Tunbridge Wells Borough Council

Draft Annual Financial Report for 2019/20

Tunbridge Wells Borough Council

Table of Contents

Front cover photograph: The Pantiles, Royal Tunbridge Wells, by David Hodgkinson

Narrative Report

1. About Tunbridge Wells

The borough of Tunbridge Wells is set in the High Weald of Kent, around 70% of which is designated as an area of outstanding natural beauty. Of the estimated 118,100 residents, around 55% live in the town of Royal Tunbridge Wells with 45% living in the larger towns of Cranbrook, Paddock Wood and Southborough and the surrounding towns and villages. The borough is bordered by the districts and boroughs of Sevenoaks, Maidstone and Tonbridge and Malling, to the north, whilst to the south it borders Wealden and Rother in East Sussex.

2. About the Council

The Council is composed of 48 councillors, representing 20 wards, with one-third elected three years in four. Councillors are democratically accountable to residents of their ward. Following the May 2019 Borough Elections, the political composition of the Council was:

Conservative	28
Liberal Democrat	9
Labour	4
Tunbridge Wells Alliance	4
Independent	3

Tunbridge Wells Borough Council operates under executive arrangements, also known as the ‘Leader and Cabinet’ model. The Full Council elects the Leader and the Leader appoints their Cabinet from amongst the members of the Council. The current Leader of the Council is Councillor Alan McDermott.

The Cabinet’s three Advisory Boards give back-bench members and the public an opportunity to influence and give advice on decisions to be made by Cabinet. Each Advisory Board will give initial consideration and make recommendations on matters within their respective terms of reference.

3. The Statement of Accounts

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. There have been no material changes to the presentation of the Accounts for 2019/20.

In addition to the Narrative Report the Statement of Accounts consists of the following:

The Annual Governance Statement

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

The Statement of Responsibilities

This sets out the general responsibilities of both the Borough Council, and of the Director of Finance, Policy and Development, in making proper financial arrangements and in maintaining financial records. The Statement is signed when the Accounts are authorised for audit and again following the audit of the Accounts.

The Independent Auditor's Report

The Council's independent external auditors provide an independent opinion on whether the financial statements present a 'true and fair view' of the financial position of the Council as at the Balance Sheet date and on its income and expenditure for the year.

The Core Financial Statements

The core financials statements consist of the following four statements and associated notes:

- The Comprehensive Income and Expenditure Statement – this 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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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

- The Balance Sheet – this 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, 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 of reserves is those that the Council is not able to use to provide services. This group 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 – this 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 (borrowing) to the Council.

The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

4. Service Performance

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). Corporate Priority Project performance is assessed through a broad set of criteria including whether the project is still on the time, on budget, delivered to the appropriate quality levels and whether there is appropriate resource available to deliver it. These criteria are measured on a monthly basis using a "traffic light" system, 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 1,000 population and unemployment levels.

4.1 Corporate Priorities

The Council has focussed on 8 Priority projects from the 5 Year Plan. Progress is reported and monitored monthly at the Council's leadership team and quarterly to Cabinet. The previous reporting system placed importance on immoveable milestones which were set up to eighteen months in advance of work taking place. The Council has now moved to a standard project management methodology of reporting, which is more dynamic and responsive to change.

In 2019 the Council made a formal decision in July to stop all spending and project work on the Corporate Priority Projects that made up the development scheme known as 'Calverley Square'. This meant that progress on works associated with two of the projects listed below came to an end before the end of the financial year 2019/20.

Alongside this, the 'provision of additional off-street parking in Royal Tunbridge Wells' has been put on hold following a decision by the Executive not to progress with the Crescent Road Car Park Extension project.

The projects are listed below along with their "Red/Amber/Green" project statuses as reported to Cabinet:

8 Priority Projects	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Provide a new Cultural and Learning Hub in Royal Tunbridge Wells (The Amelia Scott)	Amber	Red	Amber	Amber
Explore the delivery of a new theatre in Royal Tunbridge Wells (the Calverley Square development)	Red	Red	Cancelled	Cancelled
Explore the delivery of the new civic centre and office space in Royal Tunbridge Wells (the Calverley Square development)	Red	Red	Cancelled	Cancelled
Provide additional off-street parking in Royal Tunbridge Wells	Red	Red	On Hold	On Hold
Create a new Local Plan for the borough	Green	Green	Green	Green
Create new sports facilities across the borough	On Hold	Red	Green	Amber
Support the development of				

community centres in the borough:				
- Southborough	Green	Amber	Green	Green
- Paddock Wood	Green	Amber	Amber	Amber
- Cranbrook	Amber	Amber	Amber	Amber
Enhance the public realm in the borough	Green	Amber	Green	Green

It is important to note that in Quarter 4, Council projects have been affected by the Covid-19 emergency, which has created various impacts, but most significantly on timescales.

4.2 Council Business

The performance indicators for Council business are refreshed periodically to ensure they remain up-to-date and relevant for the authority. The Council now reports on 25 performance indicators that have quarterly target measures. Where the performance indicators are directly comparable with previous years, performance has been consistent, but there has been a fall in the number of indicators showing as 'on target' compared with previous years.

The percentage of performance indicators on target are as follows:

Year	On Target
2015/16	76%
2016/17	86%
2017/18	91%
2018/19	86%
2019/20	73%

The reduction is mainly due to an inability to process planning applications within statutory timescales (those without extension of time agreements) as it has been extremely difficult to fill vacant Planning posts. It should be noted that all Government Planning indicators have been achieved, but this Council has set ambitious targets over and above those monitored nationally.

4.3 Performance Conclusion

In 2019 the Council made a critical decision regarding its approach to delivering cultural led economic growth in the Borough, which has resulted in a number of key projects being cancelled or placed on hold. Alongside this, the nature of local government finance has continued to be challenging and this has affected the speed and ability of the Council to deliver the remaining projects in the Five Year Plan. Asset disposal, whilst effective in the past to alleviate capital spending pressures, has now largely been completed, so this area of income cannot be relied upon in the future to help fund projects.

At the end of the financial year in 2020, the Council has been significantly affected by the social distancing measures introduced following the Covid-19 outbreak. This has impacted the Council's ability to deliver services in some areas, with some services suspended altogether.

The results for 2019/20 show that delivering on performance targets has been more challenging than in previous years, with financial pressures, political change within the Council and Covid-19 having had a detrimental effect on delivery in some areas.

However, the performance management system continues to enable the Council to focus the organisation and manage risk; the updated performance management system introduced in 2018/19 has ensured that the Council's administrative and political leadership have early sight of how priority projects are progressing and that the service areas which are most important to the Borough, are under constructive, regular scrutiny. There will be a significant performance indicator refresh in 2020/21, so it is unlikely that future years will be directly comparable.

5. Financial Performance

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

	Approved Budget	Actual	Variance
	£000	£000	£000
Chief Executive	173	171	(2)
Total Chief Executive	**173**	**171**	**(2)**
Director Finance, Policy and Development	146	144	(2)
Finance & Procurement (including Parking)	(1,448)	(1,193)	255
Mid Kent Client Services	1,765	1,808	43
Economic Development	1,629	1,503	(126)
Calverley Square Reversal of 2018/19 Capital	4,442	4,442	0
Planning	917	787	(130)
Policy & Governance	1,265	1,243	(22)
Total Finance, Policy and Development	**8,716**	**8,734**	**18**
Director of Change & Communities	127	126	(1)

Human Resources, Customer Service and Culture	1,628	1,626	(2)
Housing, Health and Environment	6,089	6,166	77
Facilities and Community Hubs	1,201	1,170	(31)
Digital Services and Communications	750	680	(70)
Total Change & Communities	**9,795**	**9,768**	**(27)**
Total Cost of Services	**18,684**	**18,673**	**(11)**
Parish Council Precepts	2,533	2,533	0
Interest Payable	50	50	0
Interest and Investment Income	(932)	(958)	(26)
Capital Expenditure from Revenue	473	473	0
Minimum Revenue Provision	223	223	0
Transfer to (from) Earmarked Reserves	(3,461)	(3,417)	44
Net Expenditure	**17,570**	**17,577**	**7**
General Government Grants	(2,681)	(2,723)	(42)
Business Rates from Collection Fund	(2,435)	(3,241)	(806)
Council Tax from Collection Fund	(10,702)	(10,703)	(1)
Balance Transferred (to) from General Fund	**1,752**	**910**	**(842)**

The Directorate Cost of Services actual outturn shows an underspend to the balanced budget of £11,000.

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

- Parking Income was £332,000 below budget and £223,000 below the outturn for last year. Parking income in Royal Victoria Place, Meadow Road and Crescent Road car parks was below budget. Season ticket income was not as affected suggesting that it was shopper and visitor numbers, rather than worker numbers that declined, particularly over the Christmas period. There was also a shortfall against budget for the month of March as a result of the coronavirus pandemic.
- Crematorium income was £246,000 below budget and £134,000 below the outturn for last year. Nationally the death rate fell in the year and local funeral directors reported that they had less business than last year. A new Crematorium in Horam may be providing competition as may a Cemetery in Sevenoaks that is now offering cremations.
- The Assembly Hall has experienced a reduction in revenue receipts this year with the income being £822,000 below budget and £271,000 lower than last year. However,

costs have also been lower than budget meaning the subsidy to the theatre was only £25,000 above budget.

Those affecting costs are:

- Savings of £602,000 on staff costs, mainly due to difficulty filling vacant posts during the year.
- Costs for running the Assembly Hall Theatre were under budget by £797,000 which was mainly as a result of a reduction in the fees paid to promoters. These fees are driven by income and, as explained above, the income was also lower than budgeted.
- Emergency temporary accommodation costs were over budget by £468,000 due to the demand on social housing, the increasing cost of private rented accommodation in the borough and a rising number of families eligible for help from our Housing Service. The increase in costs has been met, in part, by additional Government funding that has been awarded to the Council specifically to deal with homelessness, housing support and rough sleepers.

Within the Cost of Services, £4,442,000 relating to the reversal of the 2018/19 capital cost of the Calverley Square scheme, is separately identified. The Council spent £4,974,000 on the scheme during 2018/19 which was capitalised. Of this, £532,000 was spent on the purchase of a property at the entrance of Calverley Grounds. This property is now managed as part of the Council's asset portfolio and remains on the Council's balance sheet within Land and Buildings. The remaining £4,442,000 had been held on the balance sheet as Assets Under Construction. Full Council took the decision on 8 October 2019 to terminate the Calverley Square project. The costs of £4,442,000, spent on professional fees for the project in 2018/19, therefore no longer met the definition of capital expenditure and have been transferred to revenue during 2019/20. This cost was funded from transfers from Earmarked reserves and a transfer from the General Fund of £1,368,000.

Net interest was £26,000 above budget. The Council achieved a rate of 1.74% on investments and bank interest. The Council's investment in a property development fund has generated dividends at 5.15%, which has helped to achieve the interest budget and average rate.

Net Transfers from Earmarked Reserves of £3,417,000 were made during the year. This included £3,074,000 transferred to fund the cost of the Calverley Square, as explained above, and £473,000 transferred to fund capital schemes. Transfers to the reserves were made to fund revenue and capital investments in the future.

Business rates from the collection fund were greater than budgeted by £806,000. This is due to business rates growth since the inception of the business rates retention scheme in 2013/14. The Council is prudent and does not rely on this when setting the budget, as the rules and reliefs are often subject to change.

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. There is every indication that Government funding will continue to be reduced into the future, but the Council is in a strong position to meet these future financial challenges. There is now the additional concern of the financial effects of the Covid-19 pandemic, but the Council's response to this is explained in Note 11.

6. Capital Expenditure

The Council's Capital Programme was approved at the Cabinet meeting of 7 March 2019. A gross budget of £22,681,000 was approved which, in net terms, after allowing for specific funding, the amount to be met from the sale of assets or from the Capital and Revenue Initiative Reserve was £7,927,000. The table below shows how this changed during the year from additional approvals, deletions and reductions, and from spend being rescheduled to and from the next financial year.

	Gross Expenditure	Income and Funding	Net Expenditure
	£000	£000	£000
Original Approved Gross Capital Programme	22,681	(14,754)	7,927
Approvals Added or Increased	3,622	(1,716)	1,906
Approvals Deleted or Reduced	(7,676)	7,068	(608)
Deferred to 2020/21	(12,880)	5,991	(6,889)
Brought Forward from 2020/21	85	(85)	0
Sub Total	**5,832**	**(3,496)**	**2,336**
Calverley Square Reversal of 2018/19 Capital	(4,442)	4,442	0
Actual Expenditure 2019/20	**1,390**	**946**	**2,336**

The largest schemes in 2019/20 were Waste Bins and Food Caddies (£1,227,000), Disabled Facilities Grants (£1,085,000), The Amelia Scott (£1,082,000) and Public Realm Improvements (£836,000).

Approvals added or increased include projects that were rescheduled from 2018/19 to 2019/20 (£1,104,000), and new additions added within the year, including the Royal Victoria Place shopping centre refurbishment – phase 1 (£769,000) and the purchase of waste bins and food caddies on behalf of Tonbridge & Malling Borough Council (£520,000).

Projects deferred to 2020/21 include a number of projects that were started in 2019/20 but will continue next year. These include The Amelia Scott (£5,150,000), the Acquisition Sites Sports Strategy (£1,083,000) and the Benhall Mill Depot works (£588,000).

The Council used a total of £1,170,000 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.

The table shows the reversal of the costs of £4,442,000 that were capitalised in 2018/19 for the Calverley Square scheme.

7. Treasury Management and Pensions

7.1 Investments

As at 31 March 2020 the Council had £28.5 million of investments, which is broken down into £19.5 million of short term investments, being fixed term bank deposits and investments with other local authorities, and long term investments of £9 million, being an investment with a property investment fund.

The Council achieved an investment return of 1.74% during the year which equated to investment income of £958,000.

7.2 Borrowing

The Council borrowed £20 million from the Public Works Loan Board in 2010/11 to fund property purchase within the capital programme. £1 million of this loan remained outstanding as at 31 March 2020 and this will be repaid in July 2020. With reserves largely committed it may be necessary to enter into more external borrowing in order to fund new capital schemes.

7.3 Cash Flow Summary

The table below summarises the inflows and outflows of cash and cash equivalents:

2018/19		**2019/20**
£000		**£000**
(88,908)	Cash Inflows (Income)	(93,833)
87,061	Cash Outflows (Expenditure)	87,097
(1,847)	**Net Cashflows from Operating Activities**	**(6,736)**
(4,431)	**Net Cashflows from Investing Activities**	**7,661**
2,862	**Net Cashflows from Financing Activities**	**(421)**
(3,416)	**Net (increase) / decrease in cash and cash equivalents**	**504**

7.4 Pensions

The Council is a member of the Local Government Pension Scheme which is administered on behalf of the Council by Kent County Council. The net liability as at 31 March 2020 was £57.71 million, an increase of £3.24 million from the previous year.

The change in the pension fund deficit over the year is dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in an increase in the pension fund deficit compared to the previous year. The deficit is measured 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 2020, rather than assessing the likely income over the period in which the benefits will be paid.

The most recent valuation of the Fund was carried out as at 31 March 2019 and set the contributions for the period from 1 April 2020 to 31 March 2023.

8. The Balance Sheet

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

31 March 2019		31 March 2020
£000		**£000**
121,580	Property, Plant and Equipment	116,625
3,574	Heritage Assets	3,627
1,690	Investment Property	1,690
17,569	Other Long Term Assets	12,055
26,171	Money Owed to the Council	37,946
(16,713)	Money Owed by the Council	(21,653)
(57,531)	Long Term Liabilities	(61,194)
96,340	**Net Assets**	**89,096**
24,413	Usable Reserves	21,229
71,927	Unusable Reserves	67,867
96,340	**Total Reserves**	**89,096**

9. Future Plans

9.1 Revenue Budget for 2020/21

The table below summarises budgeted net expenditure on services for 2020/21 compared to 2019/20, and shows how this is funded from government grants and council tax. Clearly, this was prepared before the Covid-19 pandemic and although the budgets will not change, the forecast outturn may vary considerably.

This shows that there is a net budget of £1,728,000 being returned to reserves from revenue in 2020/21. This is comprised of £225,000 to the pensions settlement reserve which holds savings from a one-off payment made to the Kent Pensions Fund in 2012/13, £1,288,000 to the Grant Volatility reserve in preparation for the reduction in the New Homes Bonus grant received from Government going forward, £115,000 to the rent advance and deposit reserve, which was set up to fund the schemes for households with a priority need for accommodation, plus smaller transfers totalling £100,000.

	Budget 2019/20	Budget 2020/21	Budget Change
	£000	£000	£000
Chief Executive	169	182	13
Finance, Policy and Development	2,949	2,850	(99)
Change and Communities	9,383	8,622	(761)
Net Expenditure on Services	**12,501**	**11,654**	**(847)**
Capital Charges & Net Interest Receivable	(595)	(492)	103
Net Expenditure by Council	**11,906**	**11,162**	**(744)**
General Grants and Non-Domestic Rates	(4,430)	(4,354)	76
Council Tax	(8,168)	(8,536)	(368)
Income from Grants and Council Tax	**(12,598)**	**(12,890)**	**(292)**
Net withdrawal from/(contribution to) reserves	**(692)**	**(1,728)**	**(1,036)**

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 8 to the Statement of Accounts.

The table below shows the main variances in planned services expenditure from 2019/20 to 2020/21.

Reason for Major Variances	£000
End of Calverley Square Funding Strategy	(328)
Additional Income from Fees and Charges	(235)
Additional Net Car Parking Income	(197)
Other small increase/decreases in income and expenditure	(87)
Decrease in Net Interest Receivable	11
Increase in Minimum Revenue Provision	92
Difference in Net Expenditure	**(744)**
Reduction in Government Grants	76
Council Tax increase and increased tax base	(368)
Difference in Income From Grants and Council Tax	**(292)**
Difference in Net Withdrawal from/(contribution to) Earmarked Reserves	**(1,036)**

Beyond 2020/21 the Council intends to continue its commitment to balance the revenue budget without the use of reserves. Its projections assume that the increase in the basic amount of Council Tax will be £5.00 for a Band D Property in 2021/22 and that fees and charges will rise by an average of 3% each year.

9.2 Capital Programme 2020/21 to 2022/23

At their meeting of 6 February 2020 Cabinet approved a new capital programme covering the years 2020/21 to 2022/23. This was subsequently amended by deferrals from and to 2019/20 and by some additions and deletions to be approved at the meeting of 25 June 2020. The adjusted capital programme is summarised below:

	Reserves	Govt. Grants	Other Grants & Contribs.	Total
	£000	£000	£000	£000
2020/21				
The Amelia Scott	6,131	0	5,648	11,779
Disabled Facilities Grants	0	1,043	0	1,043
Acquisition of Sites Sports Strategy	463	0	620	1,083
RVP Refurbishment Phase 1	769	0	0	769

Benhall Mill Depot	637	0	0	637
Paddock Wood Hub	400	0	0	400
IT Strategy	376	0	0	376
RVP Car Park Refurbishment	275	0	0	275
Housing Renewal Advances	133	0	92	225
Other Schemes	1,550	0	260	1,810
Total	**10,734**	**1,043**	**6,620**	**18,397**
2021/22 to 2022/23				
The Amelia Scott	0	0	1,800	1,800
Disabled Facilities Grants	0	1,648	0	1,648
Other Schemes	725	0	0	725
Total	**725**	**1,648**	**1,800**	**4,173**
Total Programme	**11,459**	**2,691**	**8,420**	**22,570**

10. Economic Climate

The global pandemic caused by the coronavirus Covid-19 has had an unprecedented impact on the local economy and the Council's financial and staffing resources.

Aside from the impact of the coronavirus, 2019/20 proved to be yet another challenging year as the Council was required to manage with zero revenue support grant. This represents a loss of £4.6 million since 2010. The Council successfully managed this loss of government funding and continued to operate within the parameters of the Medium-Term Financial Strategy.

Through the identification of further savings and increased partnership working, the Council was able to set a balanced revenue budget for 2019/20 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.

Through the culture of rigorous budget management, investing in digital technology and adapting services to reflect the needs of local residents the Council was able to come in under budget and transfer savings to reserves. The economic strategy of encouraging growth to the borough is continuing to provide a good source of funding through the retained share of business rate growth.

There is tough competition between primary destination town centres and private sector investors are very selective in choosing where to invest. The local property market continued to show positive growth. Local developers are reporting good interest in the major housing schemes. 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).

There is however, uncertainty over the Council's Five year Plan following the decision not to proceed with a new theatre and commercial office block. The wider economic benefit of the scheme will not occur whilst the issues and costs associated with the existing buildings and facilities remain. The Amelia Scott project is progressing and a cross–party working group was established in October 2019 to look for alternatives of how the Council can address the pressing issues faced by the civic buildings.

Council capital schemes give confidence to the private sector and help to incentivise future business rate growth that will provide the proceeds to the Council to fund services and bring growth and prosperity to future generations.

The cost of providing local services in an expensive and busy area such as the borough of Tunbridge Wells, continues to 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.

The government has postponed the spending review (SR2020) along with the fair funding review which would have reset the Council's baseline for sharing in business rate growth proceeds.

The Chancellor of the Exchequer provided a statement on 13 May 2020 warning of a 'significant recession' as figures show the economy contracting at the fastest pace since the financial crisis. The economy shrank by 2 per cent in the first three months of 2020 due to a record fall in output from only a few days of Covid-19 in March 2020 as the coronavirus forced the country into lockdown

At the time of writing, the government continues to update the lockdown guidance and planning for the recovery. The Council and the Local Government sector continue to press for further funding and flexibilities to enable the provision of local services and to support and shape the recovery process.

The Council entered the Covid-19 pandemic on a sound financial footing with no long-term debt, cash reserves, a balanced revenue budget and a track record of clean annual audit letters. This will provide some capacity to respond to and recover from the national crisis but with the widespread collapse of local income and relatively fixed expenditure obligations the Council's finances are under intense pressure.

The government has said that Local Government has a vital role in managing the impacts of Covid-19 and the recovery stage and that it will continue to provide emergency funding to support the additional costs and loss of income to ensure Local Government remains solvent.

Covid-19 will continue to disrupt the Council's finances and its ability to plan over the medium-term. The longer the restrictions and disturbance continues the more profound the impact on the Council and the way of life for the borough will be.

11. Impact of Covid-19 Pandemic

The Covid 19 lockdown measures began in the UK on the 23rd March and whilst there had been some preliminary behaviour change, the local economy was still highly functioning until the formal deadline. This was very close to the financial year end and consequently, whilst there was a small impact upon income in 2019/20, it was managed within the existing budget envelope.

The main Covid-19 considerations for the 2019/20 accounts have been the impact upon the property valuations, pension valuations, investment valuations and bad debt provisions.

- Property valuations - The Council had its Property Plant and Equipment valued as at 31st January 2020, before the impact of the Covid-19 pandemic. Subsequently, the pandemic has created an unprecedented set of circumstances which has led to the Councils valuer declaring a "material valuation uncertainty" in their valuation report. Given that there is no alternative information to suggest the valuations are materially incorrect, the values obtained as at 31st January 2020 are the best available reflection of the value of the Councils assets as at 31st March 2020.
- Pension valuations – Many pension assets were valued on the 31 March. Whilst there were some exceptions, it is not considered to be sufficiently material to make an adjustment.
- Investments and Investment Properties – The impact on the Council has been minimal for 2019/20. The Council has £19.5 million of short, fixed term, bank deposits and investments and a £9 million investment with a property investment fund. The actual market value of the fund is recorded as at the 31 March and has suffered a loss of 3.5% (£388,000) over 2019/20. The Council has one investment property, a restaurant, which closed on the 20 March due to the pandemic. Their invoices were settled to the end of 2019/20 and the property valuation is therefore considered a reasonable estimate as at 31 March.
- Debt Collection and provisions – The Council has £1.2m of outstanding trade accounts debt at 31 March, the majority of which is with other local authorities or companies with sufficient reserves to settle their debts. Whilst there is exposure to some property debt, it is not considered material.

Provision of Services

The Council has been effective in continuing to provide its statutory services throughout the period of Covid-19 lockdown. Services that are delivered in the community have been adapted to manage social distancing and infection control, whilst administrative functions have all adopted homeworking. The Council was well versed in its business continuity plans, having invested in technology to be able to work remotely, and this permitted staff to successfully provide services from home. The main service changes related to Covid-19 have been:

- Household waste collections continuing, but garden waste services suspended from April through to 18 May
- Assembly Hall Theatre closed and shows refunded
- Sports centres and community centres closed
- Gateway closed to all but essential users and new social distancing measures employed
- Meadow Road car park closed, residents permit holders permitted to park in car parks, free parking for NHS workers, suspension of issuing of Penalty Charge Notices except to those parked dangerously or causing an obstruction, electronic payment only in car parks from 1 June
- Environmental protection ensuring that only businesses permitted to be trading are open and trading safely
- Additional capacity created at the Crematorium, with staff redeployed to provide extra shifts
- Unable to accept cheques and cash as security company not collecting
- Council meetings held over Skype

New services have been established in response to Government initiatives to support the public and local businesses:

- A new community hub has been created to provide food parcels and medicines
- A new wellbeing team provides telephone support to those in need
- A new grants team has administered the delivery of £27m of Government business grants
- Re-billing of all small businesses to give business rates relief
- Working with businesses to formalise business rates payment holidays where necessary
- Signposting businesses to available financial assistance
- A new Business Resilience team has been working to find safe ways to re-open the town centre

It is uncertain as to how long certain services will be affected. The Assembly Hall Theatre, sports centres and community centres will reopen when the Government determines that it is safe to do so. Other services, like parking, will begin to return to normal as restrictions are lifted and shops and restaurants are allowed to open again. The Council will follow Government advice.

Council's Workforce

The Council has not furloughed any of its staff and does not anticipate any redundancies.

Around 70 staff have been redeployed to provide the new services listed above, but will move back to their substantial roles as the Government shifts priorities.

The Council has seen lower levels of sickness than usual, having taken steps to protect staff early in the pandemic and ask them to work from home.

Supply Chains

Government introduced a new Public Procurement Notice which obliged government bodies to support its supply chain financially, should they provide evidence of need. The Council has reviewed the financial position of all core suppliers, but has needed to provide minimal assistance.

The Council has procured Personal Protective Equipment for its frontline staff and the parishes. Agreements with existing suppliers have provided adequate supply.

Key contracts are being constantly reviewed and risks assessed. Where risks of failure have been identified, mitigating action has been taken to protect the core service. An example of such was the waste contract, where social distancing and sickness would have put the core service at risk. The garden waste collection was therefore suspended in order to protect the household waste collection.

Reserves, Financial Performance and Financial Position

The Council has £21.23m of usable reserves; £4.09m in its General Fund, £4.08m in Capital Receipts, £1.8m in Capital Grants and Contributions and a further £11.26m in Earmarked reserves. The Capital Receipts reserve is mainly allocated to the “The Amelia Scott” project and the Grants and Contributions are already allocated for specific purposes. Whilst the Earmarked reserves have been allocated for particular projects or contingencies, only £4.6m has been contractually committed or is held on behalf of Council creditors, so there is £10.75m that could be reallocated to support the core activities of the Council should it be needed.

Covid-19 has severely affected the Council’s revenue streams. The Council has lost £1.6m of income from fees and charges to the end of May. The annual impact is forecast to be a £5.6m loss in fees and charges revenue, £0.3m in investment interest and £0.8m in Council tax payments. This, combined with additional forecast Covid-19 related costs, such as housing and assistance for vulnerable groups, of £1.5m, gives an £8.2m shortfall to balancing the budget for 2020/21.

Government has, thus far, provided the Council with an additional grant of £1.2m, which falls £7.0m short of the forecast annual losses. However, it has covered much of the loss experienced in April and May and Government are consulting regularly with Councils to establish their level of financial need. They have indicated that they will continue to provide support though the pandemic. Regardless of whether additional Government grants are forthcoming, this Council does have sufficient reserves to protect services in the short term.

Using Council reserves to support revenue would have an impact upon some of the smaller projects on the capital programme, but more importantly, would suspend some more ambitious projects aimed at providing service enhancements and revenue generation opportunities. It may be possible to borrow to finance these projects in the future, but this would be dependent upon the Council’s ability to pay the financing costs.

Cash Flow Management

Cash flow has been closely monitored since the pandemic lockdown began. The Council holds around half of its reserves in short term investments and benefits from positive creditor cash flows.

At present there is little benefit to the Council investing longer term due to the minimal interest rates on offer. Again, in the short term, the Council has sufficient cash to continue providing services at the existing levels.

Major Risks to the Authority

If the Covid-19 pandemic is managed efficiently and the economy is able to recover relatively swiftly, there may be no more damage to the Council than a dent in reserves, which may or may not be reimbursed by government at some point in the future.

If the pandemic persists or worsens again, and the economy regresses further, then the Council's revenue budget will become unsustainable. The Council will then need to consider its levels of service and whether it needs to reformulate its capital programme. Again, this is also dependent upon the level of support extended by central Government.

Plans for Recovery

The Council is responding to Government advice regarding the lifting of the lockdown restrictions. They are working with the business community to ensure the safety of shoppers and workers and to ensure that the local economy can open once more.

Government have financed many small businesses through this period, with grants to help cover overhead costs and payments to cover the salaries of furloughed staff. The Council also has a discretionary grants facility, which it is using to protect other small businesses from financial hardship. The aim is that the local economy will open up again in the near future.

At present, the Council is assuming that it can continue providing its present levels of service and that the approved capital programme will continue.

Annual Governance Statement

Scope of Responsibility

For Tunbridge Wells Borough Council our governance framework comprises the policies, plans, processes, culture and values we have in place to ensure that we define and deliver our intended results. This is our 'system of internal control'. To deliver good governance, we must achieve our results while also acting in the public interest.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: 'Good Governance in Local Government'. We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. We must prepare the statement in line with proper practices and report it to a committee of Councillors. This is our Annual Governance Statement for 2019/20 which meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which requires an authority to conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement.

Context and our ambitions

Our vision is to encourage investment and sustainable growth, and to enhance quality of life for all. We work towards this vision by highlighting twelve corporate priorities from our Five Year Plan, but focusing especially on the three under Our Borough:

Our Borough

- To support a **prosperous** borough
- To support a **well** borough
- To support an **inclusive** borough

Our Services

- To provide **digital** choice
- To provide **quality** services
- To provide **responsive** services

Our People

- To have effective **leadership**
- To have relevant **skills**
- To have high levels of **wellbeing**

Providing Value

- To ensure **innovation** in our services
- To ensure effective **partnership** working
- To ensure we work in a **business-like** way

You can read more on our corporate priorities in our Five-Year Plan 2017-2022 on our website. There is however, uncertainty over the Council's Five year Plan following the decision not to proceed with a new theatre and commercial office block. The wider economic benefit of the scheme will not occur whilst the issues and costs associated with the existing buildings and facilities remain. The Amelia Scott project is progressing and a cross–party working group was established in October 2019 to look for alternatives of how the Council can address the pressing issues faced by the civic buildings.

The Governance Framework

We design our governance to ensure that we take a fitting and proportionate approach to managing risk while ensuring we deliver our results. These arrangements cannot remove risks but rather provide a reasonable degree of assurance of our effectiveness.

The governance framework has been in place at Tunbridge Wells Borough Council during the year ended 31 March 2020 and up to the date of approval of the Financial Report (Following the Covid-19 Pandemic temporary governance arrangements have been agreed with the Group Leaders and these continues to be reviewed).

We also have specific parts within the framework, including:

- The committees, boards and panels we have set up to ensure democratic engagement and accountability is central to our decision-making;
- Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
- Delegations through our constitution which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officers;
- Our risk management arrangements that help us mitigate threats and make the most of opportunities which present themselves;
- Our performance, safeguarding and accountability arrangements that help us analyse and act on performance information as a means of improving services and delivering better results for our residents;
- A high performing and independent Internal Audit service, well regarded by our External Auditors and working in full conformance with the Public Sector Internal Audit Standards;
- Independent oversight and challenge provided by our External Auditors, Government Inspectorates and the Local Government Ombudsman;
- Our procedure rules and internal management of:
    - Financial management and control

- Commissioning and procurement
- Information governance and data security
- Health and safety
- Complaints handling
- Whistleblowing and Anti-fraud and corruption

Review of effectiveness

We have a statutory responsibility for conducting, at least yearly, a review of the effectiveness of our governance arrangements. That review should ensure we have a sound system of governance which supports our continuous improvement in how we work. As part of this review, we consider a combination of economy, efficiency and effectiveness.

We have a continuous review approach. We consider decisions taken and considered by the Council and its committees, the Management Board, the work of the Audit & Governance Committee, internal auditors, service managers and work undertaken by external auditors and inspectorates. This Annual Governance Statement draws on that work and presents a conclusion in relation to our governance arrangements.

Behave lawfully, with integrity and in the public interest and demonstrating this through our conduct and behaviour

The Council has adopted a Code of Corporate Governance prepared in line with the principles outlined in the 2007 edition of the CIPFA/SOLACE: ‘Delivering Good Governance in Local Government’. We recognise the need to update this Code, but it remains consistent with the 2016 principles. The Council has also adopted codes of conduct for members and officers. We have provided training on the various codes supplemented with written guidance and member briefings. Officers and members must declare interests that may impact on the Council’s decision-making. In those circumstances where Members or Officers have a financial or other significant interest they withdraw from decision-making. The Monitoring Officer holds these interests on a register subject to regular review. We also publish the register of Member Interests on the Council’s website.

The Monitoring Officer and the Audit & Governance Committee keep the Council’s Constitution under review. Changes come through the Constitutional Review Working Party (CRWP) and the working party have met when required during the 2019-2020 municipal year, most recently in February 2020 to consider a referral from Full Council concerning civility in public life. The most recent proposed changes were considered by the Audit & Governance Committee in April 2020 for approval at Full Council in April 2020. These changes concerned amendments to financial thresholds for delegated decisions. Further subsequent minor amendments were incorporated under the Monitoring Officer’s delegations

All members and officers are under a duty to ensure that they comply with the relevant laws, regulations, internal policies and procedures, and that spending is lawful. Means are in place to ensure compliance including a scheme of delegation, authorisations and an active Internal Audit service. We preserve awareness through regular briefings and information posted on the intranet as well as a comprehensive induction programme for councillors and staff.

The Council keeps a Confidential Reporting Code (also known as a Whistle-Blowing Charter) 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. The policy aims to promote a culture of honesty and openness, and to reassure anyone who worries about their position if they speak up. The Code includes a promise from senior officers to treat seriously claims made in good faith. It promises to look into claims and report results to the complainant. The Code also states no one will suffer any disciplinary action from a complaint made in good faith.

We have received no reports through the Whistleblowing Charter during 2019/20.

The Council's Standards Arrangements assign the works of the Standards Committee to the Audit & Governance Committee. This Committee helps the Council in assuring its overall governance. The Committee includes independent members who have been effective in providing challenge on various governance issues. The Audit & Governance Committee have produced annual reports which provide further details of their work.

Ensuring openness and comprehensive stakeholder engagement

The Council has a good record of being transparent about spending public money. For many years the Council has made public, details of senior officers' salaries within the published Statement of Accounts. As part of the annual audit the public can seek further information on the various vouchers which support our figures.

The Council also places a notice every year in the local press showing the allowances and expenses paid to every member of the Council.

The Council has been at the forefront of making it even easier to see where it spends taxpayers' money. We hope that such wide publication of information will turn the tide on the number of freedom of information requests from the media which continue to demand significant administration time.

The Calverley Square scheme

On 6 December 2017 the Council agreed to progress the £90 million Calverley Square scheme to deliver (Offices, Theatre, Underground Car Park and Public Realm). However, following completion of RIBA Stage 4 the tender from the construction contractor would result in the scheme costing £108 million and delivering £34 million annual economic benefit. The Council decided on 8 October 2019 not to deliver stages 5-7 resulting in the closure of the Calverley Square scheme.

It is unusual for a scheme that had already cost £10.8 million to be cancelled at such a late stage in the process and having already been found to be in the public interest at a public inquiry.

Full Council on 8 October resolved;

> *The Full Council recognises and supports the workings of the Cross-Party Group to date and asks that it continue its work, specifically to examine the business case and other aspects for options for the 4 key sites owned by the Council (the Town Hall, Assembly Hall Theatre, Mount Pleasant Car Park and the Great Hall Car Park) together with other sites which might become available. The Full Council asks that the Cross-Party Group should report to the Full Council meeting on 18th December 2019 and provide interim reports to Cabinet, Cabinet Advisory Boards and the Development Advisory Panel.*

The Audit and Governance Committee on 26 November 2019 requested an independent audit of the governance of the Calverley Square project. The External Auditor has decided that they will undertake a review of the governance arrangements in place to make an informed decision and the impact on the Council's financial position. The review will be undertaken by a specialist from their advisory team and the outcome will be set out in a separate report.

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

In September 2017 the Council agreed our Five Year Plan. 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 for the community, residents and customers, staff and providing value for money.

The Council integrates its approach to strategic, financial and service planning. We developed the corporate Five Year Plan in parallel with the Medium Term Financial Strategy update and the Strategic Compass. The Cabinet (and other committees of the Council) receive quarterly reports on the progress made against our Plan as well as performance on key performance measures, finances and governance. The Council's management team considers various metrics on performance, finance, customer care and sickness absence each quarter.

There will need to be a fundamental review of the Council's Five Year Plan and Medium Term Financial Strategy in-light of the Covid-19 pandemic.

Determining the intervention necessary to optimise the achievement of intended outcomes

The Council's Constitution sets out how the Council works. It outlines how we take decisions and the procedures we follow to ensure that these are efficient, transparent and accountable to local people. We continually review the Constitution to ensure its effectiveness. The most recent version of the Council's Constitution is on the Council's website at:

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

The Council's Cabinet is responsible for shaping and ensuring the delivery of the Council's day-to-day services within the boundaries of the Five-Year Plan and Budget. We publish a Forward Plan of Key Decisions to enable their consideration 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) is on our website:

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

The Council's Overview and Scrutiny work falls to its Overview and Scrutiny Committee. The committee undertakes special policy reviews, and through 'call-in' challenges the decisions made by Cabinet.

Further details of the membership and work of this committee can be found on the website:

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

Our Governance arrangements include three Cabinet Advisory Boards whose role is to help develop Cabinet key decisions and to help develop the policy recommended to Council. Full details of the governance arrangements are on our website:

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

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

The Council seeks to identify and fulfil the learning and development needs of members and officers. We identify officer training needs through annual appraisals, six-monthly review and continuing management oversight. We have a corporate training budget and training calendar to meet identified development needs.

Managing risks and performance through control and strong public financial management

The Council has a Risk Management Strategy providing a comprehensive approach for identifying, evaluating and managing risk. The strategy sets out the role of members and identifies the Chief Executive as responsible for leading the Council's risk management with specific responsibilities falling to risk owners.

Cabinet and senior managers regularly review the strategic risks, and developed action plans to manage those risks. The Strategic Risk Register focuses on those areas which present the greatest risk to the Council not achieving its objectives and Strategic Plan.

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.

We recognised the opportunity to improve our performance management processes by renewing our approach to service planning. This will help us to ensure consistency and shared focus in pursuing the Council's Strategic Objectives and tracking progress towards their delivery.

In January 2019 Management Board approved a refreshed framework guiding our services in identification and management of operational risk. We launched this framework in February 2019 alongside the renewed service planning approach.

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

Internal Audit Opinion

Due to the Covid-19 pandemic, resources have been diverted to deal with the national emergency. The Head of Internal Audit anticipates being able to provide his opinion by the audit sign off deadlines but it will need to follow this draft set of annual financial statements.

Assessment of Internal Audit

In line with the demands of the Public Sector Internal Audit Standards the Internal Audit service received a review from a qualified, independent assessor from outside the organisation. The Institute of Internal Audit (IIA) undertook that review in 2015 and decided the Council's Internal Audit service conforms in full to the Standards.

The next external assessment is due before 2020, but Internal Audit have undertaken self-assessments each year. The most recent, in summer 2018, also drew on comments from officers and Members. The review confirmed the service continues to offer consistent and high quality audit support to the Council.

Future appointment of external auditors

In December 2016 our Full Council agreed to opt into the Local Government Association set up sector-led body (PSAA) for appointing external auditors. PSAA completed its procurement in late 2017 and confirmed Grant Thornton will continue as the Council's external auditors after 2017/18.

Other review and assurance

The Council has various other review and assurance sources which, between them, contribute to the overall effectiveness of the Council's control environment. These include:

- The Council, Cabinet and committees advised by the Council's Management Board;
- Corporate Asset issues come before a Development Advisory Panel to ensure the Council adopts a comprehensive approach to buying, maintaining, reviewing and disposing of property and assets;
- Human Resources oversees the Council's overall approach to effective people management, including regular appraisals and providing relevant training and development;
- A standardised approach to project management with extra resources put into key projects to ensure satisfactory management and delivery to time, cost and quality;
- The Council works with Maidstone and Swale councils to look at opportunities for partnership working, but has an open attitude to working with anyone that can improve value for money. In this partnership, services undergo external review, satisfaction surveys and benchmarking, plus examining service processes to assess value for money.

In the summer of 2016, the Council developed plans with the Local Government Association (LGA) to volunteer to have a peer challenge to help improve performance and learning from others within the sector. The three day on-site assessment reviewed the following areas;

- Understanding of the local place and priority setting
- Leadership of place
- Financial planning and viability
- Organisational leadership and governance; and
- Capacity to deliver

The Cabinet received the overall positive findings from the LGA Peer Challenge in March 2017.

http://democracy.tunbridgewells.gov.uk/meetings/documents/s31254/9%20LGA%20Corporate%20Peer%20Challenge%20-%20Report.pdf

In January 2019 the LGA Peer Review team undertook a follow-up visit. The follow up letter is a very positive assessment of the progress that the Council has made since the initial LGA Peer Review in 2016. Cabinet considered the findings of the follow-up review at their meeting on 11 April 2019. The follow-up letter makes clear that the Council has performed well against the recommendations set in 2016 and made a number of positive comments including:

- The Council has good governance at the heart of which is good officer/member relationships and good support for councillors.

The follow-up letter also outlines some areas for further attention including:

- Building a complete picture of how the Council's growth projects help tackle social challenges and then communicate that to a wide range of audiences.

Significant governance issues

In accordance with the Civil Contingences Act 2004 there is a declared state of emergency at national and local level in response to the coronavirus pandemic.

The Act requires local public services to form Local Resilience Forums. In Kent it is known as the Kent Resilience Forum (KRF), which is formed by the emergency responders and specific supporting agencies and is required to plan for emergencies. The Council is an active member of the KRF.

Staff have been redeployed to deal with the response and the recovery stages of managing the emergency. It has also been necessary to implement revised governance arranges to enable the council to function whilst ensuring scrutiny of decision-making.

At the time of writing it is unclear how long the emergency will continue for but the implications will be far reaching for the community and the role of the Council.

Assurance conclusion

Good governance is about working properly. It is how the Council shows it takes decisions for the good of its residents, in a fair, equitable and open way. It also demands standards of behaviour that support good decision-making; collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance Councils will struggle to improve services.

From the review, assessment and continuing monitoring work undertaken and supported by the work of Internal Audit, we have decided that, overall, key systems work soundly with no fundamental control weaknesses.

We can confirm, to the best of our knowledge and belief, having made proper enquiries, that this statement provides an accurate and fair view.

Signed:

Cllr Alan McDermott

Leader of the Council

William Benson

Chief Executive

On behalf of Tunbridge Wells Borough Council

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, Policy and Development.
- 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, Policy and Development

The Director of Finance, Policy and Development 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, Policy and Development 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, Policy and Development has also:

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

By signing the Statement of Accounts, the Director of Finance, Policy and Development is stating that the accounts present a true and fair view of the financial position of the authority as at 31 March 2020 and its expenditure and income for the year ended 31 March 2020.

Signed:

L M Colyer FCPFA

Director of Finance, Policy and Development

5 June 2020

Independent Auditor's Report

Independent Auditor's Report to the Members of Tunbridge Wells Borough Council

To be added after completion of audit and sign off.

Financial Statements

Comprehensive Income and Expenditure Statement

2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
Expend	Income	Net		Expend	Income	Net
£000	£000	£000		£000	£000	£000
202	0	202	Chief Executive	198	0	198
47,221	(43,153)	4,068	Finance, Policy and Development	46,074	(38,943)	7,131
0	0	0	Calverley Square Reversal of 2018/19 Capital	4,442	0	4,442
24,522	(9,729)	14,793	Change and Communities	24,105	(11,164)	12,941
71,945	**(52,882)**	**19,063**	**Cost of Services**	**74,819**	**(50,107)**	**24,712**
0	(309)	(309)	(Gain)/Loss on Disposal of Non-Current Assets	0	(930)	(930)
2,409	0	2,409	Parish Council Precepts	2,533	0	2,533
46	0	46	Pension Administration Expenses	56	0	56
2,455	**(309)**	**2,146**	**Other Operating Expenditure**	**2,589**	**(930)**	**1,659**
98	0	98	Interest Payable	439	0	439
0	(1,163)	(1,163)	Interest and Investment Income	0	(959)	(959)
1,501	0	1,501	Pensions Interest Expense and Income	1,279	0	1,279
1,599	**(1,163)**	**436**	**Financing and Investment Income and Expenditure**	**1,718**	**(959)**	**759**
0	(7,994)	(7,994)	Government Grants and Contributions	0	(5,006)	(5,006)
0	(409)	(409)	Capital Grants and Contributions	0	(1,006)	(1,006)
0	(10,266)	(10,266)	Council Tax Receivable	0	(10,653)	(10,653)

19,021	(21,142)	(2,121)	NNDR Retained Income	18,803	(20,687)	(1,884)
0	(12)	(12)	Donated Assets	0	0	0
19,021	**(39,823)**	**(20,802)**	**Taxation and Non-Specific Grant Income**	**18,803**	**(37,352)**	**(18,549)**
		843	**(Surplus) or Deficit on Provision of Services**			**8,581**
		(2,337)	Surplus on revaluation of non-current assets			(3,089)
		1,563	Impairment losses on non-current assets charged to Revaluation Reserve			1,393
		(7,951)	Re-measurement of defined benefit liability			359
		(8,725)	**Other Comprehensive Income and Expenditure**			**(1,337)**
		(7,882)	**Total Comprehensive Income and Expenditure**			**7,244**

Movement in Reserves Statement

Movement in Reserves 2019/20

	General Fund	Capital Grants & Contribs	Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2019	**19,678**	**1,156**	**3,579**	**24,413**	**71,927**	**96,340**
Surplus or (deficit) on provision of services (accounting basis)	(8,581)	0	0	**(8,581)**	0	(8,581)
Other Comprehensive Expenditure and Income	0	0	0	**0**	1,337	**1,337**
Total Other Comprehensive Expenditure and Income	**(8,581)**	**0**	**0**	**(8,581)**	**1,337**	**(7,244)**
Adjustments between accounting and funding basis under regulation	4,254	646	497	**5,397**	(5,397)	**0**
Net Increase / (Decrease) in Year	**(4,327)**	**646**	**497**	**(3,184)**	**(4,060)**	**(7,244)**
Balance as at 31 March 2020	**15,351**	**1,802**	**4,076**	**21,229**	**67,867**	**89,096**

Movement in Reserves 2018/19

	General Fund	Capital Grants & Contribs	Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2018	**16,753**	**1,383**	**3,775**	**21,911**	**66,547**	**88,458**
Surplus or (deficit) on provision of services (accounting basis)	(843)	0	0	**(843)**	0	**(843)**
Other Comprehensive Expenditure and Income	0	0	0	**0**	8,725	**8,725**
Total Other Comprehensive Expenditure and Income	**(843)**	**0**	**0**	**(843)**	**8,725**	**7,882**
Adjustments between accounting and funding basis under regulation	3,768	(227)	(196)	**3,345**	(3,345)	**0**
Net Increase / (Decrease) in Year	**2,925**	**(227)**	**(196)**	**2,502**	**5,380**	**7,882**
Balance as at 31 March 2019	**19,678**	**1,156**	**3,579**	**24,413**	**71,927**	**96,340**

The Balance Sheet

31 March 2019	Note		31 March 2020
£000			**£000**
121,580	11	Property, Plant and Equipment	116,625
3,574	12	Heritage Assets	3,627
1,690	13	Investment Property	1,690
1,137		Intangible Assets	1,079
10,876	15	Long Term Investments	10,488
5,556	16	Long Term Debtors	488
144,413		**Long Term Assets**	**133,997**
8,166	15	Short Term Investments	19,671
21		Inventories	156
10,645	16	Short Term Debtors	10,108
7,339	15	Cash and Cash Equivalents	6,835
0	14	Assets Held for Sale	1,176
26,171		**Current Assets**	**37,946**
(2,014)	15	Short Term Borrowing	(1,005)
(12,103)	17	Short Term Creditors	(16,533)
(2,551)	17	Short Term Provisions	(3,445)
(45)		Capital Grants Receipts in Advance	(670)
(16,713)		**Current Liabilities**	**(21,653)**
(1,000)	15	Long Term Borrowing	0
(895)	17	Long Term Creditors	(137)
(54,473)	20	Long Term Pension Liability	(57,713)
(1,163)		Capital Grants Receipts in Advance	(3,344)
(57,531)		**Long Term Liabilities**	**(61,194)**
96,340		**Net Assets**	**89,096**

31 March 2019	Note		31 March 2020
£000			**£000**
24,413	9	**Usable Reserves**	**21,229**
71,927	9	**Unusable Reserves**	**67,867**
96,340		**Total Reserves**	**89,096**

L M Colyer FCPFA

Director of Finance, Policy and Development

5 June 2020

The Cash Flow Statement

2018/19		2019/20
£000		£000
(31,358)	Taxation	(32,137)
(35,385)	Grants	(39,523)
(15,131)	Sale of goods and rendering of services	(17,910)
(1,042)	Interest received	(953)
(5,992)	Other receipts from operating activities	(3,310)
(88,908)	**Cash inflows generated from operating activities**	**(93,833)**
12,549	Employees	12,833
32,443	Housing Benefit paid out	28,034
18,586	National Non-Domestic Rates tariff and levies	18,881
2,654	Precepts paid	2,786
17,692	Cash paid to suppliers of goods and services	21,234
107	Interest paid	60
3,030	Other payments for operating activities	3,269
87,061	**Cash outflows generated from operating activities**	**87,097**
(1,847)	**Net cash flows from operating activities**	**(6,736)**
9,827	Purchase of property, plant and equipment, investment property and intangible assets	2,583
21,000	Purchase of short-term and long-term investments	32,500
(1,696)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,610)
(33,000)	Proceeds from sale of short-term and long-term investments	(21,000)
(562)	Grants and contributions to non-current assets	(3,812)
(4,431)	**Net cashflows from investing activities**	**7,661**
2,000	Repayments of short-term and long-term borrowing	2,000
868	Changes in Council Tax balances held for preceptors	308
(6)	Changes in NNDR balances held for Central Government	(2,729)

2,862	**Net cashflows from financing activities**	**(421)**
(3,416)	**Net (increase) / decrease in cash and cash equivalents**	**504**

3,923	Cash and Cash Equivalents as at 1 April	7,339
7,339	Cash and Cash Equivalents as at 31 March	6,835
(3,416)	**Net (increase) / decrease in cash and cash equivalents**	**504**

Notes to the Financial Statements

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates to the tax payers how the funding available to the Council (government grants, rents, council tax, and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Net Expenditure Chargeable to General Fund Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
2019/20	**£000**	**£000**	**£000**
Chief Executive	171	27	198
Finance, Policy and Development	8,734	2,839	11,573
Change and Communities	9,768	3,173	12,941
Net Cost of Services	**18,673**	**6,039**	**24,712**
Other Operating Expenditure	3,230	(1,571)	1,659
Financing and Investment Income	(908)	1,667	759
Taxation and Non-Specific Grant Income	(16,668)	(1,881)	(18,549)
(Surplus) or Deficit	**4,327**	**4,254**	**8,581**
Opening General Fund Balance at 1 April 2019	(19,678)		
(Surplus) or Deficit on General Fund	4,327		
Closing General Fund Balance at 31 March 2020	**(15,351)**		

	Net Expenditure Chargeable to General Fund Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
2018/19	**£000**	**£000**	**£000**
Chief Executive	173	29	202
Finance, Policy and Development	2,674	1,394	4,068
Change and Communities	9,413	5,380	14,793
Net Cost of Services	**12,260**	**6,803**	**19,063**
Other Operating Expenditure	5,975	(3,829)	2,146
Financing and Investment Income	(898)	1,334	436
Taxation and Non-Specific Grant Income	(20,262)	(540)	(20,802)
(Surplus) or Deficit	**(2,925)**	**3,768**	**843**
Opening General Fund Balance at 1 April 2018	(16,753)		
(Surplus) or Deficit on General Fund	(2,925)		
Closing General Fund Balance at 31 March 2019	**(19,678)**		

2. Note to the Expenditure and Funding Analysis

This note details the main adjustments from Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
2019/20	**£000**	**£000**	**£000**	**£000**
Chief Executive	0	28	(1)	27
Finance, Policy and	2,231	398	210	2,839

Development				
Change and Communities	2,125	1,110	(62)	3,173
Net Cost of Services	**4,356**	**1,536**	**147**	**6,039**
Other Operating Expenditure	(1,403)	56	(224)	(1,571)
Financing and Investment Income	0	1,279	388	1,667
Taxation and Non-Specific Grant Income	(1,006)	0	(875)	(1,881)
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit	**1,947**	**2,871**	**(564)**	**4,254**

	Adjustments for Capital Purposes	**Net Change for Pensions Adjustments**	**Other Differences**	**Total Adjustments**
2018/19	**£000**	**£000**	**£000**	**£000**
Chief Executive	0	30	(1)	29
Finance, Policy and Development	1,643	(298)	49	1,394
Change and Communities	4,290	1,138	(48)	5,380
Net Cost of Services	**5,933**	**870**	**0**	**6,803**
Other Operating Expenditure	(3,875)	46	0	(3,829)
Financing and Investment Income	0	1,501	(167)	1,334
Taxation and Non-Specific Grant Income	(409)	0	(131)	(540)
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit	**1,649**	**2,417**	**(298)**	**3,768**

The total adjustments are also shown in the General Fund adjustments between accounting and funding basis in Note 8.

3. Accounting Policies

3.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the end of March 2020, the close of the financial year. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/20 supported by International Financial Reporting Standards.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

3.2 Accruals of Expenditure and Income

Activity is accounted for 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.
- 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3.3 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 highly liquid 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.

3.4 Charges to Revenue for Non-Current Assets

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.
- Amortisation of intangible assets attributable to the service.
- Any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute.

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. However, the Council is required to make an annual contribution from revenue resources to the Capital Adjustment Account to reduce its overall borrowing requirement. This is termed as the Minimum Revenue Provision (MRP).

3.5 Council Tax and Non-Domestic (Business) Rates

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non exchange transactions. Revenue is recognised when it is probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year, which consists of:

- The Council's Council Tax precept and Business Rate share from the Collection Fund, i.e. the amount billed for the year, and
- The Council's share of the actual Council Tax and Business Rate surplus or deficit on the Collection Fund at the end of the current year, adjusted for the Council's share of the surplus or deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the General Fund and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement on the General Fund balance.

The Council as billing authority recognises a creditor in its balance sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors.

3.6 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.

3.7 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.

3.8 Employee Benefits

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

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

This Council has determined that the net value of accumulated leave, in previous years is immaterial, and therefore makes no adjustment for this amount. At the end of each financial year an assessment is made to ensure that the amounts involved remain immaterial.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement.

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 2.35% (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.
    - 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.
- Remeasurements comprising:
    - The return on plan assets – excluding amounts in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to Kent County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, 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.

3.9 Events After the Reporting Period

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.

3.10 Financial Instruments

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

Financial Assets

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 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’

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss, and
- Fair value through other comprehensive income

The Council’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, expect for those whose contractual payments are not solely payment of principal and interest, where the cash flows do not take the form of a basic instrument.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. This means the amount presented in the Balance Sheet is the outstanding principal receivable, plus accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Financial assets that are measured at fair value through profit and loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following assumptions:

- Instrument with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the levels set out in the Fair Value Measurement policy described below. Any gains and losses that arise on the de-recognition of the asset ae credited or debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

For financial assets that are measured at fair value through other comprehensive income the fair value movements are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

The Council's investment in the CCLA Property Fund is classified as a fair value through profit or loss asset as the contractual terms of the asset do not only give rise on specified dates to cash flow of payments of principal and interest on the principal amount outstanding, the asset is also subject to gains and losses in value. This would mean that any changes in valuation would impact the Council's budget but the Council uses the temporary override, agreed by MHCLG, for English Local Authorities for a 5 year period starting 1 April 2018. Any gains or losses credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are therefore reversed out through the Movement in Reserves Statement through an account solely for the purpose of recognising fair value gains and losses which is the Financial Instruments Revaluation Reserve.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the most part the Council's financial liabilities consist of a loan taken out with the Public Works Loan Board (the PWLB).

The loan held on the Balance Sheet is the outstanding principal repayable plus accrued interest, with the interest being charged to the Comprehensive Income and Expenditure Statement being the amount payable for the year according to the loan agreement. As the accrued interest is payable within one year of the balance sheet date, it is included under 'Short Term Borrowing'.

Fair Value Measurement

Inputs to the measurement techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than those quoted prices, that are observable for the asset or liability.
- Level 3 – fair value is determined using unobservable inputs, eg non-market date such as cash flow forecasts or estimated creditworthiness.

All financial instruments are categorised in accordance with the hierarchy in Note 15.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing loses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

3.11 Government Grants and 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.

3.12 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.

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.

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.

Disposals of heritage assets are accounted for in the same way as those of items of property, plant and equipment.

3.13 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.

3.14 Inventories

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

3.15 Investment Property

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

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are subject to revaluation on an annual basis but due to the nature and size of the portfolio valuations will be carried out every three years or earlier where a material change in value is considered. Investment properties are not depreciated.

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

3.16 Leases

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 in Note 3.17 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 Note 3.17.

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 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 Note 3.17 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 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.

3.17 Property, Plant and Equipment

Assets that have a physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment. 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.

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. The Council does not capitalise borrowing costs incurred while assets are under construction.

Assets are 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 historical cost is normally used as a proxy.
- Infrastructure – depreciated historical cost.
- Community Assets – historical cost, depreciated where appropriate.
- Surplus assets – current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- Assets under construction – historical 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.

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 useful 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.
- Infrastructure – straight-line allocation over 30 years.
- Community assets – not subject to depreciation.
- Surplus assets – straight-line allocation over the useful 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.

Disposals and Non-current Assets Held for Sale

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.

3.18 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in Accounting Policies

Changes in 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. Where 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.

Estimates and Errors

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

3.19 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.

3.20 Reserves

The Council maintains both usable and unusable reserves. The usable reserves consist of general and earmarked reserves. General reserves are to meet general rather than specific future expenditure and earmarked reserves are for specific purposes. No expenditure is charged directly to a reserve, but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement, which is then offset by a reserve appropriation within the Movement in Reserves Statement. The unusable reserves are held for statutory reasons and to comply with proper accounting practice, for example non-current assets and retirement benefits, which do not represent resources available for use by the Council.

3.21 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.

3.22 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.

4. Accounting Standards that have been issued but have not yet been adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. An authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. The additional disclosures that will be required in the 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 Code are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

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

The implementation of IFRS 16 Leases has been deferred by one year. This means the effective date for implementation is now 1 April 2021, which would impact the statements in 2021/22.

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 3 the authority has to make judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Council's 2019/2020 accounts are as follows:

Covid-19 Pandemic

The Covid-19 Pandemic will have an impact on the Council's finances in specific areas within the financial statements including:

- Valuation uncertainty within Property, Plant and Equipment (Note 11)
- Valuation uncertainty for Investment Properties (Note 13)
- Valuation of Property Investment Funds (Note 15)
- Impairment of Debtors balances (Note 16)
- Pension Fund Assets and Liabilities (Note 20)

Each Note has a Covid-19 section to explain the judgements applied.

Embedded Lease

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 3.16. The Council has examined its service contracts, particularly the Waste Collection contract, and has determined that, in the circumstances in which the contracts were negotiated and operated, that they do not contain such a lease.

Employee Benefits

As noted above in Note 3.8, accounting standards 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 had, in previous years, determined that the amount was not material, and therefore, as allowed by the accounting standards, had not made any adjustment to its accounts for these amounts.

For 2019/20 the Council has decided to recognise the expense of the outstanding leave and made a charge to the Surplus or Deficit on Provision of Services. The value of the accrual was higher than in previous years, some of which was as a result of staff not taking booked leave in March, due to the COVID-19 pandemic. As staff will now be able to carry forward untaken leave into the next two years, we judge that this situation will not be resolved quickly and the Council has therefore decided to recognise this as an expense each year.

Under legislation the accrual is matched by appropriations to or from an adjustment account (an unusable reserve), so there is 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 3.16, 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.

Group Accounts

The Tunbridge Wells Property Holdings Company began trading on 18 May 2015 and is a wholly owned subsidiary of the Council, as explained in Note 25. The revenue has only been £229,000 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.

Pooled Fund Investment

The Council has an investment with the Churches, Charities and Local Authorities (CCLA) Property Fund and any change in its fair value is recognised as fair value through profit and loss. The Ministry of Housing, Communities and Local Government (MHCLG) agreed a temporary override for English Local Authorities for a 5 year period starting 1 April 2018 which the Council uses to account for any changes in the fair value of this pooled investment. This means any changes in valuation do not impact the Council's budget and are held in the Financial Instrument Revaluation Reserve.

Post Employment Benefits

The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 Employee Benefits. The estimation of the net pension liability depends on a number of complex judgement and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority's retirement benefit obligation. The key assumptions are set out in Note 20.

Use of External Advisors

The Council places reliance on external property valuers, actuaries and other professionals for valuations and/or consideration of impairment of its property assets, pension valuations and investments. The Council only seeks advice from reputable, qualified professionals in order to ensure the accuracy of this information.

Valuations

The Council is required to revalue Land & Building Assets included in the Balance Sheet as a minimum every five years. The Council re-values the Royal Victoria Place shopping centre and its multi-storey car parks every 3 years. Materiality will be verified each year by a desktop calculation using property indices calculated from previous valuations movements over the last 5 years. Investment Properties are subject to annual revaluation but as the Council only holds one asset in this category and due to the nature of the property this valuation is also carried out every three years. Should market conditions change substantially during a period these assets will be subject to revaluation.

6. Events after the Reporting Period

The Council has included land at Hornbeam Avenue and land at Sychem Lane as Assets held for Sale on the Balance Sheet as 31 March 2020. The Hornbeam Avenue sale completed on the 3 June 2020 and the full value of £526,000 held on the Balance Sheet was received. The Sychem Lane sale exchanged, also on the 4 June 2020, for a value of £700,000, £50,000 over the value on the Balance Sheet. An additional £50,000 was received as recompense for the removal of a clawback clause. The completion will be on or before the backstop of 31 March 2021, dependent upon the speed with which the developers due diligence can be completed.

This Draft Statement of Accounts was authorised for issue by the Director of Finance, Policy and Development on 5 June 2020.

7. Expenditure and Income Analysed by Nature

The table below breaks down the Surplus or Deficit on the Provision of Services, as shown in the Comprehensive Income and Expenditure Statement, into the different types of income and expenditure.

2018/19		2019/20
£000		£000
18,163	Employee Benefit Expenses	19,243
48,349	Other Service Expenses	50,280

6,980	Depreciation, Amortisation, Impairment	6,631
98	Interest Payments	439
2,409	Precepts and Levies	2,533
75.999	**Total Expenditure**	**79,126**
(16,280)	Fees, Charges and Other Service Income	(16,818)
(1,163)	Interest and Investment Income	(959)
(10,266)	Income from Council Tax	(10,653)
(2,121)	Retained NNDR Income	(1,884)
(45,017)	Government Grants and Contributions	(39,301)
(309)	Gain or Loss on Disposal of Fixed Assets	(930)
(75,156)	**Total Income**	**(70,545)**
843	**(Surplus) or Deficit on Provision of Service**	**8,581**

The Fees, charges and other service income is analysed further below between the directorates into which the Council is organised.

2018/19		**2019/20**
£000		**£000**
(10,205)	Finance, Policy and Development	(10,677)
(6,075)	Change and Communities	(6,141)
(16,280)	**Total Fees, Charges and Other Service Income**	**(16,818)**

8. Adjustments between accounting and funding basis under regulations

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

2019/20	General Fund	Capital Grants & Contribs	Capital Receipts	Total Usable Reserves	Unusable Reserves
Reversal of items debited to the Comprehensive I&E Statement					
Write down intangible assets	177	0	0	**177**	**(177)**
Depreciation of Property, Plant & Equipment	3,252	0	0	**3,252**	**(3,252)**
Impairment to Property, Plant & Equipment	(146)	0	0	**(146)**	**146**
Revenue Expenditure financed from Capital under Statute	1,073	0	0	**1,073**	**(1,073)**
Gain or (loss) on sale of non current assets	(930)	0	2,558	**1,628**	**(1,628)**
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory override	388	0	0	**388**	**(388)**
Difference between accounting and statutory credit for Council Tax	(876)	0	0	**(876)**	**876**
Difference between accounting and statutory pension costs	2,871	0	0	**2,871**	**(2,871)**
Amount by which officer remuneration charged on an accruals basis is different from remuneration chargeable in year	147	0	0	**147**	**(147)**
Insertion of items not debited or credited to Comprehensive I&E Statement					
Statutory provision for the financing of capital investment	(223)	0	0	**(223)**	**223**
Capital expenditure from revenue	(473)	0	0	**(473)**	**473**
Capital grants and contributions in Comprehensive I&E account	(1,006)	1,006	0	**0**	**0**
Financing of capital expenditure directly from reserves					
Financing from capital grants and contributions reserve	0	(360)	0	**(360)**	**360**
Financing from capital receipts reserve	0	0	(2,061)	**(2,061)**	**2,061**
Total to Movement in Reserves Statement	**4,254**	**646**	**497**	**5,397**	**(5,397)**

2018/19	General Fund	Capital Grants & Contribs	Capital Receipts	Total Usable Reserves	Unusable Reserves
Reversal of items debited to the Comprehensive I&E Statement					
Write down intangible assets	189	0	0	**189**	**(189)**
Depreciation of Property, Plant & Equipment	3,105	0	0	**3,105**	**(3,105)**
Impairment to Property, Plant & Equipment	1,571	0	0	**1,571**	**(1,571)**
Revenue Expenditure financed from Capital under Statute	1,069	0	0	**1,069**	**(1,069)**
Gain or (loss) on sale of non current assets	(309)	0	1,696	**1,387**	**(1,387)**
Difference between accounting and statutory finance costs	(1)	0	0	**(1)**	**1**
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory override	(166)	0	0	**(166)**	**166**
Difference between accounting and statutory credit for Council Tax	(118)	0	0	**(118)**	**118**
Difference between accounting and statutory pension costs	2,417	0	0	**2,417**	**(2,417)**
Donated assets	(12)	0	0	**(12)**	**12**
Insertion of items not debited or credited to Comprehensive I&E Statement					
Statutory provision for the financing of capital investment	(161)	0	0	**(161)**	**161**
Capital expenditure from revenue	(3,406)	0	0	**(3,406)**	**3406**
Capital grants and contributions in Comprehensive I&E account	(409)	409	0	**0**	**0**
Financing of capital expenditure directly from reserves					
Financing from capital grants and contributions reserve	0	(636)	0	**636**	**(636)**
Financing from capital receipts reserve	0	0	(1,893)	**(1,893)**	**1,893**
Total to Movement in Reserves Statement	**3,769**	**(227)**	**(197)**	**3,345**	**(3,345)**

9. Reserves

The Movements in Reserves Statement shows the annual movements on reserves but only shows a summary of the movements. A detailed analysis and explanation of each reserve is shown below.

9.1 Usable Reserves

General Fund

This represents a non specific reserve, without legal restrictions on spending, arising from annual surpluses or deficits as well as earmarked reserves to cover specific projects or contingencies. The earmarked reserve amounts 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.

Earmarked Reserves

The reasons for maintaining the earmarked reserves are shown below:

Reserve	Description
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 Plan	A reserve for costs associated with the Local Plan due to the phasing of timeframes and costs.
Section 106 Contributions	S106 contributions are developers' contributions that are used to finance capital projects. They may have conditions where they 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	Where money is donated it is retained in this reserve 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.

RVP Car Park	To provide for periodic maintenance in the car parks used for the Royal Victoria Place shopping centre.
Government Grants	Contains the equivalent amount of grants provided by the Government during the financial year that cannot be used until after 31 March that year.
Invest to Save	This reserve is used to fund revenue and capital initiatives which will result in savings or increase income streams.
Cultural	This reserve holds money to undertake key cultural projects in the Borough.
Pensions Settlement	A one-off payment to the pension fund to settle the Council's liability for unfunded "added years" pensions was made in 2012/13. From then onwards the amount that the Council would have paid for unfunded pensions has instead been paid into this reserve. This year this reserve has been used to fund the Calverley Square project costs that cannot be capitalised following the termination of the project.
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.
MMI	This reserve was maintained for use in case the Council's share of the overall MMI deficit rises beyond the current estimate. The amount has now been combined with the insurance reserve.
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 MKS 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 Contribution 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 MKS 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.
Lottery Income	This reserve will hold income retained by the Council from the Tunbridge Wells Lottery to support the local voluntary and community sector.
Calverley Square	This reserve was set up to hold savings made is order to fund the Calverley Square project. Following the termination of the project it has been used to fund the costs that cannot be capitalised.
Rent Advance and Deposit	This reserve holds monies set aside by the Council to fund the rent advance and deposit guarantee schemes which support households who have a priority need for accommodation under homelessness legislation.

The tables below show the balance on the General Fund, including the earmarked reserves, and the contributions to and from the reserves.

Reserve	**31 March 2019**	**Income**	**Expenditure**	**31 March 2020**
	£000	**£000**	**£000**	**£000**
General Fund	5,000	1,168	(2,078)	4,090
Capital & Rev Initiatives	3,714	0	(1,048)	2,666

Torrington Car Park	102	0	0	102
On Street Parking	633	100	0	733
Local Plan	489	20	0	509
Section 106 Contributions	26	10	0	36
Maintenance of Graves	2	0	0	2
Strategic Plan	1,582	114	(377)	1,319
RVP Car Park	1,143	0	0	1,143
Government Grants	546	421	(259)	708
Invest to Save	753	0	(16)	737
Cultural	47	99	(5)	141
Pensions Settlement	1,607	225	(1,832)	0
Housing Renewal	242	0	(47)	195
Insurance	216	75	0	291
MMI	50	0	(50)	0
Grant Volatility	1,120	222	0	1,342
ICT MKS Partnership	334	52	(108)	278
Establishment	364	0	0	364
Parish Enabling	35	0	0	35
Ice Rink	211	8	0	219
Digital Transformation	48	0	(2)	46
Traveller Protocol	15	0	0	15
Land Charges Income	60	0	0	60
Lottery Income	30	7	(5)	32
Calverley Square	1,004	238	(1,242)	0
Rent Advance and Deposit	305	119	(111)	313
Total	**19,678**	**2,878**	**(7,205)**	**15,351**

Reserve	31 March 2018	Income	Expenditure	31 March 2019
	£000	£000	£000	£000
General Fund	4,000	1,000	0	5,000
Capital & Rev Initiatives	3,702	2,933	(2,921)	3,714
Torrington Car Park	102	0	0	102
On Street Parking	539	120	(26)	633
Local Plan	475	34	(20)	489
Section 106 Contributions	26	0	0	26
Maintenance of Graves	0	2	0	2
Strategic Plan	1,022	560	0	1,582
Performance Reward	9	0	(9)	0
RVP Car Park	653	490	0	1,143
Carbon Reduction	50	0	(50)	0
Government Grants	382	259	(95)	546
Invest to Save	1,100	100	(447)	753
Cultural	101	2	(56)	47
Pensions Settlement	1,392	215	0	1,607
Housing Renewal	216	71	(45)	242
Insurance	191	25	0	216
MMI	50	0	0	50
Grant Volatility	1,120	0	0	1,120
ICT MKS Partnership	355	33	(54)	334
Establishment	322	42	0	364
Parish Enabling	35	0	0	35
Ice Rink	229	0	(18)	211
Digital Transformation	48	0	0	48
Traveller Protocol	16	1	(2)	15
Land Charges Income	42	18	0	60
Lottery Income	12	18	0	30

Calverley Square	316	869	(181)	1,004
Rent Advance and Deposit	248	115	(58)	305
Total	**16,753**	**6,907**	**(3,982)**	**19,678**

Capital Grants and Contributions

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 credited to the Income and Expenditure Account and immediately transferred into the Capital Grants and Contributions Reserve until required to finance capital investment.

Usable Capital Receipts

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.

9.2 Unusable Reserves

Revaluation Reserve

This reserve 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
- Disposed of and the gains are realised.

2018/19		2019/20
£000	Revaluation Reserve	£000
39,932	Balance as at 1 April	39,936
2,337	Gain on revaluation of non-current assets	3,089
(1,563)	Impairment losses of non-current assets	(1,393)
0	Gain or (loss) on sale of non-current assets	(237)
(770)	Adjustment for depreciation of revalued non-current assets	(801)
39,936	**Balance as at 31 March**	**40,594**

Financial Instruments Revaluation Reserve

This reserve represents the difference between the fair value of the CCLA Property Fund and the purchase price.

2018/19		2019/20
£000	**Financial Instruments Revaluation Reserve**	**£000**
0	Balance as at 1 April	1,876
1,710	Transfer from Available for Sale Reserve under IFRS 9	0
166	Surplus or (deficit) on revaluation of financial instruments	(388)
1,876	**Balance as at 31 March**	**1,488**

Capital Adjustment Account

This reserve 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.

2018/19		2019/20
£000	**Capital Adjustment Account**	**£000**
77,311	Balance as at 1 April	78,255
(189)	Write Down Intangible Assets	(177)
(3,105)	Depreciation of Property, Plant and Equipment	(3,252)
(1,571)	Impairment to Property, Plant and Equipment	146
(1,069)	Revenue Expenditure financed from Capital under Statute	(1,073)
0	Gain or (loss) on sale of non-current assets	(3)
12	Donated assets	0
161	Statutory provision for the financing of capital investment	223
3,406	Capital expenditure financed from revenue	473
636	Capital expenditure financed from grants and contributions	360

1,893	Capital expenditure financed from capital receipts	2,061
770	Adjustment for depreciation of revalued non-current assets	801
78,255	**Balance as at 31 March**	**77,814**

Financial Instruments Adjustment Account

This reserve represents the difference between the accounting and legislative charges for finance costs.

2018/19		**2019/20**
£000	**Financial Instruments Adjustment Account**	**£000**
(2)	Balance as at 1 April	(1)
1	Difference between accounting and statutory finance costs	0
(1)	**Balance as at 31 March**	**(1)**

Deferred Capital Receipts

In some cases 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.

2018/19		**2019/20**
£000	**Deferred Capital Receipts**	**£000**
7,547	Balance as at 1 April	6,160
(1,387)	Gain or (loss) on sale of non-current assets	(1,388)
6,160	**Balance as at 31 March**	**4,772**

The Deferred Capital Receipts reserve was credited during 2017/18 with £7.4 million as a result of the sale of land at Holly Farm which had been sold but the receipt is to be phased over a period of 4 years. The reserve had been debited during 2018/19 with an instalment of £1.387 million and during 2019/20 with an instalment of £1.388 million.

Pensions Reserve

This reserve 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.

2018/19		2019/20
£000	**Pensions Reserve**	**£000**
(59,812)	Balance as at 1 April	(54,278)
7,951	Re-measurement of defined benefit liability	(359)
(2,417)	Difference between accounting and statutory pension costs	(2,871)
(54,278)	**Balance as at 31 March**	**(57,508)**

Collection Fund Adjustment Account

This reserve represents the differences arising from the recognition of council tax income and 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.

2018/19		2019/20
£000	**Collection Fund Adjustment Account**	**£000**
(139)	Balance as at 1 April	(21)
118	Diff between accounting and statutory credit for Council Tax	876
(21)	**Balance as at 31 March**	**855**

Accumulated Absences Account

This Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balances from accruing for compensated absences earned but not taken in the year, for example from annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2018/19		2019/20
£000	**Accumulated Absences Account**	**£000**
0	Balance as at 1 April	0
0	Amounts accrued at the end of the current year	147
0	**Balance as at 31 March**	**147**

10. Summary of capital expenditure and financing

Capital expenditure was incurred and financed as shown below:

2018/19		2019/20
£000		**£000**
4,072	**Opening Capital Financing Requirement as at 1 April**	**9,919**
10,744	Property, Plant and Equipment	2,365
0	Calverley Square Reversal of 2018/19 Capital	(4,442)
146	Intangible Assets	119
2,116	Revenue Expenditure Funded from Capital under Statute	3,348
13,006	**Total Capital Investment**	**1,390**
(1,893)	Capital Receipts	(2,061)
(636)	Government Grants and Other Contributions	(360)
(1,047)	Grants and Contributions towards REFFCUS	(2,275)
(3,406)	Revenue Financing	(473)
(160)	Minimum Revenue Provision	(223)
(7,142)	**Total Financing**	**(5,392)**
(17)	**Movement in Long Term Debtors within CFR**	**(17)**
9,919	**Closing Capital Financing Requirement as at 31 March**	**5,900**

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 partly represented by past capital expenditure on assistance to a housing association and a bowls club. The amount advanced is reduced by their annual repayments.

Capital purchases which have yet to be financed make up the remainder of the CFR. The Council has to set money aside from the General Fund as a Minimum Revenue Provision (MRP) to reduce the CFR annually.

The Council spent £4,442,000 on professional fees for the Calverley Square capital project during 2018/19. This amount was not financed from reserves and was therefore included in the Closing CFR as at 31 March 2019. Following the decision to terminate the project this spend no longer meets the definition of capital expenditure and has been transferred to revenue. The amount has also been reversed out of the CFR for 2019/20 as shown in the table above.

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

31 March 2019		31 March 2020
£000		**£000**
121,580	Property, Plant and Equipment	116,625
3,574	Heritage Assets	3,627
1,690	Investment Properties	1,690
1,137	Intangible Assets	1,079
129	Long term debtors financed from capital	111
0	Assets available for sale	1,176
(39,936)	Revaluation Reserve	(40,594)
(78,255)	Capital Adjustment Account	(77,814)
9,919	**Total Capital Financing Requirement**	**5,900**

11. Property, Plant and Equipment

11.1 Analysis of Carrying Amount

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.

Note 3.17 sets out the methods for measuring the gross carrying amounts, and of calculating depreciation and impairment.

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2019						
Gross Carrying Amount	110,066	3,222	856	8,560	4,442	**127,146**
Cumulative Depreciation & Impairment	(3,298)	(1,530)	(594)	(144)	0	**(5,566)**
Total	**106,768**	**1,692**	**262**	**8,416**	**4,442**	**121,580**
Balance as at 31 March 2020						
Gross Carrying Amount	108,263	3,526	826	8,695	1,082	**122,392**
Cumulative Depreciation & Impairment	(3,570)	(1,481)	(572)	(144)	0	**(5,767)**
Total	**104,693**	**2,045**	**254**	**8,551**	**1,082**	**116,625**

11.2 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	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Movements 2018/19						
Balance at 1 April 2018	101,734	1,956	289	8,231	2,598	**114,808**
Additions	5,907	208	2	185	4,442	**10,744**
Revaluations	703	0	0	0	0	**703**
Impairment Losses	(1,613)	0	0	0	0	**(1,613)**
Impairment Loss	43	0	0	0	0	**43**

Reversals						
Depreciation	(2,604)	(472)	(29)	0	0	**(3,105)**
Reclassifications	2,598	0	0	0	(2,598)	**0**
Total	**106,768**	**1,692**	**262**	**8,416**	**4,442**	**121,580**
Movements 2019/20						
Balance at 1 April 2019	106,768	1,692	262	8,416	4,442	**121,580**
Additions	341	789	18	135	1,082	**2,365**
Reversal of 2018/19 Capital	0	0	0	0	(4,442)	**(4,442)**
Revaluations	680	0	0	0	0	**680**
Impairment Losses	(242)	0	0	0	0	**(242)**
Impairment Loss Reversals	388	0	0	0	0	**388**
Depreciation	(2,789)	(436)	(26)	0	0	**(3,251)**
Disposals	(241)	0	0	0	0	**(241)**
Transfers to Assets Held for Sale	(212)	0	0	0	0	**(212)**
Total	**104,693**	**2,045**	**254**	**8,551**	**1,082**	**116,625**

Assets Under Construction held a balance of £4,442,000 as at 31 March 2019 which related to the cost of the Calverley Square capital scheme. Following the decision to terminate the project this spend no longer meets the definition of capital expenditure and has been transferred to revenue. The amount has been transferred from Assets Under Construction as shown in the table above.

11.3 Valuation of Property

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 with gains in value prior to 1 April 2007 being absorbed into the Capital Adjustment Account.

Revaluations and impairment reversals are treated in line with Note 3.17.

Two of the categories shown in the tables above (land and buildings and surplus assets) are subject to valuations. The valuations this year have been dealt with by G L Hearn Ltd. Other than the shopping centre and the Council's multi-storey car parks, all assets are revalued at 5 year intervals (20% as at 31 March each year). Royal Victoria Place shopping centre and the multi-storey car parks are revalued every 3 years.

Valuations of property depend on various assumptions, 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.

The table below analyses the gross carrying cost at 31 March for land and buildings according to the year of valuation.

31 March 2019		31 March 2020
£000		**£000**
106,768	Net Book Value	104,693
(5,497)	Adjust for additions since last valuation	(1,257)
3,298	Adjust for depreciation since last valuation	3,569
104,569	**Total Valuations**	**107,005**
0	Valuation in 2019/20	32,946
25,853	Valuation in 2018/19	22,748
43,824	Valuation in 2017/18	31,459
27,468	Valuation in 2016/17	14,843
5,349	Valuation in 2015/16	5,009
2,075	Valuation in 2014/15	0
104,569	**Total Valuations**	**107,005**

The valuer is a member 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 where the valuer is 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.

11.4 Covid-19 Pandemic

The Council had its Property Plant and Equipment valued as at 31 January 2020. The intention had been for the valuer, GL Hearn, to subsequently give an opinion as to whether the valuations had materially changed as at the 31 March 2020. Under usual circumstances the markets would have very little opportunity to move in the intervening period. However, the Covid-19 pandemic has created an unprecedented set of circumstances on which to base a judgement. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 (Red Book), the Council's valuer has declared a "material valuation uncertainty" in the valuation report. The valuers have provided additional clarification that the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. This clause is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. Whilst the valuer has declared this material valuation uncertainty, the valuer has still continued to exercise professional judgement in providing the valuation. Given that there is no alternative information to suggest the valuations are materially incorrect, the values obtained as at 31 January 2020 are the best available reflection of the value of the Councils assets as at 31 March 2020.

11.5 Impairments

Impairments are assessed each year, in accordance with the policy in Note 3.17, for losses triggered by such occurrences as physical, environmental or economic damage, but no such impairments have been recorded in 2019/20. As noted above in Note 11.3, the impairments, usually reversals, recorded arise from the revaluation of assets carried out in the year.

11.6 Capital Commitments

As at 31 March 2020 the Council was contractually committed to the payment of £45,000 for the acquisition of property, plant and equipment, compared to £1,361,000 at 31 March 2019.

12. Heritage Assets

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.

The annual movements in the balance sheet for Heritage Assets are shown below:

2018/19		2019/20
£000		**£000**
3,491	Balance as at 1 April	3,574
12	Additions by Donations	0
71	Revaluations	53
3,574	**Balance as at 31 March**	**3,627**

13. Investment Property

13.1 Investment Property

The following table summarises the movement in the fair value of investment properties over the year.

2018/19		2019/20
£000		**£000**
1,690	Balance as at 1 April	1,690
1,690	**Balance as at 31 March**	**1,690**

The Council's investment property consists of one commercial property purchased during 2016/17.

The following income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2018/19		2019/20
£000		**£000**
85	Rental Income from Investment Properties	85
85	**Net Gain / (Loss)**	**85**

13.2 Covid-19 Pandemic

This investment property is a restaurant and ceased trading on the 20th March due to the Covid-19 pandemic. All lease payments had been made for 2019/20 however, therefore the property valuation as at the 31 March is considered a reasonable estimate. They have taken a lease payment holiday for the first quarter of 2020/21. At this point, they intend to make good this payment once they can re-open.

14. 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 has disposed of a number of pieces of land in recent years. Most of these were considered below the de minimis level for recognising in Property, Plant and Equipment. Note 3.17 specifies that assets made available for sale are held at the lower of carrying value and market value, so that, although the Council expects to gain capital receipts from their disposal, they are not recognised in the Balance Sheet as at 31 March 2020. There are two exceptions to this, which have been valued, as they are being prepared for sale during 2020/21.

2018/19		2019/20
£000		£000
0	Transfer from Property, Plant and Equipment	212
0	Revaluations	964
0	**Balance as at 31 March**	**1,176**

15. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

15.1 Financial Assets

The following categories of financial assets are carried on the balance sheet:

	31 March 2020	31 March 2020	31 March 2020	31 March 2020
	Long Term	**Long Term**	**Short Term**	**Short Term**
	Investments	**Debtors**	**Investments**	**Debtors**
	£000	**£000**	**£000**	**£000**
Principal	0	460	19,500	7,815
Investment Interest Accrued	0	0	40	0
Cash and Cash Equivalents	0	0	6,832	0
Cash and Cash Equivalents Interest	0	0	3	0
Total Amortised Cost	**0**	**460**	**26,375**	**7,815**
CCLA Property Fund	10,488	0	0	0
Investment Interest Accrued	0	0	131	0
Total Fair Value through Profit and Loss	**10,488**	**0**	**131**	**0**
Total Financial Assets	**0**	**460**	**26,506**	**7,815**
Non-Financial Assets	0	28	0	2,293
Total Investments, Debtors, Cash and Cash Equivalents	**10,488**	**488**	**26,506**	**10,108**

	31 March 2019	31 March 2019	31 March 2019	31 March 2019
	Long Term	**Long Term**	**Short Term**	**Short Term**
	Investments	**Debtors**	**Investments**	**Debtors**
	£000	**£000**	**£000**	**£000**
Principal	0	5,503	8,000	5,498
Investment Interest Accrued	0	0	32	0
Cash and Cash	0	0	7,336	0

Equivalents				
Cash and Cash Equivalents Interest	0	0	3	0
Total Amortised Cost	**0**	**5,503**	**15,371**	**5,498**
CCLA Property Fund	10,876	0	0	0
Investment Interest Accrued	0	0	134	0
Total Fair Value through Profit and Loss	**10,876**	**0**	**134**	**0**
Total Financial Assets	**10,876**	**5,503**	**15,505**	**5,498**
Non-Financial Assets	0	53	0	5,147
Total Investments, Debtors, Cash and Cash Equivalents	**10,876**	**5,556**	**15,505**	**10,645**

Following the adoption of IFRS 9 Financial Instruments the long term investment with the CCLA property is categorised as a fair value through profit and loss asset. The Council uses the MHCLG statutory override to account for any changes in the fair value of this pooled investment.

15.2 Financial Liabilities

The following categories of financial liabilities are carried on the balance sheet:

	31 March 2020	**31 March 2020**	**31 March 2020**	**31 March 2020**
	Long Term	**Long Term**	**Short Term**	**Short Term**
	Borrowing	**Creditors**	**Borrowing**	**Creditors**
	£000	**£000**	**£000**	**£000**
Principal	0	(13)	(1,000)	(3,130)
Loans Interest Accrued	0	0	(5)	0
Total Amortised Cost	**0**	**(13)**	**(1,005)**	**(3,130)**
Non-Financial Liabilities	0	(124)	0	(13,403)
Total Borrowing and Creditors	**0**	**(137)**	**(1,005)**	**(16,533)**

	31 March 2019	31 March 2019	31 March 2019	31 March 2019
	Long Term	**Long Term**	**Short Term**	**Short Term**
	Borrowing	**Creditors**	**Borrowing**	**Creditors**
	£000	**£000**	**£000**	**£000**
Principal	(1,000)	(25)	(2,000)	(5,279)
Loans Interest Accrued	0	0	(14)	0
Total Amortised Cost	**(1,000)**	**(25)**	**(2,014)**	**(5,279)**
Non-Financial Liabilities	0	0	0	(6,824)
Total Borrowing and Creditors	**(1,000)**	**(25)**	**(2,014)**	**(12,103)**

15.3 Interest and Investment Income 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:

2018/19		**2019/20**
£000		**£000**
(774)	Interest from loans and receivables	(731)
(85)	Investment Income	(85)
(166)	Financial Instruments Revaluation	0
(138)	Other Interest Receivable	(143)
(1,163)	**Total Interest and Investment Income**	**(959)**
98	Interest on PWLB Loan	50
0	Financial Instruments Revaluation	389
98	**Total Interest Payable**	**439**

15.4 Fair Value

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

The fair value of investments is shown in the table below with the level in the fair value hierarchy, as explained in Accountancy Policy 1.10:

31 March 2019	31 March 2019			31 March 2020	31 March 2020
Book Value	**Fair Value**		**Level**	**Book Value**	**Fair Value**
£000	**£000**			**£000**	**£000**
10,876	10,876	CCLA Property Fund	1	10,488	10,488
10,876	**10,876**	**Long Term Investments**		**10,488**	**10,488**
8,032	8,032	Investments less than one year	2	19,540	19,540
134	134	Add accrued interest on long term		131	131
8,166	**8,166**	**Short Term Investments**		**19,671**	**19,671**

The fair value of borrowing is shown in the table below with the level in the fair value hierarchy:

31 March 2019	31 March 2019			31 March 2020	31 March 2020
Book Value	**Fair Value**		**Level**	**Book Value**	**Fair Value**
£000	**£000**			**£000**	**£000**
(2,014)	(2,029)	Borrowing less than one year	2	(1,005)	(1,006)
(2,014)	**(2,029)**	**Short Term Borrowing**		**(1,005)**	**(1,006)**
(1,000)	(1,007)	Borrowing over one year	2	0	0
(1,000)	**(1,007)**	**Long Term Borrowing**		**0**	**0**

The fair values valuations have been provided by the Council's Treasury Management advisor, Link Asset Services. 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 Link from the market on 31st March, using bid prices where applicable.

All other financial assets and liabilities are represented by amortised cost and long term debtors and creditor on the balance sheet at amortised cost.

15.5 Covid-19 Pandemic

The impact on the Council has been minimal for 2019/20. The Council has £19.5 million of short, fixed term, bank deposits and investments and a £9 million investment with a property investment fund. The actual market value of the fund is recorded at the 31 March and has suffered a loss of 3.5% (£388,000) over 2019/20.

15.6 Nature and Extent of Risks Arising from Financial Instruments

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

- 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.
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council 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 Team, 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 CCLA 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, as well as credit exposures to the Council's customers. The risk is minimised through the Treasury Management Policy and Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria, in accordance with the Fitch Credit

Ratings Service. It also reviews ratings from the other agencies, Moodys and Standard and Poors. The Treasury Management Policy and Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The key elements are the security of capital and the liquidity of investments.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions, amounting to £28.5m at 31 March 2020, 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 2019 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.

The investment with the Church, Charities and Local Authorities (CCLA) Property 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.

The Council has assessed its short and long investments and concluded that the expected credit loss is not material and no allowances have been made.

Liquidity Risk

The Council manages its liquidity position through risk management procedures, the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available as needed. The Council has ready access to borrowings from the money market to cover any day to day or longer term cash flow need, and the PWLB and money markets for access to longer term funds. The Council is required to provide a balanced budget which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council's investment with the CCLA Property 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.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Reductions in interest rates would reduce the interest income credited to the Income and Expenditure Account from investments and decrease the interest expenditure from borrowing, while increases in interest rates would increase the income from investments and increase the interest cost from borrowing.

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 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been to increase investment income by £433,000.

The Council had a loan of £3 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. 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 £21,000.

The return from the CCLA Property 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.

Price Rate Risk

The Council does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in foreign exchange.

16. Debtors

16.1 Groupings of Debt

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

31 March 2019		31 March 2020
£000		**£000**
1,136	Trade Accounts Receivable	1,229
2,659	Other Trade Debtors	1,495
3,471	Related Parties (Central Government)	354
339	Prepayments	374
3,040	Other Debtors	6,656
10,645	**Total Short Term Debtors**	**10,108**
5,556	**Total Long Term Debtors**	**488**
16,201	**Balance as at 31 March**	**10,596**

The Debtors balances for 2018/19 included £6.013 million for land at Holly Farm which had been sold and where the receipt is being phased over 4 years. £1.388 million of this was categorised as short term debtor as it was due and paid during 2019/20. The remaining £4.625 million was within Long Term Debtors. This payment of £4.625 million has now moved from Long Term Debtors to Short Term Debtors, within Other Debtors, as it is due for payment during 2020/21.

16.2 Trade Accounts Receivable

As explained in Note 3.10 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 2019		31 March 2020
£000		**£000**
979	Less than 3 months	1,071
23	3 to 6 months	35
6	6 to 12 months	9
128	More than 1 year	114
1,136	**Total Trade Accounts Receivable**	**1,229**

The Council has also made impairment provisions of £2,926,000 at 31 March 2020, compared to £2,468,000 at 31 March 2019, covering debts for Housing Benefit overpayments, this Council's share of Council Tax and Non-Domestic Rates debts, rents, rent deposits 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.

16.3 Covid-19 Pandemic

Each debt outstanding as at 31 March has been reviewed and an assessment made on the probability of recovery. If the recovery is considered unlikely then a provision for that sum has been made in the accounts. It is possible that certain classes of debt, such as rental income, could be abnormally affected by Covid-19, at least in the short term, as payment holiday requests are accepted and at least 3 months notice must be given of eviction. The majority of the outstanding debt however, is to other local authorities or to large companies with sufficient reserves to settle their debts.

16.4 Contingent Assets

There are no contingent assets to be reported.

17. Liabilities

17.1 Creditors

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

31 March 2019		31 March 2020
£000		**£000**
(354)	Central Government	(9,257)
(4,450)	Other Local Authorities	(2,394)
(7,299)	All Other Bodies	(4,882)
(12,103)	**Total Short Term Creditors**	**(16,533)**
(115)	Central Government	(11)
(755)	Other Local Authorities	(113)
(25)	All Other Bodies	(13)
(895)	**Total Long Term Creditors**	**(137)**
(12,998)	**Balance as at 31 March**	**(16,670)**

17.2 Provisions

Appeals against Business Rate Valuations and Appeals not yet lodged

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. The appeals outstanding on the 2010 list are calculated based on the appeals outstanding at 31 March 2020 and the average reduction achieved from settled appeals. For the Council this still constitutes £421,593 of the total provision, as the Valuation Office is still working through its caseload.

The new 2017 Rating list, applicable from 1 April 2017, is subject to a new, and significantly more complex appeal process. This has meant that far fewer appeals have been made than would normally have been expected. It is also considered that consultancy companies, which assist businesses to appeal, will not make their appeals in the early years of a new rating list, in order to maximise their earnings from retrospective years' commission. The low number of appeals experienced thus far is not anticipated to be the case indefinitely and the amounts appealed could be significant and retrospective. It could be argued that the amounts to be appealed and the timescales for the appeals, cannot be determined and therefore should be a contingent liability. However, the Ministry of Housing, Communities and Local Government has provided an estimate that 2.1p in every £1 of the annual Rateable Value would be appealed and in order to reflect this material sum, a provision has been made in the Collection Fund. The provision calculation provides on the basis of that 2.1p in every £1, but then recognises those businesses that are in receipt of the various business rate reliefs, which means they are less likely to appeal their rateable value. This, and the additional provision of £269,000 for the Automatic Teller Machines Supreme Court decision (explained in the Collection Fund notes), has meant an overall increase in the level of appeals provision to £8,613,844. The Council's 40% share of the total provision has been increased to £3,445,538 (£2,551,016 at 31 March 2019).

17.3 Contingent Liabilities

Municipal Mutual 'Run Off' Liabilities

Municipal Mutual Insurance Limited (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 concluded that a 25% levy must be charged on claims since the Scheme of Arrangement commenced and the Council duly paid this. Each year MMI now provides an estimate of the outstanding claims as at 31st March, of which there is one for 2019/20 totalling £45,791. However, there is no certainty about whether this claim is likely to be successful or when the claim may need to be paid. The Council has, however, put £50,000 aside in a reserve for any future claims that are made or any further adjustments made to the levy rate.

Dispute with Lessee

The Council has an ongoing dispute with a lessee claiming losses of income to their business. The maximum liability, including costs could be £60,000. The Council strongly rejects the claim and does not anticipate making any payment.

Judicial review

A planning decision is being judicially reviewed. If the Council is found to be at fault there would be a liability of up to £35,000 for costs.

18. 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.

2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
Grants	Contribs	Total		Grants	Contribs	Total
(32,665)	0	(32,665)	DWP Benefits Grants	(28,159)	0	(28,159)
0	(2,346)	(2,346)	Contribution from Other	0	(2,542)	(2,542)

			Local Authorities and Health Sector			
0	(1,047)	(1,047)	Contributions to revenue expenditure financed from capital	0	(2,275)	(2,275)
(198)	(346)	(544)	Other grants and contributions	(1)	(312)	(313)
(32,863)	**(3,739)**	**(36,602)**	**Total Within Cost of Services**	**(28,160)**	**(5,129)**	**(33,289)**
(3,459)	0	(3,459)	Business Rate Reliefs	(2,283)	0	(2,283)
(1,056)	0	(1,056)	New Homes Bonus	(1,142)	0	(1,142)
(381)	0	(381)	Homelessness Support	(449)	0	(449)
(454)	0	(454)	Benefits & NNDR administration grants	(425)	0	(425)
(250)	0	(250)	Council Tax	(257)	0	(257)
0	(409)	(409)	Grants & contributions towards capital	0	(1,006)	(1,006)
(193)	(147)	(340)	Other grants and contributions	(315)	(135)	(450)
(5,793)	**(556)**	**(6,349)**	**Total within Taxation and Non-Specific Grant Income**	**(4,871)**	**(1,141)**	**(6,012)**
(38,656)	**(4,295)**	**(42,951)**	**Total within Comprehensive and Expenditure Statement**	**(33,031)**	**(6,270)**	**(39,301)**
3,271	(2,118)	1,153	Adjust for variation in accruals and capital grants	(6,492)	1,954	(4,538)
(35,385)	**(6,413)**	**(41,798)**	**Total within Cash Flow Statement**	**(39,523)**	**(4,316)**	**(43,839)**

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’.

19. Officers’ Remuneration

19.1 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 19.2 below.

2019/20	Salary	Benefits	Pension	Total
	£	£	£	£
Chief Executive	139,712	0	19,094	158,806
Director of Finance, Policy & Development (s151 officer)	112,718	0	13,327	126,045
Director of Change & Communities	97,407	0	13,345	110,752
Total	**349,837**	**0**	**45,766**	**395,603**

2018/19	Salary	Benefits	Pension	Total
	£	£	£	£
Chief Executive	133,587	42	18,257	151,886
Director of Finance, Policy & Development (s151 officer)	110,513	0	13,216	123,729
Director of Change & Communities	98,168	0	13,449	111,617
Total	**342,268**	**42**	**44,922**	**387,232**

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 2019/20 was £10,553 compared to £4,830 in 2018/19.

- Similarly the figures for the Director of Finance, Policy and Development include fees payable for elections, the amount paid in 2019/20 was £2,297 compared to £898 in 2018/19.

19.2 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, shows 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 Note 19.1 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.

2018/19	2018/19		2019/20	2019/20
Including Severance	**Excluding Severance**	**Remuneration Band**	**Including Severance**	**Excluding Severance**
5	6	£50,000 - £54,999	3	3
4	4	£55,000 - £59,999	4	4
5	4	£60,000 - £64,999	6	6
1	1	£65,000 - £69,999	1	1
3	3	£70,000 - £74,999	1	1
1	1	£75,000 - £79,999	1	1
1	1	£80,000 - £84,999	2	2
2	2	£95,000 - £99,999	2	2
0	0	£100,000 - £104,999	1	1
1	1	£110,000 - £114,999	1	1
1	1	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	1	1
24	**24**	**Total**	**23**	**23**

20. Defined Benefit Pension Schemes

20.1 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 3.8.

20.2 Annual Movement in Plan Obligations and Assets

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

2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
Liabilities	Assets	Net		Liabilities	Assets	Net
(151,224)	**91,192**	**(60,032)**	**Asset / Liability as at 1 April**	**(151,852)**	**97,379**	**(54,473)**
(3,216)	0	(3,216)	Current Service Cost	(3,184)	0	(3,184)
(33)	0	(33)	Curtailments	(785)	0	(785)
(3,816)	2,315	(1,501)	Interest expense and income	(3,596)	2,317	(1,279)
0	(46)	(46)	Administration expenses	0	(56)	(56)
(7,065)	**2,269**	**(4,796)**	**Surplus/Deficit on Provision of Services**	**(7,565)**	**2,261**	**(5,304)**
0	2,404	2,404	Employer Contributions	0	2,423	2,423

(617)	617	0	Employee Contributions	(627)	627	0
3,864	(3,864)	0	Payments to beneficiaries	4,704	(4,704)	0
3,247	**(843)**	**2,404**	**Other Movements**	**4,077**	**(1,654)**	**2,423**
0	4,761	4,761	Return on assets excluding interest income	0	(9,499)	(9,499)
(5,533)	0	(5,533)	Changes in financial assumptions	11,462	0	11,462
8,723	0	8,723	Changes in democratic assumptions	1,958	0	1,958
0	0	0	Experience gains and losses	(7,683)	0	(7,683)
0	0	0	Other actuarial gains/(losses)	0	3,403	3,403
3,190	**4,761**	**7,951**	**Re-measurements**	**5,737**	**(6,096)**	**(359)**
(151,852)	**97,379**	**(54,473)**	**Asset / Liability as at 31 March**	**(149,603)**	**91,890**	**(57,713)**

In 2015, the Government introduced reforms to public sector pensions, with most public sector workers moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial (McCloud) and fire fighter's (Sergeant) schemes as part of the reforms, breached age discrimination rules. This case has impacted upon other areas of the public sector and the Council now has an additional liability of £785,000, as can be seen above in Curtailments.

20.3 Plan Assets

The plan's assets and expected return consist of the following categories:

31 March 2019	31 March 2019		31 March 2020	31 March 2020
£000	**%**		**£000**	**%**
66,774	68.6%	Equities	56,530	61.5%

640	0.7%	Gilts	714	0.8%
8,867	9.1%	Bonds	11,977	13.0%
11,696	12.0%	Property	12,503	13.6%
1,699	1.7%	Cash	2,405	2.6%
7,703	7.9%	Target Return Portfolio	7,761	8.5%
97,379	**100%**	**Total**	**91,890**	**100%**

20.4 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 2020. The main assumptions used for the purposes of the calculations are:

2018/19		2019/20
	Mortality assumptions:	
22.0 years	Longevity at 65 for current pensioners: Men	21.8 years
24.0 years	Longevity at 65 for current pensioners: Women	23.7 years
23.7 years	Longevity at 65 for future pensioners: Men	23.2 years
25.8 years	Longevity at 65 for future pensioners: Women	25.2 years
	Other assumptions:	
3.90%	Rate of increase in salaries	3.00%
2.40%	Rate of increase in pensions	2.00%
2.40%	Rate for discounting scheme liabilities	2.35%
50.0%	Take-up option to convert annual pension into retirement lump sum	50.0%

20.5 Basis for Estimating Assets and Liabilities

The estimates depend 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:

2018/19		2019/20
	Discount Rate:	
(3,084)	Increase of 0.1%	(3,003)
3,244	Reduction of 0.1%	3,161
	Salary Increases:	
3,163	Increase of 0.1%	3,082
(3,163)	Reduction of 0.1%	(3,080)
	Pension Increases:	
3,244	Increase of 0.1%	3,160
(3,084)	Reduction of 0.1%	(3,004)
	Adjustment to Mortality Estimates:	
3,272	Increase of 1 year	3,176
(3,058)	Reduction of 1 year	(2,989)

20.6 Covid-19 Pandemic

Many pension assets were valued on the 31 March. Whilst there were some exceptions, it is not considered to be sufficiently material to make an adjustment.

20.7 Funding Arrangements

The estimated cash contribution for 2020/21 is £2,706,000 compared with the actual contribution of £2,517,000 for 2019/20.

21. Termination Benefits and Exit Packages

In 2019/20 the Council paid £6,000 in severance payments to 1 former member of staff, compared to £105,000 paid to 12 former members of staff in 2018/19. This payment, when combined with the salary payment, did not exceed £50,000 and was a compulsory redundancy.

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.

2018/19	2018/19		2019/20	2019/20
Number	**Cost**		**Number**	**Cost**
	£000	**Banding**		**£000**
11	85	£0 - £19,999	1	6
1	20	£20,000 - £39,999	0	0
12	**105**	**Total**	**1**	**6**

22. Members’ Allowances

The total amount of Member’s allowances paid in 2019/20 was £357,828 compared to £370,117 in 2018/19.

The Council provides a statement, in accordance with the Local Authorities Members’ Allowance (England) Regulations 2003, giving details of the allowance 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 email committee@tunbridgewells.gov.uk

23. External Audit Costs

The audit fees for 2019/20, payable to Grant Thornton, are set out below:

2018/19		2019/20
£000		**£000**
39	External Audit Services – Statutory Accounts	44
22	Audit & Statutory Certification of Grant Claims	22
61	**Sub Total**	**66**
0	Rebate of Audit Fees From Public Sector Audit Appointments	(5)
61	**Total**	**61**

24. Leasing

24.1 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 2019		31 March 2020
£000	**Leases expiring:**	**£000**
(68)	Within one year	(10)
(532)	Between two and five years	(508)
(80,597)	Later than five years	(83,997)
(81,197)	**Total**	**(84,515)**

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 2019/20 the Council received £53,000 in contingent rents, compared to £23,000 in 2018/19.

24.2 IFRS 16 Leases

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021.

25. Related Parties

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.

25.1 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 Note 16 Debtors, Note 17 Liabilities and Note 18 Grants and Contributions.

25.2 Kent Pension Scheme

The Council participates in the Kent Pension Scheme, making annual contributions to the Kent Pension Fund as set out in Note 20. 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.

25.3 Tunbridge Wells Property Holding Ltd

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. The company is wholly owned by the Council and there are 3 company Directors, comprising 2 Councillors and the Head of Economic Development and Property. 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. Since then a further 11 properties have been leased with one of these being added during this year. 2019/20 is the fifth year of trading the company is expected to make a small profit in the region of £10,000. The accounts will be filed at Companies House by December 2020. Group Accounts have not been prepared as the revenue is immaterial as shown in Note 5 Critical Judgements in Accounting Policies.

25.4 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.

Returns were received from all Councillors elected for the 2019/20 financial year and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosures in the accounts.

Details of payments to senior officers and to members are shown in Note 19 Officers' remuneration and Note 22 Members' allowances respectively.

Collection Fund Statement

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.

2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(77,342)	(53,485)	(130,827)	Income Collectable	(82,822)	(55,274)	(138,096)
(77,342)	**(53,485)**	**(130,827)**	**Income Receivable**	**(82,822)**	**(55,274)**	**(138,096)**
			Apportionments of previous year surplus:			
362	0	362	Kent County Council	0	0	0
48	0	48	Kent Police Authority	0	0	0
23	0	23	Kent Fire and Rescue Service	0	0	0
69	0	69	Tunbridge Wells Borough Council	0	0	0
			Precepts and central share:			
56,008	31,244	87,252	Kent County Council	59,375	3,976	63,351
7,654	0	7,654	Kent Police Authority	8,826	0	8,826
3,418	523	3,941	Kent Fire and Rescue Service	3,553	498	4,051
10,264	20,923	31,187	Tunbridge Wells Borough Council	10,702	19,762	30,464
0	(382)	(382)	Government	0	25,437	25,437
			Transfer to General Fund:			
0	172	172	Cost of collection	0	170	170

			Impairments of debts:			
148	469	617	Write offs	150	534	684
74	246	320	Allowance for impairments	587	288	875
			Impairments resulting from appeals:			
0	(220)	(220)	Allowance for impairments	0	2,236	2,236
0	(151)	(151)	Transactional protection payments	0	(56)	(56)
0	114	114	Renewable energy schemes	0	115	115
14	0	14	Adjustment for Academy balances	0	0	0
78,082	**52,938**	**131,020**	**Expenditure**	**83,193**	**52,960**	**136,153**
740	**(547)**	**193**	**(Increase) / Reduction in fund balance**	**371**	**(2,314)**	**(1,943)**

2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	**£000**	**£000**		**£000**	**£000**	**£000**
Council Tax	**Business Rates**	**Total**	**Collection Fund Balance**	**Council Tax**	**Business Rates**	**Total**
(1,611)	886	(725)	Balance at 1 April	(871)	339	(532)
740	(547)	193	(Increase) / Reduction in fund balance	371	(2,314)	(1,943)
(871)	**339**	**(532)**	**Balance at 31 March**	**(500)**	**(1,975)**	**(2,475)**

Notes to the Collection Fund Statement

1. 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:

	Multiplier	2018/19	2018/19	2019/20	2019/20
		Properties	Band D Equivalent	Properties	Band D Equivalent
A	6/9	2,170.87	1,447.49	2,171.42	1,447.55
B	7/9	3,703.30	2,880.33	3,687.22	2,867.79
C	8/9	10,873.34	9,665.20	10,958.74	9,741.07
D	9/9	8,839.00	8,839.00	8,983.89	8,983.89
E	11/9	6,143.64	7,508.88	6,221.99	7,604.60
F	13/9	4,305.67	6,129.30	4,343.62	6,274.02
G	15/9	4,939.61	8,232.70	4,958.57	8,264.18
H	18/9	527.60	1,055.20	532.81	1065.50
	Total	**41,503.03**	**45,848.10**	**41,858.26**	**46,248.60**
	Collection Rate		**0.987**		**0.988**
	Tax Base		**45,252.08**		**45,693.60**

2. Non-Domestic Rates

The total non-domestic rateable value at 31 March 2020 was £137.328 million (£135.998 million as at 31 March 2019). The national non-domestic multiplier for the year was 50.4p (43.9p for 2018/19). A new ratings list was published for 2017, updating the last valuation list that came into effect in 2010. The principle is that a revaluation should take place every 5 years to ensure that rateable values reflect changes in the property market. Legislation had been introduced to bring the next revaluation forward by one year from 2022 to 2021, but government has now postponed this due to COVID-19, instead opting to give businesses more certainty over their liabilities. At each 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 has therefore been permitted to keep an additional £282,000 of the Business Rates income from the Borough in 2019/20.

There has been an on-going business rate litigation between the Valuation Office and a number of Ratepayers concerning the rating of Automated Teller Machines (ATM's). An appeal was heard by the Supreme Court on 11th and 12th March 2020 and the decision was published on the 20 May 2020. They found in favour of the Ratepayers. The provision for appeals in the Collection Fund has therefore been increased by £269,144 to reflect that there will need to be refunds in 2020/21 for ATM's going back to the 1 April 2010. The Supreme Court ruled specifically on the circumstances of ATM's situated in supermarkets, however, the provision assumes that this will subsequently be applied to all ATM's. There is also concern that challenges will now be made for other concessions within supermarkets, but this is currently too uncertain to include as either a provision or contingent liability.

The new 2017 Rating list, applicable from 1 April 2017, is subject to a new, and significantly more complex appeal process. The basis of the appeals provision is explained in Note 17.2 Provisions, but including the new provision for ATM's, there has been an overall increase in the level of appeals provision to £8,613,844 (£6,377,542 at 31 March 2019).

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.