

2020/21

# Statement of Accounts



This unaudited set of accounts is authorised for release on the date given on page 17



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# NARRATIVE REPORT

## 1. INTRODUCTION

The Council has published a [Corporate Strategy](#). The Strategy sets out Our Vision: To continue to be a financially sustainable Council with strong leadership that delivers valued services, a commitment to delivering innovation and change to meet the needs of our Borough guided by our values and priorities:

- Achieving efficiency;
- Embracing effective partnership working;
- Valuing our environment and encouraging sustainable growth; and
- Innovation.

In 2020/21 a [one-year Addendum](#) has been added to the Corporate Strategy to provide a framework within which to consider a wide range of issues in response to the Covid-19 pandemic and development of a future recovery plan.

The Narrative Report provides, amongst other things, an overview of the Borough Council; a brief explanation of the financial aspects of the Council's activities for the year 2020/21; a review of the year; and possible issues for the future.

## 2. OVERVIEW OF TONBRIDGE AND MALLING BOROUGH COUNCIL

### The Borough

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

The Borough, with a population of 132,000, covers an area of 240km<sup>2</sup> and is located in west Kent. Immediately to the east lies the county town of Maidstone. Sevenoaks lies some 10km to the west and Tunbridge Wells is located to the south close to the market town of Tonbridge. The Borough does not have a single urban focus but comprises a number of diverse, contrasting settlements and neighbourhoods.

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

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

## **The Council**

The Borough of Tonbridge and Malling is served by 54 Councillors, representing 24 wards. Local Councillors are elected by the community to decide how the Council should carry out its various activities. They represent public interest as well as individuals living within the ward in which he or she has been elected to serve a term of office. Elections of the whole Council are held every four years and the last election took place in May 2019 when thirty-nine Conservative, nine Liberal Democrat, three Independent Alliance (Kent), two Green and one Labour Councillors were elected.

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

In 2020/21 the Cabinet comprised the following Councillors:

Cllr Nicolas Heslop	Leader and Economic Regeneration
Cllr Martin Coffin	Deputy Leader and Finance, Innovation and Property
Cllr Robin Betts	Street Scene and Environment Services
Cllr David Lettington	Strategic Planning and Infrastructure
Cllr Piers Montague	Housing
Cllr Mark Rhodes	Community Services

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

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

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

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

## **Senior Management and Services**

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

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

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

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

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

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

### **3. OVERVIEW OF STATEMENT OF ACCOUNTS**

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. The Code is based on a hierarchy of approved accounting standards.

There have been no material changes to the presentation of the Accounts for 2020/21.

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

The Council's Accounts for the year 2020/21 in addition to the Narrative Report consists of the following sections.

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

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

#### **Core Financial Statements**

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

- **Comprehensive Income and Expenditure Statement**

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

- **Movement in Reserves Statement**

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

- **Balance Sheet**

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

- **Cash Flow Statement**

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

- **Notes to the Core Financial Statements**

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

## **Supplementary Financial Statements**

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

- **Collection Fund and Associated Notes**

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

## **Annual Governance Statement**

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

## **Independent Auditor's Report**

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

## **4. FINANCIAL PERFORMANCE**

### **Day to Day Expenditure and Income**

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

In February 2020 the Council set a net revenue budget of £14,180,000. This was to be met from council tax income of £11,019,000, business rates of £3,475,000, New Homes Bonus of £3,375,000, other grants and contributions of £92,000 and council tax surplus of £67,000; offset by a net contribution to specific revenue reserves for specific projects/purposes of £3,476,000 and a contribution of £372,000 to the general revenue reserve.

The revised net revenue budget of £16,301,000 prepared in the year was £2,121,000 more than the original budget set by the Council in February 2020. This, together with a decrease of £624,000 in respect of business rates and an increase in the planned net contribution to specific revenue reserves of £518,000; offset by an increase of £3,336,000 in other grants and contributions, led to a contribution to the general revenue reserve of £445,000 compared to the estimated contribution to the reserve of £372,000 when the budget was set in February 2020, a difference of £73,000.

The actual spend (net) for the year of £15,949,000 was £1,769,000 more than the original budget set by the Council in February 2020. This, together with a decrease of £2,059,000 in respect of business rates and an increase in the planned net contribution to specific revenue reserves of £1,076,000; offset by an increase of £5,041,000 in other grants and contributions, led to a contribution to the general revenue reserve of £509,000 compared to the estimated contribution to the reserve of £372,000 when the budget was set in February 2020, a difference of £137,000.

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

2019/20 Actual		Original Budget	2020/21 Revised Budget	Actual
£'000		£'000	£'000	£'000
3,565	Corporate Services	3,568	3,323	3,254
900	Chief Executive	969	(543)	702
122	Director of Central Services	458	638	254
1,185	Director of Finance & Transformation	1,404	1,659	1,169
3,652	Director of Planning, Housing & Environmental Health	4,307	4,383	3,764
8,143	Director of Street Scene, Leisure & Technical Services	6,795	9,732	9,618
<b>17,567</b>	<b>Cost of Services</b>	<b>17,501</b>	<b>19,192</b>	<b>18,761</b>
(3,067)	Depreciation, Amortisation & Impairment	(3,166)	(2,861)	(2,842)
(6)	Revenue Expenditure Funded from Capital	(155)	(30)	30
<b>14,494</b>	<b>Sub-total</b>	<b>14,180</b>	<b>16,301</b>	<b>15,949</b>
(3,457)	New Homes Bonus	(3,375)	(3,375)	(3,375)
(380)	Other Grants & Contributions	(92)	(3,428)	(5,133)
2,557	Contributions to or (from) Specific Revenue Reserves	3,476	3,994	4,552
<b>13,214</b>	<b>Sub-total</b>	<b>14,189</b>	<b>13,492</b>	<b>11,993</b>
(147)	Contribution to or (from) General Revenue Reserve	372	445	509
<b>13,067</b>	<b>Budget Requirement</b>	<b>14,561</b>	<b>13,937</b>	<b>12,502</b>
(2,264)	Business Rates Retention Scheme	(3,475)	(2,851)	(1,416)
(156)	Council Tax (Surplus) / Deficit	(67)	(67)	(67)
<b>10,647</b>	<b>BALANCE TO BE MET FROM COUNCIL TAX PAYERS</b>	<b>11,019</b>	<b>11,019</b>	<b>11,019</b>
<b>£209.50</b>	<b>Council Tax at Band D (Borough Council only)</b>	<b>£214.50</b>	<b>£214.50</b>	<b>£214.50</b>

Factors that contributed towards the favourable variance include Covid-19 related financial support, contributions from third parties, e.g. Kent County Council and savings on the salary bill. Offset by reduced income from our major operational income streams and the business rates retention scheme and financial support provided to Tonbridge and Malling Leisure Trust.

The table on the next page provides in more detail the reasons for the variation of £137,000 in the contribution to / (from) the General Revenue Reserve.



	Original Budget £'000	Actual £'000	Variance £'000
Major Income Streams	(7,123)	(5,006)	2,117
Tonbridge & Malling Leisure Trust	0	1,200	1,200
Business Rates Retention Scheme	(3,567)	(2,963)	604
Revenue Reserve for Capital Schemes	850	1,350	500
Temporary Accommodation	206	699	493
Summons Costs Recovered	(245)	37	282
Waste Services Contract	3,774	4,028	254
Investment Income	(525)	(301)	224
Local Development Framework Reserve	0	150	150
Legal Expenses	50	162	112
Other Income Streams	(475)	(392)	83
Homelessness & General Bad Debt Provision	10	68	58
Invest to Save Reserve	0	50	50
Leisure Development	67	7	(60)
National Leisure Recovery Fund	0	(75)	(75)
Council Tax Income Guarantee	0	(82)	(82)
Covid-19 Grants to Businesses	0	(95)	(95)
Clinically Extremely Vulnerable Contribution	0	(96)	(96)
Tonbridge & Malling Leisure Trust Reserve	0	(175)	(175)
Cost of Employees	12,218	12,021	(197)
Contributions from KCC	0	(200)	(200)
Payments to Principals / Ticket Refunds	492	234	(258)
Covid-19 New Burden Grants	0	(426)	(426)
Budget Stabilisation Reserve	3,500	2,700	(800)
Income Compensation Scheme	0	(1,559)	(1,559)
Covid-19 Support Grant	0	(1,736)	(1,736)
Other	1,414	909	(505)
<b>TOTAL</b>	<b>10,646</b>	<b>10,509</b>	<b>(137)</b>

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

An analysis of the cost of employees is given in the table below. At 31 March 2021 the Council employed 251 permanent staff (31 March 2020: 261) or 217 full-time equivalents (31 March 2020: 225).

2019/20 Actual		Original Budget	2020/21 Actual	Variance
£'000		£'000	£'000	£'000
8,117	Salaries	8,286	8,241	(45)
770	Employers' National Insurance Contributions	804	788	(16)
1,136	Employers' Superannuation Contributions	1,434	1,389	(45)
1,441	Superannuation Lump Sum Contribution	1,290	1,290	0
262	Termination Payments	254	231	(23)
96	Training	80	14	(66)
6	Health Care	5	6	1
13	Recruitment	9	10	1
16	Leased Car Costs	13	10	(3)
16	Professional Subscriptions	15	15	0
26	Apprenticeship Levy	28	27	(1)
<b>11,899</b>	<b>TOTAL</b>	<b>12,218</b>	<b>12,021</b>	<b>(197)</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>.

### Capital Expenditure

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

In February 2020 the Council set a capital budget of £2,742,000 net of specific government grants and other contributions all of which was to be met from the revenue reserve for capital schemes. The original budget was revised during the year to take account of the position at the end of 2019/20 and progress made on our capital projects. The revised budget total was £2,271,000 all of which was to be met from the revenue reserve for capital schemes.

The Council's capital spend net of specific government grants and other contributions in the year including work completed, but not yet billed was £1,164,000 all of which is to be met from the revenue reserve for capital schemes. The underspend of £1,107,000 can largely be attributed to a lower than anticipated spend on renewal of vehicles, plant and equipment at our leisure facilities; and in respect of information technology; and due to the nature of capital expenditure and funding the rescheduling / re-profiling and review of future budgetary provision. The measures taken in response to the Covid-19 pandemic has also had an impact on the level of spend in 2020/21.

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

2019/20 Actual	Service	Scheme	2020/21		Actual
			Original Budget	Revised Budget	
£'000			£'000	£'000	£'000
1,452	Planning, Hsg & Env Health	Homeless Accommodation	600	682	38
(30)		Other Schemes	155	54	(2)
1,422		<b>Total</b>	<b>755</b>	<b>736</b>	<b>36</b>
1,525	Street Scene, Leisure & Technical	Larkfield Leisure Centre	300	690	690
920		Waste Collection Containers	99	150	176
48		Car Parking	235	25	24
48		Other Schemes	24	35	24
2,541		<b>Total</b>	<b>658</b>	<b>900</b>	<b>914</b>
32	Corporate	I.T. Initiatives	30	202	99
0		Other Schemes	0	0	0
32		<b>Total</b>	<b>30</b>	<b>202</b>	<b>99</b>
18	Capital Renewals	Planning, Housing & Env Health	0	0	0
310		Street Scene, Leisure & Technical	923	205	80
285		Corporate	376	228	35
613		<b>Total</b>	<b>1,299</b>	<b>433</b>	<b>115</b>
4,608	<b>TOTAL CAPITAL EXPENDITURE</b>		<b>2,742</b>	<b>2,271</b>	<b>1,164</b>
4,608	Funding	Revenue Reserve for Capital Sch	2,742	2,271	1,164
0		Capital Receipts	0	0	0
4,608	<b>TOTAL FUNDING</b>		<b>2,742</b>	<b>2,271</b>	<b>1,164</b>

Capital projects commenced / completed in the year included replacement of the ventilation system, boilers and pool hall roof at Larkfield Leisure Centre; Tonbridge School Athletics Track improvements; Tonbridge Cemetery memorial garden vaults; replacement of the sewage treatment facility at Haysden Country Park to meet demand and environmental requirements; and a CMS website solution to improve customer experience and allow customers to access council services via a secure unified customer portal with single sign-on.

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

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

## Net Worth

The Balance Sheet gives details of what the Council owns in the way of assets such as property, plant and equipment; what the Council has invested; and amounts of money owed to and by the Council (Net Worth). The table below shows the Council's Net Worth is £57.6m as at 31 March 2021 (31 March 2020: £63.4m). The decrease in net worth can be attributed to a number of factors, one of which is the increase in the pension liability.

At 31 March 2020 £'000		At 31 March 2021 £'000
95,716	Council Assets	92,541
12	Stock	10
39,688	Cash and Investments held	36,774
4,164	Money owed to the Council	16,283
(16,154)	Money owed by the Council	(20,938)
(4,795)	Long Term Liabilities	(5,926)
(55,227)	Pension Liability	(61,173)
<b>63,404</b>	<b>TOTAL</b>	<b>57,571</b>

This is represented by revenue balances and reserves of £36.723m available to fund services and £20.848m of other balances. A breakdown of the revenue balances and reserves is shown below. The increase in earmarked reserves is primarily due to government grant received as recompense for the impact of Covid-19 business rates relief measures accounted for in year and the associated loss of business rates income in the following year.

At 31 March 2020 £'000		At 31 March 2021 £'000
7,456	Revenue Reserve for Capital Schemes	7,599
6,576	General Revenue Reserve	7,085
516	Building Repairs Reserve	894
1,750	Property Investment Fund Reserve	1,750
4,084	Earmarked Reserves	17,248
1,250	Revenue Balances - General Fund	1,250
932	Grants & Contributions Unapplied	897
<b>22,564</b>	<b>TOTAL</b>	<b>36,723</b>

## Council Assets

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

- Property, plant and equipment are assets that are held for use in the production or supply of goods and services or for administrative purposes and expected to be used during more than one period.
- Heritage assets are defined as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

- Investment property are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- Intangible assets do not have physical substance, but are identifiable and controlled by the Council through custody or legal rights. Intangible assets held by this Council currently consist of IT software and associated costs.

The Code requires the Council to consider material changes in other assets not due for revaluation in the current year under the five-year rolling programme. In addition to council offices, leisure premises and car parks where material were also the subject of revaluation by our external valuers. Heritage asset values have been reviewed and uplifted to reflect the insured value of the asset. The resulting revaluation was a net gain of £112,000, of which £176,000 is recognised in the revaluation reserve and losses of £64,000 recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement.

In liaison with our external valuers it was determined that no other property asset class required revaluation because of a material change in value. The revaluation is carried out at the end of each year after accounting for acquisitions and improvements, depreciation and disposals. As at 31 March 2021 the total value of the Council's Assets was £92.5m (31 March 2020: £95.7m).

### **Borrowing**

The Council had no recourse for short term or long term borrowing during the financial year and remained debt-free at 31 March 2021 and, at least in the short term, does not expect to borrow to support its capital programme.

### **Investments**

Investments are broken down into internally managed core funds and cash flow surpluses (including cash equivalents). The Council prepares a Treasury Management Strategy Statement and Annual Investment Strategy as part of the Budget Setting Process each year. The Strategy for 2020/21 was approved by full Council in February 2020 and outlined the Council's approach to the management of risk both in terms of security and liquidity of its investments. Investment performance is monitored during the year and reported to the Finance, Innovation and Property Advisory Board and a more detailed report on treasury management activity including performance is reported to the Audit Committee. In addition, the Treasury Management Strategy Statement and Annual Investment Strategy and any revisions during the year are presented to the Audit Committee prior to consideration by Cabinet and Council approval to provide an independent scrutiny role.

At the start of the year the sum of £5m was invested in property investment funds and no further sums were invested during the year. The Council achieved an investment return of 3.42% on its property investment funds for the year. This equates to investment income of £172,177. At the end of March 2021 the value of our property investment funds stood at £4.6m including the entry fee paid at the time the investment was made.

The Council achieved an investment return of 0.53% on its core funds for the year, compared to a 3-month Libid benchmark of 0.02%. This equates to investment income of £91,955. At the end of March 2021 the value of our core fund investments stood at £16.0m.

The Council achieved an investment return of 0.13% on its cash flow investments (including cash equivalents) for the year, compared to a 7-day Libid benchmark of minus 0.07%. This equates to investment income of £36,821. At the end of March 2021 the value of our cash flow investments stood at £15.8m.

Further information on Treasury Management performance for the year ended 31 March 2021 can be found in the Treasury Management Outturn report annexed to the Revenue and Capital Outturn report to Cabinet in June 2021.

### Cash Flow Statement

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

2019/20 £'000		2020/21 £'000
	<b>Operating Activities</b>	
(90,087)	Cash Inflows (Income)	(96,886)
81,484	Cash Outflows (Expenditure)	85,651
<u>(8,603)</u>		<u>(11,235)</u>
	<b>Investing Activities</b>	
(29,055)	Cash Inflows (Income)	(34,016)
26,986	Cash Outflows (Expenditure)	30,607
<u>(2,069)</u>		<u>(3,409)</u>
<u>567</u>	<b>Financing Activities - Cash (Inflows) / Outflows</b>	<u>12,406</u>
<b>(10,105)</b>	<b>NET (INCREASE) / DECREASE IN CASH RESOURCES</b>	<b>(2,238)</b>

The net cash inflow of £2.2m can largely be attributed to movement of investments from fixed term deposits to liquid accounts (money market funds / notice accounts) which are treated as cash equivalents.

### Pension Fund

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

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

The net liability at 31 March 2021 was £61.2m (31 March 2020: £55.2m). The change in the pension fund deficit over the year is mainly dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in an increase in the pension fund deficit compared to the previous year.

It is important to note that IAS 19 does not have any impact on the actual level of employer contributions. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields). The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council. The most recent valuation was undertaken in March 2019 and gave a pension fund deficit of £12.1m and set the employers' contribution rate at 18.5% for the period 1 April 2020 to 31 March 2023. Employee contribution rates are set by Government and range from 5.5% to 12.5%.

Further information relating to the assets, liabilities, income and expenditure of the pension scheme can be found in [Note 12](#) to the accounts.

## 5. REVIEW OF THE YEAR

The year was dominated by the council's part in the national response to the coronavirus pandemic. This included administering business support grant funded schemes, council tax hardship fund and self-isolation payments on behalf of the government, setting up of a Community Hub to support those most at risk from coronavirus, track and trace related work, enforcement activity and providing the IT infrastructure to facilitate staff to work from home where possible and for Council meetings to move online; whilst continuing to provide 'day to day' services. Put in that context here are some of our improvements / achievements / milestones over the last financial year:

- **April:** Initial £3m in lifeline grants paid out to businesses (and over £31m of funding distributed in total throughout the year). The Parking team deliver food parcels to clinically vulnerable. Community Hub set up to support those most at risk from coronavirus.
- **May:** Council meetings resume online. Works to Tonbridge swimming pool roof brought forward.
- **June:** Council implement action plan to help High Streets/retail to re-open safely.
- **August:** Small businesses missing out on first round of grants as deadline looms, encouraged to apply.
- **September:** Climate Change strategy launched kick-starting a 10-year process of reducing carbon emissions and tackling climate change. Tonbridge 20mph zone public consultation launched. Local Centres and Parades shop front improvement scheme relaunched in mid-September.
- **October:** Three of the Council's open spaces are awarded Green Flag status, Haysden and Leybourne Lakes country parks, and the latest, Tonbridge Racecourse sportsground.
- **November:** 'Shop local this Christmas' radio and online campaign launched to support retailers and encourage residents to shop closer to home.
- **December:** Tonbridge Medical Centre opens. Warm Homes fund launched to help residents make homes more economic to run and healthier to live in, contributing to Climate Change strategy.
- **February:** Budget for 2021-22 approved, increasing the bill for a band D home from £214.50 a year to £219.50 from April 2021. Angel Centre, Tonbridge offered and transformed into a mass vaccination centre. Council respond to the planning inspector's conclusion that the duty to cooperate in the production of a new Local Plan had not been met.
- **March:** The Council secures £4.5m of funding, in partnership with Clarion Housing and Fenland District Council, as part of a pilot £50m government project to improve the energy efficiency of social housing in Britain.

## Financial and Performance Statistics

- We collected 97.9% of the £98.0m of council tax due for the 2020/21 year (2019/20: 98.5% of the £94.3m due).
- We collected 97.3% of the £39.6m of business rates due for the 2020/21 year (2019/20: 99.4% of the £59.8m due).
- We paid 99.4% of the 4,629 invoices processed within 30 days of receipt in 2020/21 (2019/20: 99.9% of the 6,163 invoices processed).
- On average it took us 12.1 days to process a new housing benefit claim in 2020/21 (2019/20: 11.3 days).
- On average 54% (2019/20: 46%) of household waste was recycled, 45% (2019/20: 53%) energy recovery and 1% (2019/20: 1%) to landfill in 2020/21.
- Of the 1,057 (2019/20: 1,083) planning applications decided 93% (2019/20: 96%) were determined within the recommended timeframe in 2020/21.
- Working with its registered social landlord partners, in 2020/21, the Council secured 63 homes (2019/20: 86 homes) for affordable rent, social rent, shared ownership and extra care accommodation.
- 29,277 (2019/20: 24,120) residents and 1,497 (2019/20: 812) businesses have signed up to My Account, to access services on-line and obtain information important to them, at the end of 2020/21. To register please go to <http://www.tmbc.gov.uk/my-account>.

## Transparency

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

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

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

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

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

The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period. The Strategy affords the opportunity to take a measured and structured approach to budget pressures rather than a "knee jerk" reaction. The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This currently includes achieving a balanced revenue budget that delivers the Council's priorities and to retain a minimum of £3.0m in the General Revenue Reserve by the end of the strategy period, and not to fall below £2.0m at any time during the 10-year period. The general revenue reserve balance at 31 March 2021 was £7.1m (31 March 2020: £6.6m).

Since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 65% or £4.3m (from £6.6m in 2010/11 to £2.3m in 2021/22). The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2021/22 is around £2.2m. However, the future of NHB or a replacement remains the subject of discussion, but at the very



least will not continue in its current form leaving one of two options. The scheme is withdrawn and not replaced or is replaced, but where the funding stream and sum awarded is much reduced (our working assumption).

The one issue overshadowing everything else this year, however, is the impact of Covid-19 on the Council's finances. We will not know the full extent of the impact for some time. Much will depend on the extent and speed of the recovery, impact of current and future restrictions, societal changes brought about by the pandemic and financial support provided by central government.

A report to Cabinet in May 2020 gives a strategic overview of the council's response to the national emergency, the impacts on service delivery, introduction of priority initiatives and financial impacts; and framework for the development of a future recovery plan and can be found on the Council's website at: <https://democracy.tmbc.gov.uk/ieListDocuments.aspx?CId=146&MId=4559&Ver=4> followed by updates on 14 October 2020, 26 January 2021 and 16 March 2021.

For medium term financial planning purposes it is assumed government grant funding (core funding + NHB or its replacement) will steadily reduce to £2.4m in 2023/24 uplifted by inflation thereafter and that the reductions in income and increased costs seen as a result of the pandemic will return in large part to pre Covid-19 levels in the short to medium term; where the latest projected funding gap between expenditure and income is circa £475,000. Adding to this sum those initiatives already built into the MTFS, but yet to be delivered, totalling in excess of £500,000 gives a figure of £975,000 to be found and delivered within the next four years.

Dependent on the outcome of the expected multi-year settlement, the Fair Funding Review, what happens to NHB and the extent and speed of the recovery following the Covid-19 pandemic, there is a risk the funding gap could be more than is presently reflected in the MTFS.

We do believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but this is becoming progressively more difficult. That said, as in previous iterations of the MTFS the latest projected funding gap can be broken down into tranches to enable more measured steps to be taken and give time for a better understanding to begin to emerge of the financial challenge ahead (Tranche 1 – £100,000 by April 2022; Tranche 2 – £100,000 by April 2023; and Tranche 3 – £275,000 by April 2024).

Based on the latest projections a difficult and challenging financial outlook remains. Alongside the MTFS sits a Savings and Transformation Strategy (STS). The purpose of the STS is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale. A number of key themes have been identified, together with outline targets and timescales.

More detailed information on the Council's Budget for 2021/22, the MTFS and the STS can be found on the Council's website at: <http://www.tmbc.gov.uk/services/council-and-democracy/council-budgets-and-spending/council-budgets>

## **Issues for the Future**

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

- the impact of the Covid-19 pandemic on the Council's finances;
- the outcome of the expected multi-year settlement and the Fair Funding Review;
- the impact of 'Brexit' on the Council's finances / financial assumptions, e.g. inflation, interest rates, etc. and the scale of the impact over the medium term;
- Welfare Reform and cessation of the administration of housing benefits for working age claimants over a transitional period in the lead up to the migration to Universal Credit;
- the sustainability of the NHB scheme and what will follow;
- the ongoing impact of the localisation of council tax support;
- proposed move to 75% business rates retention followed by 100% and business rates reforms;
- Climate Change agenda and associated costs; and
- proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees.

The increased volatility and uncertainty attached to a number of these issues is such that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required:

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

## The Director of Finance and Transformation's Responsibilities

The Director of Finance and Transformation is responsible for the preparation of the authority's Statement of Accounts in accordance with the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* ('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 2021.

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

Signed

Signed



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

Councillor James Lark  
Chair of the Audit Committee

Dated 25 May 2021

Dated

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £'000	2019/20 Income £'000	Net Expenditure £'000	Notes	Gross Expenditure £'000	2020/21 Income £'000	Net Expenditure £'000
<b>Continuing Operations</b>						
4,578	292	4,286		3,423	249	3,174
943	43	900		4,767	4,065	702
1,074	619	455		1,138	623	515
32,829	31,620	1,209		31,404	30,740	664
7,567	3,915	3,652		8,172	4,443	3,729
13,637	5,491	8,146		13,801	5,456	8,345
<b>60,628</b>	<b>41,980</b>	<b>18,648</b>		<b>62,705</b>	<b>45,576</b>	<b>17,129</b>
<b>Cost of Services</b>						
<b>Other Operating Expenditure</b>						
2,923		2,923		3,131		3,131
420		420		431		431
<b>Financing &amp; Investing Income &amp; Expenditure</b>						
28	361	(333)	10	21	356	(335)
	445	(445)	11		234	(234)
1,328		1,328	12	1,265		1,265
		0	8	1,807	20	1,787
<b>Taxation &amp; Non-Specific Grant Income &amp; Expenditure</b>						
53	13,726	(13,673)	13	127	14,217	(14,090)
21,552	23,149	(1,597)	13	31,924	23,741	8,183
	5,058	(5,058)	14		16,113	(16,113)
	351	(351)	14		51	(51)
<b>86,932</b>	<b>85,070</b>	<b>1,862</b>		<b>101,411</b>	<b>100,308</b>	<b>1,103</b>
<b>(Surplus) / Deficit on Provision of Services</b>						
<b>Other Comprehensive Income &amp; Expenditure</b>						
		(5,562)	8			(176)
		(3,484)	12			4,906
<b>(7,184) TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>						<b>5,833</b>

## MOVEMENT IN RESERVES STATEMENT

2019/20						2020/21							
General Fund & Reserve Balances	Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves		General Fund & Reserve Balances	Contrib's Unapplied	Usable Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves	
£'000	£'000	£'000	£'000	£'000	£'000	Notes	£'000	£'000	£'000	£'000	£'000	£'000	
22,750	1,310	0	24,060	32,160	56,220	<b>BALANCE AT 1 APRIL</b>	21,632	932	0	22,564	40,840	63,404	
(1,862)			(1,862)	9,046	7,184	<b>Total Comprehensive Income &amp; Expenditure</b>	(1,103)			(1,103)	(4,730)	(5,833)	
						<b>Adjustments Between Accounting Basis &amp; Funding Basis Under Regulations</b>							
2,949			2,949	(2,949)	0	Depreciation & Amortisation of N-C Assets	8	2,778		2,778	(2,778)	0	
118			118	(118)	0	Impairment of Non-Current Assets	8	64		64	(64)	0	
0			0		0	Fair Value of Investment Properties	8	1,787		1,787	(1,787)	0	
(347)	(378)		(725)	725	0	Grants & Contributions		(48)	(35)	(83)	83	0	
2,015			2,015	(2,015)	0	Net Charges made for Retirement Benefits	12	1,040		1,040	(1,040)	0	
424			424	(424)	0	Council Tax / NNDR - Actual Surplus / Deficit	13	10,659		10,659	(10,659)	0	
34			34	(34)	0	Employee Benefits - Accrued Annual Leave	15	144		144	(144)	0	
(4,603)			(4,603)	4,603	0	Capital Exp. Charged to the General Fund		(1,194)		(1,194)	1,194	0	
154			154	(154)	0	Unrealised Gains / Losses on Prop Inv Funds		67		67	(67)	0	
<b>(1,118)</b>	<b>(378)</b>	<b>0</b>	<b>(1,496)</b>	<b>8,680</b>	<b>7,184</b>	<b>Net Increase / (Decrease) in Reserves</b>		<b>14,194</b>	<b>(35)</b>	<b>0</b>	<b>14,159</b>	<b>(19,992)</b>	<b>(5,833)</b>
21,632	932	0	22,564	40,840	63,404	<b>BALANCE AT 31 MARCH</b>	35,826	897	0	36,723	20,848	57,571	

## BALANCE SHEET

At 31 March 2020				At 31 March 2021	
£'000	£'000		Notes	£'000	£'000
		<b>Long Term Assets</b>			
	74,076	Property, Plant & Equipment	8	72,700	
	15,174	Heritage Assets	8	15,179	
	6,210	Investment Properties	8	4,423	
	256	Intangible Assets	8	239	
100,453	4,737	Long Term Investments	11	4,672	97,213
		<b>Current Assets</b>			
	17,118	Short Term Investments	11	12,032	
	12	Inventories		10	
	7,248	Short Term Debtors	18	19,572	
	(3,084)	less Impairment Allowance	18	(3,289)	
39,126	17,832	Cash & Cash Equivalents	19	20,070	48,395
		<b>Current Liabilities</b>			
(16,154)	(16,154)	Short Term Creditors	20	(20,938)	(20,938)
		<b>Long Term Liabilities</b>			
	(37)	Long Term Creditors	20	(29)	
	(4,088)	Provisions	21	(4,746)	
	(55,227)	Pensions Liability	12	(61,173)	
(60,021)	(669)	Grants & Contributions in Advance	22	(1,151)	(67,099)
<b>63,404</b>		<b>NET ASSETS</b>			<b>57,571</b>
		<b>Reserves</b>			
		Usable Reserves			
	20,382	Reserves	17	34,576	
	1,250	General Fund		1,250	
	932	Grants & Contributions Unapplied	22	897	
22,564	0	Usable Capital Receipts Reserve	16	0	36,723
		Unusable Reserves			
	47,360	Capital Adjustment Account	23	45,030	
	48,351	Revaluation Reserve	24	47,505	
	(305)	Pooled Investment Funds Adjustment A/c	11	(372)	
	816	Collection Fund Adjustment Account	13	(9,843)	
	(155)	Employee Benefits - Accrued Leave	15	(299)	
40,840	(55,227)	Pensions Reserve	12	(61,173)	20,848
<b>63,404</b>		<b>TOTAL RESERVES</b>			<b>57,571</b>

## CASH FLOW STATEMENT

2019/20		2020/21		
£'000	£'000	Notes	£'000	£'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash Inflows</b>				
(36,873)			(28,138)	
(43,116)			(58,877)	
(6,362)			(4,621)	
(546)			(389)	
(3,190)			(4,861)	
(90,087)			(96,886)	
<b>Cash Outflows</b>				
11,664			11,915	
30,250			28,242	
21,172			21,511	
2,923			3,131	
10,959			10,886	
0			0	
4,516			9,966	
81,484			85,651	
<b>(8,603)</b>		<b>25</b>	<b>(11,235)</b>	
<b>NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>				
<b>INVESTING ACTIVITIES</b>				
<b>Cash Inflows</b>				
0			0	
(29,000)			(34,000)	
(54)			(16)	
(1)			0	
<b>Cash Outflows</b>				
4,985			1,601	
22,000			29,006	
1			0	
(2,069)			(3,409)	
<b>NET CASH (INFLOW) / OUTFLOW FROM INVESTING ACTIVITIES</b>				
<b>FINANCING ACTIVITIES</b>				
<b>Cash (Inflows) / Outflows</b>				
567			12,406	
567			12,406	
<b>NET CASH (INFLOW) / OUTFLOW FROM FINANCING ACTIVITIES</b>				
<b>(10,105)</b>			<b>(2,238)</b>	
<b>7,727</b>			<b>17,832</b>	
<b>17,832</b>			<b>20,070</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. EXPENDITURE AND FUNDING ANALYSIS

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

Net Expenditure Chargeable to the General Fund & Reserve Balances £'000	2019/20 Adjustments Between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund & Reserve Balances £'000	2020/21 Adjustments Between the Funding & Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
3,149	1,137	4,286	Corporate Services	2,782	392	3,174
895	5	900	Chief Executive	702	0	702
438	17	455	Director of Central Services	498	17	515
1,054	155	1,209	Director of Finance & Transformation	664	0	664
3,600	52	3,652	Director of Planning, Housing & Environmental Health	3,673	56	3,729
5,566	2,580	8,146	Director of Street Scene, Leisure & Technical Services	6,046	2,299	8,345
<b>14,702</b>	<b>3,946</b>	<b>18,648</b>	<b>Net Cost of Services</b>	<b>14,365</b>	<b>2,764</b>	<b>17,129</b>
3,343	0	3,343	Other Operating Expenditure	3,562	0	3,562
3,824	(3,274)	550	Financing & Investing Income & Expenditure	558	1,925	2,483
(20,751)	72	(20,679)	Taxation & Non-Specific Grant Income & Expenditure	(32,679)	10,608	(22,071)
<b>1,118</b>	<b>744</b>	<b>1,862</b>	<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>	<b>(14,194)</b>	<b>15,297</b>	<b>1,103</b>
<b>22,750</b>			<b>OPENING GENERAL FUND &amp; RESERVE BALANCES</b>	<b>21,632</b>		
1,118			(Surplus) / Deficit on Provision of Services	(14,194)		
<b>21,632</b>			<b>CLOSING GENERAL FUND &amp; RESERVE BALANCES</b>	<b>35,826</b>		

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



## **2. ACCOUNTING POLICIES**

### **a) General**

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end. The Accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21*. The Code is based on levels of approved accounting standards:

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

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

### **b) Qualitative Characteristics of Financial Information**

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

### **c) Accounting Concepts**

- Going concern – it is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.
- Accruals - the financial statements, other than the Cash Flow Statement, have been prepared on an accruals basis. The accruals basis requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

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

#### **d) Accruals and Revenue Recognition**

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

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

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

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

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

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

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

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

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

The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for Kent County Council, Police and Crime Commissioner for Kent and Kent Fire and Rescue in respect of Council Tax and as

such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Council Tax and the major precepting authorities as a net debtor or creditor.

Similarly, the Council acts as an agent for the Government, Kent County Council and Kent Fire and Rescue in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor. The Council is a member of the Kent Business Rates Pool as approved by the Secretary of State in December 2015 where payments to Kent County Council and Kent Fire and Rescue are made via the administering authority, Maidstone Borough Council and for the year 2018/19 only the Kent & Medway Business Rates pilot. As a member of the Business Rates Pool where the business rates income exceeds our baseline funding level the levy payable to central government is less than it would otherwise be, and where a safety net payment is due this is to be met by the Pool rather than central government.

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

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

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

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

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

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

#### **j) Employee Benefits**

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

##### **Benefits Payable during Employment**

This covers:

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

##### **Termination Benefits**

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept

voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

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

### **Post-Employment Benefits**

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

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation to determine contributions was on 31 March 2019.

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

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

The authorised for issue date is:

- When the Accounts are signed by the Council's Section 151 Officer for approval by Members and published with the audit opinion and certificate which should be by no later than 30 September 2021.

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

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

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

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

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

## **m) Financial Instruments**

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

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

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

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

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

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

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

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

## **n) Foreign Currency Transactions**

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

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

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

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

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

**p) Inventories**

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

**q) Leases**

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

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

**Finance Leases**

The Council currently has no finance lease arrangements where it is the lessor or where it is a lessee.

**Operating Leases**

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

**r) Non-Current Assets**

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

**Property, Plant and Equipment**

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

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

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

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

Land and Buildings

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

<b>Asset Category</b>	<b>Year of Valuation</b>	
Council Offices	2015/16	Completed
Car Parks	2016/17	Completed
Leisure Premises	2017/18	Completed
Properties for Community Use	2018/19	Completed
Public Conveniences	2019/20	Completed
Council Offices	2020/21	Completed

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

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

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

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

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

#### Vehicles, Plant and Equipment

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

#### Infrastructure Assets

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

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

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

### Community Assets

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

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

### Assets under Construction

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

### **Heritage Assets**

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

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

Heritage assets are not subject to depreciation.

### **Investment Property**

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

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

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

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

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

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

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



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

Investment properties are not subject to depreciation.

### **Intangible Assets**

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

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

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

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

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

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

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

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

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

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

## **s) Overheads**

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

#### t) Provisions

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

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

#### u) Reserves

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

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

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

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

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

### 3. COVID GRANT FUNDING

Given below are details of Covid-19 financial support provided by central government split between those where the Council is acting as agent or as principal. Where the Council is acting as agent year-end balances only are reflected in the Accounts as either a sundry creditor or debtor. Where the Council is acting as principal the grants are reflected in both the Comprehensive Income and Expenditure Statement and Balance Sheet as appropriate.

Further information on grants can be found at [Note 14](#).

#### Agent

Grant	Purpose of Grant	Grant Amount £000s	Expended £000s	Balance Sheet £000s	Balance Sheet analysis
Self Isolation Payments - Mandatory	Payments to those on low incomes whilst self isolating in line with Government Guidelines	(204)	(116)	(88)	Creditor
Business Rates Grant Funded Schemes	Payments to business ratepayers for periods of enforced closure by Government Regulations	(30,362)	(27,292)	(3,070)	Creditor
		<b>(30,566)</b>	<b>(27,408)</b>	<b>(3,158)</b>	

## Principal

Grant	Purpose of Grant	Grant Amount £000s	Comprehensive Income & Expenditure Analysis	Amount Shown in CIES £000s	Balance Sheet £000s	Balance Sheet analysis
General Covid-19 Grant	General Grant from HM Government	(1,777)	Taxation & Non-Specific Grant Income	(1,777)	0	N/a
Income Compensation Scheme	Compensation for loss of income from Sales Fees and Charges	(1,559)	Cost of Services	(1,559)	478	Debtor
Tax Income Guarantee - Council Tax	Compensation for council tax income losses	(82)	Taxation & Non-Specific Grant Income	(82)	82	Debtor
Tax Income Guarantee - Business Rates	Compensation for business rates income losses	(1,506)	Taxation & Non-Specific Grant Income	(1,506)	1,506	Debtor
Self Isolation Payments - Discretionary	Payments to those on low incomes whilst self isolating in line with Government Guidelines	(120)	Cost of Services	(107)	(13)	Receipt in Advance
Council Tax Hardship Fund	Award made to those on Council Tax Support	(867)	Cost of Services	(813)	(54)	Receipt in Advance
Discretionary Business Grants	Payments to businesses who are non rate payers during times of national restrictions	(4,823)	Cost of Services	(3,980)	(843)	Receipt in Advance
Containment, Test and Trace and Enforcement	Contribution towards containment, test and trace and enforcement related activity	(377)	Cost of Services	(97)	(280)	Receipt in Advance
Emergency Assistance, Winter Grant Scheme and Clinically Extremely Vulnerable Support	Support to individuals and charitable and voluntary organisations	(201)	Cost of Services	(201)	0	N/a
Homelessness Support	Homelessness and rough sleeping support	(135)	Cost of Services	(135)	5	Debtor
National Leisure Recovery Fund	Financial support for leisure facilities operated by a Charitable Trust	(267)	Cost of Services	(75)	(192)	Receipt in Advance
New Burdens Grants	Contribution towards the cost of administering various grant schemes on behalf of central government	(426)	Cost of Services	(259)	(167)	Debtor
		<b>(12,140)</b>		<b>(10,591)</b>	<b>522</b>	

#### 4. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

None of the above standards, when adopted, are expected to have a material impact on the Council's financial statements.

#### 5. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

##### Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out at [Note 2](#) the authority has to make judgements and estimates about complex transactions or those involving uncertainty about future events. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The critical judgements made in preparing the Council's 2020/21 accounts are as follows:

- The Council is acting as guarantor for the pension liability of Tonbridge and Malling Leisure Trust. In the event that the Trust fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. As at the 31 March 2021 these liabilities, calculated under FRS 102, amounted to £7.26m (31 March 2020: £4.56m) however, the Trust remains a going concern and recourse to such a guarantee is considered remote; and is not one and the same as the actual liability if the guarantee was to be called on. An indicative cessation report of the estimated liability is obtained at each triennial valuation. The most recent valuation was undertaken in March 2019 and gave a pension fund deficit of £186,000.

##### Estimation Uncertainty and Covid-19

There will be numerous issues that will impact on the finances of local authorities as a result of the Covid-19 pandemic. Specific areas within the financial statements include:

- Property Plant and Equipment and Investment Property – Property values are based upon market values and are periodically reviewed to ensure that the Council does not materially misstate the value of its property, plant and equipment and investment property. After discussing the issue with the Council's External Valuers their response is as follows: "This valuation has been undertaken during the Covid-19 pandemic which has impacted commercial and leisure uses and resultingly investment markets. It is likely that this will be a year of exceptional circumstances in which values may not be representative of longer term market value."
- Long Term Investments – The Fund Managers are no longer expressing material uncertainty in valuations.
- Net Pension Liability – The Pension Fund Administrators, Kent County Council, has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied. The report and assumptions received from the actuary have adjusted for the increased rate of deaths surrounding Covid-19 and its impact on overall mortality rates.

- Short Term Debtors, collectability of debt – It is prudent to establish a provision (impairment allowance) for non-payment of debt. The impact of the Covid-19 pandemic could potentially have an adverse impact on collectability of debt and will be the subject of ongoing review.

## 6. 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 2021.

### Public Conveniences

In 2020/21 the Council agreed that public conveniences in parished areas should either transfer to the relevant parish council or close with a number of parish councils taking ownership of and responsibility for public convenience in their area in the early part of 2021/22. The value of the assets transferred or closed is £322,000 and £479,000 respectively. Total balance sheet value at 31 March 2021 £1,800,000.

## 7. SEGMENT REPORTING

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

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

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

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

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

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

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

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

## Service Analysis

2019/20							2020/21							
Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene, Leisure & Technical Services £'000	Total £'000	Corporate Services £'000	Chief Executive £'000	Director of Central Services £'000	Director of Finance & Transformation £'000	Director of Planning, Housing & Env Health £'000	Director of Street Scene, Leisure & Technical Services £'000	Total £'000	
<b>Income</b>														
291	26	980	879	1,950	5,494	9,620	Fees, Charges & Other Service Income	249	75	904	368	2,699	4,032	8,327
			600			600	Interest & Investment Income				301			301
1	17		30,585	1,965		32,568	Grants & Contributions		3,990	1	29,998	1,708	152	35,849
<b>292</b>	<b>43</b>	<b>980</b>	<b>32,064</b>	<b>3,915</b>	<b>5,494</b>	<b>42,788</b>	<b>Total Income</b>	<b>249</b>	<b>4,065</b>	<b>905</b>	<b>30,667</b>	<b>4,407</b>	<b>4,184</b>	<b>44,477</b>
<b>Expenditure</b>														
5,578	280	538	1,011	2,997	1,572	11,976	Employee Expenses	5,441	241	613	867	3,051	1,895	12,108
574	18	31		8	1,727	2,358	Premises	540		41	1	24	1,587	2,193
211				1	143	355	Transport	182					46	228
1,631	412	158	256	2,705	1,110	6,272	Supplies & Services	1,699	4,311	108	1,037	3,240	851	11,246
2				92	5,406	5,500	Third Party Payments	2			0	77	5,886	5,965
			420			420	Precepts & Levies				431			431
			130	34		164	Provisions for Bad Debts				(65)	48		(17)
			30,244			30,244	Housing Benefits				28,242			28,242
(4,555)	228	358	1,188	1,679	1,102	0	Support Service Recharges	(4,834)	215	379	1,323	1,676	1,241	0
416	5	17		51	2,577	3,066	Depreciation, Amortisation & Impairment	473		18		55	2,296	2,842
<b>3,857</b>	<b>943</b>	<b>1,102</b>	<b>33,249</b>	<b>7,567</b>	<b>13,637</b>	<b>60,355</b>	<b>Total Expenditure</b>	<b>3,503</b>	<b>4,767</b>	<b>1,159</b>	<b>31,836</b>	<b>8,171</b>	<b>13,802</b>	<b>63,238</b>
<b>3,565</b>	<b>900</b>	<b>122</b>	<b>1,185</b>	<b>3,652</b>	<b>8,143</b>	<b>17,567</b>	<b>COST OF SERVICES</b>	<b>3,254</b>	<b>702</b>	<b>254</b>	<b>1,169</b>	<b>3,764</b>	<b>9,618</b>	<b>18,761</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.

	2019/20 £'000	2020/21 £'000
<b>Cost of Services in Service Analysis</b>	<b>17,567</b>	<b>18,761</b>
add Amounts not Reported to Management		
Pension Adjustments	687	(225)
Accrued Annual Leave	34	144
Sales, Fees and Charges Compensation		(1,559)
Miscellaneous Income and Expenditure	(153)	(197)
less Items Included in Other Operating Expenditure		
Drainage Board Levies	(420)	(431)
less Items Included in Financing & Investment		
Trading Undertakings	333	335
Interest & Investment Income	600	301
<b>NET COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>18,648</b>	<b>17,129</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 £'000	Not Reported to Management £'000	2019/20			Surplus / Deficit on Provision of Services £'000	Service Analysis £'000	Not Reported to Management £'000	2020/21		
		Not Included in Comprehensive Income & Expenditure Statement £'000	Corporate Amounts £'000	Surplus / Deficit on Provision of Services £'000				Not Included in Comprehensive Income & Expenditure Statement £'000	Corporate Amounts £'000	Surplus / Deficit on Provision of Services £'000
<b>Income</b>										
9,621	156			9,777	Fees, Charges & Other Service Income	8,327	200			8,527
600	(155)			445	Interest & Investment Income	301	(67)			234
			13,726	13,726	Council Tax				14,217	14,217
			23,149	23,149	National Non-Domestic Rates				23,741	23,741
32,567	(3)		5,409	37,973	Grants & Contributions	35,849	1,556		16,164	53,569
				0	Fair Value of Investment Properties				20	20
<b>42,788</b>	<b>(2)</b>	<b>0</b>	<b>42,284</b>	<b>85,070</b>	<b>Total Income</b>	<b>44,477</b>	<b>1,689</b>	<b>0</b>	<b>54,142</b>	<b>100,308</b>
<b>Expenditure</b>										
11,976	721		1,328	14,025	Employee Expenses	12,108	(81)		1,265	13,292
2,358				2,358	Premises	2,193				2,193
355				355	Transport	228				228
6,272				6,272	Supplies & Services	11,246	1			11,247
5,500				5,500	Third Party Payments	5,965				5,965
420			2,923	3,343	Precepts & Levies	431			3,131	3,562
164				164	Provisions for Bad Debts	(17)				(17)
30,244				30,244	Housing Benefits	28,242				28,242
0				0	Support Service Recharges	0				0
3,066				3,066	Depreciation, Amortisation & Impairment	2,842				2,842
			53	53	Council Tax				126	126
			21,552	21,552	National Non-Domestic Rates				31,924	31,924
				0	Fair Value of Investment Properties				1,807	1,807
<b>60,355</b>	<b>721</b>	<b>0</b>	<b>25,856</b>	<b>86,932</b>	<b>Total Expenditure</b>	<b>63,238</b>	<b>(80)</b>	<b>0</b>	<b>38,253</b>	<b>101,411</b>
<b>17,567</b>	<b>723</b>	<b>0</b>	<b>(16,428)</b>	<b>1,862</b>	<b>TOTAL</b>	<b>18,761</b>	<b>(1,769)</b>	<b>0</b>	<b>(15,889)</b>	<b>1,103</b>



## 8. NON-CURRENT ASSETS

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

	Land & Buildings £'000	PROPERTY, PLANT & EQUIPMENT Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Assets under Const'n £'000	TOTAL PROPERTY, PLANT & EQUIPMENT £'000	HERITAGE ASSETS £'000	INVESTMENT PROPERTIES £'000	INTANGIBLE ASSETS £'000	TOTAL £'000
<b>NET BOOK VALUE AT 1 APRIL 2019</b>	67,982	2,408	978	2,047	0	73,415	7,953	6,210	315	87,893
<b>Cost or Valuation</b>										
At 1 April 2019	68,560	8,085	3,062	2,047	0	81,754	7,953	6,210	634	96,551
Additions	3,529	1,511	235			5,275			53	5,328
Derecognition - Disposals	(127)	(785)	(68)			(980)			(84)	(1,064)
Reclassification						0				0
Revaluation Recognised in the Revaluation Reserve	1,714					1,714	7,222			8,936
Net Gains from Fair Value Adjustments						0				0
Other Movements in Cost or Valuation	(5,644)					(5,644)	(1)			(5,645)
At 31 March 2020	68,032	8,811	3,229	2,047	0	82,119	15,174	6,210	603	104,106
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2019	(578)	(5,677)	(2,084)	0	0	(8,339)	0	0	(319)	(8,658)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(2,037)	(672)	(128)			(2,837)			(112)	(2,949)
Impairment Recognised in Surplus/Deficit on the Provision of Services	(83)	(9)	(26)			(118)				(118)
Impairment Recognised in Revaluation Reserve	(3,373)					(3,373)				(3,373)
Derecognition - Disposals	127	785	68			980			84	1,064
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	5,644					5,644				5,644
At 31 March 2020	(300)	(5,573)	(2,170)	0	0	(8,043)	0	0	(347)	(8,390)
<b>NET BOOK VALUE AT 31 MARCH 2020</b>	67,732	3,238	1,059	2,047	0	74,076	15,174	6,210	256	95,716
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	67,732	3,238	1,059	2,047	0	74,076	15,174	6,210	256	95,716

	Land & Buildings	PROPERTY, PLANT & EQUIPMENT				TOTAL PROPERTY, PLANT & EQUIPMENT	HERITAGE ASSETS	INVESTMENT PROPERTIES	INTANGIBLE ASSETS	TOTAL
	£'000	Vehicles, Plant & Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Assets under Const'n £'000	£'000	£'000	£'000	£'000	£'000
<b>NET BOOK VALUE AT 1 APRIL 2020</b>	<b>67,732</b>	<b>3,238</b>	<b>1,059</b>	<b>2,047</b>	<b>0</b>	<b>74,076</b>	<b>15,174</b>	<b>6,210</b>	<b>256</b>	<b>95,716</b>
<b>Cost or Valuation</b>										
At 1 April 2020	68,032	8,811	3,229	2,047	0	82,119	15,174	6,210	603	104,106
Additions	785	328	66			1,179			99	1,278
Derecognition - Disposals		(494)				(494)			(78)	(572)
Reclassification						0				0
Revaluation Recognised in the Revaluation Reserve	1,420					1,420	5			1,425
Net Gains / (Losses) from Fair Value Adjustments						0		(1,787)		(1,787)
Other Movements in Cost or Valuation	(2,931)					(2,931)				(2,931)
At 31 March 2021	<u>67,306</u>	<u>8,645</u>	<u>3,295</u>	<u>2,047</u>	<u>0</u>	<u>81,293</u>	<u>15,179</u>	<u>4,423</u>	<u>624</u>	<u>101,519</u>
<b>Depreciation, Amortisation &amp; Impairment</b>										
At 1 April 2020	(300)	(5,573)	(2,170)	0	0	(8,043)	0	0	(347)	(8,390)
Depreciation & Amortisation Written out to Surplus/Deficit on the Provision of Services	(1,902)	(644)	(116)			(2,662)			(116)	(2,778)
Impairment Recognised in Surplus/Deficit on the Provision of Services	(64)					(64)				(64)
Impairment Recognised in Revaluation Reserve	(1,249)					(1,249)				(1,249)
Derecognition - Disposals		494				494			78	572
Reclassification						0				0
Other Movements in Depreciation, Amortisation and Impairment	2,931					2,931				2,931
At 31 March 2021	<u>(584)</u>	<u>(5,723)</u>	<u>(2,286)</u>	<u>0</u>	<u>0</u>	<u>(8,593)</u>	<u>0</u>	<u>0</u>	<u>(385)</u>	<u>(8,978)</u>
<b>NET BOOK VALUE AT 31 MARCH 2021</b>	<b>66,722</b>	<b>2,922</b>	<b>1,009</b>	<b>2,047</b>	<b>0</b>	<b>72,700</b>	<b>15,179</b>	<b>4,423</b>	<b>239</b>	<b>92,541</b>
<b>NATURE OF ASSET HOLDINGS</b>										
Owned	66,722	2,922	1,009	2,047	0	72,700	15,179	4,423	239	92,541

## 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	2019/20 £'000	2020/21 £'000
Corporate Services	112	116
Chief Executive	0	0
Director of Central Services	0	0
Director of Finance & Transformation	0	0
Director of Planning, Housing & Environmental Health	0	0
Director of Street Scene, Leisure & Technical Services	0	0
<b>TOTAL</b>	<b>112</b>	<b>116</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 council offices were the subject of revaluation.

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

- That the valuations given are based on existing use values or, where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost.
- That the properties are repaired and maintained to a reasonable standard.
- That no significant Planning or Highways applications exist that could affect the value.
- The Code requires the Council to consider material changes in other assets not due for revaluation in the current year under the five-year rolling programme. In addition to council offices, leisure premises and car parks where material were also the subject of revaluation by our external valuers. Heritage asset values have been reviewed and uplifted to reflect the insured value of the asset. The resulting revaluation was a net gain of £112,000, of which £176,000 is recognised in the revaluation reserve and losses of £64,000 recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement.

In assessing fair value of Investment Properties the Council's valuers have determined a market value given the sites location and likelihood of achieving such values. The resulting reduction in asset values of £1,787,000 is primarily as a result of an appeal on a planning application for a former investment property site. The loss has been recognised in the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement. Under the standard the higher of the valuations is reported within the statements.

In liaison with our external valuers it was determined that no other property asset class required revaluation because of a notable change in value.

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

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

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

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Heritage Assets £'000	Investment Properties £'000	Total £'000
Valued at current/fair value in:	<----- at Current Value ----->			at Fair Value	
2020/21	50,036	2,922	15,149	4,423	72,530
2019/20	5,052				5,052
2018/19	1,240				1,240
2017/18	1,575				1,575
2016/17	8,819				8,819
Prior Years	0		30		30
<b>TOTAL</b>	<b>66,722</b>	<b>2,922</b>	<b>15,179</b>	<b>4,423</b>	<b>89,246</b>

Land and buildings include assets under construction where relevant. For vehicles, plant and equipment, depreciated historic cost is used as a proxy of current value due to the short term nature of the majority of assets held in this class. Assets revalued in 2020/21 are reflected in the figures for that year rather than the year of previous valuation.

### Heritage Assets

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

	At 31 March 2020 £'000	At 31 March 2021 £'000
Tonbridge Castle Gatehouse	15,000	15,000
Civic Regalia	76	78
Sculptures	53	55
Paintings	45	46
<b>TOTAL</b>	<b>15,174</b>	<b>15,179</b>

### Covid-19

The impact that Covid-19 has had on valuations has been discussed with our external valuers and their response is set out below.

“This valuation has been undertaken during the Covid-19 pandemic which has impacted commercial and leisure uses and resultingly investment markets. It is likely that this will be a year of exceptional circumstances in which values may not be representative of longer term market value.”

As a result the Council considers this advice indicates there is Material Valuation Uncertainty and valuations are subject to change when updated market evidence begins to emerge.

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

	2019/20 £'000	2020/21 £'000
Larkfield Leisure Centre	1,525	690
Waste Collection Containers	886	204
Capital Renewals	656	115
IT Initiatives	32	99
Open Spaces	117	69
Temporary Accommodation	1,958	38
Sports Grounds	100	13

The Capital Expenditure was financed as follows: -

	2019/20 £'000	2020/21 £'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	5,275	1,178
Intangible Assets	53	99
<b>Total</b>	<b>5,328</b>	<b>1,277</b>
<b>Sources of Finance</b>		
Revenue	(4,603)	(1,194)
Capital Grants & Contributions	(725)	(83)
Capital Receipts	0	0
<b>Total</b>	<b>(5,328)</b>	<b>(1,277)</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.

#### Outstanding Capital Commitments

As at 31 March 2021 the Council had no capital commitments.

## 9. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2019/20		2020/21	
	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>				
House Renovation Grants	1,043		767	
Other	37	1,080	20	787
<b>Grants &amp; Contributions Received</b>				
Better Care Fund	(990)		(689)	
Housing Assistance Grant Repaid	(66)		(68)	
Disabled Facilities Grant Repaid	(19)		(40)	
Priory Works Developer Contribution	0	(1,075)	(20)	(817)
<b>TOTAL</b>		<b>5</b>		<b>(30)</b>

## 10. LEASES

### Lessor – Operating Lease

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

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rental Income Due	400	350	350	248	218	171	166

The Council lease out property under an operating lease for the following purposes:

- for the provision of community services, such as sports facilities, tourism and community centres; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The minimum lease payments under non-cancellable leases in future years are:

	31 March 2020	31 March 2021
	£'000	£'000
<b>Leases Expiring :</b>		
Not later than one year	21	9
Later than one year and not later than five years	652	658
Later than five years and not later than fifty years	1,538	1,538
Later than fifty years	7,007	7,007
	<b>9,218</b>	<b>9,212</b>

## 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.

<b>Commercial Properties and Industrial Estates</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Income	(361)	(356)
Expenditure	28	21
<b>TOTAL</b>	<b>(333)</b>	<b>(335)</b>

The Balance Sheet value of these properties at the 31 March 2021 was £6,256,000 (£6,210,000 Investment Properties and £46,000 Land and Buildings). There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

### Lessor – Finance Lease

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

### Lessee – Operating Lease

The Council uses leased cars under the terms of an operating lease. The amount paid under this arrangement in 2020/21 was £1,000 (2019/20: £9,000). The future cash payments required under these leases are: £2,000 not later than one year; £nil later than one year but not later than five years; and £nil later than five years.

### Lessee – Finance Lease

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

## 11. INTEREST AND INVESTMENTS

### Interest and Investment Income

	2019/20			2020/21		
	Income	Unrealised (Gains) / Losses	Total	Income	Unrealised (Gains) / Losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Property Investment Funds	(174)	155	(19)	(172)	67	(105)
Certificates of Deposit	(63)	0	(63)	(17)	0	(17)
Fixed Interest Deposits	(212)	0	(212)	(64)	0	(64)
Call Accounts	(151)	0	(151)	(48)	0	(48)
<b>TOTAL</b>	<b>(600)</b>	<b>155</b>	<b>(445)</b>	<b>(301)</b>	<b>67</b>	<b>(234)</b>

## Long Term Investments

	At 31 March 2020				At 31 March 2021			
	Capital	Gain / (Loss)	Accrued Interest	Total	Capital	Gain / (Loss)	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Property Investment Funds</b>								
Hermes Property Unit Trust	1,000	(5)	7	1,002	1,000	(32)	8	976
Local Authorities' Property Fund	2,000	(161)	20	1,859	2,000	(175)	21	1,846
Lothbury Property Trust	2,000	(139)	15	1,876	2,000	(165)	15	1,850
<b>Total</b>	<b>5,000</b>	<b>(305)</b>	<b>42</b>	<b>4,737</b>	<b>5,000</b>	<b>(372)</b>	<b>44</b>	<b>4,672</b>
<b>TOTAL</b>	<b>5,000</b>	<b>(305)</b>	<b>42</b>	<b>4,737</b>	<b>5,000</b>	<b>(372)</b>	<b>44</b>	<b>4,672</b>

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

## Short Term Investments

	At 31 March 2020			At 31 March 2021		
	Capital	Accrued Interest	Total	Capital	Accrued Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Certificates of Deposit</b>						
National Westminster Bank	2,000	19	2,019	2,000	6	2,006
Barclays Bank	0	0	0	2,007	8	2,015
<b>Total</b>	<b>2,000</b>	<b>19</b>	<b>2,019</b>	<b>4,007</b>	<b>14</b>	<b>4,021</b>
<b>Fixed Interest Deposits</b>						
Bank of Scotland	1,000	12	1,012	0	0	0
Close Brothers	0	0	0	2,000	4	2,004
Goldman Sachs	4,000	20	4,020	4,000	1	4,001
HSBC	2,000	6	2,006	0	0	0
Lloyds Bank	4,000	37	4,037	0	0	0
Santander	4,000	24	4,024	2,000	6	2,006
<b>Total</b>	<b>15,000</b>	<b>99</b>	<b>15,099</b>	<b>8,000</b>	<b>11</b>	<b>8,011</b>
<b>TOTAL</b>	<b>17,000</b>	<b>118</b>	<b>17,118</b>	<b>12,007</b>	<b>25</b>	<b>12,032</b>

## Cash Equivalents ([Note 19](#) refers)

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



## Financial Instruments Disclosures

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

- Class of investment.
- Interest received by class of investment.
- Market valuation of each type of investment as at 31 March 2021.
- Management of risk.

### Investment Classification

The Council's investments are classified as either amortised cost or fair value through profit and loss as detailed in the table below.

	At 31 March 2020			At 31 March 2021		
	Amortised Cost	Fair Value Through Profit & Loss	Total	Amortised Cost	Fair Value Through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Long Term	0	4,737	4,737	0	4,672	4,672
Short Term	17,118	0	17,118	12,032	0	12,032
<b>TOTAL</b>	<b>17,118</b>	<b>4,737</b>	<b>21,855</b>	<b>12,032</b>	<b>4,672</b>	<b>16,704</b>

### Interest Received

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

	2019/20			2020/21		
	Amortised Cost	Fair Value Through Profit & Loss	Total	Amortised Cost	Fair Value Through Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Interest &amp; Investment Income</b>						
Income	(275)	(174)	(449)	(81)	(172)	(253)
Unrealised Losses	0	155	155		67	67
<b>TOTAL</b>	<b>(275)</b>	<b>(19)</b>	<b>(294)</b>	<b>(81)</b>	<b>(105)</b>	<b>(186)</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. Our property investment funds are an actively quoted value per share on the market and have been valued in accordance with the closing value at year end. Other deposits are held on book value as no active market exists for bank deposits.

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

	At 31 March 2020		At 31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Property Investment Funds	4,737	4,737	4,672	4,672
Deposits with Banks & Building Societies	17,118	17,118	12,032	12,032
<b>TOTAL</b>	<b>21,855</b>	<b>21,855</b>	<b>16,704</b>	<b>16,704</b>

## Management of Risk

### Credit Risk

Credit risk arises from deposits with banks and financial institutions. The Council's Investment Strategy sets out the approach the Council will take to the management of risk both in terms of the security and liquidity of its investments and as at 31 March 2021 the risk of default is considered remote.

### Interest Rate Risk

Interest rate movements will clearly have an impact on investment returns. To put this into context, 1% would currently generate investment income of about £167,000 (2019/20: £219,000).

### Covid-19

Information received from our property investment fund managers documents that they are no longer expressing concerns over material uncertainty of the fund values caused by the global pandemic arising at the end of the 2019/20 financial year.

Property Investment Funds are long term investments and are not likely to be surrendered in the near future and where the expectation is that values will return to or exceed pre Covid-19 values over the medium to long-term.

## 12. PENSION COSTS

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

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

The KCC pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. This Committee is responsible for: setting investment strategy; appointing professional fund managers; carrying out regular reviews; monitoring of investments; monitoring the administration of the pension scheme; and determining pension fund policy in regard to employer admission arrangements. The Committee

consists of 12 members with voting rights (nine from KCC and three from district councils) and 5 other members without voting rights. Policy is determined in accordance with the *Local Government Pensions Fund Regulations 1997* as amended.

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

#### Transactions Relating to Retirement Benefits

	2019/20 £'000	2020/21 £'000
<b>Amounts Charged to Income and Expenditure Statement</b>		
Net Cost of Services		
Current Service Costs	3,473	2,617
Past Service Costs (Change in Benefit)	0	0
Administration Expenses	51	66
Net Operating Expenditure		
Net Interest on the Defined Liability (Asset)	1,328	1,265
<b>Net Charge to the Income and Expenditure Statement</b>	<b><u>4,852</u></b>	<b><u>3,948</u></b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,852)	(3,948)
Actual Amount Charged to the General Fund for Pensions in the Year		
Employers' contributions payable to scheme	2,837	2,908
<b>CONTRIBUTION (FROM) / TO PENSIONS RESERVE</b>	<b>(2,015)</b>	<b>(1,040)</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 £4,906,000 in 2020/21 (2019/20: gain of £3,484,000) is included in the Comprehensive Income and Expenditure Statement. The cumulative amounts of actuarial gains and losses are detailed later in this note.

## Assets and Liabilities in Relation to Retirement Benefits

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

Reconciliation of the Present Value of Scheme Liabilities	2019/20 £'000	2020/21 £'000
<b>Opening Balance at 1 April - Defined Benefit Obligation</b>	<b>144,209</b>	<b>135,092</b>
Current Service Costs	2,693	2,617
Past Service Costs	780	0
Contributions from Scheme Participants	528	547
Interest Cost	3,411	3,124
Change in Financial Assumptions	(11,127)	30,359
Change in Demographic Assumptions	(1,614)	(1,582)
Experience Loss / (Gain) on Defined Benefit Obligation	1,009	(1,963)
Benefits Paid	(4,548)	(4,723)
Unfunded Pension Payments	(249)	(231)
<b>CLOSING BALANCE AT 31 MARCH - DEFINED BENEFIT OBLIGATION</b>	<b>135,092</b>	<b>163,240</b>

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

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

Reconciliation of the Fair Value of Scheme Assets	2019/20 £'000	2020/21 £'000
<b>Opening Balance at 1 April - Fair Value of Scheme Assets</b>	<b>87,513</b>	<b>79,865</b>
Interest on Assets	2,083	1,859
Return on Assets Less Interest	(8,537)	21,908
Other Actuarial Gains / (Losses)	289	0
Employers' Contributions	2,837	2,908
Contributions from Scheme Participants	528	547
Benefits Paid	(4,797)	(4,954)
Administration Expenses	(51)	(66)
<b>CLOSING BALANCE AT 31 MARCH - FAIR VALUE OF SCHEME ASSETS</b>	<b>79,865</b>	<b>102,067</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 £23,767,000 (2019/20: loss of £6,454,000).

## Net Liabilities in Relation to Retirement Benefits

	2019/20 £'000	2020/21 £'000
Present value of funded obligation	132,781	161,031
Fair value of scheme assets (bid price)	79,865	102,067
<b>Sub-total</b>	<b>52,916</b>	<b>58,964</b>
Present value of unfunded obligation	2,311	2,209
<b>NET PENSION LIABILITY</b>	<b>55,227</b>	<b>61,173</b>

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

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

## Reconciliation of Opening & Closing Surplus / Deficit

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

Surplus / (Deficit)	2019/20 £'000	2020/21 £'000
<b>Balance at 1 April</b>	<b>(56,696)</b>	<b>(55,227)</b>
Current Service Costs	(2,693)	(2,617)
Past Service Costs	(780)	0
Actuarial Gains / (Losses)	3,484	(4,906)
Employer's Contributions	2,588	2,677
Unfunded Pension Payments	249	231
Administration Expenses	(51)	(66)
Other Finance Income	(1,328)	(1,265)
<b>BALANCE AT 31 MARCH</b>	<b>(55,227)</b>	<b>(61,173)</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 2020		At 31 March 2021	
	Fund Value £'000	Percentage of Fund %	Fund Value £'000	Percentage of Fund %
Bonds	10,410	13	12,747	13
Cash	2,090	3	5,061	5
Equities	49,132	62	65,724	64
Gilts	621	1	607	1
Property	10,867	13	10,563	10
Target Return Portfolio	6,745	8	7,365	7
<b>TOTAL</b>	<b>79,865</b>	<b>100</b>	<b>102,067</b>	<b>100</b>

## Scheme History

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Present Value of Liabilities	(145,263)	(144,784)	(144,209)	(135,092)	(163,240)
Fair Value of Assets	82,131	83,009	87,513	79,865	102,067
<b>SURPLUS / (DEFICIT) IN THE SCHEME</b>	<b>(63,132)</b>	<b>(61,775)</b>	<b>(56,696)</b>	<b>(55,227)</b>	<b>(61,173)</b>
Experience Gains / (Losses) on Assets	(1,571)	0	0	289	0
Percentage of Assets	(1.9%)	0.0%	0.0%	0.4%	0.0%
Experience Gains / (Losses) on Liabilities	5,167	0	0	(1,009)	1,963
Percentage of Liabilities	3.6%	0.0%	0.0%	(0.7%)	1.2%

## Actuarial Gains and Losses

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Actuarial Gains / (Losses) recognised in the Comprehensive Income and Expenditure Statement	(3,345)	3,037	6,462	3,484	(4,906)
<b>CUMULATIVE ACTUARIAL GAINS / (LOSSES)</b>	<b>(44,619)</b>	<b>(41,582)</b>	<b>(35,120)</b>	<b>(31,636)</b>	<b>(36,542)</b>

## Basis for Estimating Assets and Liabilities

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, on behalf of Kent County Council based upon the full valuation of the scheme as at 31 March 2019.

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

	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8 Years	21.6 Years
Women	23.7 Years	23.6 Years
Longevity at 65 for future pensioners:		
Men	23.2 Years	22.9 Years
Women	25.2 Years	25.1 Years
RPI Increases	2.80%	3.25%
CPI Increases	2.00%	2.85%
Salary Increases	3.00%	3.85%
Pension Increases	2.00%	2.85%
Discount Rate	2.35%	2.00%

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	160,357	163,240	166,117
Projected Service Cost	3,681	3,804	3,932
Adjustment to Long Term Salary Increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	163,556	163,240	162,925
Projected Service Cost	3,807	3,804	3,802
Adjustment to Pensions Increase and Deferred Revaluation	0.1%	0.0%	-0.1%
Present Value of Total Obligation	165,833	163,240	160,692
Projected Service Cost	3,930	3,804	3,682
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	171,299	163,240	155,582
Projected Service Cost	3,966	3,804	3,649

### Projected Pension Expense for the Year to 31 March 2022

These projections are based on the Actuary's assumptions as at 31 March 2021.

	2021/22 Projection £'000
Service Cost	3,804
Net Interest on the defined liability (asset)	1,194
Administration Expenses	84
Total	<u>5,082</u>
Employers' Contributions	2,717

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.

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

Council Tax	2019/20 £'000	2020/21 £'000
Borough Council's Council Tax	(10,647)	(11,019)
Parish Councils' Council Tax	(2,923)	(3,131)
Prior Year's Estimated Accumulated Council Tax (Surplus) / Deficit	(156)	(67)
Council Tax (Surplus) / Deficit	53	127
<b>TOTAL</b>	<b>(13,673)</b>	<b>(14,090)</b>

National Non-Domestic Rates	2019/20 £'000	2020/21 £'000
Share of National Non-Domestic Rates	(22,315)	(22,918)
Tariff / (Top-Up)	20,969	21,310
Business Rates Pool	212	82
Kent Wide 100% Business Rates Retention Pilot	35	0
Prior Year's Estimated Accumulated Non-Domestic Rates (Surplus) / Deficit	(869)	(823)
National Non-Domestic Rates (Surplus) / Deficit	371	10,532
<b>TOTAL</b>	<b>(1,597)</b>	<b>8,183</b>

	Balance at 31 March 2019 £'000	2019/20 Surplus / (Deficit) £'000	Balance at 31 March 2020 £'000	2020/21 Surplus / (Deficit) £'000	Balance at 31 March 2021 £'000
<b>Collection Fund Adjustment Account</b>					
Council Tax	147	(53)	94	(127)	(33)
National Non-Domestic Rates	1,093	(371)	722	(10,532)	(9,810)
<b>TOTAL</b>	<b>1,240</b>	<b>(424)</b>	<b>816</b>	<b>(10,659)</b>	<b>(9,843)</b>



#### 14. GRANT INCOME

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

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

	2019/20		2020/21	
	£'000	£'000	£'000	£'000
General Government Grants				
Expanded Retail Discount Grant	0		(8,127)	
New Homes Bonus	(3,457)		(3,375)	
Covid-19 Support Grant	(41)		(1,736)	
Tax Income Guarantee	0		(1,588)	
Small Business & Empty Property Rate Relief Grant	(1,058)		(1,144)	
Under Indexing Multiplier Grant	(105)		(41)	
Retail Relief Grant	(289)		(18)	
Other	(108)	(5,058)	(84)	(16,113)
Capital Grants & Contributions				
Other	(351)	(351)	(51)	(51)
<b>TOTAL</b>		<b>(5,409)</b>		<b>(16,164)</b>

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

##### Credited to Services

	2019/20	2020/21
	£'000	£'000
Rent Allowance Subsidy	(29,316)	(27,001)
Additional Restrictions Grant	0	(2,974)
Income Compensation Scheme	0	(1,559)
Local Authority Discretionary Grant Fund	0	(1,006)
Council Tax Hardship Fund	0	(813)
Better Care Fund	(1,173)	(791)
Non-HRA Rent Rebate Subsidy	(341)	(672)
Administering Business Grants	0	(355)
Benefits Administration Grant	(268)	(291)
Discretionary Housing Payment Contribution	(208)	(268)
Flexible Homelessness Support Grant	(189)	(189)
Rough Sleeping Initiative Grant	(100)	(165)
NNDR Cost of Collection Allowance	(161)	(157)
Next Steps Accommodation Programme Grant	0	(125)
Homelessness Reduction Act	(36)	(116)
Local Council Tax Support Administration Grant	(107)	(111)
Garden Communities Programme Grant	(150)	(100)
Energy Strategy Support Grant	0	(100)
Rapid Rehousing Pathway Grant	(146)	0
Other	(371)	(613)
<b>TOTAL</b>	<b>(32,566)</b>	<b>(37,406)</b>

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

### Emoluments

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

Remuneration Band	Number of Employees	
	2019/20	2020/21
£50,000 - £54,999	8	7
£55,000 - £59,999	4	4
£60,000 - £64,999	5	8
£65,000 - £69,999	1	-
£70,000 - £74,999	3	3
£75,000 - £79,999	-	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	3	-
£100,000 - £104,999	1	4
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	1
<b>TOTAL</b>	<b>26</b>	<b>28</b>

The numbers above include no employees included in the exit packages table for 2020/21 (2019/20: no employees).

## Senior Officer Remuneration

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

	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
2019/20	Chief Executive	119	5			124	18	142
	Director of Central Services & Deputy Chief Executive	94	7			101	15	116
	Director of Finance & Transformation	93	6		1	100	15	115
	Director of Planning, Housing & Environmental	90	6			96	14	110
	Director of Street Scene, Leisure & Technical Services	93	7			100	15	115
	<b>TOTAL</b>	<b>489</b>	<b>31</b>	<b>0</b>	<b>1</b>	<b>521</b>	<b>77</b>	<b>598</b>
2020/21	Chief Executive	122	5			127	23	150
	Director of Central Services & Deputy Chief Executive	98	7			105	18	123
	Director of Finance & Transformation	95	7			102	18	120
	Director of Planning, Housing & Environmental	95	7			102	18	120
	Director of Street Scene, Leisure & Technical Services	94	6			100	18	118
	<b>TOTAL</b>	<b>504</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>536</b>	<b>95</b>	<b>631</b>

At 31 March 2021 the Council employed 251 permanent staff (31 March 2020: 261) or 217 full-time equivalents (31 March 2020: 225).

## 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 2020/21 this was estimated to be £299,000 (2019/20: £155,000). The increase is due to the working time directive covering annual leave not taken in 2020/21 as a result of the Covid-19 pandemic. The untaken leave to be rolled forward to be used no later than 31 March 2023.

## 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.

	2019/20		2020/21	
	Number of Employees	Total Cost £'000	Number of Employees	Total Cost £'000
<b>Compulsory Redundancies</b>				
£0 - £19,999	-	-	-	-
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
<b>Other Agreed Departures</b>				
£0 - £19,999	2	20	-	-
£20,000 - £39,999	-	-	-	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
<b>TOTAL</b>	<b>2</b>	<b>20</b>	<b>0</b>	<b>0</b>

## 16. CAPITAL RECEIPTS

### Usable Capital Receipts

These are proceeds from the sale of capital assets that have not yet been used to finance new capital expenditure. Capital receipts are as defined in the *Local Government Act 2003* and the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003*. 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.

	2019/20			2020/21		
	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	1	1	0	0	0
Disposal Costs	0	0	0	0	0	0
	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>less Usable Capital Receipts Applied</b>						
Purchase of Non-Current Assets	0	0	0	0	0	0
Pooled Housing Capital Receipts	0	1	1	0	0	0
<b>BALANCE AT 31 MARCH</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 17. RESERVES

	Balance at 1 April £'000	Contribution to Reserve £'000	Contribution from Reserve £'000	Balance at 31 March £'000	
2019/20	Revenue Reserve for Capital Schemes	7,845	4,279	(4,668)	7,456
	General Revenue Reserve	6,723		(147)	6,576
	Building Repairs Reserve	652	725	(861)	516
	Property Investment Fund Reserve	1,750			1,750
	Earmarked Reserves				
	Business Rates Retention Scheme	863	1,081	(1,043)	901
	Tonbridge & Malling Leisure Trust	901	350	(302)	949
	Homelessness Reduction	340	435	(354)	421
	Local Development Framework	381	273	(270)	384
	Housing Assistance	200	60		260
	Special Projects	867	244	(781)	330
	Climate Change	0	250		250
	Transformation	254	85	(189)	150
	Invest to Save	314	50	(193)	171
	Election	211	25	(119)	117
	Other Earmarked Reserves	199		(48)	151
<b>TOTAL</b>	<b>21,500</b>	<b>7,857</b>	<b>(8,975)</b>	<b>20,382</b>	
2020/21	Revenue Reserve for Capital Schemes	7,456	1,397	(1,254)	7,599
	General Revenue Reserve	6,576	509		7,085
	Building Repairs Reserve	516	1,075	(697)	894
	Property Investment Fund Reserve	1,750			1,750
	Earmarked Reserves				
	Business Rates Retention Scheme	901	10,297	(111)	11,087
	Budget Stabilisation	0	2,700		2,700
	Tonbridge & Malling Leisure Trust	949		(241)	708
	Homelessness Reduction	421	568	(283)	706
	Local Development Framework	384	398	(289)	493
	Housing Assistance	260	60		320
	Special Projects	330	39	(96)	273
	Climate Change	250			250
	Transformation	150	80	(37)	193
	Invest to Save	171	50	(47)	174
	Election	117	53		170
Other Earmarked Reserves	151	45	(22)	174	
<b>TOTAL</b>	<b>20,382</b>	<b>17,271</b>	<b>(3,077)</b>	<b>34,576</b>	

## **Reserve**

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

#### **General Revenue Reserve**

#### **Building Repairs Reserve**

#### **Property Investment Fund Reserve**

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

#### **Budget Stabilisation**

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

#### **Homelessness Reduction**

#### **Local Development Framework**

#### **Housing Assistance**

#### **Special Projects**

#### **Climate Change**

#### **Transformation**

#### **Invest to Save**

#### **Election**

#### **Other Earmarked Reserves**

## **Purpose of the Reserve**

Established to finance future capital expenditure.

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

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

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

Established, in the main, to take account of accounting arrangements. Increase primarily due to government grant received as recompense for the impact of Covid-19 business rates relief measures accounted for in year and the associated loss of business rates income in the following year.

Established to manage risk and or assist in meeting future savings and transformation contributions.

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

Established to meet costs associated with the Homelessness Reduction Act.

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

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

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

Established to fund initiatives in support of the Climate Change Strategy.

Established to fund initiatives that deliver operational efficiencies.

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

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

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

## 18. DEBTORS

### Short Term Debtors

	At 31 March 2020			At 31 March 2021		
	Gross Value	Impairment Allowance	Net Value	Gross Value	Impairment Allowance	Net Value
	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>						
Central Government	781		781	3,047		3,047
Local Authorities	518		518	959		959
Housing Benefit Claimants (current & former)	3,246	(2,604)	642	3,002	(2,475)	527
Payments in Advance	279		279	468		468
National Health Service	4		4	0		0
Other Debtors	692	(128)	564	700	(174)	526
	<b>5,520</b>	<b>(2,732)</b>	<b>2,788</b>	<b>8,176</b>	<b>(2,649)</b>	<b>5,527</b>
<b>Collection Fund</b>						
Central Government	0		0	6,524		6,524
Local Authorities	152		152	2,406		2,406
NNDR Payers (Borough Council's share)	442	(120)	322	1,221	(288)	933
Council Tax Payers (Borough Council's share)	1,134	(232)	902	1,245	(352)	893
	<b>1,728</b>	<b>(352)</b>	<b>1,376</b>	<b>11,396</b>	<b>(640)</b>	<b>10,756</b>
<b>TOTAL</b>	<b>7,248</b>	<b>(3,084)</b>	<b>4,164</b>	<b>19,572</b>	<b>(3,289)</b>	<b>16,283</b>

The upward movement in the gross value of debtors is largely due to amounts owed by Central Government under the Business Rates Retention Scheme and in respect of Covid-19 related financial support; by local authorities in respect of business rates and council tax; and by NNDR Payers.

### Impairment Allowance

	Housing Benefit Claimants	Homeless Debtors	General Debtors	Council Tax Payers	NNDR Payers	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>2019/20</b>	Balance at 1 April	2,552	31	95	264	120	3,062
	Write-Offs	(68)	(38)	(8)	(32)	(145)	(291)
	Contribution to Allowance	116	34	14		145	309
	Receipts/Adjustments	4					4
	<b>BALANCE AT 31 MARCH</b>	<b>2,604</b>	<b>27</b>	<b>101</b>	<b>232</b>	<b>120</b>	<b>3,084</b>
<b>2020/21</b>	Balance at 1 April	2,604	27	101	232	120	3,084
	Write-Offs	(47)	(20)	(2)	(16)	(6)	(91)
	Contribution to Allowance	(85)	48	20	136	174	293
	Receipts/Adjustments	3					3
	<b>BALANCE AT 31 MARCH</b>	<b>2,475</b>	<b>55</b>	<b>119</b>	<b>352</b>	<b>288</b>	<b>3,289</b>

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

The annual review of the impairment allowance for non-payment of debt will take into account the prevailing economic climate including the potential adverse impact on the collectability of debt following the Covid-19 pandemic.

### Financial Instruments Disclosures

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

### Age of Debt

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

Age of Debt	At 31 March 2020			At 31 March 2021		
	General Debtors £'000	Homeless -ness £'000	Total £'000	General Debtors £'000	Homeless -ness £'000	Total £'000
< 1 month	352	47	399	171	27	198
1 - 3 months	67	68	135	100	29	129
3 - 6 months	6	15	21	85	19	104
6 - 12 months	7	8	15	92	36	128
1 year +	101	21	122	110	31	141
<b>TOTAL</b>	<b>533</b>	<b>159</b>	<b>692</b>	<b>558</b>	<b>142</b>	<b>700</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 2021 £'000	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions as at 31 March 2021 %	Estimated Maximum Exposure to Default and Uncollectability £'000
Debtors				
General Debtors	558	0.5	21.3	119
Homelessness	142	34.9	38.7	55
<b>TOTAL</b>	<b>700</b>			<b>174</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.

## 19. CASH & CASH EQUIVALENTS

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

	At 31 March 2020 £'000	At 31 March 2021 £'000
<b>Short Term Deposits</b>		
Barclays Bank	4,000	4,000
Blackrock	250	50
BNP Paribas	1,000	4,110
CCLA	0	6,000
Deutsche Bank	2,381	50
Federated	3,597	813
HSBC	3,000	3,000
Morgan Stanley	3,003	1,044
National Westminster Bank	379	727
	<b>17,610</b>	<b>19,794</b>
<b>Cash in Hand</b>	<b>222</b>	<b>276</b>
<b>TOTAL</b>	<b>17,832</b>	<b>20,070</b>

## 20. CREDITORS

### Long Term Creditors

	At 31 March 2020 £'000	At 31 March 2021 £'000
Local Authorities	(37)	(29)
<b>TOTAL</b>	<b>(37)</b>	<b>(29)</b>

## Short Term Creditors

	At 31 March 2020 £'000	At 31 March 2021 £'000
<b>General Fund</b>		
Central Government	(4,485)	(15,896)
Receipts in Advance	(1,500)	(1,484)
Local Authorities	(621)	(489)
Employees	(155)	(299)
Other Creditors	(1,421)	(802)
	<u>(8,182)</u>	<u>(18,970)</u>
<b>Collection Fund</b>		
NNDR Payers (Borough Council's share)	(356)	(864)
Central Government	(160)	(756)
Council Tax Payers (Borough Council's share)	(302)	(348)
Local Authorities	(7,154)	0
	<u>(7,972)</u>	<u>(1,968)</u>
<b>TOTAL</b>	<b>(16,154)</b>	<b>(20,938)</b>

The upward movement in creditors is largely due to amounts owed to Central Government in respect of the Covid-19 Business Rates Grant Funded Schemes and an increase in prepayments by NNDR Payers offset by amounts owed to local authorities in respect of business rates and council tax and other creditors.

## Financial Instruments Disclosures

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

	At 31 March 2020 £'000	At 31 March 2021 £'000
<b>General Fund</b>		
Other Creditors	(1,421)	(802)
<b>TOTAL</b>	<b>(1,421)</b>	<b>(802)</b>

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

## 21. PROVISIONS

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

		Balance at 1 April £'000	Additions in Year £'000	Expenditure in Year £'000	Reversal £'000	Balance at 31 March £'000
2019/20	NNDR Appeals	(3,183)	(961)	149		(3,995)
	Adoption of Amenity Areas	(92)	(1)			(93)
<b>TOTAL</b>		<b>(3,275)</b>	<b>(962)</b>	<b>149</b>	<b>0</b>	<b>(4,088)</b>
2020/21	NNDR Appeals	(3,995)	(658)			(4,653)
	Adoption of Amenity Areas	(93)				(93)
<b>TOTAL</b>		<b>(4,088)</b>	<b>(658)</b>	<b>0</b>	<b>0</b>	<b>(4,746)</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. Due to the appeals being heard by an external party the Council is unable to determine the likely settlement date of any appeal, therefore the provision is recognised as long term rather than short term. See [Note 4](#) to the Collection Fund Accounts for further details.
- **Adoption of Amenity Areas** – repairs to a banked area of the M20 slip road at Junction 4.

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

These are grants and contributions received but which as yet have not been applied to revenue and capital projects. Those with conditions are treated as receipts in advance under long term liabilities and those without conditions are 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
2019/20	Better Care Fund	(284)	(137)				284	(137)
	Peter's Pit	(265)		(2)				(267)
	World of Pots	(105)				105		0
	Other	(413)	(67)	(1)	25	191		(265)
<b>TOTAL</b>		<b>(1,067)</b>	<b>(204)</b>	<b>(3)</b>	<b>25</b>	<b>296</b>	<b>284</b>	<b>(669)</b>
2020/21	Better Care Fund	(137)	(510)				137	(510)
	Peter's Pit	(267)						(267)
	Other	(265)	(161)	(1)	3	30	20	(374)
<b>TOTAL</b>		<b>(669)</b>	<b>(671)</b>	<b>(1)</b>	<b>3</b>	<b>30</b>	<b>157</b>	<b>(1,151)</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
2019/20	Hale Street	248		(248)		0
	Leybourne Lakes	741				741
	Other	321	13	(139)	(4)	191
	<b>TOTAL</b>	<b>1,310</b>	<b>13</b>	<b>(387)</b>	<b>(4)</b>	<b>932</b>
2020/21	Leybourne Lakes	741		(34)		707
	Other	191	5	(3)	(3)	190
	<b>TOTAL</b>	<b>932</b>	<b>5</b>	<b>(37)</b>	<b>(3)</b>	<b>897</b>

### 23. CAPITAL ADJUSTMENT ACCOUNT

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

	2019/20		2020/21	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>43,917</b>		<b>47,360</b>
<b>Capital Financing applied in year</b>				
Revenue	4,603		1,194	
Capital Grants & Contributions	725		83	
Capital Receipts	0		0	
Minimum Revenue Provision	0	5,328	0	1,277
<b>Reversal of items charged to the Comprehensive Income and Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,949)		(2,778)	
Impairment of Non-Current Assets	(118)		(64)	
Net Book Value of Assets Disposed	0	(3,067)	0	(2,842)
<b>Amounts Written-out of the Revaluation Reserve</b>				
Difference between fair value & historical cost depreciation	1,145		1,022	
Accumulated Gains on Assets Disposed	37	1,182	0	1,022
<b>Movement in the Fair Value of Investment Properties</b>		0		(1,787)
<b>BALANCE AT 31 MARCH</b>		<b>47,360</b>		<b>45,030</b>

## 24. REVALUATION RESERVE

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

	2019/20		2020/21	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>43,970</b>		<b>48,351</b>
<b>Surplus / (Deficit) on Revaluation not posted to the (Surplus) / Deficit on the Provision of Services</b>				
Upward revaluations	8,936		1,425	
Downward revaluations / impairments	<u>(3,373)</u>	5,563	<u>(1,249)</u>	176
<b>Amounts Written-Off to the Capital Adjustment Account</b>				
Difference between fair value & historical cost depreciation	(1,145)		(1,022)	
Accumulated gains on assets sold or scrapped	<u>(37)</u>	(1,182)	<u>0</u>	(1,022)
<b>BALANCE AT 31 MARCH</b>		<b>48,351</b>		<b>47,505</b>

## 25. RECONCILIATION OF OPERATING ACTIVITIES CASH FLOW

	2019/20		2020/21	
	£'000	£'000	£'000	£'000
<b>(Surplus) / Deficit on Provision of Services</b>		<b>1,862</b>		<b>1,103</b>
less <b>Non-Cash Transactions included within Comprehensive Income &amp; Expenditure Statement</b>				
Depreciation & Amortisation of Non-Current Assets	(2,949)		(2,778)	
Impairment of Non-Current Assets	(118)		(64)	
Service Cost	(3,473)		(2,617)	
Administration Expenses	(51)		(66)	
Net Interest on Defined Benefit Liability	(1,328)		(1,265)	
Unrealised Gains / Losses on Property Invest Funds	(155)		(67)	
Movement in the Fair Value of Investment Properties	0		(1,787)	
Provision Set Aside in the Year	(813)		(658)	
Grants & Contributions in Advance / Unapplied	101	<b>(8,786)</b>	(516)	<b>(9,818)</b>
plus <b>Cash Transactions excluded from Comprehensive Income &amp; Expenditure Statement</b>				
Employer's Pension Contributions	2,837	<b>2,837</b>	2,908	<b>2,908</b>
plus <b>Items on an Accruals Basis</b>				
Increase / (Decrease) in Investments	(6,979)		(5,084)	
Increase / (Decrease) in Inventories	(3)		(2)	
Increase / (Decrease) in Debtors	(872)		3,070	
(Increase) / Decrease in Creditors	<u>(4,013)</u>	<b>(11,867)</b>	<u>(8,457)</u>	<b>(10,473)</b>
less <b>Items Classified in Another Classification in the Cash Flow Statement</b>				
Proceeds from Short-Term & Long-Term Investments	29,000		34,000	
Purchase of Short-Term & Long-Term Investments	(22,000)		(29,006)	
Gain / (Loss) on Disposal of Non-Current Assets	0		0	
Capital Grants & Contributions	351	<b>7,351</b>	51	<b>5,045</b>
<b>NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(8,603)</b>		<b>(11,235)</b>

## 26. RELATED PARTY TRANSACTIONS

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

### United Kingdom Central Government

United Kingdom Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are included in the subjective analysis in [Note 7](#) on segmental reporting and in the analysis of grant income in [Note 14](#).

### Members and Chief Officers

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

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

The Council make a number of appointments of Councillors to local outside bodies to act as the Council's representatives. During 2020/21 the Council funded some of these organisations the total sum of £1,409,000 (2019/20: £706,000). The increase is due to the financial support provided to Tonbridge and Malling Leisure Trust following the imposition of 'lockdown' measures in response to Covid-19.

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

Returns were received from all but 8 non-executive members of 54 Councillors elected as at the end of the 2020/21 financial year and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosure in the Accounts.

## 27. MEMBERS' ALLOWANCES

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

	2019/20	2020/21
	£'000	£'000
Basic Allowance	271	277
Special Responsibility Allowance	97	102
Travel & Subsistence Expenses	2	0
Carers Allowance	0	0
Mayor's & Deputy Mayor's Allowance	3	2
Members' National Insurance Contributions	7	7
<b>TOTAL</b>	<b>380</b>	<b>388</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 Kings Hill and Tonbridge Castle offices.

## 28. EXTERNAL AUDIT FEES

The Council's auditors are Grant Thornton UK LLP. The Council incurred the following fees relating to external audit carried out during 2020/21.

	2019/20	2020/21
	£'000	£'000
External audit services	48	49
Certification of grant claims and returns	18	18
<b>TOTAL</b>	<b>66</b>	<b>67</b>

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

## 29. CONTINGENT LIABILITIES

### Private Finance Initiative

In 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The scheme's assets are shown on Kent County Council's Balance Sheet and are being funded by Private Finance Initiative credits paid to the County Council over a thirty-year period. In the event of the scheme ceasing due to force majeure the Council will be liable for an estimated £0.78 million, as at year 20 of the scheme. However, the risk of this occurring as at 31 March 2021 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 council tax and non-domestic rates, and illustrates the way in which these have been distributed to central government, precepting authorities and the General Fund as appropriate. The Collection Fund is consolidated with the other accounts of the billing authority.

### INCOME AND EXPENDITURE ACCOUNT

Council Tax £'000	2019/20 NNDR £'000	Total £'000		Council Tax £'000	2020/21 NNDR £'000	Total £'000
			<b>Income</b>			
94,062	59,414	153,476	Billed to Tax Payers	98,613	35,787	134,400
		0	Contribution towards Previous Years' Collection Fund Deficit			0
<b>94,062</b>	<b>59,414</b>	<b>153,476</b>	<b>Total Income</b>	<b>98,613</b>	<b>35,787</b>	<b>134,400</b>
			<b>Expenditure</b>			
66,037	5,021	71,058	Precepts and Demands			
			Kent County Council	69,416	5,157	74,573
9,816		9,816	Police & Crime Commissioner for Kent	10,436		10,436
3,952	558	4,510	Kent & Medway Fire & Rescue Authority	4,073	573	4,646
10,647	22,315	32,962	Tonbridge & Malling Borough Council	11,019	22,918	33,937
2,923		2,923	Parish Councils	3,131		3,131
	27,893 (174)	27,893 (174)	Central Government		28,648	28,648
			Transitional Protection		525	525
1,049	2,173	3,222	Contribution towards Previous Years' Collection Fund Surplus	459	2,058	2,517
173 (171)	362 0	535 (171)	Amounts Written-Off	115	15	130
	2,403 (371)	2,403 (371)	Provision for Non-Payment	845	420	1,265
	161	161	Provision for Appeals not Paid		1,646	1,646
			Appeals Paid in Year			0
			Cost of Collection Allowance		158	158
<b>94,426</b>	<b>60,341</b>	<b>154,767</b>	<b>Total Expenditure</b>	<b>99,494</b>	<b>62,118</b>	<b>161,612</b>
<b>(364)</b>	<b>(927)</b>	<b>(1,291)</b>	<b>Surplus / (Deficit) for the Year</b>	<b>(881)</b>	<b>(26,331)</b>	<b>(27,212)</b>
1,016	2,732	3,748	Balance B/fwd at 1 April	652	1,805	2,457
<b>652</b>	<b>1,805</b>	<b>2,457</b>	<b>BALANCE C/FWD AT 31 MARCH</b>	<b>(229)</b>	<b>(24,526)</b>	<b>(24,755)</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:

	2019/20 £	2020/21 £
Kent County Council	66,037,317	69,415,604
Police & Crime Commissioner for Kent	9,816,001	10,436,023
Kent & Medway Fire & Rescue Authority	3,951,811	4,073,208
Tonbridge & Malling Borough Council	10,646,917	11,019,064
	90,452,046	94,943,899
Parish Councils	2,923,122	3,130,729
<b>TOTAL</b>	<b>93,375,168</b>	<b>98,074,628</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	2019/20 Multiplier	Band D Equivalent Dwellings	Estimated no. of Properties	2020/21 Multiplier	Band D Equivalent Dwellings
Disabled A	3.75	5/9ths	2.08	3.75	5/9ths	2.08
A	936.21	6/9ths	624.13	921.89	6/9ths	614.59
B	2,716.54	7/9ths	2,112.86	2,698.24	7/9ths	2,098.63
C	12,508.08	8/9ths	11,118.29	12,668.66	8/9ths	11,261.03
D	11,916.69	9/9ths	11,916.69	12,078.83	9/9ths	12,078.83
E	8,457.05	11/9ths	10,336.39	8,518.58	11/9ths	10,411.60
F	4,929.73	13/9ths	7,120.72	4,984.85	13/9ths	7,200.34
G	4,538.29	15/9ths	7,563.81	4,600.61	15/9ths	7,667.68
H	399.78	18/9ths	799.56	409.27	18/9ths	818.54
			51,594.53			52,153.32
Estimated Collection Rate			98.50%			98.50%
<b>COUNCIL TAX BASE</b>			<b>50,820.61</b>			<b>51,371.02</b>

## Band D Council Tax

	2019/20 £	2020/21 £
Kent County Council	1,299.42	1,351.26
Police & Crime Commissioner for Kent	193.15	203.15
Kent & Medway Fire & Rescue Authority	77.76	79.29
Tonbridge & Malling Borough Council	209.50	214.50
	<u>1,779.83</u>	<u>1,848.20</u>
Parish Councils (average)	57.52	60.94
<b>TOTAL</b>	<b>1,837.35</b>	<b>1,909.14</b>

This basic amount of council tax for a Band D property of £1,848.20 for 2020/21 (2019/20: £1,779.83) is multiplied by the proportion specified within the *Local Government Finance Act 1992* for the particular band to give an individual amount due. In addition to this, charges are made specifically in relation to the precepts of Parish Councils.

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

Non-domestic rates are organised on a national basis. The Government specified a “rate poundage” of 51.2p (2019/20: 50.4p) for large businesses or 49.9p (2019/20: 49.1p) for small businesses in 2020/21 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 £35,262,000 for 2020/21 (2019/20: £59,588,000) is based on the total rateable value for the Council’s area which at the year-end was £139,977,378 (2019/20: £142,429,848). The reduction in income is largely due to Covid-19 related business rates relief measures.

## 3. IMPAIRMENT ALLOWANCE

	2019/20			2020/21		
	Council Tax £'000	NNDR £'000	Total £'000	Council Tax £'000	NNDR £'000	Total £'000
Balance at 1 April	1,771	300	2,071	1,600	300	1,900
Write-Offs	(173)	(362)	(535)	(115)	(15)	(130)
Contribution to Allowance	2	362	364	960	435	1,395
<b>BALANCE AT 31 MARCH</b>	<b>1,600</b>	<b>300</b>	<b>1,900</b>	<b>2,445</b>	<b>720</b>	<b>3,165</b>

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

An assessment has been made of the potential liability of valuation appeals arising from business rate premises in respect of monies received by the Council up to 31 March 2021. This provision has been based upon information received from the Valuation Office Agency for appeals lodged up to 31 March 2021 and an element for appeals in respect of monies received in 2020/21 but no appeal has yet been lodged. The total amounts are shown in the table under [Note 6](#) below.

#### 5. COLLECTION FUND SURPLUSES AND DEFICITS

The Borough Council is required to estimate the amount of the surplus or deficit on the Collection Fund for the financial year in respect of council tax and national non-domestic rates. The estimated surplus or deficit is then shared between the Kent County Council, Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority, Central Government and the Borough Council as appropriate. The estimated surplus for 2019/20 in respect of council tax was £459,604 and the estimated surplus for 2019/20 in respect of NNDR was £2,057,735. The actual deficit of £228,969 in respect of council tax and £24,526,014 in respect of NNDR at 31 March 2021 will be taken into account when estimating the surplus/deficit for 2021/22.

#### 6. ALLOCATION OF ARREARS, PREPAYMENTS AND OTHER BALANCES

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

	KCC £'000	PCC £'000	KMFRA £'000	Gov't £'000	TMBC £'000	Total £'000	
At 31 March 2020	Council Tax Arrears	3,193	474	189	654	4,510	
	Council Tax Provision for Bad Debts	(1,133)	(168)	(67)	(232)	(1,600)	
	Council Tax Prepayments & Refunds	(1,472)	(218)	(87)	(302)	(2,079)	
	Council Tax Cash	(126)	(19)	(8)	(26)	(179)	
	Council Tax (Surplus) / Deficit	(462)	(69)	(27)	(94)	(652)	
	NNDR Arrears	95		10	529	425	1,059
	NNDR Provision for Bad Debts	(27)		(3)	(150)	(120)	(300)
	NNDR Provision for Appeals	(899)		(100)	(4,994)	(3,995)	(9,988)
	NNDR Prepayments & Refunds	(80)		(9)	(445)	(357)	(891)
	NNDR Cash	1,353		120	5,682	4,769	11,924
NNDR (Surplus) / Deficit	(442)		(18)	(622)	(722)	(1,804)	
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
At 31 March 2021	Council Tax Arrears	4,192	628	249	1,244	6,313	
	Council Tax Provision for Bad Debts	(1,731)	(259)	(103)	(352)	(2,445)	
	Council Tax Prepayments & Refunds	(1,713)	(256)	(102)	(348)	(2,419)	
	Council Tax Cash	(910)	(138)	(53)	(577)	(1,678)	
	Council Tax (Surplus) / Deficit	162	25	9	33	229	
	NNDR Arrears	273		30	1,518	1,215	3,036
	NNDR Provision for Bad Debts	(65)		(7)	(360)	(288)	(720)
	NNDR Provision for Appeals	(1,047)		(116)	(5,817)	(4,654)	(11,634)
	NNDR Prepayments & Refunds	(194)		(22)	(1,080)	(864)	(2,160)
	NNDR Cash	(1,174)		(130)	(6,524)	(5,220)	(13,048)
NNDR (Surplus) / Deficit	2,207		245	12,263	9,811	24,526	
<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 Local Code of Corporate Governance which has been developed in consideration of the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's Code can be obtained from the Legal team. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations which requires all relevant bodies to prepare an Annual Governance Statement.

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

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

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

The governance framework has been in place at Tonbridge & Malling Borough Council for the year ended 31 March 2021 and up to the date of approval of this statement.

### **The governance framework**

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

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

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

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

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

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

and supported by strategies/policies relevant to Council activities that are made available to staff and the public via the Council's intranet and internet sites respectively. Where it is appropriate strategies/policies are allocated to a lead Officer who is responsible for their periodic review and updating.

#### Ensuring openness and comprehensive stakeholder engagement

The decision-making framework of the Council is set out in the Constitution including statutory functions and the scheme of delegation of responsibilities. The Constitution is kept under review by the Monitoring Officer and Management Team with any proposed changes presented to the Council for adoption where not delegated to the Monitoring Officer. The Cabinet are responsible for taking most operational decisions. Notices of Key Decisions are published in advance via a monthly bulletin on the Council's website. All Member meetings held by the Council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing and legal matters and those of a contractual nature.

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

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

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

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

The Council has published a Corporate Strategy. The Strategy sets out Our Vision: To continue to be a financially sustainable Council with strong leadership that delivers valued services, a commitment to delivering innovation and change to meet the needs of our Borough guided by our values and priorities: Achieving efficiency; Embracing effective partnership working and funding; Valuing our environment and encouraging sustainable growth; and Innovation. In 2020/21 a one-year addendum added to the Corporate Strategy to provide a framework within which to consider a wide range of issues in response to the Covid-19 pandemic and development of a future recovery plan.

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

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

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

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

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

The Corporate Strategy and in 2020/21 the one-year addendum provide a reference point for the actions we take to maintain and improve the services which are most important to the local community whilst taking into account a much reduced level of funding. The delivery of the Corporate Strategy and the one-year

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

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

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

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

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

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

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

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

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

Specific issues that required corporate ownership, action and monitoring in 2020/21 and identified as high risk areas on the Strategic Risk Register included the waste services contract, council finances, the Local Plan and County Council and Police and Crime Commissioner elections.

Throughout 2020/21 the Covid-19 pandemic had a profound impact across service areas, businesses and the wider community and continues to do so. We will not know the full extent of the impact for some time. In looking forward it is assumed that the reductions in income and increased costs seen as a result of the pandemic will in large part return to pre Covid-19 levels in the short to medium term. The extent and speed of the recovery will need to be closely monitored and to take corrective action if this is proved not to be the case.

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

The Council has an effective Internal Audit function which operates in line with proper practices; for 2020/21 this is governed by the Public Sector Internal Audit Standards and the CIPFA application note to the Standards. The Chief Audit Executive role meets the requirements as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Audit Committee are responsible for the Council's anti-fraud, bribery and corruption arrangements including whistleblowing. The Chief Audit Executive is responsible for the maintenance of the Council's Anti-Fraud, Bribery & Corruption Policy and Whistleblowing Policy and has arrangements and resources in place to investigate any allegations made under either document.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and comply with the CIPFA Financial Management Code principles of good financial management for an authority of its size, responsibilities and circumstances. The Council's financial information and reporting arrangements are sound and the external auditor following the 2019/20 audit concluded in all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

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

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

The annual Statement of Accounts reports the Council's financial performance and is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK and is subject to external audit. Included within the Accounts is an opinion given by the Council's external auditors on value for money through economic, efficient and effective use of resources.

The Review of Effectiveness of the System of Internal Audit for the year 2020/21 concluded that a good system of internal audit is in place within the Council.

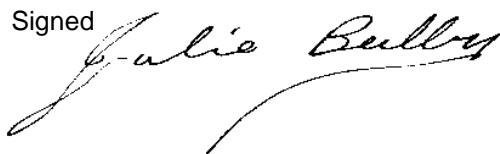
**Review of effectiveness**

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

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

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

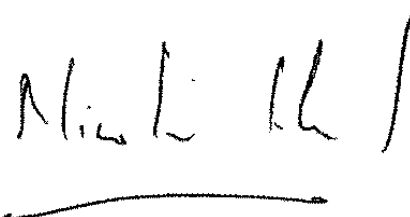
Signed



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

Dated 25 May 2021

Signed



Councillor N. J. Heslop  
Leader of the Council

Dated 25 May 2021

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

*Subject to audit*





**2020/21**