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*Financial Report*  
*and*

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*Statement*  
*of*  
*Accounts*

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*For the year ended*  
**31 March**  
**2003**

**Tunbridge Wells**  
BOROUGH COUNCIL  
[www.tunbridgewells.gov.uk](http://www.tunbridgewells.gov.uk)



# Financial Report and Statement of Accounts

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## Introduction

The financial results of the Borough Council for the 2002/03 financial year are set out in this report.

The Council's accounts for the year ended 31 March 2003 are set out on pages 9 to 40. They consist of:

- **The Consolidated Revenue Account** - which includes income and expenditure on all services
- **The Consolidated Balance Sheet** - which sets out the financial position of the Council on 31 March 2003
- **The Cash Flow Statement** - which summarises the total movement of the Council's funds
- **The Collection Fund Income and Expenditure Account** – which shows the financial position in respect of the collection of Council Tax, Business Rates and residual Community Charge

**Sign Convention** – figures shown in brackets ( ) denote income or a surplus of income over expenditure.

## Council Approval

**Council Approval of the Financial Report and Statement of Accounts for the year ended 31 March 2003.**

The Council, at its meeting on 8 October 2003 approved the Financial Report and Statement of Accounts for the year ended 31 March 2003 in accordance with the Accounts and Audit Regulations 2003.

Signed



Councillor E D Wakefield  
Mayor

8 October 2003

## Commentary and Key Financial Issues

### Revenue Expenditure

#### Summary Position

There was an overall revenue surplus of £1.388m in 2002/03, before transfers to reserves. The original forecast in February 2002, when the Council Tax was set, was a surplus of £0.813 m. The surplus is being used to help finance future capital and revenue spending.

	2001/02 Actual £'000	Original Budget £'000	2002/03 Approved Budget £'000	Actual £'000
<b>Revenue Expenditure</b>				
Net Service Expenditure	12,351	14,058	14,536	14,197
Royal Victoria Place Interest Adjustment	52			
Exceptional Items	175		(239)	(556)
Parish/Town Precepts	907	966	966	966
<b>Total Expenditure</b>	<b>13,485</b>	<b>15,024</b>	<b>15,263</b>	<b>14,607</b>
<b>Revenue Funding</b>				
Council Tax, Business Rates and Government Grant	(11,590)	(11,981)	(11,981)	(11,981)
Interest Received	(3,233)	(2,878)	(2,878)	(2,838)
Transfer from Pension Reserves	(868)	(978)	(765)	(746)
Transfer from Capital Reserves	(434)			(430)
<b>Revenue Surplus</b>	<b>2,640</b>	<b>813</b>	<b>361</b>	<b>1,388</b>

#### Net Service Expenditure

During the year there was an underspend on premises costs and supplies and services.

#### Exceptional Items

The Council appealed against Business Rates valuations on a number of properties and this resulted in a net refund for prior years of £408,000. The Council also reduced a provision for past year service charges at Meadow Road and Royal Victoria Place Car Parks by £151,000. In addition the Council incurred severance costs of £61,000.

**Investment and Other Interest**

Investment interest received during the year was £2.731m, a small decrease over the approved budget of £0.030m. Other interest from mortgages, other loans and in respect of rate refund was £0.107m.

## Surplus cash invested

1 April 2002	–	£51.100 million
31 March 2003	–	£45.850 million

Average interest rate – 5.30%

## Bank base rate

1 April 2002	–	4.00%
6 February 2003	–	3.75%

The budget for 2002/03 assumed an average rate of interest of 5.40% compared to 5.30% actual earned on investments. In addition the budget assumed average funds invested of £51.3m for the year compared to an actual of £51.5m. The amount available for investment was marginally higher than expected, mainly as a result of capital programme rephasing and revenue underspends in the year.

**Council Tax, Grants and Business Rates**

The amounts required from the Council Tax and our entitlement to Revenue Support Grant and Business Rates all remain fixed in accordance with the original budget.

**Former Improvement Grant Subsidy Adjustment**

In 2002/03 the Council was able to transfer from the capital reserves to the revenue account an amount of £0.430m. This will provide greater flexibility in funding future capital and revenue initiatives.

**Transfer to Pension Fund Deficit Reserves**

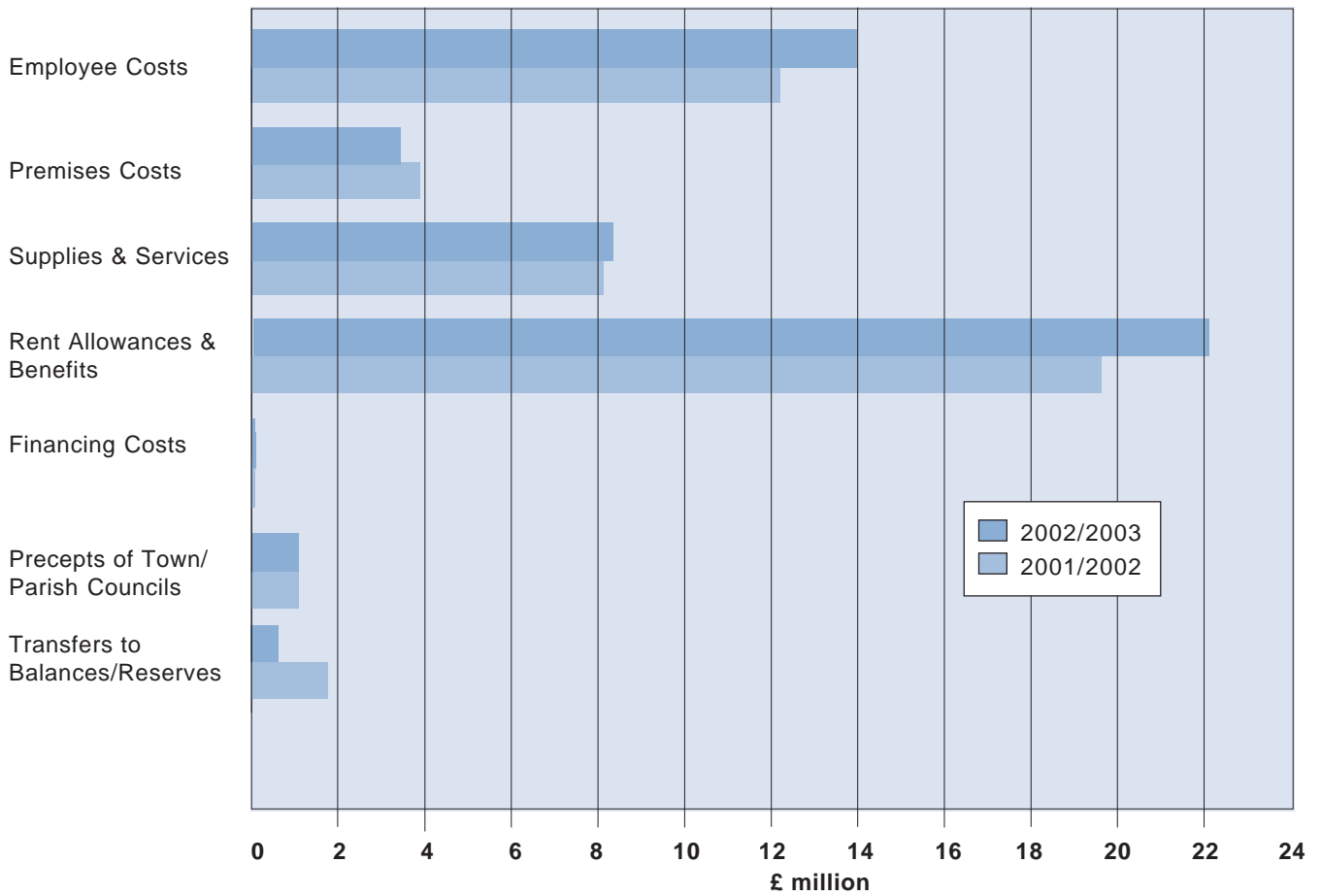
The Council has set aside reserves for the Borough Council's estimated share of the deficit on the Pension Fund and to meet the estimated future liability for added years payments. These reserves amounted to £6.985m at 31 March 2002. The cost of Pension Deficit issues in 2002/03 was £0.746m and the reserve has been reduced accordingly.

**Transfers to Reserves**

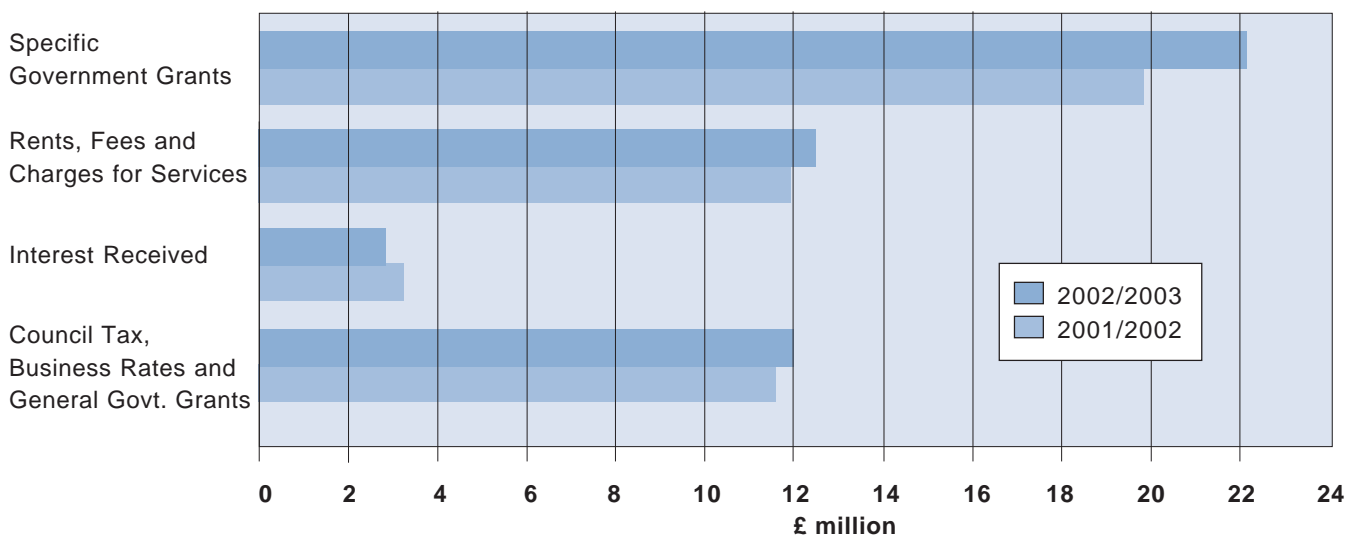
The Council made the following transfers to Reserves in 2002/03:

- The Pension Fund Reserve set aside to meet future deficit on the Fund and future liability for added years was increased by £3.633m in line with actuarial valuations.
- A reserve of £0.250m was set aside for the Future Maintenance of the Meadow Road and Royal Victoria Place Car Parks.
- The reserve set aside for Future Capital and Revenue Expenditure was reduced by £2.432m.

## How the money was spent



## Where the money came from



**How the money was spent**

	<b>2001/02</b>	<b>2002/03</b>
	<b>£m</b>	<b>£m</b>
Employee Costs	12.223	13.987
Premises Costs	3.900	3.437
Supplies & Services	8.116	8.361
Allowances & Benefits	19.619	22.067
Financing Costs	0.067	0.006
Precepts of Town/Parish Councils	0.907	0.966
Transfers to Balances/Reserves	1.772	0.640
<b>Total Spending</b>	<b>46.604</b>	<b>49.464</b>

The above table shows the total revenue spending. Capital spending is shown separately later in the report.

## Balances and Reserves:

	£m
– Transfer from Queen’s Golden Jubilee Reserve	(0.045)
– Transfer to Future Maintenance of Meadow Road & RVP Car Parks	0.250
– Transfer to Pension Fund Deficit Reserves	2.868
– Transfer from Capital and Revenue Initiatives Reserve	(2.433)

**Where the money came from**

	<b>2001/02</b>	<b>2002/03</b>
	<b>£m</b>	<b>£m</b>
Specific Government Grants	19.841	22.146
Rents, Fees and Charges for Services	11.933	12.499
Interest Received	3.240	2.838
Council Tax, Business Rates and General Government Grant	11.590	11.981
<b>Total Income</b>	<b>46.604</b>	<b>49.464</b>

**Capital Expenditure** During the year total capital spending after deducting renovation grant subsidy, was £5.354 million. The table below provides a summary for 2002/03 and recent years.

	£'000's			
	1999/2000	2000/01	2001/02	2002/03
Renovation Grants				
Gross	1,116	869	739	559
Less Subsidy	424	362	116	111
Net Renovation Grants	692	507	623	448
Other Capital Schemes	4,790	2,007	6,095	3,498
Grants to Housing Associations	793	1,098	1,674	1,408
<b>Capital Expenditure</b>	<b>6,275</b>	<b>3,612</b>	<b>8,392</b>	<b>5,354</b>

**Other Capital Schemes expenditure includes the following payments in 2002/03:**

	£'000
Assembly Hall Customer Improvements and Health & Safety Works	762
Car Park – New Payment Machines	296
Sports Centre Planned Maintenance and refurbishment	238
Investment in Information Technology Strategy	231
Hawkenbury Recreation Ground Astro turf renewal	218
Waste Strategy	211
Investment in Geographical Information System	179

**Capital Income** Capital income during the year from all sources was £2.257 million. The table below shows the main sources of income in 2002/03 and recent years.

	£'000's			
	1999/2000	2000/01	2001/02	2002/03
Sale of Land & Property	186	350	2,444	654
Repayment of Mortgages/Loans	117	79	89	75
Planning Agreements	104	43	90	120
Housing Associations	789	1,103	1,680	1,408
<b>Capital Income</b>	<b>1,196</b>	<b>1,575</b>	<b>4,303</b>	<b>2,257</b>

**Reserves**

During 2002/03 Revenue Reserves and Balances increased by £0.640 million to £36.631 million.

Capital Reserves reduced by £3.527 million to £10.955 million.

The net decrease in Provisions at 31 March 2003 is £0.551 million.

The table below shows a summary of the position at 31 March 2003 and over recent years. Further details are shown in the notes to the Consolidated Balance Sheet.

**Position at the end of Year**

	1998/99 £'000	1999/2000 £'000	2000/01 £'000	2001/02 £'000	2002/03 £'000
<b>Capital Reserves</b>					
Usable Capital Receipts	4,780	4,280	4,211	5,070	2,003
Reserved Receipts	21,452	16,202	13,904	8,446	8,015
Section 106 Agreements	197	301	210	291	412
Longfield Road Capital Provision	525	525	525	525	525
Royal Victoria Place Capital Payments Reserve	150	150	150	150	-
<b>Total Capital Reserves</b>	<b>27,104</b>	<b>21,458</b>	<b>19,000</b>	<b>14,482</b>	<b>10,955</b>
<b>Revenue Reserves</b>					
Capital & Revenue Development Reserve	25,590	19,985	23,837	26,485	24,052
Pension Fund estimated Deficit Reserve		5,900	5,339	4,661	7,264
Pension Fund Added Years Deficit Reserve		2,710	2,515	2,325	2,590
MMI Scheme of Arrangement Account	100	75	75	75	75
Millennium Funding Reserve	150	68	45	-	-
Queen's Golden Jubilee Reserve				45	-
Meadow Road & Royal Victoria Place Car Parks Maintenance Reserve					250
Grants to Voluntary Organisations and Town/Parish Councils Reserve	57	-	-	-	-
<b>Total Earmarked Revenue Reserves</b>	<b>25,897</b>	<b>28,738</b>	<b>31,811</b>	<b>33,591</b>	<b>34,231</b>
<b>Revenue Balances</b>					
General Fund	2,400	2,400	2,400	2,400	2,400
Housing Revenue Account	40	25	8	-	-
Direct Service Unit	80	45	-	-	-
<b>Total Revenue Balances</b>	<b>2,520</b>	<b>2,470</b>	<b>2,407</b>	<b>2,400</b>	<b>2,400</b>
Provisions	1,001	1,020	1,228	1,405	854
<b>Total</b>	<b>56,522</b>	<b>53,686</b>	<b>54,447</b>	<b>51,878</b>	<b>48,440</b>

## Pension Reserves

As part of the terms and conditions of employment, the Council offers retirement benefits in accordance with statutory requirements.

These payments, investment assets and future liabilities are held by the Kent County Pension Fund on behalf of all contributing member authorities. On the basis of the actuarial triennial valuation held on 31 March 2001, the Council set aside £9.9m of reserves to provide for its share of this deficit.

Changes to Local Authority accounting require pension deficits to be shown on the Balance Sheet as at 31 March 2004 onwards. In 2002/03 these liabilities have been shown by way of a note to the Balance Sheet (note 12, pages 29 to 30). The pension liability based on Financial Reporting Standard: Retirement Benefits (FRS17) is estimated at £19.4m at 31 March 2003 and compares with £11.2m at 31 March 2002. This increase in net liabilities is due to changes in assumptions concerning future returns on investments.

## Capital and Revenue Initiatives Reserve

This reserve will be used to support future capital and revenue schemes in accordance with the Council's Corporate and Financial Plan.

## Revenue Balances

The Council maintains a Revenue Balance of £2.4 million, as a contingency and for working capital. The contingency has been set at £1.6 million (being two months net spending) and the level of working capital at £0.8 million.

## Collection Fund

The total Council Tax is determined by Kent County Council, Kent Police Authority, Tunbridge Wells Borough Council and Town/Parish Councils, and the Business Rates by Central Government. These local taxes are collected by TWBC on behalf of the respective authorities and are accounted for in the Collection Fund. Any surplus on the Collection Fund is used to reduce future Council Tax bills. A fuller analysis of the Collection Fund is given on pages 38 to 40.

The Collection Fund at 31 March 2003 now shows a surplus of £0.045 million.

	31/3/2002 £'000	31/3/2003 £'000
Balance of Fund – (surplus)/deficit	(109)	(45)
Gross Arrears		
Council Tax	1,936	2,085
Business Rates	1,077	930
Provisions for losses		
Council Tax	1,250	1,420
Business Rates	630	590



## Finance Director's Certificate

### 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 secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Finance Director
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

#### The Finance Director's Responsibilities

The Finance Director is responsible for the preparation of the authority's statement of accounts which, in terms of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2003.

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

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

The Finance Director has also:

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

### Finance Director's Certificate

The financial statements for the year ended 31 March 2003, required by the Audit and Accounts Regulations 2003 are set out on pages 12 to 40 .



G E Levitt  
Finance Director

19 June 2003

## Statement of Internal Financial Control

The Council acknowledges its responsibility for ensuring that an effective system of internal financial control is provided to support the achievement of the Council's objectives and to safeguard its interests. As Finance Director and Deputy Chief Executive I have responsibility for maintaining and operating a sound system of internal financial control and reviewing its effectiveness.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

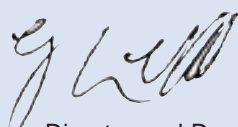
- comprehensive budgeting systems;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- clearly-defined capital expenditure guidelines; and
- as appropriate, formal project management disciplines.

The Council has in place arrangements for internal audit for which the Finance Director and Deputy Chief Executive has overall responsibility. Reports on the adequacy and effectiveness of systems and internal financial control are made by the Internal Audit Manager to the Council's Standards Committee which has the responsibility for the overview of internal and external audit. The Standards Committee includes four independent members. The internal audit work is planned and undertaken on a risk based approach and complies with the CIPFA Code of Internal Audit Practice.

Reviews of the effectiveness of the system of internal financial control take into account:

- the work of the Corporate Management Team and other managers within the Council who are responsible for the operation of systems;
- the work of the internal auditors as described above, and
- the recommendations of external auditors in their annual audit letter and other reports.

On behalf of the Council.



Finance Director and Deputy Chief Executive

Dated 19 June 2003

## Auditors' Report to Tunbridge Wells Borough Council

### Independent Auditor's Report to Tunbridge Wells Borough Council

I have audited the financial statements on pages 16 to 40 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 12 to 14.

This report is made solely to Tunbridge Wells Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 9 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on pages 10 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

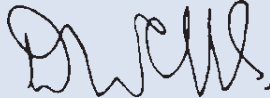
**Opinion**

In my opinion the financial statements present fairly the financial position of Tunbridge Wells Borough Council as at 31 March 2003 and its income and expenditure for the year then ended.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature:



Date: 22 December 2003

Darren Wells IPFA  
Audit Commission  
Ground Floor Front  
16 South Park  
Sevenoaks  
Kent TN13 1AN

## Statement of Accounting Policies

- 1 General** The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of the Statements of Standard Accounting Practice (SSAPs), Statements of Recommended Accounting Practice (SORPs) Financial Reporting Statements and incorporate the requirements of the Best Value Accounting Code of Practice (BVACOP).
- 2 Fixed Assets** All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.
- Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.
- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value
  - non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value
  - infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation
- The surpluses arising from the initial valuation of fixed assets have been credited to the fixed asset restatement reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur.
- 3 Deferred Charges** Deferred charges are payments of a capital nature where no fixed asset is created, for example Renovation Grants and Social Housing Grants. These are amortised to revenue over an appropriate period.
- 4 Depreciation** Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:
- newly acquired assets are depreciated from the mid-point of the year, although assets in the course of construction are not depreciated until they are brought into use
  - depreciation is calculated using the straight-line method
- 5 Government Grant Deferred Account** Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant contribution should be credited to the government grants – deferred account and written off to the asset management revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

- 6 Capital Charges to Revenue** General fund service revenue accounts, central support services and trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service.
- External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.
- Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the consolidated revenue account, below net operating expenditure.
- 7 Capital Receipts** As a consequence of the Local Government and Housing Act 1989 (LGHA 89), receipts derived from the disposal of capital assets must be divided into a reserved part and a usable part. The reserved part is determined by the nature of the receipt and ranges between nil and 100% (e.g. 75% on disposals of Council housing), and is held in the capital financing reserve pending utilisation which is governed by statute. The usable part is held in the usable capital receipts account until such time as it is used to finance new capital expenditure.
- As the Council is debt free all new receipts are usable, except receipts of Housing Association Grant which are 100% reserved.
- Income from the disposal of fixed assets is accounted for on an accruals basis.
- 8 Debtors and Creditors** Revenue accounts are maintained as far as possible on an accruals basis in accordance with the Code of Accounting Practice and SSAP 2. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. For example, interest on external loans and investments is accrued each year.
- However, certain items are recorded on a receipts and payments (i.e. cash) basis - for example: electricity, wages and telephone rentals. This policy is consistently applied each year and therefore does not have a material effect on any one year's accounts.
- 9 Stocks and Work in Progress** Stocks are included at the latest purchase price of items in stock. This is a departure from the requirements of the code and SSAP 9, which require stocks to be shown at actual cost or net realisable value, if lower. However, the effect of this treatment is not material.
- Work in progress on uncompleted jobs is valued at cost including an allocation of overheads.
- 10 Cost of Support Services** The costs of management and administration have been fully allocated to services. The basis of allocation used for the main costs of management and administration are outlined below:
- | <b>Support Services</b>        | <b>Basis of Allocation</b>              |
|--------------------------------|---|
| Accounting, legal, typing, etc | Actual or estimated time spent by staff |
| Democratic Processes           | Number of committee/board meetings      |
| Administrative Buildings       | Area occupied                           |
| Computing                      | Estimated use                           |

**11 Provisions**

Provisions are set aside for specific future expenses which are likely, or certain, to be incurred but where the amount cannot yet be determined accurately. The purpose of the provisions is explained in note 14 to the Consolidated Balance Sheet.

**12 Reserves**

The Council maintains the following reserves:

- the fixed asset restatement reserve, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets
- the capital financing reserve, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions
- the earmarked reserves to meet certain specific future expenditure
- general reserves to meet general future expenditure

**13 Pensions**

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These contributions have been determined by the Fund's actuary on a triennial basis and are set to meet 100% of the liabilities of the Superannuation Fund, in accordance with relevant Government regulations. However, the large increase in contributions resulting from the 1995 actuarial valuation compared to the previous valuation is being spread over 7 years so that contributions will rise steadily over the period. As a result, the Council does not comply with the accounting requirements of SSAP24 'Accounting for Pension Costs' and the liabilities included in the balance sheet are understated in respect of pension costs. In accordance with the standard accounting practice for local authorities, the additional costs that would have been necessary to provide for in the accounts for the period under SSAP24 are disclosed by way of a note to the accounts.

The actuarial valuation took place on 31 March 2001 and any change in contribution rates as a result of that valuation took effect from 1 April 2002.

In 2001/02 the Council, in accordance with the Code of Practice, has begun the transition to full implementation of Financial Reporting Standard 17: Retirement Benefits (FRS17). FRS17 is a complex accounting standard, based on the principal that an organisation should account for retirement benefits when it is committed to give them, even if the actual granting of the benefits will be many years in the future.

The transition to full implementation of FR17 request the Council to:

- 2001/02 a memorandum note to the Consolidated Balance Sheet disclosing the authority's net asset or liability in relation to retirement benefits.
- 2002/03 addition of a memorandum note to the Consolidated Balance Sheet disclosing the movement in the year on the net asset/liability analysed across the different gains and losses defined by FRS17.
- 2003/04 full adoption of FRS17, including recognition of the net asset/liability and a pension reserve in the Consolidated Balance Sheet and entries in the Consolidated Revenue Account for movements in the asset/liability.



### The Consolidated Revenue Account

2001/02 Net Expenditure £'000		Gross Expenditure Note £'000	2002/03 Gross Income £'000	Net Expenditure £'000
	<b>SERVICE EXPENDITURE</b>	<b>1</b>		
	<b>Cultural, Environmental &amp; Planning</b>			
5,857	Cultural, Recreation, Sport & Tourism	3	9,859	3,450
3,594	Environmental Services	3	5,285	1,345
2,981	Planning & Development Services	4	5,685	2,209
2,561	<b>Highways, Roads &amp; Transport</b>	5	5,485	4,325
2,869	<b>Housing Services</b>	2	21,561	18,661
	<b>(including Housing Benefit Payments)</b>			
2,872	<b>Central Services</b>			
546	To the Public		4,834	4,174
1,458	Corporate & Democratic Core		2,482	423
868	Unapportionable Central Overheads		747	747
<b>20,734</b>	<b>Net cost of Services</b>		<b>55,938</b>	<b>34,587</b>
(4,543)	Asset Management Revenue Account	6		(4,803)
907	Precepts of Local Precepting Authorities			966
(3,233)	Interest and Investment Income			(2,838)
175	Exceptional Items	7		(556)
<b>14,040</b>	<b>Net Operating Expenditure</b>			<b>14,120</b>
	<b>Appropriations</b>			
(8)	Transfer to/(from) HRA Balances			-
	<b>Contributions to/(from) earmarked reserves</b>			
(45)	Millennium Funding Reserve			-
45	Queen's Golden Jubilee Reserve			(45)
-	Meadow Road & Royal Victoria Place Car Parks Planned Maintenance Reserve			250
(869)	Pension Fund Deficit Reserve			2,868
2,648	Capital & Revenue Initiatives Reserve			(2,432)
	<b>Contributions to/(from) capital financing reserve</b>			
(1,631)	Financing of capital expenditure			(2,147)
(2,590)	Deferred Charges			(634)
<b>11,590</b>	<b>Amount to be met from Government grants and local taxpayers</b>			<b>11,980</b>
(4,615)	Precept on the Collection Fund			(4,843)
(1)	Transfer to/(from) the Collection Fund			1
(3,103)	Government Grants – Rates Support Grant			(2,786)
(3,871)	Distribution from the Non Domestic Rates Pool			(4,352)
<b>0</b>	<b>(Surplus)/Deficit for the year</b>			<b>0</b>
(2,400)	Balance at 1 April			(2,400)
-	Surplus/(Deficit) for the year			-
<b>(2,400)</b>	<b>Balance at 31 March</b>			<b>(2,400)</b>

## Notes to the Consolidated Revenue Account

### 1 Service Expenditure

The analysis in the Consolidated Revenue Account follows the CIPFA Best Value Accounting Code. An analysis of revenue income and expenditure using the Council's own reporting structure is shown below:

2001/02 Net Expenditure £'000		Gross Expenditure £'000	2002/03 Gross Income £'000	Net Expenditure £'000
<b>PORTFOLIO EXPENDITURE</b>				
1,480	Community Affairs	1,928	411	1,517
	<b>Finance</b>			
3,677	Financial Services	7,316	2,883	4,433
1,343	Housing Benefits	22,982	21,370	1,612
2,443	Highways & Transportation	5,261	4,322	939
5,040	Housing & Environmental	6,627	1,490	5,137
4,927	Leisure	8,691	3,189	5,502
55	Personnel, Customer Service & Communications	78	-	78
2,156	Planning & Transportation	3,449	967	2,482
(387)	Other Services	(394)	(45)	(349)
<b>20,734</b>	<b>Net cost of Services</b>	<b>55,938</b>	<b>34,587</b>	<b>21,351</b>

The heading Other Services includes: Commutation and other minor corporate adjustments.

### 2 Housing Services

This heading covers the cost of housing services which are chargeable to the Council Tax payers, such as renovation grants and bed and breakfast accommodation for homeless persons, and the Housing Revenue Account (HRA) which is the Council's landlord/tenant account.

The Secretary of State gave consent for the Housing Revenue Account to be closed on 31 March 2002. There were no properties in the Housing Revenue Account in 2001/02 as these had been transferred to the General Fund on 31 March 2001.

### 3 Trading Undertakings

The Council operates a number of trading undertakings, which are included in the Service Expenditure of the Consolidated Revenue Account. The most significant of these trading undertakings are detailed below:

2001/02		2002/03	
Gross (Surplus)/ Deficit £'000		Turnover £'000	Gross (Surplus)/ Deficit £'000
816	Assembly Hall Theatre	1,389	894
200	A Day at the Wells	126	207
13	Crematorium & Cemetery	697	51
1,106	RTW Sport	1,621	1,346

### 4 Building Control

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The Statement below shows the total cost of operating the Building Control Section in 2002/03, between the chargeable and non chargeable activities.

2001/02 Chargeable £'000	Building Regulations Charging Account	Chargeable £'000	2002/03 Non Chargeable £'000	Total Building Control £'000
<b>Expenditure</b>				
304	Employees	211	138	349
24	Transport	14	8	22
68	Supplies & Services	56	8	64
123	Central and Support Services	131	30	161
<b>519</b>		<b>412</b>	<b>184</b>	<b>596</b>
<b>Income</b>				
426	Building Regulations charges	462	(6)	456
<b>426</b>	<b>Total Income</b>	<b>462</b>	<b>(6)</b>	<b>456</b>
<b>93</b>	<b>(Surplus)/Deficit for Year</b>	<b>(50)</b>	<b>190</b>	<b>140</b>

The accumulated surplus at 31 March 2003 is £121,211.

**5 Parking Decriminalisation Surplus**

At 31 March 2003 the Parking Decriminalisation Section had an accumulated deficit of £170,000 which comprises: £130,000 set up costs (revenue and capital) and shortfall in income in 2000/01, £44,000 shortfall in income in 2001/02 and a surplus of £4,000 in 2002/03.

Before any surplus can be used to fund the Transport Strategy it will be necessary to repay this accumulated deficit.

**6 Asset Management Revenue Account**

The components of the asset management revenue account are set out below:

	2001/02	2002/03	
	£'000	£'000	£'000
<b>Income</b>			
(6,177) Capital Charges to Revenue Accounts			(6,953)
<b>Expenditure</b>			
(89) Write down of Government Grant Deferred Account		(150)	
1,721 Provision for Depreciation		2,297	
2 External interest charges		3	
- Finance lease rental		-	
<b>1,634 Total Expenditure</b>		<b>2,150</b>	
<b>(4,543) Balance to Consolidated Revenue Account</b>			<b>(4,803)</b>

**7 Exceptional Items**

Exceptional items derive from events or transactions that fall within the ordinary activities of the organisation and which need to be disclosed separately by virtue of their size or incidence if the Consolidated Revenue Account is to give a true and fair view.

In 2002/03 the Council appealed against the 2000 rateable value of certain car parks and other properties. These appeals were settled in 2002/03 and resulted in refunds (less costs) of £408,000. £187,000 of a provision of £338,000 set aside for prior year Service Charges at Meadow Road and Royal Victoria Car Parks was not required and written back to the Consolidated Revenue Account. In addition the Council also incurred Severance Pay costs of £61,000.

In 2001/02 a provision of £175,000 was set up to cover potential legal costs arising from the Planning Appeal for Telephone House, Church Road, Royal Tunbridge Wells.

**8 Asset Leasing**

The Council has no significant commitments under finance leases. Payments under operating leases during the year amounted to £0.235m, with £0.133m outstanding at the year end.

**9 Audit Fees**

The Council, as with all local authorities, has auditors appointed by the Audit Commission. The auditors' remuneration and expenses are:

2001/02 £'000		2002/03 £'000
81	Audit work	84
41	Grant Claims work	50
34	Best Value Inspection work	15
-	Non-audit work	-
<b>156</b>		<b>149</b>

**10 Members' Allowances**

The total amount of Members' allowances paid in 2002/03 was £186,930 compared to £69,277 in 2001/02.

**11 Salary Costs**

The table below shows the remuneration banding for all salaried staff employed by the Council at 31 March 2003. For this purpose remuneration means amounts paid to or receivable by an employee and includes sums due by way of expenses allowances so far as these sums are chargeable to United Kingdom income tax. Employer's pension contributions are not included. This is in accordance with the requirements of the Accounts and Audit Regulations 1996. Posts that were vacant have also been included. Pay is determined either under national or local agreements.

Remuneration Band	2001/02 Number of employees	2002/03 Number of employees
£1 – £9,999	102	86
£10,000 – £19,999	218	210
£20,000 – £29,999	100	126
£30,000 – £39,999	34	49
£40,000 – £49,999	14	15
£50,000 – £59,999	5	6
£60,000 – £69,999	2	1
£70,000 – £79,999	1	1
£80,000 – £89,999		1
£90,000 – £99,999		
<b>Total</b>	<b>476</b>	<b>495</b>

Includes part time employees at the adjusted level.

**12 Pension Costs** Most staff are eligible for inclusion in the Pension Scheme (Superannuation) which is a contributory scheme administered by Kent County Council (KCC) on behalf of all Kent Districts and the County Council. In 2002/03 the Council paid an employer's contribution of £1.564m (£1.353m 2001/02), representing 18.6% (18.6% in 2001/02) of employees' pensionable pay into the KCC Superannuation Fund, which provided members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being 31 March 2001. Under Superannuation Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund, and the increase in the employer's contribution rate from the 1998 valuation is being phased in over a period of up to three years.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2002/03 the amount paid was £0.190m, representing 2.62% (£0.191m and 2.62% in 2001/02) of pensionable pay.

The Fund's Actuary has advised that the pension costs that would have been necessary to provide for in the year in accordance with SSAP 24 'Accounting for pension costs' are £1.568m, representing 18.6% (£1.326m and 18.2% in 2001/02) of pensionable pay.

**13 Special Expenses** Under Section 147 of the Local Government Act 1972 and Section 35 of the Local Government Finance Act 1992 certain expenses are treated as Special Expenses to be charged to the Royal Tunbridge Wells area. Special Expenses include expenditure on Parks, Commons, Recreation Grounds, Cemeteries, and Footway Lighting. Footway Lighting is also treated as a Special Expense in Southborough and in Capel. The net expenditure is included within the relevant service heading of the Consolidated Revenue Account.

An analysis of Special Expenses is given below:

2001/02 Net Expenditure £'000		Gross Expenditure £'000	2002/03 Gross Income £'000	Net Expenditure £'000
	<b>Royal Tunbridge Wells</b>			
1,405	Parks, Commons & Recreation Grounds, Cemeteries	1,796	236	1,560
79	Footway Lighting	63	-	63
	<b>Southborough</b>			
19	Footway Lighting	17	-	17
	<b>Capel</b>			
1	Footway Lighting	-	-	-
	<b>Bidborough</b>			
-	Disused Cemetery	-	-	-

**14 Publicity** In 2002/03 the Council incurred expenditure of £0.439m (£0.357m in 2001/02) on publicity, as defined under Section 5 of the Local Government Act 1986.

**15 General Power of Well-being**

This power is contained in the Local Government Act 2000 and enables the Council, subject to various conditions and limits, to do anything considered to achieve the following objectives: the promotion or improvement of the economic, social or environmental well-being of the area. The power may be exercised in relation to the whole or any part of the local authority area, or for any persons resident or present in the area.

Actual expenditure under this power in 2002/03 was £31,475 (£28,500 in 2001/02). This took the form of grants to voluntary organisations of which the main ones were:

	£
Age Concern – Tunbridge Wells	16,600
Tunbridge Wells Voluntary Service	10,000
Relate – West Kent	2,000

**16 Minimum Revenue Provision**

As the Council has no loan debt it does not need to make a provision to repay loans.

**17 Related Parties**

This note discloses material transactions of related parties to the Council which are not otherwise detailed in other notes to the accounts. Examples of related parties are: Central Government, other local authorities, subsidiary companies, Members and officers of the Council in its pension fund.

In 2002/03 there were no material transactions of related parties to the Council which are not otherwise detailed in notes to the accounts.

### The Consolidated Balance Sheet

Year Ended 31/3/2002 £'000	Note	£'000	Year Ended 31/3/2003 £'000
	<b>Fixed Assets</b>		
	Operational Assets		
-	- Council dwellings	-	
49,266	- Other land and buildings	50,553	
2,110	- Vehicles, plant and equipment	2,803	
5,155	- Infrastructure assets	5,626	
144	- Community assets	144	
	Non Operational Assets		59,126
258	- Land awaiting development	258	
6,282	- Commercial properties	7,600	
13,750	- Investment properties	13,750	
499	- Capital schemes in progress	286	21,894
77,464	<b>Total Fixed Assets</b>		81,020
-	Deferred Charges		-
20,003	Long Term Investments		25,000
	Long Term Debtors		
623	- Mortgagors		548
394	- Other		308
98,484	<b>Total Long Term Assets</b>		106,876
	<b>Current Assets</b>		
31,100	Temporary Investments		20,850
70	Stocks and WIP		61
5,239	Debtors and Prepayments		7,433
58	Cash In Hand and at Bank		44
36,467			28,388
	<b>Less: Current Liabilities</b>		
3,050	Creditors		2,972
680	Receipts in Advance		651
0	Suspense and Holding Accounts		12
1,097	Cash Overdrawn		1,507
4,827			5,142
130,124	Total assets less current liabilities		130,122
	<b>Less: Long Term Liabilities</b>		
-	Long Term Borrowing		-
343	Long Term Creditors		361
2,836	Government Grant Deferred Account		3,052
172	Deferred Credits		120
1,405	Provisions		854
4,756			4,387
<b>125,368</b>	<b>Total assets less liabilities</b>		<b>125,735</b>
	<b>Financed By</b>		
50,823	Fixed Asset Restatement Reserve	16	52,997
32,408	Capital Financing Reserve	17	33,121
5,070	Usable Capital Receipts Reserve	18	2,003
34,667	Earmarked Reserve	19	35,214
	Revenue Balances		
2,400	- General Fund		2,400
-	- Housing Revenue Account		-
-	- DSOs		-
<b>125,368</b>			<b>125,735</b>

## Notes to the Consolidated Balance Sheet

**1 Fixed Assets**

Movements in Fixed Assets during the year were as follows:

	As At 31/3/2002 £'000	Expend- iture £'000	Disposals £'000	Revalua- tions £'000	Depre- ciation £'000	As At 31/3/03 £'000
<b>Operational Assets</b>						
- Other land and buildings	49,266	1,974	(33)	748	(1,402)	50,553
- Vehicles, plant and equipment	2,110	1,225			(532)	2,803
- Infrastructure assets	5,155	611			(140)	5,626
- Community assets	144					144
<b>Non Operational Assets</b>						
- Land awaiting development	258					258
- Commercial properties	6,282	81	(189)	1,648	(222)	7,600
- Investment properties	13,750					13,750
- Capital schemes in progress	499	(213)				286
	77,464	3,678	(222)	2,396	(2,296)	81,020

The main items of capital expenditure during 2002/03 included:

	£'000
Assembly Hall Customer Improvements and Health & Safety Works	762
Car Park – New Payment Machines	296
Sports Centre Planned Maintenance and Refurbishment	238
Investment in Information Technology Strategy	231
Hawkenbury Recreation Ground Astro turf renewal	218
Waste Strategy	211
Investment in Geographical Information System	179

The significant capital commitments at 31 March 2003 included in the programmed expenditure for 2003/04:

	£'000
Dunorlan Park Restoration (before Lottery Grant)	1,358

The Council's fixed assets include:	Numbers as at	
	31/3/2002	31/3/2003
Town Hall	1	1
Offices	2	2
Depots	3	3
Surface Car Parks	10	10
Village Car Parks	11	11
Multi Storey Car Parks	5	5
Sports Centre & Pool	2	2
Museum & Art Gallery	2	2
Assembly Hall Theatre	1	1
Parks & Recreation Grounds	60.35 ha	60.35 ha
Cemeteries	2	2
Crematorium	1	1
Commercial Property	54	51

## 2 Funding of Capital Programme

The Council has funded its capital programme from the following sources:

	£'000
Capital Receipts	5,354
Renovation grant subsidy	111
Lottery and other grants	401
	<u>5,866</u>

## 3 Fixed Assets

The freehold and leasehold properties which comprise the authority's property portfolio have been valued by either the District Valuer or Hindley Howse. They have been valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of valuation. Fixed Assets are valued on the basis of a five year rolling programme.

Properties regarded by the authority as operational were valued on the basis of open market value for existing use or, where this could not be assessed because there were no markets for subject asset, the depreciated replacement cost. Community and Infrastructure assets have been valued at historic cost.

Properties regarded by the authority as non operational have been valued on the basis of open market value.

**4 Deferred Charges**

Movement in Deferred Charges during the year was:

	As At 31/3/2002 £'000	Raised in Year £'000	Written Off in Year £'000	As At 31/3/03 £'000
Renovation grants	-	448	(448)	-
Other Grants	-	221	(221)	-

**5 Investments**

	As at 31 March	
	2002 £'000	2003 £'000
(i) Long term investments comprise:		
Longer term Maturity Loans	20,000	25,000
Marketable Securities	3	-
<b>Total long term investments</b>	<b>20,003</b>	<b>25,000</b>
(ii) Temporary investments are analysed by borrower		
Building Societies	20,000	10,000
Banking and Financial Institutions	11,100	10,850
Other Local Authorities	0	0
<b>Total temporary investments</b>	<b>31,100</b>	<b>20,850</b>

The Council has also entered into forward dealings as at 31 March 2003. These represent a contract to place money with an institution at a fixed rate of interest on a fixed future date for a specified period.

The Council's commitment to Forward Contracts at 31 March 2003 is:

	within 12 months £'000	over 12 months £'000
To commence	5,000	-
To mature	-	5,000

**6 Long Term Debtors**

	As at 31 March	
	2002 £'000	2003 £'000
Mortgagors:		
Bowls Club	224	215
Former Council House Tenants	172	120
Private Owners	23	15
Housing Association	204	198
	<hr/>	<hr/>
	623	548
	<hr/>	<hr/>
Others:		
Loan to Spa Valley Railway	40	30
Loan to Trinity Arts Centre	43	–
St George's Children's Project	42	42
Equity Share Scheme	128	94
Association of District Councils	50	50
Loans to Clubs and Associations	15	11
Employee Car Loans	76	81
	<hr/>	<hr/>
	394	308
	<hr/>	<hr/>
	<b>1,017</b>	<b>856</b>
	<hr/> <hr/>	<hr/> <hr/>

**7 Stocks and Works in Progress**

	As at 31 March	
	2002 £'000	2003 £'000
Work in Progress:		
Rechargeable Works	3	4
	<hr/>	<hr/>
	3	4
Stocks:		
Stationery	4	4
Postage	9	4
Catering & Bar Stocks	21	20
A Day at the Wells – Shop Stock	26	21
Tourist Information Centre	7	8
	<hr/>	<hr/>
	67	57
	<hr/>	<hr/>
	<b>70</b>	<b>61</b>
	<hr/> <hr/>	<hr/> <hr/>

**8 Debtors and Payments in Advance**

	As at 31 March	
	2002 £'000	2003 £'000
<b>Amounts falling due within one year</b>		
Government Departments & Inland Revenue	1,568	3,481
Housing Tenants	154	188
Business Rates payers	1,077	930
Council Tax payers	1,936	2,085
Sundry Debtors	1,348	1,482
Sundry Borrowers	1,659	1,942
Other Local Authorities	-	-
Mortgagors Instalments	-	-
	<b>7,742</b>	<b>10,108</b>
Less Provision for Doubtful Debts	<b>(2,682)</b>	<b>(2,875)</b>
	<b>5,060</b>	<b>7,233</b>
<b>Prepayments</b>	179	200
<b>Total Debtors &amp; Payments in Advance</b>	<b>5,239</b>	<b>7,433</b>

Provision for doubtful debts at 31 March 2003 comprises: £750,000 is a general provision for sundry debtors, £115,000 is for Housing Rents, £590,000 for Business Rates and £1,420,000 for Council Tax.

**9 Creditors**

Comprising payments due to:	As at 31 March	
	2002 £'000	2003 £'000
Government Departments & Inland Revenue	252	275
Sundry Creditors	2,798	2,697
	<b>3,050</b>	<b>2,972</b>

**10 Long Term Borrowing**

The Council has no long term borrowing.

**11 Long Term Creditors**

A sum of £360,933 (including accumulated interest) is held by the Council in respect of a planning agreement for the provision of a playing field in Goudhurst.

The agreement stipulates that in the event of the playing field not being provided by December 2008 the £300,000 plus accumulated interest will be repaid to the developer.

## 12 Net Pension Liabilities

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits in accordance with statutory requirements. The retirement benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and it is this commitment that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Kent County Council - this is a funded scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets.

In 2002/03, pension costs have been charged to the Consolidated Revenue Account on the basis of contributions payable for the year to the Kent County Council Pension Scheme (based on a formal actuarial valuation at 31 March 1998) and the pensions payable in the year to retired officers. However, at 31 March 2003, the Council had the following overall assets and liabilities for pensions that have not been included in the Balance Sheet:

	As at 31 March	
	2002 £'000	2003 £'000
Estimated Liabilities in the Pension Fund	42,870	44,420
Estimated Assets in the Pension Fund	31,700	25,000
<b>Net Liabilities</b>	<b>11,170</b>	<b>19,420</b>

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 about mortality rates, salary levels, etc. The Pension Fund liabilities have been assessed by Hymans Robertson, a firm of actuaries. The main assumptions used in their calculations are:

	As at 31 March	
	2002 £'000	2003 £'000
Rate of inflation	2.8%	2.5%
Rate of increase in salaries	4.3%	4.0%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	6.4%	6.1%

Assets in the Kent County Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion:

	Long Term Return	As at 31 March	
		2002	2003
Equity investment	8.0%	75%	74%
Bonds	4.8%	15%	14%
Property	6.0%	6%	9%
Cash	4.0%	4%	3%
<b>Total</b>		<b>100%</b>	<b>100%</b>

The movement in net pension liability for the year to 31 March 2003 is as follows:

	<b>2002/03</b>
	<b>£'000</b>
<b>Net Pensions liability at 1 April 2002</b>	(11,170)
<b>Movements in the year:</b>	
Current Service Costs	(910)
Employers' contribution payable to Scheme	1,550
Retirement Benefits payable to Pensioners	-
Past Service Costs	-
Interest Costs	-
Net Return on Assets in the Scheme	(530)
Actuarial loss	(8,360)
<b>Pensions Liability at 31 March 2003</b>	<u>(19,420)</u>

The actuarial losses can be analysed into the following categories, measured as absolute amounts of assets or liabilities at 31 March 2003:

	<b>£'000</b>	<b>%</b>
Differences between the expected and actual return on Assets	(8,700)	(34.80%)
Differences between the expected and actual return on liabilities	340	0.80%
<b>Actuarial Losses</b>	<u>(8,360)</u>	

### 13 Deferred Credits

These are amounts derived from the sale of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on the sales of Council houses, which form the main part of Mortgages under the Long Term Debtors section in the Consolidated Balance Sheet.

**14 Provisions**

	Balance 1/4/2002 £'000	Receipts in Year £'000	Payments in Year £'000	Balance 31/3/03 £'000
Royal Victoria Place Interest Payments	440		(440)	-
Longfield Road Interest Payments	201	25		226
S106 Agreements Interest Payments	40	22		62
Torrington Maintenance	116			116
S106 Provision for maintenance of play areas	5		(1)	4
Meadow Road/Torrington Car Parks Service Charges	311		(160)	151
Maintenance of Graves in Perpetuity	31			31
Crematorium Provision	61	3		64
Telephone House Planning Appeal costs	175			175
Museum	6			6
Putlands Sports Centre		10		10
Other Minor Provisions	19	5	(15)	9
	1,405	65	(616)	854

**Notes:**

- (i) Longfield Road and Planning Agreement interest payments - money set aside for potential interest liabilities.
- (ii) Torrington Maintenance – this provision will be used to meet structural maintenance costs under the agreement with other parties for the provision of the multi storey car park.
- (iii) Meadow Road/Torrington Car Parks Service Charges – this is an estimated provision for outstanding service charges relating to these car parks.
- (iv) Telephone House Planning Appeal costs – legal costs related to Telephone House, Church Road Planning Appeal costs.

**15 Statement of Total Movement in Reserves**

	Capital Reserves				Revenue Reserves		Total £'000
	Fixed Asset Revaluation Reserve £'000	Capital Financing Reserve £'000	Usable Capital Receipts £'000	Ear- Marked Capital Reserve £'000	General Fund £'000	Ear- Marked Revenue Reserve £'000	
Balance as at 1/4/2002	50,823	32,408	5,070	966	2,400	33,701	125,368
Transfer between Reserves			150	(150)			0
Net (Surplus)/Deficit for year		(3,233)				576	(2,657)
Write down of support to Housing Associations		(1,408)					(1,408)
Unrealised (Gains)/Losses on revaluation of Fixed Assets	2,396						2,396
Effects of disposals of Fixed Assets: Cost or value of assets disposed of Proceeds of disposal	(222)		729	121			(222) 850
LA SHG Grant		1,408					1,408
Financing of Fixed Assets		3,946	(3,946)				0
Balance as at 31/3/2003	52,997	33,121	2,003	937	2,400	34,277	125,735

**16 Fixed Asset Restatement Reserve**

The Fixed Asset Restatement Reserve is one of the capital reserves that is required under the system of capital accounting. It is the main account used to restate the fixed assets on the Consolidated Balance Sheet at the completion of the initial and subsequent revaluations. When there is the loss of an asset or it is sold or purchased there is an adjustment in the Fixed Asset Restatement Reserve. The Reserve does not represent cash and is therefore not available to spend.

**17 Capital Financing Reserve**

The Capital Financing Reserve is an amalgam of the capital discharged account and the Provision for Credit Liabilities. It shows reserved receipts, as defined by the Local Government and Housing Act 1989, capital receipts applied to capital expenditure, revenue contribution to capital schemes, the charge for depreciation and the writing down of certain deferred charges. The account also includes an amount set aside to cover loans previously internally funded. Details of the Reserve are shown below:

	<b>Balance 31/3/2002 £'000</b>	<b>Receipts in Year £'000</b>	<b>Payment in Year £'000</b>	<b>Balance 31/3/03 £'000</b>
<b>Cash Backed</b>				
Capital Receipts	8,446	1,408	(1,838)	8,016
<b>Total Cash Backed</b>	<b>8,446</b>	<b>1,408</b>	<b>(1,838)</b>	<b>8,016</b>
<b>Non Cash Backed</b>				
Capital Receipts Applied	53,346	5,354		58,700
Revenue Contribution to Capital Spend	263			263
Provision for Depreciation	(4,774)		(2,296)	(7,070)
Sum set aside to cover internal funding	4,764			4,764
Writedown of Support to Housing Association	(19,567)		(1,408)	(20,975)
Write down of long term debtors	(522)		(23)	(545)
Write down of deferred charges	(9,605)		(634)	(10,239)
Write down of deferred credits	57	150		207
<b>Total Capital Financing Reserve</b>	<b>32,408</b>	<b>6,912</b>	<b>(6,199)</b>	<b>33,121</b>

**18 Usable Capital Receipts**

As a result of the Local Government and Housing Act 1989 capital receipts have to be divided into usable and reserved parts. The reserved receipts form part of the Capital Financing Reserve (see Note 17). Usable capital receipts are available to finance capital expenditure.

	<b>£'000</b>
Usable Receipts 1 April 2002	5,070
Add: new usable capital receipts in year	729
Add: transfer from Royal Victoria Place Capital Payment Reserve	150
Less: applied in year for new capital expenditure	(3,946)
<b>Balance at 31 March 2003</b>	<b>2,003</b>

**19 Earmarked Reserves**

	Balance 1/4/2002 £'000	Receipts in Year £'000	Payment in Year £'000	Balance 31/3/03 £'000
<b>Earmarked Capital Reserves</b>				
Section 106 Planning Agreements	292	120		412
Longfield Road Capital Reserve	525			525
Royal Victoria Place Capital Payment Reserve	150		(150)	-
<b>Earmarked Revenue Reserves</b>				
Capital & Revenue Initiatives Reserve	26,485		(2,432)	24,053
Pension Fund Deficit Reserve	6,986	3,615	(747)	9,854
Meadow Road & RVP Car Parks Maintenance Reserve	-	250		250
MMI Reserve	75			75
Queen's Golden Jubilee	45		(45)	-
Collection Fund Balance	109		(64)	45
<b>Total Earmarked Reserves</b>	<b>34,667</b>	<b>3,985</b>	<b>(3,438)</b>	<b>35,214</b>

**Notes:**

- (i) S106 Planning Agreements – commuted payments from developers to provide transport related or open space facilities for recreational use.
- (ii) Longfield Road Capital Reserve – set aside of capital receipts pending clarification regarding the Longfield Road development agreement.
- (iii) Royal Victoria Place Capital Payments – this provision will be used to meet the compensation claims from former owners of properties acquired under Compulsory Purchase Orders, and other capital payments arising from the town centre development.
- (iv) Capital & Revenue Initiatives Reserve – the reserve will be used to support future capital and revenue schemes in accordance with the Council's Corporate and Financial Plan.
- (v) Pension Fund Deficit Reserve – money set aside to cover pension liabilities and deficits as shown in the triennial revaluation of the pension fund.
- (vi) Meadow Road & Royal Victoria Place Car Parks Maintenance Reserve – to provide for expected future maintenance requirements at these car parks.
- (vii) MMI Reserve – this reserve will be used to meet any costs associated with the Municipal Mutual Insurance (MMI) Scheme of Arrangement (Council's former insurers).
- (viii) Collection Fund Balance – this reserve represents the surplus on the Collection Fund.

**20 Provision for Credit Liabilities**

In accordance with the statutory requirements the Council is required to set aside revenue or capital sums as a provision to repay external loans, credit arrangements or capital expenditure where credit approval exists. Subject to certain regulations debt free authorities can use these set aside receipts to finance capital expenditure.

The Council does not keep an account within the accounting records for the Provision for Credit Liabilities as there is no need to do so, but maintains a memorandum account which is set out below:

	<b>£'000</b>
Amount brought forward at 1 April 2002	10,736
Reserved Proportion of Capital Receipts generated in year	1,408
Reserved Capital Receipts used to finance Capital Expenditure	(1,408)
Transfer to revenue for Commutation of Specific Grants	(430)
Balance at 31 March 2003	<u>10,306</u>

**21 Contingent Gains**

In 1987 the Council entered into an agreement with a Developer and other parties to improve the infrastructure at Longfield Road. The agreement required the Council to transfer land to the developer who then completed the capital work. The Council's share of the completed cost of the scheme, including an outstanding capital creditor of £0.468m, has been included in the Council's capital costs. In 1996/97 a provision of £0.525m had been set aside to cover potential liability to pay part of the Barnetts Wood land sale proceeds to other parties. Subject to further legal clarification amounts totalling £0.458m may be due to the Council from the developer. This is in respect of completed land transactions.

The developer paid the Council £0.250m in respect of completed land transactions in June 2000. This is reflected in the Usable Capital Receipts (note 18).

**22 Related Party Transaction**

This note discloses material transactions of related parties to the Council which are not otherwise detailed in other notes to the accounts. Examples of related parties are: Central Government, other local authorities, subsidiary companies, Members and officers of the Council.

In 2002/03 there were no material transactions of related parties to the Council which are not otherwise detailed in the notes to the accounts.

**23 Post Balance Sheet Event**

The Council has approved, subject to consultation and subsequent further Council approval Phase 1 of a Management Review. This may incur the Council in severance and redundancy costs of £790,000 in 2002/03.

## Cashflow Statement

2001/2002 £'000		Note	£'000	2002/03 £'000	£'000
	<b>REVENUE ACTIVITIES</b>	<b>1</b>			
	<b>Cash outflows</b>				
11,451	Cash paid to and on behalf of employees		13,489		
12,242	Other operating costs		12,981		
17,406	Housing Benefit paid out		19,264		
31,353	Kent County Council & Police Authority Precept		34,970		
29,738	Contributions to NNDR Pool		29,549		
102,190				110,253	
	<b>Cash inflows</b>				
(1,465)	Rents (after rebates)		(1,477)		
(33,343)	Council Tax income		(36,721)		
(29,599)	Business Rates income		(28,539)		
(3,871)	Contribution from NNDR Pool		(4,352)		
(3,103)	Revenue Support Grant		(2,786)		
(18,195)	DSS grants for benefits		(20,392)		
(529)	Other Government Grant	<b>2</b>	(596)		
(10,130)	Cash received for goods and services		(10,367)		
(100,235)				(105,230)	
1,955	NET REVENUE INCOME	<b>3</b>			5,023
	<b>SERVICING OF FINANCE</b>				
	<b>Cash outflows</b>				
44	Interest paid		156		
-	Interest element of finance lease rental		-		
44				156	
	<b>Cash inflows</b>				
(3,424)	Interest received			(2,547)	
(3,380)	NET INTEREST				(2,391)
	<b>CAPITAL ACTIVITIES</b>				
	<b>Cash outflows</b>				
3,859	Purchase of fixed assets		3,512		
2,632	Capital grants		2,188		
-	Purchase of long term investments		-		
6,491				5,700	
	<b>Cash inflows</b>				
(662)	Sale of fixed assets		(642)		
(1,680)	Housing Association grant		(1,408)		
(220)	Other capital grants recieved	<b>2</b>	(443)		
(188)	Other capital cash receipts		(162)		
(2,750)				(2,655)	
	<b>Management of Liquid Resources</b>				
(5,000)	Long term investments			4,997	
2,700	Short term deposits			(10,250)	
1,441	NET CAPITAL EXPENDITURE				(2,208)
16	<b>(INCREASE)/DECREASE IN CASH</b>	<b>4</b>			424

### Notes to the Cashflow Statement

<b>1</b>	<b>Cashflow Statement</b>	The cashflow statement is designed to give the reader a greater understanding of the activities of the Council than can be obtained from the review of the Consolidated Revenue Account and Balance Sheet. The statement is produced so that cashflows associated with the various activities of the authority are identified.		
<b>2</b>	<b>Analysis of Government Grant</b>	<b>2001/02</b> <b>£'000</b>	<b>2002/03</b> <b>£'000</b>	
	<b>Other Revenue Grants</b>			
	Other Grants	529	596	
	<b>Specified Grant for Renovation Grants</b>			
	Specified Grant for Renovation Grants	109	107	
	Lottery Grants & Other Grants	111	336	
		220	443	
<b>3</b>	<b>Reconciliation of Revenue</b>			
	<b>(Surplus)/Deficit for the year</b>			
	General Fund	-	-	
	Collection Fund	(71)	(64)	
		(71)	(64)	
	<b>Non Cash Transactions</b>			
	add adjustment for commuted improvement grants	434	430	
	add adjustment for Architects/QS fees	237	303	
	add adjustment for provisions set aside in year	(231)	144	
	add adjustment for interest set aside on long term creditors	(18)	(18)	
	Less: contributions to reserves	(1,629)	(513)	
		(1,207)	346	
	Items in another part of the cashflow			
	add interest and lease payments	(44)	(156)	
	less interest receipts	3,424	2,547	
		3,380	2,391	
	Items on an accruals basis			
	increase/(decrease) in stocks	4	(9)	
	increase/(decrease) in debtors	(281)	2,104	
	increase/(decrease) in suspense accounts	4	(12)	
	(increase)/decrease in creditors	126	267	
		(147)	2,350	
	Net cashflow from/to revenue	1,955	5,023	
<b>4</b>	<b>Movement in Cash and Cash Equivalents</b>	<b>Balance</b> <b>31/3/2002</b> <b>£'000</b>	<b>Balance</b> <b>31/3/2003</b> <b>£'000</b>	<b>Movement</b> <b>in Year</b> <b>£'000</b>
	Cash overdrawn	1,097	1,507	410
	Cash in hand and at bank	58	44	14
				424

### Collection Fund Income and Expenditure Account

2001/02 £,000	INCOME	Note	£,000	2002/03 £,000
30,866	From Business Rates	1		30,480
33,524	Council Tax	2		36,760
2,811	Council Tax Benefit	3		3,198
-	Government Grants			-
-	Community Charge			-
<b>67,201</b>	<b>TOTAL INCOME</b>			<b>70,438</b>
	<b>EXPENDITURE</b>			
	Precepts:			
29,048	- Kent County Council		31,878	
2,521	- Kent Police Authority		3,097	
4,615	- Tunbridge Wells Borough Council		4,843	
<b>36,184</b>	<b>Total Precepts</b>			<b>39,818</b>
	Business Rates:			
30,684	- Payments to National Pool		30,300	
182	- Costs of Collection		180	
30,866	Total Business Rates			30,480
240	Provision for Council Tax non-collection			170
13	Council Tax written off			40
(27)	Adjustment to Council Tax Subsidy Limitation			-
(6)	Adjustment of Previous Year's Council Tax	4		(6)
2	Adjustment of Previous Year's Community Charge	4		-
<b>67,272</b>				<b>70,502</b>
71	(INCREASE)/REDUCTION IN FUND BALANCE FOR YEAR			64
(180)	Balance brought forward			(109)
<b>(109)</b>	<b>Balance carried forward</b>			<b>(45)</b>

### Notes to Collection Fund Accounts

- 1 General** This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The account is consolidated with the Council's accounts.
- 2 Business Rates payers** Under the arrangements for uniform Business Rates, the Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.
- The total non domestic rateable value at 31 March 2003 was £77.4m. The national non domestic multiplier for the year was 43.7p.
- 3 Council Tax** The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Estimated No. of Taxable Properties after effects of discounts	Ratio	Band D Equivalent Dwellings
A	2,514	6/9	1,676
B	3,907	7/9	3,039
C	10,942	8/9	9,726
D	8,051	9/9	8,051
E	5,451	11/9	6,662
F	3,964	13/9	5,726
G	4,193	15/9	6,988
H	304	18/9	608
			42,476
			Less adjustments for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons' relief and exempt properties
			425
			<b>COUNCIL TAX BASE</b> 42,052

**4 Previous Year's  
Council Tax/  
Community  
Charge**

In January each year the Council must estimate the balance on its collection fund at 31 March.

The estimated balance at 31 March 2002 in respect of Council Tax transactions was a deficit of £5,500. This was shared between Kent County Council, Kent Police Authority and the Borough Council in proportion to their precepts on the Collection Fund in 2001/02. Any surplus or deficit is taken into account by the respective Councils in calculating their Council Tax for 2002/03.

	<b>2001/02</b>	<b>2002/03</b>
	<b>Surplus/(Deficit)</b>	<b>Surplus/(Deficit)</b>
	<b>£'000</b>	<b>£'000</b>
Kent County Council	(5)	(5)
Kent Police Authority	-	-
Tunbridge Wells Borough Council	(1)	(1)
	<b>(6)</b>	<b>(6)</b>

The estimated balance at 31 March 2002 in respect of Community Charge transactions was nil (compared with a deficit of £2,000 at 31 March 2001).