Tunbridge Wells Borough Council
Annual Financial Report
for 2015/16

Contents ***Page***

Contents | ***Page***

Narrative Report

1 Contents of the Financial Report

The Financial Report for 2015/16 consists of the following:

- This Narrative Report
- The Annual Governance Statement
- The Statement of Responsibilities, setting out the general responsibilities of both the Borough Council, and of the Director of Finance and Corporate Services, in making proper financial arrangements and in maintaining financial records.
- The Independent Auditor's report on the Statement of Accounts
- The Statement of Accounts, as outlined below.

2 The Statement of Accounts

This consists of:

- The core accounting statements:
    - **The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Account. These are different from the statutory amounts required to be charged to the General Fund Balance for tax setting purposes (see Note 5 for details). The line entitled "Net Increase/(Decrease) before Transfers to Earmarked Reserves" shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
    - **The Comprehensive Income and Expenditure 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. Councils raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
    - **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 grouping is of 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 (such as the Capital Receipts Reserve being restricted to fund capital expenditure or to repay debt). The second grouping includes reserves that hold unrealised gains or 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".
    - **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 the services provided by the Council. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute towards the Council's future service delivery. Cash flows arising from financing activity 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**, giving further detailed information.
- **The Collection Fund Statement**, together with notes to this account.

The accounting statements and notes are normally rounded to the nearest thousand pounds, the main exceptions being Note 12.4 (risk management for financial instruments), where amounts are in millions, and Note 17.1 (remuneration of senior management), where amounts are shown to the nearest pound. The headings in the tables indicate the level of rounding used.

The Statement of Accounts unavoidably uses a number of technical accounting terms, which are explained in Note 2 (accounting policies), and, where appropriate, in the commentaries to the other notes to the accounts.

3 End of Year Performance 2015/16

The Council uses a range of indicators to measure the performance of its strategic objectives (Corporate Priorities), and the day to day running of services (Council Business). The indicators that measure Corporate Priority performance assess each project through a series of 'milestones' that need to be achieved throughout the year. These milestones are measured on a quarterly basis, and those that are on target are given a green status.

A range of indicators are used to measure Council Business, varying from financial indicators that are used to assess performance on key income streams such as off-street parking, to usage targets, which measure levels of attendance at key discretionary services such as the Museum and Art Gallery and the Assembly Hall Theatre. Targets for these indicators are discussed with Directors and Heads of Service, and are set before the start of each new financial year.

The authority also continues to collect information for the Government's Single Data list, and monitors a range of indicators with no targets, that provide a picture of the state of the borough, such as the number of crimes per 1000 population and unemployment levels.

Corporate Priorities

Despite another challenging financial year, the Council has continued to perform well on its Corporate Priorities, with 15 out of 22 projects meeting all of their milestones for the year 2015/16. This is comparative with previous years, with 10 out of 14 projects in 2014/15 and 17 out of 24 projects in 2013/14 meeting their milestones.

Year	On Target
2013/14	71%
2014/15	71%
2015/16	68%

Those Corporate Priorities that have experienced delays are, in the main, Priorities where the Council is working in partnership with other organisations, or where contractors for developments have been engaged. Managing external relationships, whether contractual or in partnerships, has been recognised within the strategic risk register for 2016/17.

Council Business

Performance on the Council's core business measures, as reported to Cabinet, has been good across the year and fairly consistent with previous years, with 20 out of the 26 indicators with targets, achieving those targets by the end of the year. This compares with 22 out of 27 indicators on target for 2014/15 and 23 out of 28 indicators for 2013/14.

Year	On Target
2013/14	82%
2014/15	81%
2015/16	76%

Those indicators that have not performed are largely around delivering Planning Application decisions which are reported without taking into account any Extensions of Time agreed between the Council and applicant. The Council reports planning application processing performance with and without the inclusion of extensions of time to the CLG. The government uses statistics which take into account extensions of time to designate authorities as poor performing, a designation which carries a penalty of allowing applicants to apply direct to the Secretary of State for certain decision types. It can be seen below that the Council has exceeded the local and national target when extensions of time are taken into account, but has underperformed against target on applications without an extension of time.

	Major Applications %	Minor Applications %	Other Applications %	Major Applications %	Minor Applications %	Other Applications %
	With Extension of Time			Without Extension of Time		
Actual	96%	88%	90%	31%	64%	72%
Target	60%	70%	85%	60%	70%	85%
Over/(Under) Performance	**36%**	**18%**	**5%**	**(29%)**	**(6%)**	**(13%)**

The Planning Department has put specific measures in place to achieve the targets for decisions without extensions of time. These remain important targets as it is possible that the government will revert to measuring performance without agreed time extensions and it is likely that these would be applied retrospectively. The measures introduced include limited negotiations for small householder applications, focusing on clearing historic backlogs, and tightly managing applications and their target dates to prioritise those nearing their deadlines. The Council expects to be back on target for all three performance indicators by the last quarter of 2016/17.

The Planning Support Partnership commenced in June 2014 and is considered to be the main influence on the underperformance of planning application processing into 2015. The Council has now withdrawn from this partnership and will begin processing its own applications from July 2016. This issue again highlights emerging risks around how the authority manages an increasingly complex and diverse range of delivery mechanisms for service provision, including external partnerships.

Conclusion
Tunbridge Wells Borough Council has continued to perform well despite the recent cuts to funding and the challenging economic climate. A well educated and relatively wealthy population, and our proximity to London, brings with it challenges around resourcing services effectively, and managing the high expectations of residents in terms of the range of services provided.

The Council has embarked on an ambitious Development Programme to meet these expectations, and to help preserve the vibrant local economy, and over the course of this year will be moving from an ‘exploratory’ stage to a ‘delivery’ stage. Robust project milestones and performance indicators will need to be established to ensure the Council continues to deliver within existing financial constraints, to a standard that is expected by both Members and residents.

Alongside this, the Council will need to maintain its focus on delivering its day to day operations, and balancing quality and demand with reducing resources. A strong performance management system that is up-to-date and fit for purpose can help to achieve this, and a review of the Five Year Plan and the performance management system will take place in 2016, ready for the 2017/18 financial year.

4 Net Revenue Outturn figures for 2015/16

Introduction

The table below sets out the net expenditure for the year compared to budget.

	Approved Budget	**Outturn**	**Variance**
	£000	£000	£000
Chief Executive			
Chief Executive	169	167	(2)
	169	**167**	**(2)**
Finance & Corporate Services			
Director of Finance & Corporate Services	130	134	4
Finance & Procurement	1,339	1,516	177
Mid-Kent Client Services	2,560	2,359	(201)
Policy and Governance	691	693	2
Business Support	1,222	1,059	(163)
	5,942	**5,761**	**(181)**
Change & Communities			
Director of Change & Communities	61	87	26
Human Resources	315	310	(5)
Customers and Communities	(33)	(719)	(686)
Partnerships and Engagement	1,465	1,410	(55)
Digital Services & Transformation	419	402	(17)
	2,227	**1,490**	**(737)**
Planning & Development			
Director of Planning & Development	139	141	2
Environment & Street Scene	5,769	5,405	(364)
Economic Development	(1,738)	(1,620)	118
Planning	1,452	1,562	110
	5,622	**5,488**	**(134)**
Cost of Services	**13,960**	**12,906**	**(1,054)**
Accounting Adjustments	(537)	(537)	-
Parish Council Precepts	1,987	1,987	-
Interest payable	270	269	(1)

Interest receivable	(990)	(975)	15
Capital expenditure from revenue	2,909	2,909	-
Transfer to (from) earmarked reserves	(2,665)	(1,728)	937
Net Expenditure	**14,934**	**14,831**	**(103)**
General Government Grants	(3,955)	(4,640)	(685)
Business Rates from Collection Fund	(2,155)	(1,598)	557
Council Tax from Collection Fund	(8,824)	(8,824)	-
Balance transferred (to) General Fund	**-**	**(231)**	**(231)**

Commentary

The Directorate Cost of Services actual outturn shows an underspend to the balanced budget of £1,054,000, a considerable achievement considering the continuing reductions in government grants. Some of this surplus to budget was transferred into earmarked reserves to mitigate against potential future risks and £231,000 was returned to the General Fund where it can be used to fund capital investment or revenue expenditure in the future.

Within the Cost of Services figures, there are some significant positive and negative variances worthy of note. Those affecting income are:

- Parking income was £449,000 above budget, but only £76,000 above the outturn for last year. The final quarter of 2014/15 surpassed budget, but the 2015/16 budgets were set too early to recognise this additional income. Car park prices remained unchanged for 2015/16 and the economy is now holding steady, keeping the parking income stable.
- Planning Application fee income was £199,000 below budget and £216,000 lower than last year. Whilst the number of small planning applications has remained steady, the receipt of larger applications, which generate significant income, fluctuate considerably from year to year. 2015/16 has seen a reduction in these large applications when compared to last year.
- Crematorium income was £137,000 above budget, up £76,000 on last year. Following requests by customers and Funeral Directors, the length of time allocated to each service was lengthened and the price increased accordingly. There were also a small number of shorter, cheaper, time allocations created for simple funerals. These changes have been well received and continue to be so.
- The Assembly Hall enjoyed an extensive refurbishment in 2015/16, which has subsequently improved revenue receipts. However, the subsidy provided to the theatre needed to be increased by £58,000 in year, to cover net revenue foregone whilst the renovations were being undertaken.

Those affecting costs are:

- A one-off Business Rates refund of £122,000 was received for the Town Hall following a successful appeal.
- Each of the Mid Kent Partnerships has made a saving on budget this year. They have been actively process re-engineering to benefit from joint working and this has saved a total of £226,000 in 2015/16.
- Capital investment in new LED lighting for the Royal Victoria Place car park last year has generated electricity savings of £65,000 this year. The council is very keen to use its reserves to fund assets that reduce revenue expenditure into the future.
- The Council has previously been awarded recycling credits by Kent County Council, but these have now been substantially reduced, increasing our net cost of waste collection by £50,000 this year.

Net interest was £14,000 below budget, quite an achievement in an environment where good rates of interest are increasingly difficult to obtain. Whilst the council budgeted for an ambitious 2.15%, only 1.95% was achieved on investments and bank interest. Fortunately, the council's investment in the property development fund has generated dividends at 5.5% which has helped to balance the interest budget.

Business rates from the collection fund were greater than budget by £82,000. On the 1st April 2013 the government introduced the Business Rates Retention Scheme. The intention was to encourage economic growth and support localism by allowing Councils to benefit from the growth of business rates in their areas. However, Councils were also given responsibility for any liabilities resulting from reductions in rateable values following appeals, and the setting of those rateable values remained the responsibility of the Valuation Office. TWBC still has appeals outstanding on some businesses with high rateable values and if they are substantially reduced, they could adversely affect the Councils share of retained business rates in the future. The Government also continues to change legislation which directly affects the Councils Business Rates income. So, the Council established a Grant Volatility Earmarked reserve to mitigate against these risks and also the risks to other government grants, which are generally set annually after our budget process has been completed. Surpluses to budget achieved from the Business Rates Retention Scheme have been transferred into this reserve. Unfortunately, due to the very late announcement of significant grant reductions for 2016/17, the Council has needed to use £160,000 to balance the 2016/17 budget. Our prudent approach has given us time to make practical decisions about where the budget savings can be sensibly affected.

Other transfers to reserves include £547,000 to the Invest to Save reserve for improvements to car parks and to make funding available for other revenue generating capital investments for the future.

All of the hard work the Council has undertaken to become more efficient, grow revenue and provide value for money has enabled the Council to achieve this surplus, albeit that some is from one-off windfalls, such as the Business Rates refunds. There is every indication that Government funding will continue to be reduced into the future but this Council is in a strong position to meet these future financial challenges.

5 Capital Programme and Outturn for 2015/16

The Council's Capital Programme was approved at the Cabinet meeting of 26 February 2015, and approved a gross budget of £9,537,000. In net terms after allowing for specific funding, the amount to be met from sale of assets or from the Capital and Revenue Initiative Reserve was £5,045,000. The table below shows how this changed during the year from additional approvals, deletions and reductions, and from spending moving to and from the next financial year.

	Gross	**Income**	**Net**
	£000	£000	£000
Original approved gross capital programme	9,537	(4,492)	5,045
Approvals added or increased	12,069	(9,716)	2,353
Approvals deleted or reduced	(4,195)	1,982	(2,212)
Deferred to 2016/17	(12,158)	9,700	(2,458)
Brought forward from 2016/17	359	(217)	141
Actual expenditure 2015/16	**5,612**	**(2,743)**	**2,869**

Reductions and deferrals mainly related to the Council's Asset Acquisition Fund scheme, which at the start of the year stood at £11m, and which is only intended to be used if and when suitable property opportunities arise.

The largest single schemes were: work on Grosvenor and Hilbert Park (£1,866,000), Assembly Hall Improvements (£1,172,000), John Street Car Park (£1,124,000) and Disabled Facilities Grants (£552,000).

The Council obtained a total of £151,000 from the sale of assets, as part of a continuing programme to review its asset base and to obtain the best price in the market when sale is appropriate.

6 Liability for Pension Costs

The Council's net liability for future pension costs stood at £55.4m at 31 March 2016, a decrease of about £6.1m from the previous year. The main reason for the decrease is an increase of 0.4% in the rate for discounting the scheme liabilities. Every 0.1% increase in the discount rate creates a reduction of £2.1m in liability. The deficit is measured correctly in line with accounting standards, which, for example, measure the value of the assets held by the Pension Fund according to their market value at 31 March 2016, rather than assessing the likely income over the period in which the benefits will be paid.

The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

7 Material and Unusual Charges in the accounts

There were no material charges to the accounts, although one matter should be noted:

Government announced legislation change surrounding business rates appeals in the Autumn Statement 2014, for which this Council has liability for 40% of the cost (see paragraph 4 above). Previously, if an appeal was successful the refund would be backdated to the date of the last valuation, which was 1st April 2010. From the 1 April 2015, however, if an appeal is lodged, it should only be backdated to the 1 April 2015. Whilst this may be positive in the long run, as it limits future potential liabilities to the Council, the impact on the 2014/15 accounts was a significant increase in the amount of speculative appeals made in the 3 months prior to the deadline. The provision for these appeals being successful was therefore increased by £1.272m in the year, £509,000 of this being the charge to the Council. However, in this financial year, it has become apparent that a significant number of appeals, lodged in the final few days of March 2015, had been omitted from the Valuation Office report as of the 31 March 2015. Insufficient provision had therefore been made in the 2014/15 accounts for these appeals. Consequently, the provision for appeals has increased by a further £2.603m, of which £1.041m is charged to the Council.

8 Changes to Accounting Policies

Note 1 to the Statement of Accounts explains the changes to accounting policies that have been adopted for 2015/16 and also those which have not yet been included in the accounting Code of Practice. For 2015/16 there have been no changes with any impact on the figures in the Statement of Accounts.

9 Revenue budget for 2015/16 and beyond

The table below summarises planned net expenditure on services for 2016/17 compared to 2015/16, and shows how this is funded from government grants and council tax. This shows that there is a net budget of £108,000 being returned to reserves from revenue. This is made up of returns to the reserves of £215,000 pensions settlement revenue saving from a one-off payment made to the Kent Pensions Fund in 2012/13, £25,000 insurance saving from the contract renewal to cover policy excess increases and £28,000 for the interest from the "Lend a Hand" mortgage scheme. A withdrawal of £160,000 is being made from the Grant Volatility Reserve, a reserve set up to help smooth unexpected grant fluctuations.

	Budget 2015/16	**Budget 2016/17**	**Budget Change**
	£000	£000	£000
Chief Executive	152	150	(2)
Finance & Corporate Services	6,464	6,629	165
Change & Communities	707	459	(248)
Planning & Development	5,713	6,149	436
Net Expenditure on Services	**13,036**	**13,387**	**351**
Net Interest Receivable	(656)	(681)	(25)
Net Expenditure by Borough Council	**12,380**	**12,706**	**326**
General Grants & Non-Domestic Rates	(6,044)	(5,691)	353
Council Tax	(6,836)	(7,123)	(287)
Income from Grants & Council Tax	**(12,880)**	**(12,814)**	**66**
Net withdrawal from/(contribution to) earmarked reserves	**(500)**	**(108)**	**392**

It should be noted that the services expenditure figures above are shown purely on a funding basis and therefore exclude adjustments between accounting and funding bases as set out in Note 5 to the Statement of Accounts.

The table below shows the main variances in planned services expenditure from 2015/16 to 2016/17.

Reasons for Major Variances	**£ 000's**
Increase in National Insurance from Pension Reform	241
Development Programme Additional Staff Resourcing	550
Increased Usage of Car Parks	(320)
Increase in Crematorium Income	(117)
Other small increases/decreases in income and expenditure	(3)
Increase in Net Interest Receivable	(25)
Difference in Net Expenditure by Borough Council	**326**
Reductions in Government Grants	353
Council Tax increase of 3.1% and Increased Tax Base	(287)
Difference in Income from Grants & Council Tax	**66**
Difference in Net Withdrawal from/(contribution to) Earmarked Reserves	**392**

Beyond 2016/17 the Council intends to continue its commitment to balance the revenue budget without the use of reserves. Its projections assume that Council Tax will be increased by 3.0% in 2017/18 and that fees and charges will rise by an average of 3% each year. A further reduction in Government Revenue Support Grant of £632,000 is however, expected for 2017/18.

10 Capital Programme 2016/17 to 2018/19

At their meeting of 11 February 2016 Cabinet approved a new capital programme covering the years 2016/17 to 2018/19. This was subsequently amended by deferrals from and to 2015/16 and by some additions and deletions approved at the meeting of 22 June 2016. The adjusted capital programme is summarised below:

	Reserves	Borrowing	Govt. Grants	Other grants & contribs.	Total
	£000	£000	£000	£000	£000
2016/17					
Kevin Lynes Site	2,540	-	-	-	2,540
John Street Car Park	1,283	-	-	-	1,283
Asset Acquisition Fund	-	9,000	-	-	9,000
Disabled Facilities Grants	81	-	519	-	600
Public Realm Improvements	288	-	-	392	680
Cultural Hub	336	-	-	179	515
Car Parks Payment System	205	-	-	-	205
CCTV Hub	195	-	-	-	195
North Farm Depot	156	-	-	-	156
Other schemes	1,518	-	196	228	1,942
Total	**6,602**	**9,000**	**715**	**799**	**17,116**
2017/18 to 2018/19					
Public Realm Improvements	300	-	-	608	908
Disabled Facilities Grants	162	-	1,038	-	1,200
Other schemes	401	-	-	-	401
Total	**863**	**-**	**1,038**	**608**	**2,509**
Total approved programme	**7,465**	**9,000**	**1,753**	**1,407**	**19,625**

11 Borrowing

During 2010/11 the Council investigated the possibility of purchasing properties for the purposes of investment and possible future use by the Council. To put itself in a position to bid for and complete the purchase it borrowed £20m from the Public Works Loan Board. Provision has been made in the capital programme for such purchases, but none have been made to the end of 2015/16. The borrowing, therefore, has not yet been used to finance any capital expenditure. Instead the money made available has been put into planned investments.

The Council is making repayments of this loan of £2m each year, and is able to do this by ensuring that the right level of its corresponding investments expire in time to make the repayment. The Council continues to have the choice of repaying the money early, or spending it on further planned property purchases, as shown in the Asset Acquisition Fund in Note 10 above.

12 Material events after reporting date

No events have arisen after 31 March that would impact on the accounting statements or on the Council's overall financial position.

13 Impact of current economic climate

Overall 2015/16 proved to be yet another challenging year as the Council was required to manage a further reduction in core government grant, bringing the total reduction following the 2010 Spending Review to 44 per cent, which translates as a cash reduction of £2.9 million. The Council has continued to operate within the parameters of the Medium-Term Financial Strategy, which ensures the delivery of the Council's priorities. The Council also commissioned a residents' survey in which 73 per cent of residents agreed that the Council provides value for money. This is reassuring, as despite the cuts to funding and the demands from an increasing population, residents have expressed one of the highest 'value for money' approval scores in the country.

Through the identification of further savings and increased partnership working the Council was able to set a balanced revenue budget for 2015/16 without the use of general reserves. This was made possible by the Council taking a more strategic view in reducing costs, which has ensured that savings are delivered on a sound basis and that there are no unintended consequences to service delivery.

The foresight to diversify the investment of reserves away from purely interest rate dependent cash deposits into a property fund has proved to be particularly well-timed, achieving both greater levels of return and capital growth.

The strategic decision to invest directly in some of the Council's assets is underway whilst at the same time the local property market continues to show positive growth. Local developers are reporting very strong interest in the first major new housing schemes for some time, so much so that only limited numbers of properties are being released for sale at a time with subsequent releases resulting in even higher prices. The glossy brochures produced by the developers that are successfully attracting large numbers of people looking to move into the borough highlight the attractive environment and facilities of the borough (which are nearly all provided or funded as discretionary services by the Council).

Through the culture of rigorous budget management, investing in digital technology and adapting services to reflect the needs of local businesses the Council was able to come in under budget and transfer savings to reserves. This will help to prepare for when the government ceases to provide any revenue support grant and the Council will be more reliant on the share of retained business rates.

The national economy continued to improve with the Organisation for Economic Co-operation and Development (OECD) forecasting that the UK will grow faster than any other G7 economy. Despite the dramatic reductions in funding experienced by Local Government, the National Government's budget is still being set with a deficit, although the plan is to arrive at a budget surplus in 2019/20. The headline inflation rate came in under the Bank of England's target of 2.0 per cent. However the cost of providing local services in an expensive and thriving area such as the Tunbridge Wells Borough, does bring its own challenges regarding the ability of the Council and contractors to recruit and retain staff. This is a particular pressure for services where fees are set nationally by the Government, and for the Council, results in planning and licensing application fees not covering the Council's costs for processing and determination.

Locally, economic activity continues to hold up well, although the net impact on the Council's income streams is rather mixed. The Council was able to support a number of initiatives that have benefitted local businesses and residents such as the Ice Rink, the Local Authority Mortgage Scheme and improvements to the public realm. Despite the unprecedented external challenges faced by Local Government, the Council's proactive financial management ensured that services were provided as planned, and the Council still holds a sufficient level of reserves which are needed to invest in existing and new community assets.

The Borough has the lowest unemployment rate in Kent at just 0.7 per cent as at March 2016 and residents have relatively high median earnings of £29,400.

Following the Parliamentary election in 2015 the Government published its Spending Review 2015, which set out even more drastic cuts in funding for Local Government as the number of protected Central Government departments have been increased. The impact for this Council is a dramatic cut of 49 per cent in the settlement funding for 2016/17 over the amount received for 2015/16. However, the financial performance of the Council in 2015/16 places it on a sound financial footing to manage the implications of the latest Spending Review, whilst still delivering the broad range of services expected from a successful and growing Borough.

Annual Governance Statement

Scope of responsibility

1. Tunbridge Wells Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and correctly 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 exercised, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging this overall responsibility, Tunbridge Wells Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, including arrangements for the management of risk.

3. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE[1] Framework: '*Good Governance in Local Government'*. A copy of the code is available on our website or can be obtained from John Scarborough, Monitoring Officer. This statement explains how Tunbridge Wells Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, which requires all relevant authorities to prepare an Annual Governance Statement. This statement builds on last year's Annual Governance Statement and the revised CIPFA/SOLACE guidance note published in Autumn 2012 to accompany the framework. Changes outlined within this statement have been made to enhance, not replace, existing arrangements for governance.

The purpose of the governance framework

4. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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, cost-effective services.

5. 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 Tunbridge Wells Borough Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

6. The governance framework has been in place at Tunbridge Wells Borough Council during the year ended 31 March 2016 and up to the date of approval of the Financial Report.

The application of the governance framework

7. CIPFA and SOLACE have together undertaken extensive research and consultation to produce a framework for delivering good governance in local government. The principles and standards set out in the framework are aimed at helping local authorities improve their performance; giving local people better local services; and providing stronger leadership for communities. The framework sets out six principles as follows:

   - focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
   - members and officers working together to achieve a common purpose with clearly defined functions and roles;
   - promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
   - taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
   - developing the capacity and capability of members and officers to be effective; and
   - engaging with local people and other stakeholders to ensure robust public accountability.

8. The framework also encourages local authorities to test their structures against these principles by:

   - reviewing their existing governance arrangements against the framework;
   - developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness; and

[1] CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives)

- preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

9. This statement takes each of these principles in turn and assesses the authority's compliance and performance together with any issues that need to be addressed.

<u>Focus on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</u>

10. The Council's '*Vision 2026 – Enhancing the Quality of Life for All'* was refreshed at the end of 2013-14 and replaced with Our Five Year Plan 2014-2019. This was adopted by Full Council in April 2014 and aligned with the Council's Medium Term Financial Strategy to set out a realistic and achievable plan for the authority over the following five years.

11. The 'Strategic Compass' aligns with the Council's Five Year Plan, setting out our corporate commitments to staff and elected members. The 'Strategic Compass' adopts a balanced scorecard approach and encapsulates all priorities in relation to the community, customers, staff and the provision of value for money.

12. The Council's approach to strategic, financial and service planning is integrated. The Corporate Five Year Plan was developed in parallel with the Medium Term Financial Strategy update and the Strategic Compass and annual programme of community projects align with our annual updates of the Corporate Priorities, Asset Management Plan and Budget. These documents make clear what are priority and non-priority issues and inform the allocation of resources on an annual basis.

13. The Council devised a timetable for corporate and financial planning in 2006 which ensures that service plans are produced having regard to overall strategic priorities and financial plans, and that these priorities and plans are informed by service-specific issues, developments and constraints. The timetable also provides considerable time for consultation, evaluation and options appraisal. The revenue budget, earmarked reserves and a four-year rolling capital programme are agreed annually and set out spending plans in line with the Council's priorities.

14. The Cabinet (and other committees of the Council) receive quarterly reports on the progress made against our Five Year Plan (our political priorities) as well as how we perform against our key performance indicators, resources and governance arrangements. The Council's extended senior management team consider a range of indicators relating to performance, finance, customer care and sickness absence on a quarterly basis drawn from the Council's performance management system.

<u>Members and officers working together to achieve a common purpose with clearly defined functions and roles</u>

15. The Council's Constitution, as approved by the Full Council, clearly sets out the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear descriptions of delegations. It includes a Protocol on Member/Officer Relations, and a range of communication tools have been developed, including staff conventions, weekly councillor e-mail briefings, regular Management Board/Cabinet meetings, and member briefing sessions (see below under training).

<u>Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</u>

16. The Council has adopted a Code of Corporate Governance which has been prepared in accordance with the principles outlined in the CIPFA/SOLACE publication of 2007 and the guidance note of Autumn 2012. The Council has also adopted codes of conduct for members and officers. Training has been provided on the various codes and this has been supplemented with written guidance and member briefings. Officers and members are required to declare interests that may impact on the Council's decision-making process. In those circumstances where Members or Officers have a pecuniary or other significant interest they withdraw from the decision making process. These interests are held on a register and reviewed on a regular basis by the Monitoring Officer. The register of Member Interests is also published on the Council's website.

17. In May 2015 the Council's Internal Audit service issued a weak assurance rating against the officers part of this process. Although, Mid Kent Legal are revising the process, that work is not yet fully complete.

18. The Council's Constitution is kept under review by the Monitoring Officer and the Audit and Governance Committee. Changes are prepared through the Constitutional Review Working Party (CRWP) with the most recent proposed changes being agreed by the Audit and Governance Committee in June 2015 and March 2016.

19. All members and officers are under a duty to ensure that they comply with the relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. Mechanisms are in place to ensure compliance including a scheme of delegation, authorisations and an active Internal Audit function. Awareness is maintained through regular

briefings and information posted on the intranet as well as a comprehensive induction programme for councillors and staff.

20. The Council operates a Confidential Reporting Code (also known as a Whistle-Blowing Charter) which is attached to the Council's Constitution. The Council wants all its officers and members to be part of the drive towards exemplary standards in public life and the policy is designed to promote a culture of honesty and openness, and to reassure anyone who feels that their position might be threatened if they speak up. The policy includes a promise from senior officers to treat seriously claims made in good faith; that claims will be investigated; that the complainant will be informed of the outcome of the investigation; and that no one will suffer any disciplinary action if they make a complaint in good faith. The Code is available on the intranet and a briefing paper has been circulated to all staff as part of the Corporate Briefing process with links to relevant external agencies.

<u>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</u>

21. The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is continually reviewed to ensure that it is fit for purpose. The most recent version of the Council's Constitution can be found on the Council's website at:

    http://www.tunbridgewells.gov.uk/council/councillors-and-meetings/how-the-council-works/council-constitution

22. Under the terms of the Constitution, the whole Council is responsible for the determination of the policy and budget framework.

23. The Council has a proud and long record of being transparent about where public money is spent. For many years the Council has made public details of senior officers' salaries within the published Statement of Accounts, and as part of the annual audit it has always been possible for the public to request to see further information on the various vouchers which support the figures. Indeed the press often come in and trawl through the detailed documents.

24. The Council also places a notice every year in the local press so that the public can see the value of allowances and expenses paid to every member of the Council.

25. The Council has been at the forefront of making it even easier to see where it spends taxpayers' money. With this regard the Council embraced the transparency agenda of the Coalition Government. This is just the start, and further publication of financial information will follow where there is a public appetite.

26. It is hoped that such wide publication of information will turn the tide on the increasing number of bespoke and blanket freedom of information requests from the media which continue to demand significant resources to administer.

27. The Council's Cabinet is responsible for shaping and ensuring the delivery of the Council's day-to-day services within the parameters of the Strategic Plan and Budget. A Forward Plan of Key Decisions is published to enable consideration to be given by other elected members, stakeholders and the public. Cabinet meets regularly in public. Further details of individual Cabinet members and Cabinet as a whole (including links to agendas and minutes) can be found on the website:

    http://www.tunbridgewells.gov.uk/council/councillors-and-meetings/how-the-council-works/governance-of-the-council

28. The Council introduced new Standards Arrangements, in accordance with the Localism Act 2011. It was decided to allocate the functions of the Standards Committee to the Audit Committee to form an Audit and Governance Committee which assists the Council in assuring its overall governance framework. This committee includes independent members who have been very effective in providing challenge on a range of governance issues. The Audit and Governance Committee have produced annual reports which provide further details of their work.

29. The Council's Overview and Scrutiny function is discharged by an Overview and Scrutiny Committee. The committee undertakes special policy reviews, and through the 'call-in' process challenge the decisions made by Cabinet.

30. Further details of the membership and work of these committee can be found on the website:

    http://democracy.tunbridgewells.gov.uk/mgCommitteeDetails.aspx?ID=359

31. In April 2012 the Council adopted new governance arrangements to ensure the decision-making process is more inclusive and to involve more non-executive members in the day to day decisions taken by Cabinet. The revised model created three Cabinet Advisory Boards whose role is to participate in the development of Cabinet key decisions and to help develop the policy framework that Cabinet recommends to Council. The number of Overview

and Scrutiny committees has been reduced to one. Full details of the governance arrangements can be found on the website:

http://democracy.tunbridgewells.gov.uk/ieListDocuments.aspx?CId=134&MId=1506&Ver=4

32. The Council has developed a wide range of methods of consultation and communication which have been brought together in the Council's Communication and Engagement Strategy. This incorporates policies on communication, 'hard to reach' groups and customer access. Particular examples include the use of social media, a consultation portal, borough magazine, website, surveys, focus groups and traditional printed media. The Council also works closely with a wide range of partners and community groups including parish councils and the voluntary and community sector.

33. The Council has for many years carried out regular surveys of its residents. The 2015 face to face survey of 1,000 residents reported that 73 per cent of residents agree that Tunbridge Wells Borough Council provides value for money – a significant improvement on previous years; 2015 (58 per cent), 2010 (51 per cent) and 2008 (30 per cent).

34. The Council has a Risk Management Strategy which provides a comprehensive framework for identifying, evaluating and managing risk. The strategy sets out the role of members and designates the Chief Executive as responsible for leading the management of risk in the Council, and allocates responsibilities to risk owners.

35. Following changes to the political and economic environment along with a restructure of the Council, a strategic risk register was developed in association with Zurich Municipal plc. The review took the form of a workshop in December 2013 which was facilitated by professional risk managers from Zurich Insurance Group and attended by the Council's Management Team, Audit Managers and politicians responsible for finance and governance.

36. Cabinet and senior managers have reviewed the strategic risks, and action plans have been developed to manage those risks. The Strategic Risk Register is more focused on those areas which present the greatest risk to the Council not achieving its objectives and Strategic Plan.

37. The Risk Register is subject to periodic reviews by the Council's Management Board, with risk owners invited to attend the Audit and Governance Committee throughout the year. A report on the Strategic Risk Register was presented to Cabinet in April 2016.

Developing the capacity and capability of members and officers to be effective

38. The Council is committed to identifying and fulfilling the learning and development needs of members and officers. Officer training needs are identified through the annual appraisal process, six-monthly review and on an ongoing basis. A corporate training budget has been established and a training calendar developed to meet training and development needs identified through the appraisal process.

Engaging with local people and other stakeholders to ensure robust public accountability

39. The Council manages service quality and the use of resources in a number of ways: through rigorous performance management (with key performance indicators aligned to the Council's key priorities); through the gathering of customer satisfaction data through surveys, complaints and mystery shopping; through external and peer reviews; and through a process of business transformation. The Council also has a guide for engaging hard-to-reach groups.

Review of effectiveness

40. Tunbridge Wells 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, by the Head of Audit Partnership's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The Council's Audit and Governance Committee, comprising both councillors and co-opted independent members, also has an ongoing responsibility to seek assurances concerning the Council's governance framework, processes and controls.

41. The processes that we have applied in maintaining and reviewing the effectiveness of the system of internal control are set out below:

Internal Audit

42. The Council has in place arrangements for internal audit for which the Director of Finance and Corporate Services has overall responsibility. Internal audit work is planned and undertaken on a risk-based approach and complies fully with the Public Sector Internal Audit Standards, as established by an independent assessment undertaken by the Institute of Internal Auditors in April 2015.

43. During 2015/16 the Head of Audit Partnership has been delivering the work programme set out in the Audit Plan agreed by the Audit & Governance Committee on 24 March 2015. That work was finalised in reporting the Annual Audit Opinion on 28 June 2016. The Head of Audit opinion provided assurance that the systems of internal control that have been in place for the year ended 31 March 2016 accord with proper practice. This assurance extends to both financial and non-financial systems of the Council insofar as they have been subject to audit review. The Head of Audit Opinion also stated that the corporate governance framework complies in all significant aspects with the best practice on corporate governance issued by CIPFA/SOLACE and that risk management processes are effective.

Other explicit review/assurance mechanisms

44. The Council has a range of other review/assurance mechanisms which, between them, contribute to the overall effectiveness of the Council's control environment. These include:

- The Council, Cabinet and committees are advised by the Council's Management Board;
- A Budget Initiatives Group which provides a joined-up approach to expenditure reduction, income management and debt recovery;
- Corporate Asset issues come before Management Team to ensure that the Council adopts a holistic approach in the acquisition, maintenance, review and disposal of property and assets;
- Human Resources oversees the Council's overall approach to effective people management, including regular appraisals and the provision of relevant training and development activity;
- A standardised approach to project management has been adopted by the Council and additional resources have been put into key projects to ensure that they are adequately managed and delivered to time, cost and quality;
- The Council works with Maidstone and Swale to look at opportunities for partnership working, but has an open attitude to working with anyone that can improve the value for money services. As part of this process, services are subjected to external review, satisfaction surveys and benchmarking, as well as an examination of service processes to assess value for money.

CIPFA Statement on the Role of the Head of Internal Audit

45. CIPFA introduced a formal requirement for local authorities to report on compliance with the Statement on the Role of the Head of Internal Audit (2010). This Council complies with these requirements.

46. A shared corporate approach is taken in order to compile the Annual Governance Statement, as it is the Council's view that it should be owned by all senior officers and members of the Council, and any delegation to an individual or section would dilute the statement's significance and encourage others to distance themselves from their proper responsibilities.

47. The opinion of the Head of Audit Partnership on the internal control environment is particularly relevant to the preparation of the Annual Governance Statement and will be set out in the Internal Audit Annual Report.

http://democracy.tunbridgewells.gov.uk/documents/s22483/Internal%20Audit%20Annual%20Report%20Appendix%20B.pdf

48. Although the evidence provided to date and referenced in paragraph 45 points towards the conclusion of a sound level of internal control, it should be noted that there are two audit reports which have corporate or significant implications where only 'weak' control assurance was found to be in place at the end of the financial year. No new assurance rating has been provided as actions to implement the recommendations were continuing. However, the review did note positive progress since the date of the audit report and anticipated sound assurance being received once actions were in place. The reports covered:

- Officers' Declarations of Interest; and
- Data Protection.

49. In addition, the reduction in the number of staff has increased the risk of non-compliance with a number of regulatory regimes including, Data Protection, Freedom of Information requests, HMRC and Equalities. This vulnerability is reflected as a risk to the Strategic Risk Register. Operational risk is managed at service manager level by individual managers.

CIPFA Statement on the Role of the Chief Financial Officer in Local Government

50. CIPFA introduced a formal requirement for local authorities to report on compliance with the Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the application note to Delivering Good Governance in Local Government.

51. The Council's Senior Management Structure complies with all requirements, including the first principle which requires that:

- 'The Chief Financial Officer reports directly to the Chief Executive and is a member of the Leadership Team with a status at least equivalent to other members.'

Significant Governance Issues

52. There are four significant governance issues;

1) The reduction in staff capacity and increased use of services and public expectation leaves the Council at a greater risk of non-compliance with a number of regulatory regimes as set out above.

2) The reliance on partnership working specifically within MKIP does carry a political risk that new administrations may not be as supportive of the partnership or even look to negotiate an exit. On 5 November 2015 a joint meeting took place of the relevant committees of Maidstone, Swale and Tunbridge Wells Councils at which it was agreed that this Council would disaggregate from the shared planning support services. The project to disaggregate and set up a standalone planning support service is ongoing and has an anticipated go-live date of June 2016.

3) The Mid Kent Improvement Partnership now accounts for around 20 per cent of the Councils Net Budget. Responsibility for delivering shared services now lies with others whilst accountability rests with the Council. To help ensure that services are delivered effectively and coherently a Director of Mid-Kent Services was appointed in May 2014 initially as a 12 month pilot however, this arrangement is still continuing. The Overview and Scrutiny Committees at Maidstone Borough Council and TWBC have asked to look at the MKIP with a particular emphasis on three issues: governance, communication and the role of the Mid Kent Service Director. Their background report can be found below:

   http://democracy.tunbridgewells.gov.uk/documents/s17073/3%20-%20Review%20of%20the%20Mid%20Kent%20Improvement%20Partnership.pdf

4) The Council has an ambitious development programme that it wants to implement and Cabinet have agreed a total budget of up to £3,000,000 to obtain the required expertise to produce business and development cases for each site. The report in August 2013 sets out the governance and risk management arrangements for this fund. In a buoyant market securing the right level of expertise both internal and external is crucial to the delivery of major projects. The Development Programme is now a separate risk on the Council's Strategic Risk Register.

53. These are included on the Council's Strategic Risk Register; further details are contained within the risk register report.

http://democracy.tunbridgewells.gov.uk/documents/s26600/Strategic%20Risk%20Update%20Appendix%20A.pdf

Signed:

Cllr David Jukes
Leader of the Council

William Benson
Chief Executive

Statement of Responsibilities

Statement of Responsibilities for the Statement of Accounts

The Borough Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts

The Responsibilities of the Director of Finance and Corporate Services

The Director of Finance and Corporate Services is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Director of Finance and Corporate services has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The Director of Finance and Corporate Services has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

L.M. Colyer CPFA

Director of Finance and Corporate Services

28 July 2016

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TUNBRIDGE WELLS BOROUGH COUNCIL

We have audited the financial statements of Tunbridge Wells Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Director of Finance and Corporate Services and auditor

As explained more fully in the Statement of the Director of Finance and Corporate Services Responsibilities, the Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

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

Darren Wells

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Fleming Way, Manor Royal, Crawley, RH10 9GT

28 July 2016

Movement in Reserves Statement

	General Fund	Earmarked Reserves	Capital Grants & Contribs.	Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	**£000**	**£000**	**£000**
Balance at 31 March 2014	***7,188***	***9,163***	***339***	***2,349***	**19,039**	**49,963**	**69,002**
Movement in Reserves in 2014/15							
Surplus or (deficit) on provision of services (accounting basis)	*(709)*	-	-	-	***(709)***	**-**	***(709)***
Other Comprehensive Expenditure and Income	-	-	-	-	**-**	***(9,289)***	***(9,289)***
Total Comprehensive Expenditure and Income	*(709)*	-	-	-	***(709)***	***(9,289)***	***(9,998)***
Adjustments between accounting and funding basis under regulation	*3,858*	-	*208*	*(1,338)*	***2,728***	***(2,728)***	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	*3,149*	-	*208*	*(1,338)*	***2,019***	***(12,017)***	***(9,998)***
Transfers to / from Earmarked Reserves	*(2,617)*	*2,617*	-	-	**-**	**-**	**-**
Increase / Decrease in Year	***532***	***2,617***	***208***	***(1,338)***	***2,019***	***(12,017)***	***(9,998)***
Balance at 31 March 2015	**7,720**	**11,780**	**547**	**1,011**	**21,058**	**37,946**	**59,004**
Movement in Reserves in 2015/16							
Surplus or (deficit) on provision of services (accounting basis)	2,172	-	-	-	**2,172**	**-**	**2,172**
Other Comprehensive Expenditure and Income	-	-	-	-	**-**	**12,516**	**12,516**
Total Comprehensive Expenditure and Income	2,172	-		-	**2,172**	**12,516**	**14,688**
Adjustments between accounting and funding basis under regulation	(3,669)	-	586	(11)	**(3,094)**	**3,093**	**(1)**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(1,497)	-	586	(11)	**(922)**	**15,609**	**14,687**
Transfers to / from Earmarked Reserves	1,728	(1,728)	-	-	**-**	**-**	**-**
Increase / Decrease in Year	**231**	**(1,728)**	**586**	**(11)**	**(922)**	**15,609**	**14,687**
Balance at 31 March 2016	**7,951**	**10,052**	**1,133**	**1,000**	**20,136**	**53,555**	**73,691**

Details of Comprehensive Income and Expenditure are given in the Comprehensive Income and Expenditure Statement. The purpose of each reserve is set out in the accounting policy Note 2.20. A further analysis of adjustments between accounting and funding bases are given in Note 5, and further information on earmarked reserves and unusable reserves in Note 6.

Comprehensive Income and Expenditure Account

2014/15 Expend. £000	2014/15 Income £000	2014/15 Net £000	Note		2015/16 Expend. £000	2015/16 Income £000	2015/16 Net £000
2,009	*(830)*	*1,179*		Central services to the public	2,102	(822)	1,280
8,259	*(3,881)*	*4,378*		Cultural and related services	7,382	(3,443)	3,939
8,103	*(3,383)*	*4,720*		Environmental and regulatory services	8,085	(3,243)	4,842
4,819	*(7,131)*	*(2,312)*		Highways and transport services	4,122	(7,109)	(2,987)
37,187	*(35,150)*	*2,037*		Other housing services	37,744	(36,128)	1,616
6,559	*(2,618)*	*3,941*		Planning services	4,664	(2,541)	2,123
2,104	*(85)*	*2,019*		Corporate and democratic core	2,003	(19)	1,984
140	*-*	*140*		Non distributed costs - other	109	-	109
69,180	***(53,078)***	***16,102***		**Cost of Services**	**66,211**	**(53,305)**	**12,906**
(1,220)	*-*	*(1,220)*		(Gain) / Loss on disposal of non-current assets	(151)	-	(151)
1,867	*-*	*1,867*		Parish Council Precepts	1,987	-	1,987
52	*-*	*52*		Pensions administration expenses	52	-	52
699	***-***	***699***		**Other Operating Expenditure**	**1,888**	**-**	**1,888**
315	*-*	*315*	12	Interest payable	269	-	269
-	*(941)*	*(941)*	12	Interest income	(1)	(974)	(975)
2,021	*-*	*2,021*	18	Pensions interest expense and income	1,994	-	1,994
2,336	***(941)***	***1,395***		**Financing and Investment Income and Expenditure**	**2,262**	**(974)**	**1,288**
657	*(5,967)*	*(5,310)*		Non-ringfenced government grants and contributions	328	(4,969)	(4,641)
(1)	*(891)*	*(892)*		Capital grants and contributions	(69)	(2,502)	(2,571)
-	*(8,436)*	*(8,436)*		Council Tax receivable	-	(8,870)	(8,870)
17,469	*(20,318)*	*(2,849)*		NNDR retained income	17,236	(19,400)	(2,164)
-	*-*	*-*		Donated assets	-	(8)	(8)
18,125	***(35,612)***	***(17,487)***		**Taxation and Non-Specific Grant Income**	**17,495**	**(35,749)**	**(18,254)**
		709		**(Surplus) or Deficit on Provision of Services**			**(2,172)**
		(4,218)	6	Surplus on revaluation of non-current assets			(3,652)
		475	6	Impairment losses on non-current assets charged to Revaluation Reserve			13
		(722)		(Surplus) or deficit on revaluation of available-for-sale financial assets			(588)
		13,754	18	Remeasurement of defined benefit liability			(8,289)
		9,289		**Other Comprehensive Income and Expenditure**			**(12,516)**
		9,998		**Total Comprehensive Income and Expenditure**			**(14,688)**

The Balance Sheet

31 March 2015 £000		Note		31 March 2016 £000	
93,501		8	Property, Plant & Equipment	101,972	
3,383		9	Heritage Assets	3,391	
747		10	Intangible Assets	626	
19,799		12	Long Term Investments	15,387	
2,368		13	Long Term Debtors	3,276	
	119,798		**Long Term Assets**		**124,652**
10,285		12	Short Term Investments	15,286	
29			Stock	45	
3,989		13	Short Term Debtors	6,830	
9,148			Cash and Cash Equivalents	6,992	
	23,451		**Current Assets**		**29,153**
(2,068)			Short Term Borrowing	(2,058)	
(7,052)		14	Short Term Creditors	(9,767)	
(1,308)		14	Short term Provisions	(2,328)	
(37)			Capital grants receipts in advance	(47)	
	(10,465)		**Current Liabilities**		**(14,200)**
(10,000)		12	Long Term Borrowing	(8,000)	
(1,144)		14	Long Term Creditors	(886)	
(61)		14	Provisions	-	
(61,561)		18	Long Term Pension Liability	(55,426)	
(1,014)			Capital grants receipts in advance	(1,602)	
	(73,780)		**Long Term Liabilities**		**(65,914)**
	59,004		**Net Assets**		**73,691**
	21,058	5	Usable reserves		20,136
	37,946	5	Unusable Reserves		53,555
	59,004		**Total Reserves**		**73,691**

These financial statements replace the unaudited financial statements certified by the Director of Finance and Corporate Services (Section 151) on 6 June 2016.

The Cash Flow Statement

2014/15			2015/16	
£000	£000		£000	£000
(29,082)		Taxation	(29,930)	
(41,877)		Grants	(37,117)	
(15,377)		Sale of goods and rendering of services	(15,915)	
(888)		Interest received	(972)	
(2,409)		Other receipts from operating activities	(2,098)	
	(89,633)	**Cash inflows generated from operating activities**		**(86,032)**
11,506		Employees	11,529	
34,823		Housing Benefit paid out	35,176	
17,603		National Non-Domestic Rates tarrif and levies	18,474	
2,083		Precepts paid	2,214	
16,604		Cash paid to suppliers of goods and services	15,771	
325		Interest paid	339	
2,920		Other payments for operating activities	4,132	
	85,864	**Cash outflows generated from operating activities**		**87,635**
	(3,769)	**Net cashflows from operating activities**		**1,603**
	2,479	Purchase of non-current assets		4,594
	14,000	Purchase of short-term and long-term investments		10,000
	(1,168)	Proceeds from sale of property etc		(151)
	(10,000)	Proceeds from sale of short-term and long-term investments		(10,000)
	(422)	Grants and contributions to non-current assets		(3,169)
	4,889	**Net cashflows from investing activities**		**1,274**
	-	Cash receipts from short-term and long-term borrowing		-
	2,000	Repayments of short-term and long-term borrowing:		2,000
	91	Changes in Council tax balances held for preceptors		(422)
	1,661	Changes in NNDR balances held for central government		(2,299)
	3,752	**Net cashflows from financing activities**		**(721)**
	4,872	**Net (increase) / decrease in cash and cash equivalents**		**2,156**

	1 April 2014	2014/15	31 March 2015	2015/16	31 March 2016
	£000		£000	£000	£000
Cash and bank balances	*890*	*228*	1,118	872	1,990
Money held in interest-bearing call accounts	*13,130*	*(5,100)*	8,030	(3,028)	5,002
Total cash and cash equivalents	***14,020***	***(4,872)***	**9,148**	**(2,156)**	**6,992**

Notes to the Core Financial Statements

1 Changes to Accounting Policies and to previous years' figures

1.1 Accounting policies newly adopted

Although International Financial Reporting Standards continue to develop and these changes are incorporated into CIPFA's Code of Practice, none of the changes this year have had any impact on the accounting policies set out in Note 2 or on the figures in the accounting statements or the notes to the accounts.

1.2 Accounting policies issued but not yet adopted

The 2016/17 Code of Practice incorporates several changes to accounting standards, but those that apply to this Council will not necessitate major changes or require a re-statement of the 2015/16 figures in the 2016/17 Statement of Accounts. The new Code does include changes to the presentation of the Comprehensive Income and Expenditure Statement (CIES), under which services are to be analysed according to the operational structure, rather than by the current standard service headings. The new format will also be supplemented by a new Expenditure and Funding Analysis, providing more detail for the figures in the CIES, which is prepared according to accounting practice, and reconciling them to totals aligned with statutory funding arrangements. This change will require the 2015/16 figures to be re-stated in line with the 2016/17 Code of Practice.

2 Accounting Policies, Critical Judgements and Estimation Techniques

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the end of 31 March 2016, the close of the financial year. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2011, which specify that the Statement is prepared in accordance with proper accounting practices. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

2.2 Accruals of Expenditure and Income

The Council accounts for activity in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, they are carried as stocks on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received, rather than when the payments are made. However, as set out in Note 2.7 below, the Council does not accrue for services provided by employees, as the amounts concerned are not material.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Accruals for income are offset by allowances for the impairment of debt where it is determined that recovery is unlikely, although the Council continues to attempt to recover sums legally due. This policy applies to contractual debt as well as to statutory debt for Council Tax, Non-Domestic Rates and overpayment of Housing Benefit.

The Council collects income from Council Tax payers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities. The amounts of debtors, adjustments for doubtful debts, and income in advance that relate to the precepting authorities are shown as a single net creditor in the balance sheet. The element of the Collection Fund due to preceptors is split between payments due to be made in the following financial year, which are held as Short Term Creditors, and any other amounts, due in succeeding financial years, which are shown as Long Term Creditors. In the event of a deficit, the amounts would be split between Short Term and Long Term Debtors.

Accounting for Non-Domestic Rates is on the same basis as Council Tax.

2.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council does not operate a cash overdraft on its bank account..

2.4 Charges to Revenue for Non-Current Assets and other capital expenditure

The Surplus or Deficit on the Provision of Services is debited or credited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Any subsequent reversal of such losses.
- The annual write-down of intangible fixed assets attributable to the service.
- Any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute (REFCUS – see Note 2.21 below)

The Council is not required to raise Council Tax to fund these charges, and they are therefore reversed through an appropriation from the Capital Adjustment Account to the General Fund.

2.5 Contingent Assets

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the authority, whose outcome is uncertain when the balance sheet is compiled.

Contingent assets are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

2.6 Contingent Liabilities

A contingent liability is a possible obligation that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent liability is related to a legal action against the authority, whose outcome is uncertain when the balance sheet is compiled.

Contingent liabilities are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

2.7 Employee Benefits Payable during Employment

Accounting standards require that accruals for expenditure are made for short-term compensated absences, covering entitlements for annual leave, flexi-time and time in lieu. The Council has determined that the net value of the accumulated leave, etc. in previous years is immaterial, and therefore makes no adjustment for these amounts. At the end of each financial year an assessment is made to ensure that the amounts involved remain immaterial.

2.8 Events after the Balance Sheet date

Events after the Balance Sheet Date are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue. There are potentially two types of events:

- If they provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is amended to reflect these events;
- If they are indicative of conditions that arose after the reporting period, the Statement of Accounts is not amended. If, however, an event would have a material effect, a disclosure is made in the notes to the accounts, outlining the event and its estimated financial effect.

Any event taking place after the accounts are authorised for issue is not reflected in the Statement of Accounts.

2.9 Exceptional Items

Where items of income and expense are material, their nature and amount is disclosed separately on the face of the Comprehensive Income and Expenditure Account and also in the notes to the accounts.

2.10 Financial instruments

Financial Assets

The term “financial asset” covers cash, equity instruments, and beneficial contractual rights to receive or exchange cash or liabilities. The Council’s financial assets fall within two categories: “Loans and Receivables” and “Available-for-Sale Assets”

Loans and Receivables are financial assets that have fixed or determinable payments, and are not quoted in an active market. The Council’s balance sheet includes four groups of financial assets:

- Trade debtors are recorded as invoices issued to individuals or other entities, for which immediate payment is required. The balance awaiting collection (“Trade accounts receivable”) is included in the balance sheet under “short term debtors”.
- Cash held in current or call accounts, together with investments for periods of less than one month, is included in the balance sheet under “cash and cash equivalents”.
- Investments receivable within periods of three months and one year are included in the balance sheet as “short term investments”.
- Investments taken out for periods of longer than one year are included in the balance sheet as “long term investments”.

Trade debtors are regularly assessed for possible non-payment, and an adjustment is made for possible impairment to the gross balance.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council’s short-term investments this means that the amount presented in the Balance Sheet is the outstanding principal and interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan instrument. The position is the same for long term investments, except that outstanding interest receivable within the next year is included under “short-term investments”.

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. The Council’s only asset in this category is its investment in the Local Authorities Property Fund. Income from the fund is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Assets are maintained on the balance sheet at fair value, represented by the market price. The gain or loss is recognised in Other Expenditure and Income, but is offset by a transfer to or from the Available-for-Sale Reserve. When the asset is derecognised on disposal the cumulative gain or loss previously recognised in this reserve will be transferred from the reserve and recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Liabilities

The term “financial liability” covers contractual obligations to deliver or exchange financial assets to another entity. For the most part the Council’s financial liabilities consist of loans taken out with the Public Works Loan Board (the PWLB), and with Kent County Council, which come within the category of “loans and receivables”.

These financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This Council’s PWLB borrowing bears a single rate of interest payable throughout the life of the loan, meaning that the effective rate of the interest is the same as the original repayable rate. The amount presented in the Balance Sheet under “long term borrowing” is therefore the outstanding principal repayable. As the accrued interest is payable within one year of the balance sheet date, it is included under “short term borrowing”. The Kent County Council loan relates to the Local Authority Mortgage Scheme, and the fair value is worked out in the same way as that for the deposit (see under “financial assets” above).

Under the Local Authority Mortgage Scheme the Council guarantees the repayment of loans for a greater proportion of the value of a house than the bank would normally allow. This guarantee is recognised as a financial liability, initially equal to the difference between the fair value of the deposit with the bank, less the fair value of the Kent County Council loan, and the initial amounts of the loan and deposit, adjusted for accrued interest. From 2013/14 the value of the guarantee will be reviewed and adjusted annually.

The Council’s policy is to capitalise the cost of borrowing (comprising interest) where such cost is directly attributable to the acquisition, construction of production of an asset. This includes all interest costs incurred between initially incurring expenditure undertaking activities relating to such an asset, and the substantial completion of work enabling the asset to be brought into use. At the end of 2015/16 the council had not yet financed any capital investment from loan, and had not, therefore, needed to apply this policy in practice. With the exception of capitalised borrowing costs, interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

2.11 Government grants and other contributions

Whether paid on account, by instalments or in arrears, the Council recognises government grants and third party contributions and donations when they are received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as capital grants received in advance (either current or long-term). When conditions are satisfied the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Grants and contributions towards specific services for revenue purposes are credited against the appropriate line in the Cost of Services, but if grants and contributions are not related to specific services they are credited as Taxation and Non Specific Grant Expenditure and Income, along with all grants and contributions receivable towards investment in Property Plant and Equipment, Investment Properties or Intangible Assets. As these capital grants and contributions are not legally a credit to the General Fund, an equivalent appropriation is made from the General Fund into the Capital Grants and Contributions Reserve, which is set aside for the financing of capital investment.

2.12 Heritage Assets

Identification of Heritage Assets

Tangible heritage assets have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The balance sheet includes three groupings of heritage assets:

- the collections of the Tunbridge Wells Museum and Art Gallery, including works of art and historic civic regalia;
- current civic regalia;
- various works of art on public display

Recognition

Expenditure on the acquisition, creation or enhancement of heritage assets is capitalised on an accruals basis. Expenditure that secures but does not add to an asset's value (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. The estimated values of donations of assets are also capitalised as they occur, with the corresponding value of the donation being recognised in the "Taxation and Non-Specific Grant Income" section of the Comprehensive Income and Expenditure Statement. As this notional income is not a legal credit to the General Fund, a corresponding transfer is made from the General Fund to the Capital Adjustment Account.

Revaluation and Impairments

The value of assets based on insurance values, which are reviewed and amended on an annual basis, any change being debited or credited to the Revaluation Reserve, to the extent to which there is a balance in the reserve for the particular asset. In the event that there is no balance in the Revaluation Reserve, a reduction is charged to the relevant service heading as an impairment in the Comprehensive Income and Expenditure Statement. A corresponding transfer is made, however, from the Capital Adjustment Account to the General Fund, as such impairments are not a legal charge on the General Fund. An annual review is also made for impairments caused by theft or physical or economic damage. Any such impairments are accounted for in the same way as those to items of property plant and equipment (see Note 2.18).

Disposals

Disposals of heritage assets are accounted for in the same way as those of items of property plant and equipment (see Note 2.18).

2.13 Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets (not including websites intended to promote or advertise the Council's goods and services) are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed, with adequate resources being available, and that the Council will be able to generate future economic benefits or service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset, and is restricted to that incurred in the development phase, not, therefore, including research expenditure.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its useful life, as estimated by the ICT Shared Service Manager, to the appropriate line in the Comprehensive Income and Expenditure Statement. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but they are not legal charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

2.14 Leasing

Definition of a lease

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time. A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership to the lessee. Any lease that does not come within the definition of a finance lease is accounted for as an operating lease.

The Council has a number of leasing agreements, acting both as lessee (paying for the use of assets) and as lessor (receiving money for the use of assets owned by others).

The Council may also enter into an agreement which, while not itself a lease, nevertheless contains a right to use an asset in the same way as a lease. Such agreements are treated as either finance leases or operating leases as set out below (the Council has no such arrangements at present).

The Council reviews all of its leases to determine how they stand against various detailed criteria which distinguish between finance and operating leases, to determine whether the risks and rewards have been transferred to the lessee. In undertaking this review, however, the Council operates a de minimis level, so that all leases with a term of less than 10 years, or for assets valued at less than £10,000 would be treated within the accounts as an operating lease without a detailed analysis. All leases of land are considered to be operating leases, including the land element of a lease of a building.

Finance leases – Council acting as lessee

Where the council uses or occupies an asset held under a finance lease, the asset is recognised as such in the appropriate line in the balance sheet, subject to the de minimis limit noted in 2.18 below. The value recognised is the fair value, or (if lower) the present value of the minimum lease payments. This value is offset on the balance sheet by a creditor or long term liability for the leasing charge.

As these assets are included as part of the Council's property plant and equipment balance, they are subsequently accounted for, in relation to disposal, depreciation, impairment, etc, as set out below in 2.18.

Minimum lease payments are apportioned between interest payable as the finance charge and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases – Council acting as a lessee

Lease payments for operating leases are recognised as an expense on a straight-line basis over the lease term, unless they can be otherwise apportioned in line with benefits received.

Finance leases – Council acting as lessor

Where the council acts as lessor for an asset held under a finance lease, the relevant asset is written out of the balance sheet as a disposal, and accounted for in line with Accounting Policy 2.18 below. At the start of the lease a receivable (long term debtor or short term debtor) is recognised as at an amount equal to the net investment in the lease. The lease payment receivable is apportioned between the repayment of principle and interest, the interest being calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases – Council acting as a lessor

Income from operating leases is recognised on a straight-line basis over the lease term, unless they can be otherwise apportioned in line with the benefits provided.

2.15 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the Service Accounting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared amongst users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation,
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Income and Expenditure Account, as part of the Cost of Services.

2.16 Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by Kent County Council for local authorities within Kent. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. The Council therefore accounts for this scheme as a defined benefit plan.

- The liabilities of the Kent County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.7% (based on the annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond curve)
- The Council includes the assets of the Kent County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value
    - target return portfolio – current bid price
- The change in the net pensions liability is analysed into the following components:
    - service cost, comprising:
        - current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
        - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs include the cost of curtailments, which are normally linked to an event giving rise to a post employment benefit. Past service costs are debited to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement.
        - settlements – transactions that eliminate all further legal or constructive obligations for some of the benefits provided, other than by the payment of benefits. Settlements are debited to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement
    - net interest on the defined liability – the change to the net pension liability that arises from the passage of time during the year. This is debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
    - administration expenses – charged to Other Operational Income and Expenditure
    - contributions by scheme participants, which reduce plan liabilities, but correspondingly increase plan assets, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
    - actuarial gains and losses – changes in the present value of the net pensions liability, resulting from:
        - experience adjustments (the differences between the previous actuarial assumptions and what has actually occurred).
        - the effects of changes in actuarial assumptions.
    - benefits paid, which reduce plan assets, but correspondingly reduce its liabilities, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
    - contributions paid to the Kent County Council Pension Fund – the employer's contributions to the pension fund for the financial year, not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and the amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of contributions paid rather than as benefits are earned by the employee.

2.17 Prior period adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes to accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise), by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative figures for the prior period.

The use of accounting estimates is discussed in Note 2.26 below. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

2.18 Property plant and equipment

Definition and Categories

Property plant and equipment consists of assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year. They exclude assets which are held purely for investment purposes (Investment properties) and assets which the Council is actively seeking to sell (Assets available for sale). Property plant and equipment consists of the following categories:

- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.
- Vehicles, plant and equipment – individual items or groupings of items which are purchased from capital resources.
- Infrastructure – for this Council, this category includes only footway lighting.
- Community assets – properties such as parks, which are used for the community as a whole, with no determinable market value in their present use, and which are not likely to be sold.
- Surplus assets – individual properties which the Council has determined to be surplus to operational requirements as they are not being used to provide services.
- Assets under construction – capital expenditure on an asset before it is brought into use.

Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. Land and Buildings assets valued at less than £25,000 are not included on the balance sheet, provided that the total excluded has no material impact.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and buildings – current value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – current value, for which depreciated historic cost is normally used as a proxy.
- Infrastructure – depreciated historic cost
- Community Assets – historic cost, depreciated where appropriate.
- Surplus assets - fair value, based on the market value for the existing use (EUV).
- Assets under construction – historic cost

Revaluation

The Council re-values assets included in the Balance Sheet at current value when there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. Reductions in value are charged to the Revaluation Reserve, up to the amount held for that asset in the Revaluation Reserve, or otherwise to the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continued use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before its reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains to fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to property plant and equipment and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account. An equivalent transfer is made to the General Fund to the Capital Adjustment Account to eliminate impact on the General Fund, and any revaluation gains accumulated for the asset in the Revaluation Reserve are also transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. These are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account, but an equivalent appropriation is made from the General Fund to the Capital Receipts Reserve .There is a legal requirement that sale proceeds held in this reserve can only be used to reduce debt or to finance capital expenditure.

In some cases the receipt of income from asset disposals is delayed until a future financial year. In such cases a credit is made to the unusable Deferred Capital Receipts Reserve, matched by a long-term or short term debtor. When the income is received, the debtor is written down and a transfer is made from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

Depreciation

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is based on the opening net book value, as adjusted by gains or losses arising from revaluations at 1 April each year.

Depreciation is calculated on the following bases:

- Land – not subject to depreciation
- Buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet:

ICT equipment	5 years
Litter bins	5 years
Play area equipment	10 years
Other equipment	Normally 5 years

- Infrastructure – footway lighting is depreciated on a straight-line basis over a period of 30 years.
- Community assets – not subject to depreciation
- Surplus assets – straight-line allocation over the life of the property as estimated by the valuer

- Assets under construction – not subject to depreciation

Where new assets are acquired or brought into use, depreciation is charged from the start of the following year. Depreciation is charged for the full final year when assets are sold.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Depreciation is charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but is not a legal charge against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

2.19 Provisions

The Council recognises provisions to represent liabilities of uncertain timings or amounts. Provisions in the balance sheet represent cases where:

- The Council has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

Provisions may sometimes relate to income, where the Council has collected income in a previous financial year and has a quantifiable liability to repay some or all of it. In the particular case of the provision for losses arising from rating appeals, the whole of the provision is included in the Collection Fund Statement, but only the Council's 40% share of the liability is included in the Balance Sheet.

2.20 Reserves

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Income and Expenditure Account, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose. Repayments of mortgages advanced by the Council are also included in this reserve, a transfer from the Deferred Capital Receipts Reserve being made as the payment is actually received.
- Capital Grants and Contributions Reserve: similarly the Council receives grants and contributions towards capital expenditure, and, where there are no repayment conditions, or when such conditions have been fulfilled, these are also credited to the Income and Expenditure Account and immediately transferred into the Capital Grants and Contributions Reserve until required to finance capital investment.
- Earmarked reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the council) an asset is disposed of, but the income cannot be collected immediately. The council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date are consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:
    - revalued downwards or impaired and the gains are lost
    - used in the provision of services and the gains are consumed through depreciation, or
    - disposed of and the gains are realised.

- Capital Adjustment Account: receives credits when capital is financed from revenue resources or other usable reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains revaluation gains accumulated on Property Plant and Equipment before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- Pensions Reserve: this is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.
- Financial Instruments Adjustment Account: this represents the difference between the accounting and legislative charges for finance costs.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of council tax income and, from 2013/14, non-domestic rates in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- Available-for-sale Reserve: the balance represents the difference between the fair value of available-for-sale assets (the Local Authorities Property Fund) and the purchase price.

2.21 Revenue Expenditure financed from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, is charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged, so there is no impact on the level of Council Tax.

2.22 Stocks

Where the values are significant to an operation, stocks are included in the Balance Sheet at the lower of cost and net realisable value.

2.23 Termination Benefits

Termination benefits include lump sum payments to departing employees, enhancements to retirement benefits, and salaries paid to the end of a notice period, when the employee ceases to provide services to the Council. The Council accrues for such payments at the point when a decision is made to terminate employment, rather than when the benefits fall due for payment. These payments are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement.

2.24 Value Added Tax (VAT)

VAT is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income, except in the unusual circumstance where VAT was charged to customers in a previous financial year, but where the Council was able to challenge successfully the legality of the charge. In these circumstances recovered VAT is credited to the appropriate line in the Comprehensive Income and Expenditure Statement.

2.25 Critical Judgements in Applying Accounting Policies

Employee Benefits

As noted above in Note 2.7, accounting standards normally require that the value of employee benefits such as outstanding annual leave is taken into account as a liability at the end of the financial year. The Council evaluates the amount concerned at the end of each financial year, and in all cases it has determined that the amount is not material, and therefore, as allowed by the accounting standards, not made any adjustment to its accounts for these amounts. Under legislation such accruals would be matched by appropriations to or from an adjustment account (an unusable reserve), so there would be no impact on the call on Council Tax or on the General Fund balance.

Finance and operating leases

The Council has examined all its leasing arrangements to determine whether they should be classified as finance or operating leases. In accordance with Note 2.14 above, all leases of land or of buildings values at less than £10,000 have been classified as operating leases. Other leases have been checked against various criteria, the main one in practice being the length of the lease compared with the expected life of the asset. This has resulted in two cases, where the Council pays rent for its operational properties, where the leases have been classified as finance leases, while all other leases have been determined to be operating leases.

Embedded leases

Under the accounting Code of Practice some legal agreements, such as waste collection contracts, may be regarded as containing a lease for the use of assets operated by the contractors. Such leases, in turn, may be judged to be either finance leases or operating leases, as set out in Note 2.14 above. The Council has examined its service contracts, particularly the Waste Collection contract, and has determined that, in the circumstances in which the contract was negotiated and is operated, it does not contain such a lease.

Group Accounts

The Tunbridge Wells Property Holdings Company began trading on 18 May 2015 and is a wholly owned subsidiary of the council. The revenue has only been £71,000 during the year and is considered immaterial. Hence the council has determined that it is not yet necessary to provide Group Accounts. This will be monitored in the future and should the revenue become material, Group Accounts will be provided.

2.26 Assumptions made about the future, and other major sources of estimating uncertainty

Pensions accounting

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. 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.

For this Council the only balance where there could be some uncertainty is the liability for future pension costs, which stood at £55.4m at 31 March 2016. The estimate of this liability depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Council with expert advice about the assumptions to be applied. The table below shows the impact of small changes to the major assumptions:

31 March 2015		**31 March 2016**
£000		£000
	Discount Rate:	
(2,450)	Increase of 0.1%	(2,076)
2,497	Reduction of 0.1%	2,184
	Salary increases:	
297	Increase of 0.1%	2,130
(295)	Reduction of 0.1%	(2,128)
	Pension increases:	
2,220	Increase of 0.1%	2,183
(2,179)	Reduction of 0.1%	(2,076)
	Adjustment to mortality estimates	
(4,776)	Increase of 1 year	2,183
4,819	Reduction of 1 year	(2,076)

Valuations of Property

Valuations of property depend on various assumptions, as set out in detail in Note 8.3 below. In particular, valuers have to determine:

- The estimated life of the building.
- Whether or not there is a market for the property in its existing use, which means that they could value at such a market value (EUV). If there is no such market properties are valued at Depreciated Replacement Cost (DRC), which is likely to give a higher value.

Note 8.3 shows how asset valuations are included in the total value of property plant and equipment.

3 Events after the Balance Sheet Date

This Statement of Accounts was certified as a true and fair statement of the financial position, and authorised for issue on 26 July 2016.

No material events have taken place since 31 March 2016 that would impact on the figures in this Statement of Accounts or the Council's overall financial position.

4 Reconciliation of (Surplus)/Deficit on the Provision of Services to Net Cashflows from Operating Activities

The table below demonstrates the link between the surplus or deficit on the provision of services, as shown in the Comprehensive Income and Expenditure Statement, and the figure in the Cash Flow Statement for the net cashflows arising from operating activities.

2014/15			**2015/16**	
£000	*£000*		£000	£000
	709	(Surplus) / deficit on provision of services		(2,172)
		Less investing activities included in surplus/deficit:		
-		Purchase of property, plant, equipment, etc	-	
1,225		Sale of property, plant and equipment	151	
892		Capital grants and contributions	2,571	
	2,117			2,722
		Adjust for non-cash charges and credits:		
(2,516)		Depreciation	(2,667)	
(149)		Write-down of intangible assets	(156)	
(644)		Impairments	2,708	
(5)		Asset disposals written out	-	
(2,021)		Pension charges	(2,426)	
-		Donated assets	8	
	(5,335)			(2,533)
	(2,509)			(1,983)
		Adjust for variations in revenue accruals:		
(26)		Long-term debtors	908	
52		Short-term investments	1	
(17)		Stocks	16	
53		Short-term debtors	2,841	
9		Short-term borrowing	9	
(919)		Short-term creditors	486	
12		Long-term creditors	12	
(600)		Short-term provisions	(1,020)	
-		Long-term provisions	61	
176		Pension liability	272	
	(1,260)			3,586
	(3,769)	**Net cashflows from operating activities**		**1,603**

5 Adjustments between Accounting and Funding Basis under Regulations

This note details the adjustments that are made to the comprehensive income and expenditure recognised by the Council in the year according to proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	General Fund	**Earmarked Reserves**	**Capital Grants & Contribs.**	**Capital Receipts**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**
	£000	£000	£000	£000	**£000**	£000	**£000**
2014/15							
Reversal of items debited or credited to Comprehensive Income and Expenditure Statement:							
Write down Intangible Assets	*149*	-	-	-	***149***	*(149)*	**-**
Depreciation of Property Plant and Equipment	*2,516*	-	-	-	***2,516***	*(2,516)*	**-**
Impairment to Property Plant and Equipment	*644*	-	-	-	***644***	*(644)*	**-**
Revenue Expenditure financed from Capital under Statute	*1,191*	-	-	-	***1,191***	*(1,191)*	**-**
Gain or (Loss) on sale of non-current assets	*(1,220)*	-	-	*1,226*	***6***	*(6)*	**-**
Difference between accounting and statutory finance costs	*(1)*	-	-	-	***(1)***	*1*	**-**

Difference between accounting and statutory credit for Council Tax	*183*	-	-	-	***183***	*(183)*	**-**
Difference between accounting and statutory pension costs	*1,749*	-	-	-	***1,749***	*(1,749)*	**-**
Donated assets	-				**-**	-	**-**
Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement:							
Capital expenditure from revenue	*(460)*	-	-	-	***(460)***	*460*	**-**
Capital grants and contributions in Comprehensive I&E Account	*(892)*	-	*892*	-	**-**	-	**-**
Financing of capital expenditure directly from reserves:							
Financing from capital grants and contributions reserve	-	-	*(685)*	-	***(685)***	*685*	**-**
Financing from capital receipts reserve	-	-	-	*(2,564)*	***(2,564)***	*2,564*	**-**
	-	-	-				
Total to Movement in Reserves Statement	***3,859***	**-**	***207***	***(1,338)***	***2,728***	***(2,728)***	**-**

2015/16	General Fund	Earmarked Reserves	Capital Grants & Contribs.	Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	**£000**	£000	**£000**
Reversal of items debited or credited to Comprehensive Income and Expenditure Statement:							
Write down Intangible Assets	156	-	-	-	**156**	(156)	**-**
Depreciation of Property Plant and Equipment	2,667	-	-	-	**2,667**	(2,667)	**-**
Impairment to Property Plant and Equipment	(2,708)	-	-	-	**(2,708)**	2,708	**-**
Revenue Expenditure financed from Capital under Statute	228	-	-	-	**228**	(228)	**-**
Gain or (Loss) on sale of non-current assets	(151)	-	-	151	**-**	-	**-**
Difference between accounting and statutory finance costs	(1)	-	-	-	**(1)**	1	**-**
Difference between accounting and statutory credit for Council Tax	(613)	-	-	-	**(613)**	613	**-**
Difference between accounting and statutory pension costs	2,241	-	-	-	**2,241**	(2,241)	**-**
Donated assets	(8)				**(8)**	8	**-**
Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement:							
Capital expenditure from revenue	(2,909)	-	-	-	**(2,909)**	2,909	
Capital grants and contributions in Comprehensive I&E Account	(2,571)	-	2,571	-	**-**	-	**-**
Financing of capital expenditure directly from reserves:							
Financing from capital grants and contributions reserve	-	-	(1,985)	-	**(1,985)**	1,985	**-**
Financing from capital receipts reserve	-	-	-	(161)	**(161)**	161	**-**
Total to Movement in Reserves Statement	**(3,669)**	**-**	**586**	**(10)**	**(3,093)**	**3,093**	**-**

6 Reserves

6.1 Unusable Reserves

Note 2.20 sets out the purpose and use of the various usable and unusable reserves maintained by the Council, and the Movement in Reserves Statement shows detail of the annual movements. The Movement in Reserves Statement shows only a summary of the movements in unusable reserves, and a detailed analysis is shown below.

2014/15		**2015/16**
£000		£000
49,963	**Balance at 1 April**	**37,946**
4,218	Gain on revaluation of non-current assets	3,652
(475)	Impairment losses on non-current assets charged to Revaluation Reserve	(13)

722	(Surplus) or deficit on revaluation of available-for-sale financial assets	588
(13,754)	Remeasurement of defined benefit liability	8,289
(9,289)	**Total Other Comprehensive Expenditure and Income**	**12,516**
	Reversal of items debited or credited to Comprehensive Income and Expenditure Statement	
(149)	Write Down Intangible Assets	(156)
(2,516)	Depreciation of Property, Plant and Equipment	(2,667)
(644)	Impairment to Property, Plant and Equipment	2,708
(1,191)	Revenue Expenditure financed from Capital under Statute	(228)
(6)	Gain or (loss) on sale of non-current assets	-
1	Difference between accounting and statutory finance costs	1
(183)	Difference between accounting and statutory credit for Council Tax/NNDR	613
(1,749)	Difference between accounting and statutory pension costs	(2,241)
-	Donated assets	8
	Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement	
460	Capital expenditure financed from revenue	2,909
	Financing of capital expenditure directly from reserves	
685	Capital expenditure financed from grants and contributions	1,985
2,564	Capital expenditure financed from capital receipts	161
-	Adjustment for depreciation on revalued non-current assets	-
(2,728)	**Adjustments between accounting and funding basis under regulation**	**3,093**
(12,017)	**Increase/decrease in year**	**15,609**
37,946	**Total Unusable Reserves Balance at 31 March**	**53,555**

A detailed analysis on each reserve is shown below:

2014/15 £000		**2015/16** £000
	Deferred Capital Receipts	
148	Balance at 1 April	147
(1)	Gain or (loss) on sale of non-current assets	0
147	**Balance 31 March**	**147**
	Revaluation Reserve	
24,970	Balance at 1 April	28,365
4,218	Gain on revaluation of non-current assets	3,652
(475)	Impairment losses on non-current assets charged to Revaluation Reserve	(13)
(5)	Gain or (loss) on sale of non-current assets	-
(343)	Adjustment for depreciation in revalued non-current assets	(461)
28,365	**Balance 31 March**	**31,543**
	Pension Reserve	
(45,786)	Balance at 1 April	(61,289)
(13,754)	Remeasurement of defined benefit liability	8,289
(1,749)	Difference between accounting and statutory pension costs	(2,241)
(61,289)	**Balance 31 March**	**(55,241)**
	Capital Adjustment Account	
70,724	Balance at 1 April	70,276
(149)	Write Down Intangible Assets	(156)
(2,516)	Depreciation of Property, Plant and Equipment	(2,667)
(644)	Impairment to Property, Plant and Equipment	2,708
(1,191)	Revenue Expenditure financed from Capital under Statute	(228)
-	Gain or (Loss) on sale of non-current assets	-
-	Donated assets	8
460	Capital expenditure financed from revenue	2,909

685	Capital expenditure financed from grants and contributions	1,985
2,564	Capital expenditure financed from capital receipts	161
343	Adjustment for depreciation on revalued non-current assets	461
70,276	**Balance 31 March**	**75,457**
	Financial Instruments Adjustment	
(6)	Balance at 1 April	(5)
1	Difference between accounting and statutory finance costs	1
(5)	**Balance 31 March**	**(4)**
	Collection Fund Adjustment	
(164)	Balance at 1 April	(347)
(183)	Difference between accounting and statutory credit for Council Tax	613
(347)	**Balance 31 March**	**266**
	Available for Sale	
77	Balance at 1 April	799
722	(Surplus) or deficit on revaluation of available-for-sale financial assets	588
799	**Balance 31 March**	**1,387**
37,946	**Total Unusable Reserves Balance at 31 March**	**53,555**

6.2 Earmarked Reserves

The table below shows the balances for earmarked reserves, and the transfers made to or from the General Fund.

	1/4/14	**Inc.**	**Exp.**	**1/4/15**	**Inc.**	**Exp.**	**31/3/16**
	£000	£000	£000	£000	£000	£000	£000
Capital and Revenue Initiatives	*6,116*	*26*	*(304)*	5,838	85	(3,465)	2,458
Torrington Car Park	*40*	-	-	40	-	-	40
On-Street Parking	-	*50*	-	50	79	-	129
Local Development Framework	*606*	-	-	606	-	-	606
General reserve	*24*	-	*(24)*	-	-	-	-
Section 106 contribution interest	*39*	-	*(21)*	18	17	-	35
Maintenance of Graves	*32*	-	-	32	-	-	32
Maint of Garden of Remembrance	*24*	*2*	*(2)*	24	2	(8)	18
Strategic Plan	*220*	*470*	*(38)*	652	43	(167)	528
Performance Reward	*151*	-	*(18)*	133	-	(44)	89
RVP Car Park Maintenance	*199*	*200*	-	399	367	-	766
Carbon Reduction	*50*	-	-	50	-	-	50
Government Grants	*262*	*68*	*(69)*	261	79	(40)	300
Invest to Save	*155*	*1,068*	*(22)*	1,201	454	(24)	1,631
Cultural Reserve	*60*	*4*	-	64	2	(3)	63
Pensions Settlement	*437*	*240*	-	677	250	-	927
Housing Renewal	*61*	*50*	-	111	69	-	180
Insurance	*38*	*25*	-	63	25	-	88
LAMs Scheme Interest	*44*	*28*	-	72	28	-	100
MMI	*30*	-	-	30	20	-	50
Land charges refunds	*90*	-	*(90)*	-	-	-	-
Grant volatility	*201*	*596*	-	797	323	-	1,120
ICT MKIP Partnership	*144*	*225*	*(26)*	343	24	(50)	317
Establishment	*140*	*135*	*(32)*	243	73	-	316
Parish Enabling	-	*15*	-	15	-	-	15
Ice Rink	-	*61*	-	61	34	-	95
Digital Transformation	-	-	-	-	50	-	50
Traveller Protocol	-	-	-	-	7	-	7
Land charges loss of income	-	-	-	-	42	-	42
Total	**9,163**	**3,263**	**(646)**	**11,780**	**2,073**	**(3,801)**	**10,052**

The reasons for maintaining these earmarked reserves are shown below:

Capital & Revenue Initiatives	Used to support future capital and revenue schemes in accordance with the Council's Corporate and Financial Plan.
Torrington Car Park	To be used to refurbish Torrington car park.
On Street Parking	The ring-fenced parking surplus that is used to fund highways and transport schemes in the borough.
Local Development Framework	A reserve for costs associated with the Local Development Framework due to a re-phasing of timeframes and costs.
General Reserve	This is used to finance particular revenue projects which are accommodated within the revenue budget and are committed by the end of the financial year, but where the expenditure is delayed until the following year.
Section 106 Contributions	These are developers' contributions to be used to finance capital projects: normally they would have to be repaid with interest if they cannot be used for the specified purpose within a given time. Sufficient money is retained within this reserve to pay interest on unapplied contributions.
Maintenance of Graves and Garden of Remembrance	Where money is donated for these purposes it is retained in these reserves until it can be spent.
Strategic Plan	Where the Council obtains more money from investment income than it has budgeted for, it places the excess into this reserve, which is then used to finance various strategic projects.
Performance Reward	Money received in previous years as a result of reaching targets under the Local Area Agreement has been set aside to fund individual projects.
RVP Car Park	To provide for periodic maintenance in the car parks used for the Royal Victoria Place shopping centre.
Carbon Reduction Reserve	This will enable the Council to purchase initial and subsequent allowances under the Carbon Reduction Commitment scheme, a mandatory 'cap and trade' scheme which started in April 2010.
Government Grants	Contains the equivalent amount of grants provided by the Government during the financial year that cannot be used until after 31 March each year.
Invest to Save	This was created to cover the redundancy costs for various money saving restructures but is now also used to fund revenue and capital initiatives which will result in savings or increase income streams.
Cultural	This reserve is used to support grant applications and encourage fund-raising, thereby providing an enhanced pot of money to undertake key cultural projects in the Borough.
Pensions Settlement	The balance of the reserve was used in 2012/13 to finance the one-off payment to the pension fund to settle the Council's liability for unfunded "added years" pensions. From 2012/13 the amount that the Council would have paid for unfunded pensions has instead been paid into this reserve to meet possible future increases in pension liability.
Housing Renewal	When housing renewal grants are repaid an equivalent contribution is made to this reserve, which will be used to finance future grants.
Insurance	Savings made through higher excess thresholds in the new insurance contract are paid into this reserve, and will be used where necessary to finance expenditure that would previously have been recovered from the insurers.
Local Authority Mortgage Scheme Interest	An amount equal to the net interest receivable from the mortgage scheme deposit is placed in this reserve to meet possible future defaults, as described in Note 14.3 below.
MMI	This reserve is maintained for use in case the Council's share of the overall MMI deficit, as described in Note 14.3, rises beyond the current estimate.
Land charges refunds	This reserve was used to finance the repayment of land charge search fees, as described in Note 14.2.
Grant Volatility	This reserve will be used to cushion the impact of any further changes to government grant funding that could not have been anticipated from information

	available at the time of setting the budget.
ICT MKIP Partnership	All Information Technology services are now provided from Maidstone Borough Council via a partnership agreement. This reserve will be used to hold any budget surpluses or fund deficits between financial years. This enables the agreed budgets to be retained although project implementation timetables may flex.
Establishment	The Council introduced Performance Related Pay for 2012/13 which was paid for the first time in 2013/14. This reserve provides for differences between budgets set and actual performance assessed and will also provide for any rebasing of salaries as a result of the agreed triennial review.
Parish Enabling	This reserve is to be used to assist parish and town Councils who wish to take on responsibility of discretionary services or who may face financial difficulties.
Ice Rink	This reserve will be used to smooth the impact of inclement weather on the financial success of the Ice Rink and accompanying events.
Digital Transformation	This reserve has been created from the ICT MKIP Partnership reserve to fund digital transformation projects.
Traveller Protocol	This reserve will be used to manage traveller incursions and will be matched by parish and town Council contributions. The reserve will be used to enable the Borough Council to enforce a Section 77/78 court-ordered eviction or to restore land after the vacation of an unauthorised encampment.
Land Charges Loss of Income	This reserve has been created from an overachievement in Land Charges income to mitigate against the surplus revenue that will be lost if Government centralises the service.

7 Summary of capital expenditure and financing

Capital expenditure was incurred and financed as shown below.

2014/15			**2015/16**	
£000	£000		£000	£000
	1,207	**Opening Capital Financing Requirement**		**1,182**
2,431		Property Plant and Equipment	4,793	
76		Intangible Assets	35	
1,279		Revenue Expenditure Funded from Capital under Statute (REFFCUS)	784	
	3,786	**Total capital investment**		**5,612**
		Financed by:		
(2,564)		Capital Receipts	(162)	
(685)		Government Grants and other contributions	(1,985)	
(87)		Grants and contributions towards REFFCUS	(556)	
(460)		Revenue financing	(2,909)	
	(3,796)	**Total financing**		**(5,612)**
	(15)	**Movement in Long Term Debtors within CFR**		**(15)**
	1,182	**Closing Capital Financing Requirement**		**1,167**

The Capital Financing Requirement (CFR) is the measure, taken from the Balance Sheet, of the capital expenditure incurred historically by the Council, which has yet to be financed at the end of the financial year. This Council's CFR is represented partly by past capital expenditure on assistance to a housing association and a bowls club, which is being reimbursed annually by repayments of mortgages, and the rest by half of its investment in the Local Authority Mortgage Scheme (LAMS), financed by a loan from Kent County Council.

The Council does not need to set aside money from the General Fund to reduce the CFR for either of these items. The amount advanced to a housing association and the bowls club is reduced by their annual repayments, while the loan relating to LAMS will be repaid with the proceeds of the repayment from Lloyds Banking Group at the end of the five year LAMS period.

The CFR is made up of the following balance sheet totals:

1 April 2015		**31 March 2016**
£000		£000
93,501	Property plant and equipment	101,972
3,383	Heritage assets	3,391
747	Intangible assets	626
2,192	Long term debtors financed from capital	2,178
(28,365)	Revaluation reserve	(31,543)
(70,276)	Capital adjustment account	(75,457)
1,182	**Total**	**1,167**

8 Property Plant and Equipment

8.1 Analysis of carrying amounts

The following table shows the net carrying amounts of the categories of Property Plant and Equipment, as at 31 March, split between the gross carrying amount and the accumulated depreciation and impairment.

	Land & Buildings	**Vehicles, Plant & Equipment**	**Infrastructure**	**Community**	**Surplus**	**Assets Under Construction**	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
Balance at 1 April 2015:							
Gross carrying amount	*87,394*	*3,274*	*854*	*5,437*	*-*	*55*	***97,014***
Cumulative depreciation & impairment	*(1,823)*	*(1,092)*	*(480)*	*(118)*	*-*	*-*	***(3,513)***
Total	***85,571***	***2,182***	***374***	***5,319***	***-***	***55***	***93,501***
Balance at 31 March 2016:							
Gross carrying amount	93,284	3,729	854	7,453	150	1,177	**106,647**
Cumulative depreciation & impairment	(2,678)	(1,345)	(508)	(144)	-	-	**(4,675)**
Total	**90,606**	**2,384**	**346**	**7,309**	**150**	**1,177**	**101,972**

Note 2.18 sets out the methods for measuring the gross carrying amounts, and of calculating depreciation and impairment.

8.2 Reconciliation of opening and closing balances

The table below shows the movements in the different categories for the year:

	Land & Buildings	**Vehicles, Plant & Equipment**	**Infrastructure**	**Community**	**Surplus**	**Assets Under Construction**	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
Movements 2014/15							
Balance at 1 April 2014	*82,919*	*1,975*	*399*	*4,803*	*5*	*431*	***90,532***
Additions	*1,326*	*556*	*3*	*491*	*-*	*55*	***2,431***
Revaluations	*3,703*	*-*	*-*	*-*	*-*	*-*	***3,703***
Impairment losses	*(1,045)*	*-*	*-*	*-*	*-*	*-*	***(1,045)***
Impairment loss reversals	*401*	*-*	*-*	*-*	*-*	*-*	***401***

Depreciation	*(2,139)*	*(349)*	*(28)*	-	-	-	***(2,516)***
Disposals	-	-	-	-	*(5)*	-	***(5)***
Transfers to assets held for sale	-	-	-	-	-	-	-
Reclassifications	*406*	-	-	*25*	-	*(431)*	-
Balance at 31 March 2015	***85,571***	***2,182***	***374***	***5,319***	-	***55***	***93,501***
Movements 2015/16							
Balance at 1 April 2015	85,571	2,182	374	5,319	-	55	**93,501**
Additions	1,099	581	-	1,990	-	1,122	**4,792**
Revaluations	3,639	-	-	-	-	-	**3,639**
Impairment loss reversals	2,707	-	-	-	-	-	**2,707**
Depreciation	(2,260)	(379)	(28)	-	-	-	**(2,667)**
Reclassifications	(150)	-	-	-	150	-	-
Balance at 31 March 2016	**90,606**	**2,384**	**346**	**7,309**	**150**	**1,177**	**101,972**

8.3 Valuation of property

Two of the categories shown in the tables above (land and buildings and surplus assets) are subject to valuations. The Royal Victoria Place shopping centre is valued as at 31 March each year by GVA Grimley Ltd, the others being dealt with by G L Hearn Ltd. Other than the shopping centre and the Council's multi-storey car parks, all assets have been revalued at 5-year intervals (20% as at 1 April each year).

Many of this Council's assets had been subject to losses in values in previous years, particularly those triggered by the reduction in asset values around 2007/08. As the Revaluation Reserve was established only at 1 April 2007 most of those losses had to be accounted for as impairment losses – gains in value prior to 1 April 2007 being absorbed into the Capital Adjustment Account.

Revaluations and impairment reversals are treated in line with Accounting Policy 2.18.

The table below analyses the gross carrying cost at 31 March for these two categories of assets according to the year of valuation.

31 March 2015				**31 March 2016**		
Land & Buildings	**Surplus Assets**	**Assets under Cons**		**Land & Buildings**	**Surplus Assets**	**Assets under Cons**
£000	£000	£000		£000	£000	£000
85,571	-	*55*	Net Book Value at 31 March	90,606	150	1,177
			Adjust for changes since last valuation:			
(197)	-	*(55)*	Additions	(1,296)	-	(1,177)
-	-	-	Impairments	-	-	-
1,823	-	-	Depreciation	2,677	-	-
87,197	-	-	**Total valuations**	**91,987**	**150**	-
			Valuation in financial year:			
-	-	-	2015/16	56,834	150	-
50,250	-	-	2014/15	2,074	-	-
31,338	-	-	2013/14	30,919	-	-
2,160	-	-	2012/13	2,160	-	-
3,449	-	-	2011/12	-	-	-
87,197	-	-	**Total valuations**	**91,987**	**150**	-

The valuers employed by both firms are members of the Royal Institute of Chartered Surveyors. For the majority of assets the basis of valuation for fair value is market value in its existing use (EUV). For a minority of specialised properties the valuers are unable to identify market evidence of such a value, and these assets are instead measured on the basis of depreciated replacement cost (DRC).

The significant assumptions applied in estimating the fair value are:

- A continuation of the existing use;
- Mains services for built properties are connected to the properties and drainage is to the public sewer;

- There is no environmental contamination;
- Buildings being marketed for sale or let have an Energy Performance Certificate in place, which has not revealed any shortcomings impacting on the value;
- Freehold interests are not subject to easements, restrictive covenants, encumbrances, leases or licences that would adversely affect their sale;
- Accuracy and completeness of information provided by Council officers.

8.4 Surplus Assets

The surplus asset value shown in Note 8.1 relates to land at Holly Farm, which is deemed to be surplus as it is not currently being used to deliver services. Proposals are being explored to sell the site for development but planning permission has not yet been obtained. This asset cannot be classified as an asset held for sale in its present condition, subject only to terms that are usual and customary for sales of such assets. It should therefore be held in the balance sheet at fair value. To determine its fair value, the assets highest and best use is taken into account. The use must be legally permissible and take into account any legal restrictions on the use of the asset that market participants would consider when pricing the asset, for example planning permission. Therefore as the planning permission cannot be assumed in this case, the asset is valued in its current use.

8.5 Impairments

Impairments are assessed each year, in accordance with the policy in Note 2.18, for losses triggered by such occurrences as physical, environmental or economic damage, but no such impairments have been recorded in 2015/16. As noted above in 8.3, the impairments (usually reversals) recorded arise from the revaluation of assets carried out in the year.

8.6 Capital commitments

At 31 March 2016 the Council was contractually committed to the payment of £1,124,000 for the acquisition of property plant and equipment, compared to £452,000 at 31 March 2015.

9 Heritage Assets

As set out in the accounting policies in Note 2.12 above, the Council maintains three groupings of heritage assets:

- Civic regalia
- The contents of the Museum and Art Gallery, including works of art on display in the Town Hall
- Various monuments and public works of art, including the war memorial, the Canon Hoare memorial, and the water fountain in Dunorlan Park.

The museum’s assets are generally enhanced by donations from members of the public. More information about the museum collections can be found on its section of the Council’s website:

http://www.tunbridgewellsmuseum.org

The annual movements in the balance sheet figures for heritage assets are shown below:

2014/15		**2015/16**
£000		£000
3,342	Balance at 1 April	3,383
1	Additions by donation	8
40	Revaluations	-
3,383	**Balance at 31 March**	**3,391**

10 Intangible Assets

As set out in the accounting policies in Note 2.13 above, the Council accounts for its software as intangible assets. However, the balance sheet value is only £626,000 in 2015/16, compared to £747,000 in 2014/15 and is immaterial.

11 Assets held for sale

Following its policy of seeking to dispose of properties not required to provide services, for the best price available, the Council disposed of a number of pieces of land during 2015/16. Although the market price for these assets may be substantial, accounting standards currently determine that the balance sheet value for assets held for sale should be measured at the lower of carrying value and fair value less costs to sell, and depreciation on those assets should cease. The assets currently being disposed of had no value in terms of existing use, so had no value before or after being treated as Assets held for Sale.

12 Financial Instruments

12.1 Year-end balances compared to fair values

As noted in the accounting policies Note 2.10 above, all of the Council's investments fall within two categories: "loans and receivables" and "available-for-sale assets". Loans and receivables are financial assets that have fixed or determinable payments, and are not quoted in an active market. The only asset within the Available-for-sale category is a long-term investment with the Local Authorities' Property Fund which is a Collective Investment Scheme investing in UK properties. The book value, representing the market value, was £10,387,000 at 31 March 2016 compared to £9,799,000 at 31 March 2015. The table below summarises the "loans and receivables" category.

31 March 2015			31 March 2016	
Book Value	**Fair Value**		**Book Value**	**Fair Value**
£000	£000		£000	£000
10,092	*10,155*	Investments over one year	5,044	5,184
(92)	-	Less interest due within one year	(44)	-
10,000	***10,155***	**Long term investments**	**5,000**	**5,184**
9,135	*9,135*	Available for sale assets	9,147	9,147
(135)	-	Less interest due within one year	(147)	-
799	*799*	Add gain on available for sale assets	1,387	1,387
9,799	***9,934***	**Available for sale assets**	**10,387**	**10,534**
10,057	*10,077*	Investments less than one year	15,095	15,137
228	-	Add accrued interest on long term	191	-
10,285	***10,077***	**Short term investments**	**15,286**	**15,137**
2,032	*2,032*	Loans and Receivables	2,032	2,032
(32)	-	Less interest due within one year	(32)	-
2,000	***2,032***	**Long Term Debtors**	**2,000**	**2,032**
991	*991*	Trade accounts receivable	755	755
32	-	Add accrued interest on long term	32	-
1,023	***991***	**Short Term Debtors**	**787**	**755**
8,030	*8,030*	Cash in bank call accounts	5,002	5,002
8,030	***8,030***	**Cash and Cash Equivalents**	**5,002**	**5,002**
41,137	***41,219***	**Total Financial Assets**	**38,462**	**38,644**
10,000	*10,266*	Borrowing over one year	8,000	8,201
10,000	***10,266***	**Long Term Borrowing**	**8,000**	**8,201**
2,052	*2,118*	Borrowing less than one year	2,042	2,109
16	-	Add accrued interest	16	-
2,068	***2,118***	**Short Term Borrowing**	**2,058**	**2,109**
12,068	***12,384***	**Total Financial Liabilities**	**10,058**	**10,310**

12.2 Interest Receivable and Payable

The table below sets out the interest receivable and payable for the year related to financial assets and liabilities, reconciled to the amounts included in the Comprehensive Income and Expenditure Statement:

2014/15		2015/16
£000		£000
	Interest receivable	
(845)	Interest from loans and receivables	(854)
(56)	Local Authority Mortgage Scheme	(56)
(40)	Other interest receivable	(65)
(941)	**Total Interest receivable**	**(975)**
	Interest payable	
288	Interest on long term borrowing	241
28	Local Authority Mortgage Scheme	28
(1)	Interest on Section 106 contributions	-
315	**Total Interest payable**	**269**

12.3 Valuation Techniques for Fair Value

The fair values valuations have been provided by the Council's Treasury Management advisor, Capita Asset Services. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in todays terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, Capita has used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

The Available for Sale Asset, which is an investment in the Local Authorities' Properties Fund, is included on the balance sheet at fair value. The Fund is an unquoted investment with the value being determined on a monthly basis by the fund manager.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, the calculations also include accrued interest in the fair value calculation. This figure is calculated up to and including the valuation date.

The rates quoted in this valuation were obtained by Capita from the market on 31st March, using bid prices where applicable. The rate for the Available for Sale Asset was calculated based on the net asset value price as provided by the Local Authorities' Property Fund.

12.4 Risk Management

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Accountancy Section, under policies approved by the Council in the annual Treasury Management Policy and Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

The investment in the Local Authorities' Property Fund is the Council's only investment with a Collective Investment Scheme. The Fund employs a risk management process, including the use of appropriate stress-testing procedures, which enable it to identify measure, manage and monitor at any time the relevant risks of the positions to which the Fund is or may be exposed and their contribution to the overall risk profile of the Fund.

Credit risk

Credit risk arises from deposits with banks and financial institutions. The risk is minimised through the Treasury Management Policy and Strategy, which specifies that deposits are not made with financial institutions unless they meet identified criteria, as assessed by its main agency, Fitch. It also reviews ratings from the other agencies, Moodys and Standard and Poors. The Policy and Strategy also imposes a maximum sum to be invested with a financial institution within each category, and the maximum period for a deposit. The Policy & Strategy also specifies that the Council can invest with other UK Local Authorities and the Government's Debt Management Office.

The Council's maximum exposure to credit risk in relation to its investments in private sector financial institutions, amounting to £34m at 31 March 2016, cannot be assessed generally, as the risk of any institution failing to make interest payments or to repay the principal sum, will be specific to each individual institution. Recent experience indicates that it is rare for such entities to be unable to meet their commitments. A risk of non recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise. There has been no experience of default by any of the institutions holding the Council's financial instruments, other than for trade accounts receivable, see Note 13 below.

The investment with the Local Authorities' Properties Fund is represented by the purchase of units within the fund. The price of units and the income from them may fall and rise and therefore as a unit holder the Council may not recover the full amount invested. To date the unit price has risen each month that the Council has held units.

Note 14.3, Contingent Liabilities, refers to the Local Authority Mortgage Scheme under which the Council could be liable for the mortgage sums they have guaranteed, should the owner default. To date there have been no defaults.

<u>Liquidity risk</u>

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council's investment with the Local Authorities' Properties Fund, which is a collective investment scheme investing in properties in the UK, is an illiquid investment and therefore the Council has ensured that these funds will not be needed in the medium term future. The units in the fund are purchased and redeemed through the fund manager. The investment is not traded in an active market and offer and bid prices quoted by the manager may be adjusted to protect subsisting unit holders.

The maturity analysis of financial liabilities is as follows:

	31-Mar-15	**31-Mar-16**
Less than one year	£2m	£2m
Between 1 and 2 years	£2m	£3m
Between 2 and 5 years	£7m	£5m
More than five years	£1m	-
Total Financial Liabilities	**£12m**	**£10m**

<u>Market risk</u>

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Reductions in interest rates would reduce the interest income credited to the Income and Expenditure Account, while increases in interest rates would increase the income.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been to increase investment income by £407,000.

The Council had a loan of £11 million from the Public Works Loan Board (PWLB) at the start of the year, at a fixed interest rate of 2.38%. £2 million of this has been repaid during the year. This borrowing was not required this year to finance capital investment and if the interest rate at which this money was borrowed had been 1% lower with all other variables held constant, the financial effect would have been to decrease interest payable by £101,000.

The return from the Local Authorities Properties' Fund is expected to fluctuate in response to changes in capital appreciation or income. The Fund is permitted to borrow up to 50% of the value of the Fund in order to purchase direct properties. A failure by the Fund to perform its obligations under the terms of any such loan would permit lenders to demand early repayment of the finance and to realise any security they have over the Fund's Property. Borrowing also increases risk by magnifying capital and income performance, gains and losses.

13 Debtors

13.1 Groupings of Debt

The table below analyses the balance sheet figures between different types of debt.

31 March 2015		31 March 2016
£000		£000
991	Trade accounts receivable	755
782	Other trade debtors	1,081
413	Related parties (central government)	2,856
499	Prepayments	467
1,304	Other debtors	1,671
3,989	**Total Short Term Debtors**	**6,830**
2,368	**Long Term Debtors (all "other debtors")**	**3,276**
6,357	**Total Debtors**	**10,106**

13.2 Trade Accounts Receivable

As explained in Note 2.10 above, the grouping of "Trade accounts receivable" comes within the definition of Financial Instruments. Invoices are sent to individuals and other entities, where money cannot be obtained in advance of the service being rendered, and where payment is required on the receipt of the invoice.

The Council gives priority to collecting this debt, taking action through collection agencies or legal processes where appropriate, but has to make a prudent provision for impairment for doubtful debts, based on previous experience of default and on assessment of individual outstanding balances. The table below shows the age profile of this debt.

31 March 2015		31 March 2016
£000		£000
816	Less than 3 months	580
58	3 to 6 months	34
35	6 to 12 months	39
82	More than 1 year	102
991	**Total debt**	**755**

The Council has made a provision for impairment of £61,000 for doubtful debts in this category, compared to £60,000 as at 31 March 2015. The Council has also made doubtful debt provisions of £2,168,000 at 31 March 2016, compared to £2,107,000 at 31 March 2015, covering debts for Housing Benefit overpayments, this Council's share of Council Tax and Non-Domestic Rates debts, rents and Penalty Charge Notices for parking. The approach to assessing these impairment provisions is similar to those for trade debtors, as outlined above, although such debts do not fall within the definition of financial instruments.

13.3 Groupings of Debtor

The table below analyses the balance sheet total for short-term debtors into different groups of debtor. Long-term debtors all come within the "all other bodies" grouping.

31 March 2015		31 March 2016
£000		£000
413	Central government	2,856
225	Other local authorities	234
3,351	All other bodies	3,740
3,989	**Total Short Term Debtors**	**6,830**
2,368	**Long Term Debtors (other bodies)**	**3,276**
6,357	**Total Debtors**	**10,106**

13.4 Contingent Assets

There are no contingent assets to be reported.

14 Liabilities

14.1 Creditors

The table below analyses short-term creditors between different types of creditor.

31 March 2015		31 March 2016
£000		£000
(2,010)	Central government	(3,576)
(949)	Other local authorities	(1,613)
(4,093)	All other bodies	(4,578)
(7,052)	**Total Short Term Creditors**	**(9,767)**
(766)	Central government	(313)
(366)	Other local authorities	(573)
(12)	All other bodies	-
(1,144)	**Total Long Term Creditors**	***(886)***
(8,196)	**Total Creditors**	**(10,653)**

14.2 Provisions

The Council had agreed to pay over to a parish council a Section 106 contribution received in 2006, and also the interest accumulated on this amount. This year the parish council agreed a capital scheme to be funded by the contribution and the provision of £61,000 has now been paid.

Appeals against Business Rate Valuations

As part of the changes relating to business rates retention that came into force in 2013, a provision is now made to allow for the potential losses from appeals against valuations, based on the appeals outstanding at 31 March 2016 and the average reduction achieved from settled appeals. New legislation came into effect on 1st April 2015 which stated that appeals would no longer be backdated. This caused many speculative appeals to be made prior to the deadline, a significant number of which were not accurately reported by the Valuation Office at the end of March 2015 . The provision has therefore been increased to £2,252,000 (£1,211,000 at 31 March 2015) to reflect the increase in outstanding appeals, which represents this Council's 40% share of the total provision.

Land charges search fees

Legislation previously provided for charges to be levied for providing land charges data. When the Environmental Information Regulations 2004 (the "EIRs") were brought into force on 1 January 2005 as a means of implementing the 2003 EC Directive on Freedom of Information, Property Search Companies argued that land charges data should now be provided free of charge as it fell within the definition of "environmental information". A claim was eventually made for a refund of these fees with interest, and this has now been settled. The costs have yet to be confirmed, but a provision has been made for £41,000. Due to the particular circumstances that brought rise to this claim, central Government provided a new burdens grant to partially offset the settlement. New burdens grants must be accounted for in the year that they are received, so the council has benefitted from the £67,000 grant in 2015/16.

14.3 Contingent Liabilities

Municipal Mutual "Run Off" Liabilities

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion. Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of claimants rather than MMI. In 2015/16 a review of the Scheme of Arrangements was undertaken, which concluded that the 15% levy on claims that the Council was liable for, was no longer sufficient. The levy was subsequently increased to 25% and £18,259 has been paid to MMI for a "claw back" of the 10% levy increase, on claims since the Scheme of Arrangement commenced. Each year MMI provide an estimate of the outstanding claims as at 31st March, which for 2015/16 is zero. However, the Council has put £50,000 aside in a reserve for any future claims that are made or any further adjustments made to the levy rate.

Local Authority Mortgage Scheme

Under the Local Authority Mortgage Scheme (LAMS) the Council has undertaken to indemnify possible losses for the difference between 75% and 95% mortgages. At 31 March 2016, £1,611,385 had been committed against new mortgages, of which this Council is responsible for half of any losses. None of the mortgages are in arrears and no losses have been incurred by 31 March 2016, so there is no provision made in the balance sheet for the Council's possible guarantee liabilities. The 2.79% interest from the scheme has, however, been set aside in a reserve and can be used should any liability arise. The total available is now £100,000, which will be released upon the cessation of the scheme in September 2017, providing there is no call upon it.

Business rates appeals not yet lodged

14.2 above explains the provisions that have been made in relation to Business Rates appeals lodged, however, local businesses can still appeal against the Rateable Value on the 2010 Rating List until 31 March 2017. Previously, a successful appeal could be backdated to April 2010, however the new legislation explained in 14.2 means that claims can now only be backdated to 1st April 2015. This has significantly reduced the financial risk to the 2015/16 accounts, associated with any future appeals not yet lodged, firstly because the new legislation provided an incentive to lodge the claim by the end of March 2015 if there was any possibility of it being successful, secondly because there is only another 12 months in which an appeal can be made against the 2010 Rating List and thirdly, because any new claim will only be backdated to 1st April 2015.

The Council is unable to make a reliable estimate of the potential future liability arising from businesses lodging new appeals and has therefore made no provision for potential appeals. The Council has neither the knowledge nor the experience of the factors that trigger appeals and is unable to estimate the value of any appeal. Tunbridge Wells has a wide range of businesses with considerable variations in their rateable values and it is not possible to determine which of them are likely to appeal or how much of their rateable value they would be appealing. Therefore, whilst the Council acknowledges that there is likely to be some liability in the future, there is no sufficiently reliable estimate that can be made at this time, of the number of new appeals and the amount of the obligation they might create and the total amount is now likely to be immaterial.

15 Amounts reported for resource allocation decisions

Paragraph 4 of the Narrative Report compares net expenditure to the annual budget, analysed between the directorates into which the Council is organised. The table below breaks these totals down further into different types of income and expenditure, and reconciles the total to the Cost of Services and the Surplus or Deficit on the Provision of Services as shown in the Comprehensive Income and Expenditure Statement.

The Cost of Services in this table is the same figure as shown in the Comprehensive Income and Expenditure Account. It should be noted that the figures in the tables below (unlike the corresponding figures in the Comprehensive Income and Expenditure Account) are shown without any adjustments for the allocation of support services.

	Chief Executive	**Finance & Corporate Services**	**Change & Communities**	**Planning & Development**	**Cost of Services**	**Corporate Items**	**Total**
	£000	£000	£000	£000	**£000**	£000	**£000**
2015/16							
Fees, Charges and other service income	-	(541)	(9,860)	(5,281)	**(15,682)**	-	**(15,682)**
Interest and Investment Income	-	-	-	-	**-**	(975)	**(975)**
Income from council tax	-	-	-	-	**-**	(8,870)	**(8,870)**
Retained NNDR income	-	-	-	-	**-**	(2,164)	**(2,164)**
Government grants and contributions	-	(35,381)	(1,287)	(955)	**(37,623)**	(7,220)	**(44,843)**
Total Income	**-**	**(35,922)**	**(11,147)**	**(6,236)**	**(53,305)**	**(19,229)**	**(72,534)**
Employees	163	3,875	5,172	5,449	**14,659**	2,046	**16,705**
Other service expenses	4	37,381	5,753	7,514	**50,652**	-	**50,652**
Depreciation, etc	-	427	1,712	(1,239)	**900**	-	**900**
Interest payments	-	-	-	-	**-**	269	**269**
Precepts and levies	-	-	-	-	**-**	1,987	**1,987**
Gain or loss on disposal of fixed assets	-	-	-	-	**-**	(151)	**(151)**

Total operating expenses	**167**	**41,683**	**12,637**	**11,724**	**66,211**	**4,151**	**70,362**
(Surplus) or Deficit on provision of services	**167**	**5,761**	**1,490**	**5,488**	**12,906**	**(15,078)**	**(2,172)**

The table below shows the comparative figures for 2014/15.

	Chief Executive	**Finance Director**	**Deputy Chief Executive**	**Cost of Services**	**Corporate Items**	**Total**
	£000	£000	£000	**£000**	£000	**£000**
2014/15						
Fees, Charges and other service income	(11,734)	(541)	(3,568)	**(15,843)**	-	**(15,843)**
Interest and Investment Income	-	-	-	**-**	(941)	**(941)**
Income from council tax	-	-	-	**-**	(8,436)	**(8,436)**
Retained NNDR income	-	-	-	**-**	(2,848)	**(2,848)**
Government grants and contributions	(924)	(35,138)	(1,173)	**(37,235)**	(6,203)	**(43,438)**
Total Income	**(12,658)**	**(35,679)**	**(4,741)**	**(53,078)**	**(18,428)**	**(71,506)**
Employees	5,327	4,037	4,788	**14,152**	2,073	**16,225**
Other service expenses	7,219	36,396	6,825	**50,440**	-	**50,440**
Depreciation, etc	1,719	210	2,659	**4,588**	-	**4,588**
Interest payments	-	-	-	**-**	315	**315**
Precepts and levies	-	-	-	**-**	1,867	**1,867**
Gain or loss on disposal of fixed assets	-	-	-	**-**	(1,220)	**(1,220)**
Total operating expenses	**14,265**	**40,643**	**14,272**	**69,180**	**3,035**	**72,215**
(Surplus) or Deficit on provision of services	**1,607**	**4,964**	**9,531**	**16,102**	**(15,393)**	**709**

16 Grants and Contributions

The table below outlines Government grants and other external contributions accounted for within the Comprehensive Income and Expenditure Statement and the Cash Flow Statement.

	2014/15				**2015/16**	
Grants	**Contribs.**	**Total**		**Grants**	**Contribs.**	**Total**
£000	£000	£000		£000	£000	£000
(34,871)	-	*(34,871)*	DWP benefits grants	(35,315)	-	(35,315)
-	*(1,840)*	*(1,840)*	Contributions from other local authorities and health sector	-	(1,411)	(1,411)
-	*(10)*	*(10)*	Contributions to revenue expenditure financed from capital under statute	-	(556)	(556)
(106)	*(408)*	*(514)*	Other grants and contributions	(26)	(315)	(341)
(34,977)	***(2,258)***	***(37,235)***	**Total within Cost of Services**	**(35,341)**	**(2,282)**	**(37,623)**
(2,377)	-	*(2,377)*	Revenue Support Grant	(1,633)	-	(1,633)
(231)	-	*(231)*	New Burdens Grant	(142)	-	(142)
(620)	-	*(620)*	Benefits and NNDR administration grants	(569)	-	(569)
(1,091)	-	*(1,091)*	New Homes Bonus	(1,226)	-	(1,226)
(446)	-	*(446)*	Small business rate relief	(521)	-	(521)
(457)	-	*(457)*	Disabled Facilities Grant	-	-	-
(318)	-	*(318)*	Section 31grants, re rate income	(438)	-	(438)
-	-	-	Donated assets	-	(8)	(8)
(7)	*(885)*	*(892)*	Grants & conts. towards capital expenditure	-	(2,571)	(2,571)
(258)	*(170)*	*(428)*	Other grants and contributions	(271)	(169)	(440)

(5,805)	***(1,055)***	***(6,860)***	**Total within Taxation and non-specific grant income**	**(4,800)**	**(2,748)**	**(7,548)**
(40,782)	***(3,313)***	***(44,095)***	**Total within Comprehensive Income and Expenditure Statement**	***(40,141)***	***(5,030)***	***(45,171)***
(1,095)	*19*	*(1,076)*	Adjust for variation in accruals and capital grants	3,024	353	3,377
(41,877)	***(3,294)***	***(45,171)***	**Total within Cash Flow Statement**	**(37,117)**	**(4,677)**	**(41,794)**

The Disabled Facilities Grant was designated a revenue Government grant in 2014/15 but is now a capital contribution.

The Council has also received contributions under Section 106 of the Town and Country Planning Act 1990, which enables developers to make contributions in connection with the granting of planning permission. Where these contributions are to be used towards capital investment, and if the agreements contain a condition specifying a date by which the contribution must be used for a specific purpose, this income is held on the balance sheet under the heading "capital grants receipts in advance". Balances under "current liabilities" represent those expected to be used to finance capital in the next financial year, and other balances are held under "long term liabilities".

17 Officers Remuneration

17.1 Remuneration of Senior Management

The tables below set out in more detail the remuneration of the senior staff of the Council. The pay of the officers concerned is also included in the remuneration band table set out in Note 17.2 below.

	Salary	**Benefits**	**Pension Contribs.**	**Total Remun.**
	£	£	£	**£**
2014/15				
Chief Executive	*115,074*	347	*13,809*	***129,230***
Director of Change & Communities	*95,481*	126	*11,458*	***107,066***
Director of Planning & Development	*94,754*	-	*11,357*	***106,111***
Director of Finance & Corporate Services (Section 151 Officer)	*85,462*	-	*10,134*	***95,596***
Head of Legal and Monitoring Officer	*19,263*	-	*2,312*	***21,574***
	410,034	***473***	***49,070***	***459,577***

	Salary	**Benefits**	**Pension Contribs.**	**Total Remun.**
	£	£	£	**£**
2015/16				
Chief Executive	118,335	-	14,472	**132,807**
Director of Change & Communities	97,911	251	11,749	**109,911**
Director of Planning & Development	97,355	-	11,683	**109,038**
Director of Finance & Corporate Services (Section 151 Officer)	90,180	-	10,602	**100,782**
	403,781	**251**	**48,506**	**452,538**

It should be noted that:

- No bonuses were payable to any of these officers.
- The figures for the Chief Executive include fees payable for the role of Returning Officer for electoral purposes. The amounts fluctuate between years, depending on what elections fall due during the financial year. The amount paid in 2015/16 was £7,103 compared to £6,718 in 2014/15.
- The Head of Legal left the organisation on 15 July 2014 and was not replaced by a new member of staff on payroll. Instead, this role is shared with Maidstone and Swale Borough Councils and is employed directly by Swale.

17.2 Remuneration Bands

The table below shows the number of employees in the year whose remuneration was greater than £50,000. For this purpose remuneration means amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as these 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 table displays two columns for each year: the first column, in line with the Accounts and Audit Regulations, compares amounts paid to individuals including severance pay. As this can vary considerably between years, a second column is also included which excludes severance pay completely.

The table below shows total remuneration paid to individual employees for the year, whereas the detailed tables above in 17.1 show remuneration against the relevant senior post. This does not cause any difference for the two years reported above, but in other years a particular post may be held by more than one employee during the course of the year, and conversely an employee may occupy different posts during the year.

2014/15			**2015/16**	
Inc. Severance	***Exc. Severance***	**Remuneration Band**	**Inc. Severance**	**Exc. Severance**
2	*2*	£50,000 - £54,999	7	7
6	*6*	£55,000 - £59,999	5	5
-	*1*	£60,000 - £64,999	2	2
1	*1*	£65,000 - £69,999	2	1
3	*3*	£70,000 - £74,999	2	2
-	-	£75,000 - £79,999	2	2
-	-	£80,000 - £84,999	-	-
2	*1*	£85,000 - £89,999	-	-
1	*1*	£90,000 - £94,999	1	1
1	*1*	£95,000 - £99,999	2	2
-	-	£100,000 - £104,999	-	-
-	-	£105,999 - £109,999	-	-
-	-	£110,000 - £114,999	-	-
1	*1*	£115,000 - £119,999	1	1
17	***17***	**Total**	**24**	**23**

18 Post Employment Benefits

18.1 Participation in defined liability pension plan

As part of the terms and conditions of employment of its employees, the Council makes contributions towards the cost of post-employment benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, and therefore in the Kent Pension Scheme, which is administered by Kent County Council.

Under the Local Government Pension Scheme retirement benefits are based on the employee's final salary, and are increased each year in line with the Consumer Price Index.

The accounting policy for this pension plan, including the recognition of actuarial gains and losses, is set out in the accounting policies set out in Note 2.16.

18.2 Annual movement in plan obligations and assets

The table below shows separately the movements in the obligations and assets relating to the accounting group:

2014/15				**2015/16**		
Liabilities	**Assets**	**Net**		**Liabilities**	**Assets**	**Net**
£000	*£000*	*£000*		£000	£000	£000
(115,735)	***69,773***	***(45,962)***	**Asset /(Liability) at 1 April**	**(136,768)**	**75,207**	**(61,561)**
(1,839)	-	*(1,839)*	Current service cost	(2,414)	-	(2,414)
(140)	-	*(140)*	Curtailments	(17)	-	(17)
-	-	-	Past service cost	-	-	-
(5,112)	*3,091*	*(2,021)*	Interest expense and income	(4,458)	2,464	(1,994)

-	*(52)*	*(52)*	Administration expenses	-	(52)	(52)
(7,091)	***3,039***	***(4,052)***	**To Surplus / Deficit on Prov. Of services**	**(6,889)**	**2,412**	**(4,477)**
			Contributions:			
-	*2,207*	*2,207*	Employer	-	2,323	2,323
(562)	*562*	*-*	Employee	(581)	581	-
4,953	*(4,953)*	*-*	Payments to beneficiaries	3,975	(3,975)	-
4,391	***(2,184)***	***2,207***	**Other movements**	**3,394**	**(1,071)**	**2,323**
-	*4,579*	*4,579*	Return on assets excluding interest income	-	(1,653)	(1,653)
			Actuarial gains / (losses):			
(18,333)	*-*	*(18,333)*	Changes in financial assumptions	9,942	-	9,942
-	*-*	*-*	Changes in demographic assumptions	-	-	-
-	*-*	*-*	Experience gains and losses	-	-	-
(18,333)	***4,579***	***(13,754)***	**Remeasurements**	**9,942**	**(1,653)**	**8,289**
(136,768)	***75,207***	***(61,561)***	**Asset /(Liability) at 31 March**	**(130,321)**	**74,895**	**(55,426)**

18.3 Plan Assets

The plan's assets consist of the following categories:

31 March 2015			**31 March 2016**	
£000	***%***		£000	**%**
51,395	*68.3%*	Equities	49,947	66.7%
787	*1.0%*	Gilts	663	0.9%
8,365	*11.1%*	Bonds	8,223	11.0%
9,342	*12.4%*	Property	10,879	14.5%
2,057	*2.7%*	Cash	1,928	2.6%
3,261	*4.3%*	Target Return Portfolio	3,255	4.3%
75,207	***100%***	**Total**	**74,895**	**100%**

18.4 Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2016. The main assumptions used in their calculations are:

2014/15		**2015/16**
	Mortality assumptions:	
22.8	Longevity at 65 for current pensioners: Men	22.9
25.2	Longevity at 65 for current pensioners: Women	25.3
25.1	Longevity at 65 for future pensioners: Men	25.2
27.6	Longevity at 65 for future pensioners: Women	27.7
3.2%	Retail Price Index	3.3%
2.4%	Consumer Price Index	2.4%
4.2%	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.4%
3.3%	Rate for discounting scheme liabilities	3.7%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

18.5 Funding Arrangements

The estimated cash contribution for 2016/17 is £2,358,000 compared with the actual contribution of £2,323,000 for 2015/16.

19 Termination Benefits and Exit Packages

In 2015/16 the Council paid £36,000 in severance payments (excluding curtailment costs) to 3 former members of staff, compared to £175,000 (including curtailments) paid to 10 former members of staff in 2014/15. 1 of these payments was made to a senior manager whose remuneration is disclosed in Note 17.2 and none of them were compulsory redundancies.

The table below shows the complete cost of exit packages agreed in each year that has been charged to the Comprehensive Income and Expenditure Statement. The costs shown include severance pay and any "curtailment" costs relating to the cost of allowing employees to take their pensions before normal retirement age.

2014/15		**Banding**	**2015/16**	
Number	*Cost*		Number	Cost
	£000			£000
8	*58*	0 - £20,000	2	8
1	*23*	£20,000 - £40,000	1	28
-	-	£40,000 - £60,000	-	-
-	-	£60,000 - £80,000	-	-
1	*94*	£80,000 - £100,000	-	-
10	***175***		**3**	**36**

20 Members Allowances

The total amount of members' allowances paid in 2015/16 was £363,973, compared to £366,102 in 2014/15.

The Council produces a statement, in accordance with the Local Authorities Members' Allowance (England) Regulations 2003, giving details of the allowances paid. The statement may be seen on the Council's website or copies can be obtained by writing to the Democratic Services Manager, Town Hall, Royal Tunbridge Wells, Kent TN1 1RS. Telephone 01892 554179 or e-mail committee@tunbridgewells.gov.uk.

21 Agency Income and Expenditure

The Council is responsible for the Collection of National Non-Domestic Rates and Council Tax, which it then passes on to the Government, Kent County Council, the Kent Police Authority and the Kent Fire and Rescue Service as shown below. While the element of Council Tax and National Non-Domestic Rates collected for this Council is accounted for in the Income and Expenditure Account, the remainder of the tax collection activity is excluded from this account and is accounted for as an agency service.

All amounts collected and paid over under these agency activities are excluded from the main accounting statements and the notes, other than the Cash Flow Statement, where the changes during the year are included in the "financing activities" heading.

The totals collected on this basis are shown below:

2014/15				**2015/16**		
Council Tax	**Rates**	**Total**		**Council Tax**	**Rates**	**Total**
£000	£000	£000		£000	£000	£000
-	*25,262*	*25,262*	Government	-	24,958	24,958
45,552	*4,547*	*50,099*	Kent County Council	47,224	4,492	51,716
6,144	-	*6,144*	Kent Police Authority	6,375	-	6,375
2,954	*505*	*3,459*	Kent Fire and Rescue Service	3,060	499	3,559
54,650	***30,314***	***84,964***	**Total agency income**	**56,659**	**29,949**	**86,608**

22 External Audit Costs

The audit fees for 2015/16, payable to Grant Thornton, are set out below.

2014/15		**2015/16**
£000		£000
67	External Audit Services - Statutory Accounts 2015/16	51
12	Audit & Statutory Certification of Grant Claims 2015/16	12
1	Other	-
80	**Total**	**63**

23 Leasing

23.1 Finance leases – Council acting as lessee

The Council holds two properties under long term leases, as shown below. As the length of the leases are in line with, or greater than, the life expectancy of the building, the building element of these agreements are treated as a finance lease.

	Lease start	Lease term	Value 31/03/15	Value 31/03/16
			£000	£000
TN2 Centre	2006	30 years	*525*	500
Putlands Sports & Leisure Centre	1995	99 years	*276*	264
			801	**764**

As these leases are on peppercorn rents there are no lease commitments.

The Council has sub-let accommodation within the TN2 Centre back to the YMCA, also on a peppercorn rent, and to Kent County Council, for use as a library, for £12,000 per annum, under a sub-lease expiring on 16 March 2036.

23.2 Operating leases – Council acting as lessee

The Council makes payments under operating leases for photocopiers and printers, the Housing Leasing scheme(the Council obtained the use of various properties which were used for temporary accommodation), the Tourist Information Centre and various car parks.

Combined, the leases have a total value of £47,000, compared with £78,000 in 2014/15 and are immaterial.

The Council paid out £19,500 in minimum lease payments during 2015/16 compared to £20,000 in 2014/15. The Council did not pay any contingent rents or receive income under subleases, in either year.

23.3 Finance leases – Council acting as lessor

The Council has not leased out any properties under finance leases.

23.4 Operating leases – Council acting as lessor

The Council leases out various properties that it does not directly occupy, for purposes such as housing, leisure and economic development, including the ground rent received for the Royal Victoria Place shopping centre.

The future minimum lease payments receivable under non-cancellable leases as at the end of the financial year are:

31 March 2015		31 March 2016
£000		£000
	Leases expiring:	
(8)	Within one year	(15)
(374)	Between two and five years	(1,063)
(80,713)	Later than five years	(80,079)
(81,095)	**Total**	**(81,157)**

The minimum lease payments receivable as shown in the above table do not include rents that are contingent upon events taking place after the start of the lease, such as adjustments following rent reviews. In 2015/16 the Council received £25,000 in contingent rents, compared to £21,000 in 2014/15.

24 Related Parties

24.1 Definition

The term "related party" covers relationships between the Council and a body or individual where one of the parties can exercise significant influence over the policies and decisions of the other.

24.2 Central Government

The UK central government provides much of the Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and notes, 13 (debtors), 14 (liabilities) and 16 (grants and contributions).

24.3 Kent Pension Scheme

The Council participates in the Kent Pension Scheme, making annual contributions to the Kent Pension Fund as set out in Note 18. Although the scheme is administered by Kent County Council, the pension fund is a separate entity, and Kent County Council is not in itself a related party.

24.4 Tunbridge Wells Property Holdings Limited

This company was incorporated on 9 March 2015, with the purpose of owning and managing some of the Council's property portfolio, particularly those properties being developed as part of the capital programme for 2015/16 through to 2018/19. The company is wholly owned by the council and there are 3 company Directors, 2 Councillors and the Head of Economic Development. A letting agent has been appointed to manage the tenant relationships and the administration is provided by the council and recharged to the company.

The company started trading on the 18 May 2015, when 8 properties were leased to the company by the Council on 22 year leases. In the first year of trading the company has made a loss of £8,800, due to the costs of establishment. The accounts will be filed at Companies House by 9 December 2016. Group Accounts have not been prepared as the revenue is immaterial (see Note 2.25).

24.5 Members and senior officers

All members and senior officers are required to complete an annual return, disclosing the details of any interest of themselves and their close family members, which might have an impact on their activities on behalf of the Council. Members also disclose such interests in the Register of Members' Interests, which is held at the Town Hall, Tunbridge Wells, and is open to public inspection.

Details of payments to senior officers and to members are shown in Notes 17 and 20 respectively.

The Collection Fund

The Collection Fund is an agent's statement that reflects the Council's 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 the distribution to local authorities and the Government of council tax and non-domestic rates.

2014/15				2015/16		
C Tax	Rates	Total		C Tax	Rates	Total
£000	£000	£000		£000	£000	£000
(63,431)	(52,565)	**(115,996)**	Income Collectable	(65,849)	(53,886)	**(119,735)**
-	-	-	Transfer from General Fund: Council Tax Benefit	-	-	-
(63,431)	**(52,565)**	**(115,996)**	**Income Receivable**	**(65,849)**	**(53,886)**	**(119,735)**
			Apportionments of previous year surplus:			
147	-	**147**	Kent County Council	-	-	-
14	-	**14**	Kent Police Authority	-	-	-
9	-	**9**	Kent Fire and Rescue Service	-	-	-
25	-	**25**	Tunbridge Wells Borough Council	-	-	-
			Precepts and central share:			
45,432	4,571	**50,003**	Kent County Council	46,974	4,365	**51,339**
6,134	-	**6,134**	Kent Police Authority	6,342	-	**6,342**
2,946	508	**3,454**	Kent Fire and Rescue Service	3,045	485	**3,530**
8,415	20,495	**28,910**	Tunbridge Wells Borough Council	8,823	19,400	**28,223**
-	25,395	**25,395**	Government	-	24,250	**24,250**
			Transfer to General Fund:			
-	179	**179**	Cost of Collection allowance	-	177	**177**
			Impairment of debts:			
67	269	**336**	Write offs	311	673	**984**
279	171	**450**	Allowance for impairments	10	461	**471**
			Impairments resulting from appeals:			
-	1,272	**1,272**	Allowance for impairments	-	2,603	**2,603**
-	151	**151**	Transitional protection payments	-	55	**55**
63,468	**53,011**	**116,479**	**Expenditure**	**65,505**	**52,469**	**117,974**
37	446	**483**	(Increase) / Reduction in fund balance	(344)	(1,417)	**(1,761)**
(283)	504	**221**	Balance on Fund 1 April	(246)	950	**704**
(246)	**950**	**704**	**Balance on Fund 31 March**	**(590)**	**(466)**	**(1,056)**

Notes to the Collection Fund

1 Non-Domestic Rates

The total non domestic rateable value at 31 March 2016 was £126.967m (£126.527m as at 31 March 2015). The national non-domestic multiplier for the year was 49.3p (48.2p for 2014/15). Revaluation usually takes place every 5 years to maintain fairness by ensuring that rateable values reflect changes in the property market. The next revaluation however, has been delayed to 2017 due to the vulnerable state of the economy and pressures on the valuation office. The most recent revaluation came into effect on 1 April 2010. At revaluation, the multipliers are revised so that the overall national business rates bill only changes in line with inflation.

In 2015/16 the Council joined the Kent Non-Domestic Rates Pool, which enables the County to retain much of the Business Rates Levy that would otherwise have been paid to Government. The Council was permitted to keep an additional £138,000 of the Business Rates income from the Borough.

The Council has received applications for mandatory relief from business rates on behalf of 2 NHS Foundation Trusts, but it considers the basis of these applications to be unfounded and has made no allowance for them in its financial statements.

2 Council Tax Base

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

	2014/15			**2015/16**		
	Estimated No. Of Properties	Multiplier	Band D Equivalent Dwellings	Estimated No. Of Properties	Multiplier	Band D Equivalent Dwellings
A	1,995.33	6/9	1,329.95	1,975.59	6/9	1,317.31
B	3,395.80	7/9	2,641.18	3,420.34	7/9	2,660.27
C	10,096.75	8/9	8,974.89	10,251.69	8/9	9,112.63
D	8,261.75	9/9	8,261.75	8,440.99	9/9	8,440.99
E	5,805.06	11/9	7,095.06	5,848.42	11/9	7,148.09
F	4,110.75	13/9	5,937.77	4,167.35	13/9	6,019.49
G	4,743.53	15/9	7,905.87	4,798.67	15/9	7,997.79
H	463.50	18/9	927.00	483.50	18/9	967.00
TOTAL BAND D EQUIVALENTS			43,073.47	39,386.55		43,663.57
COLLECTION RATE			0.987			0.987
TAX BASE			42,513.50			43,095.94