legislation including the Localism Act and significant changes in Government funding, a number of emerging issues were identified in the 2012-13 Annual Governance Statement as detailed below, some of which remain ongoing.

- Budget issues – The savings target identified for the 2013/14 financial year was achieved; however, the Council continues to face a significant financial challenge with further cuts expected to government grant funding.
- Government-led initiatives impacting on the Council's finances – The Council has successfully implemented a council tax support scheme and taken regard of the impact of this and the business rate retention scheme on the Council's finances.
- Icelandic bank investment – During 2013/14 the Council sold its claim against the insolvent estate of Landsbanki. The claim was sold through a competitive auction process, with a reserve price set. The sale means that Tonbridge and Malling Borough Council has recovered 95% of the £1 million that was deposited with Landsbanki in 2008.

- Localism Act 2011 – We continue to monitor the potential impact of the Localism Act 2011 on the Council’s activities.
- Tonbridge and Malling Leisure Trust – The Council outsourced the management of its leisure facilities to a newly established Trust during 2013/14. The Trust formally took over operations on 1 November 2013 and moving to a Trust model has contributed towards the savings target for 2013/14 identified within the Medium Term Financial Strategy.
- Tonbridge Town Centre Redevelopment – Proposals for Tonbridge Town Centre regeneration are ongoing.
- Evaluation of the forthcoming Spending Review – The assessment of the Spending Review 2013 has been included within the Council’s Medium Term Financial Strategy.

In addition to these issues identified above the impact of Welfare Reform continues to be monitored by the Council.

### Review of effectiveness

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

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

Officers have advised the Audit Committee on the implications of the result of the **review of the effectiveness of the governance framework** and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas to be specifically addressed with new actions planned are outlined below.

### Update on enhancements to the Governance Framework identified in the 2012-13 Review and further enhancements for 2013/14 and beyond

The 2012-13 review identified two areas of enhancement as set out below:

- Overview & Scrutiny Committee annual reporting – the Council is considered to have a robust and active scrutiny function, however it is considered that transparency could be further improved if this Committee published an annual report on its activities. This was reported to Members at the Overview & Scrutiny Committee in January 2014.
- Monitoring Officer Review – the Council is to consider the implementation of a Monitoring Officer Review similar to that carried out by the Chief Internal Auditor in order to demonstrate effective and adequate legal monitoring arrangements. The Monitoring Officer is preparing his report to be presented to Members in the first quarter of 2014/15.

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.

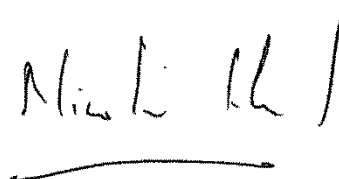
Signed



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

Dated 15 April 2014

Signed



Councillor N. J. Heslop  
Leader of the Council

Dated 15 April 2014

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

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

We have audited the financial statements of Tonbridge & Malling Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

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

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

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

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

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the financial position of Tonbridge & Malling Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

## **Opinion on other matters**

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

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;



- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998. We have nothing to report in these respects.

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

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

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Tonbridge & Malling Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

### **Certificate**

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

SIGNED ON BEHALF OF

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

## **GLOSSARY**

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

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

### **ACCOUNTS**

Statement aggregating items of income and expenditure and assets and liabilities. The accounts may show detailed transactions for every activity (generally used for management and control purposes during a financial year) or be summarised to show the overall position at the end of the period. The latter are known as final accounts and show both the net surplus (profit) or deficit (loss) and a balance sheet of the assets, liabilities and other balances at the end of the accounting period. Authorities are required to publish a Statement of Accounts as specified in the *Accounts and Audit Regulations (England) 2011*.

### **ACCRUALS**

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

### **ANNUAL GOVERNANCE STATEMENT**

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

### **ASSETS**

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

### **CAPITAL ADJUSTMENT ACCOUNT**

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

### **CAPITAL FINANCING**

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

### **CAPITAL RECEIPTS**

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



## **CASH EQUIVALENTS**

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

## **CONTINGENT ASSETS**

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

## **CONTINGENT LIABILITIES**

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

## **CORE / SUPPLEMENTARY FINANCIAL STATEMENTS**

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

## **CREDITORS**

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

## **CURRENT ASSETS**

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

## **CURRENT LIABILITIES**

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

## **DEBTORS**

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

## **DEPRECIATION / AMORTISATION**

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

## **IMPAIRMENT**

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

## **INDEPENDENT AUDITOR'S REPORT**

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

## **INVESTMENTS**

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

## **LEASES**

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

## **LIABILITIES**

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

## **NON-CURRENT ASSETS**

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

## **OVERHEADS**

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

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

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

## **PROVISIONS**

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

## **RESERVES**

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

### **REVALUATION RESERVE**

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

### **REVENUE / CAPITAL EXPENDITURE**

Revenue expenditure is, for example, the running costs of a leisure centre whereas capital expenditure is the costs of building and fitting out the leisure centre.

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

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



2013/14