Tunbridge Wells Borough Council:

Statement of Accounts for 2008/09

Contents

Explanatory Foreword

This Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the Borough Council, and of the chief financial officer, in making proper financial arrangements and in maintaining financial records.
- The Governance Statement, which sets out the arrangements within the Borough Council for ensuring that it complies with legal and other standards, and that public money is properly and efficiently used.
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure.
- The core accounting statements:
    - The Income and Expenditure Account
    - The Statement of Movement on the General Fund Balance
    - The Balance Sheet
    - The Statement of Recognised Gains and Losses
    - The Cash Flow Statement.
- Various notes to the accounts, giving further detailed information.
- The Collection Fund statement, together with notes to this account.

The Council's Performance in 2008/09

Over the past year Tunbridge Wells Borough Council has demonstrated that it is one of the best performing local authorities in the country. 46% of our indicators are in the best 25% of council performance in England, the best performance in Kent. Furthermore a place survey has shown that over 90% of people feel safe in Tunbridge Wells and over 92% love Tunbridge Wells as a place to live. Satisfaction with our services is comfortably in the best 25% of all councils in England.

This has been recognised by the Audit Commission through their recent Comprehensive Performance Assessment of the organisation. Of the five possible categories of 'poor', 'weak', 'fair', 'good', and 'excellent', this Council achieved the latter, a considerable jump from our previous 'weak' status. The Council is one of only three to have made this leap. We feel that the this reflects the top class services that are provided to the residents of the borough. Among these are:

- The opening of the Gateway: opened on Monday 3 November 2008, the Tunbridge Wells Gateway offers something for everyone, from skills learning to housing advice, access to voluntary organisations and Kent County Council services. There is also access to the internet free of charge and the ability to make automated payments.
- The Tunbridge Wells Regeneration Company: this innovative 50/50 partnership will see the Council and John Laing working together to bring forward civic, retail, commercial, community or residential property opportunities by redeveloping or regenerating assets, including those currently within the Council's portfolio, ensuring satisfaction of the Council's obligations to achieve value for money. Under the partnership John Laing will also provide masterplan services for the four towns to ensure a holistic approach to development and regeneration.
- The refuse collection and street cleansing contract: residents of the borough enjoy an exceptionally high rate of recycling and composting at a relatively low cost – making it one of the best services in the country in terms of value for money. The re-letting of the refuse collection and street cleansing contract in 2008/09 will save a further £800,000 per year.

In further recognition of the extent to which Tunbridge Wells Borough Council delivers high quality, effective services at a cost that is lower than that of similar councils, the Audit Commission has awarded a level four for value for money in its annual assessment of the Council's use of resources (for 2007/08). This is the highest possible score and we are one of only 12 councils nationally to have achieved it.

Revenue Budget and Outturn for 2008/09

Thanks largely to the effects of the "credit crunch" and also to decisions to put money into reserves to enable projects to go ahead in 2009/10, the Council recorded a deficit of £1.4m on its revenue budget, and made a corresponding reduction in the General Fund, which, however, remains well resourced. The table below shows the variations in the main headings.

	Revised Budget	Outturn	Difference
	£000	£000	£000
Chief Executive	753	740	(13)
Change & Business Support	22,713	22,992	279
Services to the Community	18,430	19,146	716
Planning and Development	32,746	32,947	201
Contingency	(630)	-	630
Net Cost of Services	**74,012**	**75,825**	**1,813**
Financing Adjustments	(56,103)	(56,155)	(52)
			-
Net Expenditure	**17,909**	**19,670**	**1,761**
Interest Receivable	(1,888)	(2,774)	(886)
Parish Precepts & Levies	1,383	1,383	-
NNDR, RSG and central grants	(7,195)	(7,319)	(124)
Council Tax Precepts	(7,349)	(7,349)	-
Council Tax Fund (Surplus) / Deficit	(29)	(29)	-
Transfer To & From Earmarked Reserves	(3,157)	(2,136)	1,021
Transfer To & From General Reserves	326	-	(326)
Net Position	**-**	**1,446**	**1,446**

Some of the major variations are commented on below:

- Car Park Charges income declined further with 1,994,036 tickets being sold for 2008/09 compared with 2,129,604 for 2007/08, a reduction of 6%. However within these figures the reduction for the long term stay was over 20% with 165,696 tickets sold compared with 207,595. This has resulted in a total reduction of £300,000 compared with the original budget and again this is due to the economic conditions.
- Penalty Charge Notice income has declined further with 21,844 tickets being issued for 2008/09 compared with 29,065 for 2007/08 which is a reduction of 25%. This has resulted in a total reduction of £330,000 compared to the original budget and is due to the economic conditions.
- The attendance at the Assembly Hall actually increased to 162,476 tickets for 2008/09 compared to 158,814 for 2007/08 which is an increase of 2%. The level of income was also greater than the previous year but fell short of the budget by £178,000.
- Cremations increased by 2.65% with 2,091 taking place in 2008/09 compared to 2,037 in 2007/08. This resulted in an additional £48,000 over the original budget.
- The number of Planning Applications for 2008/09 was 1,616 compared with 2,247 for 2007/08 which is a reduction of 28%. This resulted in a reduction in income of £88,000 compared to the original budget.
- Building Control applications for 2008/09 were 1,082 compared to 1,739 for 2007/08 which is a reduction of 38%. This resulted in a reduction in income of £148,000 compared to the original budget.
- Local Searches carried out for 2008/09 totaled 1,666 compared to 3,262 for 2007/08 which is a reduction of 49%. This resulted in a reduction in income of £250,000 compared to the original budget.
- Inspections of the multi-storey car parks at Meadow Road and Royal Victoria Place identified a greater level of maintenance than was expected.
- Legal negotiations had delayed the complete discharge of interest in the Medway Road Depot site.
- The rateable value of the new Depot and North Farm was far greater than was anticipated.
- Responsive repairs which had not been budgeted for, were required on the boiler which is used by all the occupiers of the civic site.

- The opening of the Gateway followed a reorganisation of how front line services are provided; this led to a number of one off upfront severance costs. Improvements to the structure of other Council services also incurred one off costs. The benefit from these will be recovered over time.

Capital Programme and Outturn for 2008/09

The Council originally approved a programme of £11,594,000. As this included a number of schemes which could only go ahead on the receipt of external contributions, the Head of Finance and Governance was subsequently empowered to adjust the programme to a more realistic basis, and monitoring has subsequently taken place on the adjusted programme.

The total capital spend was £5,288,000, compared with the adjusted capital programme of £8,771,000, the difference being mainly due to schemes not now going ahead.

In the course of its activities the Council acquired one asset, purchasing the site for a new football pitch at Goudhurst for £111,000 under a compulsory purchase order. This was financed from a Section 106 contribution previously received. Work on two major new properties, the new depot and the Gateway, commenced in the previous year and both came into operation during 2008/09.

Movement in net worth of the authority

The net worth of the authority, as shown in the Balance Sheet and the Statement of Recognised Gains and Losses, shows a significant reduction, as measured by the total reserves held at the start and end of the financial year. The Council's net worth can be split into two components, cash-backed reserves, which are available for revenue and capital spending in future years, and other reserves, of a technical nature, relating mainly to the Council's asset base and long term pension liability.

	Available	**Other**	**Total**
	£000	£000	**£000**
Changes in asset valuations		45,095	**45,095**
Asset disposals	(377)	413	**36**
Depreciation		2,602	**2,602**
Write down intangible assets		82	**82**
Revenue expenditure financed from capital under statute:			
2008/09 schemes		725	**725**
Adjustments for previous years		5,927	**5,927**
Earmarked reserves:			
Financing capital expenditure	2,286	(2,286)	**-**
Other	(149)		**(149)**
Capital financed from asset disposals	363	(363)	**-**
Write-down of grants deferred		(247)	**(247)**
Change in pension liabilities		7,100	**7,100**
Net deficit in General Fund	1,446		**1,446**
Change in Collection Fund	(52)		**(52)**
Change in Net Equity	**3,517**	**59,048**	**62,565**

The table above shows that the reduction in reserves is mainly related to this second class of reserves. The council's general and earmarked reserves are sufficient to finance capital schemes approved to date. The reduction in the Council's asset base is explained in more detail below.

Reductions in values of fixed assets

The major part of the reduction in the balance sheet value shown above comes from reduced values of fixed assets. Normally the Council revalues its property assets over a five year period, so that 20% of the asset base is revalued each year. For 2008/09 a new firm of valuers was employed, and it was decided to undertake a complete revaluation as at 1 April 2008, principally because:

- There were likely to be differences in approach from the previous valuer, and this would have led to similar properties being held on the balance sheet on a different basis.
- A change in accounting policy (see below) meant that the valuer needed to re-assess all properties previously valued at depreciated replacement cost to see if an existing use value could be obtained.
- The general adverse change in economic conditions meant that most properties might now be held at too high a value.

The valuers also undertook a 20% revaluation as at 31 March 2009. This revealed a further average 20% reduction in asset values over the financial year, and in order not to over-value the asset base, this 20% reduction was applied to all the remaining properties.

The table below summarises the movement in assets as held in the balance sheet at the start and end of the financial year:

		Book Value	
	1 April	**31 March**	**Change**
	£000	£000	£000
Intangible assets	224	879	**655**
Land and Buildings	103,103	66,811	**(36,292)**
Vehicles plant & equipment	2,874	2,478	**(396)**
Infrastructure	7,016	432	**(6,584)**
Community assets	3,155	4,347	**1,192**
Surplus assets	811	340	**(471)**
Assets under construction	8,926	255	**(8,671)**
Revenue capitalised under statute	-	-	**-**
	126,109	**75,542**	**(50,567)**

The net reduction of £50.5m is made up as shown below (this summarises the changes in asset values analysed in Note 16 to the Accounts), and the figures for disposals, changes in values, depreciation and the write-out of Revenue Expenditure Financed from Capital under Statutue (REFFCUS) all reflect the figures in the table above, showing the change in the net worth of the authority.

	Additions	**Disposals**	**Values**	**Transfers**	**Deprec.**	**REFFCUS**	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
Intangible assets	356			343	(44)		**655**
Land and Buildings	2,052	(21)	(45,273)	8,879	(1,929)		**(36,292)**
Vehicles plant & equipment	627			(344)	(679)		**(96)**
Infrastructure				(6,552)	(32)		**(6,584)**
Community assets	357			835			**1,192**
Surplus assets		(371)	178	(278)			**(471)**
Assets under construction	159	(20)		(8,810)			**(8,671)**
Revenue capitalised under statute	725			5,927		(6,652)	**-**
Total	**4,276**	**(412)**	**(45,095)**	**-**	**(2,684)**	**(6,652)**	**(50,567)**

As noted above, while there has been a major reduction in book values of fixed assets, this has no adverse impact on the Council's revenue budget position. The Council has gained a benefit from this exercise, in that fixed assets are now held in the balance sheet at a more realistic basis, and the resultant reduction in the annual charge for depreciation will ensure that comparative figures for the costs of services are not distorted by high charges for the depreciation of fixed assets.

Liability for Pension Costs

The Council's net liability for future pension payments increased by almost £7m. The reasons for this change, broadly reflecting the adverse economic conditions during the year, are set out in detail in Note 11 to the accounts. It is important to understand that the net liability as shown in the balance sheet is, especially for the investments, a snapshot of the position on one particular day, whereas contribution rates are set according to a longer term strategy. There is therefore no immediate requirement for higher employer contribution rates in the immediate future. The next valuation of the entire Kent County Council fund will take place in 2010.

Material and Unusual Charges in the accounts

The published balance sheet for 2007/08 included £7,016,000 in fixed assets, described as "infrastructure". Subsequent investigations have revealed that most of this (£5,927,000) was for improvements on land not owned by the Council, either in strict legal terms or under accepted accounting policies. It should therefore have been accounted for as "Revenue Expenditure Funded from Capital under Statute" (see paragraph 12 of the Statement of Accounting Policies). This amount has been transferred out of the fixed asset accounts, and passed through the revenue accounts, adding to the expenditure in the Income and Expenditure, but reversed through the Statement of Movement on the General Fund Balance, having no net impact on the Council Tax.

As recorded in the table above, the main cause of the reduction in the net worth of the Council was the £45m reduction in asset values. The reasons for this are explained in detail above. Reductions in asset values are charged directly against the Revaluation Reserve, but this is only possible where there is already a balance in that reserve for a particular property. Other reductions are charged initially to the Income and Expenditure Account, but reversed through the Statement of Movement, so that there is no impact on the Council Tax. The reduced valuations resulted in a charge of £50.4m to the Income and Expenditure Account: this is higher than the £45m reduction mentioned above, because some increases were recorded and credited to the Revaluation Reserve, mainly because land values had not always previously been recorded separately from the associated buildings.

During 2008/09 the Council received a total of £520,000, together with £588,000 interest in a claim for VAT that was paid over to HM Revenues and Customs during the 1990s in accordance with their guidance at the time, but which has now been agreed to have been incorrectly charged. £770,000 of this has been transferred to the Strategic Plan Reserve for one-off strategic projects.

Changes to Accounting Policies

Changes arising from the SORP

The following changes result from amendments to the SORP, which took effect from 2008/09:

Revenue Expenditure Financed from Capital under Statute

In some circumstances expenditure is charged to capital although this would not normally be permitted under normal accounting practice – this covers, for example, expenditure on assets not owned by the Council, which would be capital if they were council property. Up until 2007/08 such expenditure, termed “Deferred Charges” was charged to the balance sheet and immediately written out to the Income and Expenditure Account, but this was effectively reversed through the Statement of Movement in the General Fund Balance. From 2008/09 such expenditure is re-named “Revenue Expenditure Financed from Capital under Statute”, and the initial charge to the balance sheet is omitted. Arising from this, such expenditure is now shown as “Other operating cash payments” in the Cash Flow Statement instead of “Other Capital Payments”, with a corresponding effect on Note 29, which reconciles the Income and Expenditure Account and the Cash Flow Statement.

Accounting for Pension Costs

There has been a change in the accounting standard FRS 17, which is now reflected in local authority accounting, whereby assets of pension funds are now valued at bid price, rather than at mid-market price. There have also been substantial changes to the disclosures required on this topic, reflected in Note 11 to the accounts, particularly in showing separately the movement in scheme assets and scheme liabilities. These changes have no impact on the main accounting statements.

Bases for Valuation of Property

The accounting policy for measuring land and buildings is that non-specialised properties are valued at existing use value (EUV), and specialised properties at depreciated replacement cost (DRC). Although the wording of the accounting policy has not changed, the SORP now emphasises that EUV values should be used even for specialised properties, if there is market evidence to support an EUV valuations. The revaluation as at 1 April 2008 involved a number of properties being valued for the first time on an EUV basis, and the overall impact was to reduce £15m from the Council’s asset values.

The introduction of the Revaluation Reserve from 2007/08 has had a particular impact this year, as reductions in asset values in 2008/09 cannot be charged against the reserve unless there had been an increase during 2007/08. Reductions are therefore for the most part charged to the Income and Expenditure Account as impairments (reversed in the Statement of Movement in the General Fund Balance) although the properties may have been subject to upward revaluations before 1 April 2007.

Other Changes to Agreed Practice

There have also been some changes in agreed practice, although these do not amount to changes in accounting policies. The comparative figures in the main accounting statements have therefore not been changed.

Capital grants and Contributions

When such income is received it is initially held on the balance sheet, awaiting application to finance capital investment. Previously these were included under “Creditors” among the current liabilities, but they are now shown separately under long term liabilities (see Notes 21 and 22). There has also been a change, whereby, if such income is used to finance Revenue Expenditure Financed from Capital under Statute (see above), it is credited to the Income and Expenditure Account (but the effect is reversed through the Statement of Movement in the General Fund Balance). Previously such income was treated as capital income. This change means that, where such expenditure is financed from grants and contributions, it is not shown as capital expenditure in the Statement of Accounts. This means that there is a difference, highlighted in the section above on capital expenditure for the year, between capital expenditure for the purpose of budgeting and the amounts reported in the Statement of Accounts.

Accruals for Interest Receivable

Following changes to accounting standards introduced last year, it has been clarified that interest due but not received at the balance sheet date should be included in the carrying amount of the investment, rather than being shown as a debtor. We have made this change in the balance sheet, but, as it is not a change to an accounting policy, the previous year's figures have not been changed. The change is reflected in Note 20 (Debtors).

Income from Car Parking

In the past income from penalty notices has been accounted for on a cash basis, but from 2008/09 an accrual of income has been made. In 2008/09 the amount involved was £269,600, but a corresponding adjustment of £123,000 was made for expected bad or doubtful debts.

Financial Plans and Resources

The Council has set its revenue budget for 2009/10 in line with its Medium Term Financial Strategy, which sets out to align its plans and commitments for services with the anticipated restrictions on government grants and a commitment to moderate increases in council tax.

The Council has also approved various capital schemes, totalling almost £13m, up to the year 2012/13. The table below sets out how this will be funded.

	2009/10	**2010/11**	**2011/12**	**2012/13**	**Total**
Reserves and capital receipts	2,010	1,811	715	655	5,191
Government grants	394	394	394	394	1,576
External contributions	1,672	747	592	592	3,603
Total approved programme	4,076	2,952	1,701	1,641	10,370
Approved after 31/3/09	2,600	-			2,600
Total programme	**6,676**	**2,952**	**1,701**	**1,641**	**12,970**

For a number of years the Council has been able to maintain its capital investment by the use of receipts from asset disposals and from the use of earmarked reserves, without recourse to borrowing. The Council is now taking a longer term view of its need to invest in its own office accommodation and in the regeneration of its urban areas, and this has led to the signing of the regeneration contract with John Laing, as outlined above.

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 (the 'Finance Director') has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Governance, but, in the absence of this officer during the closure of accounts period, these responsibilities were exercised by the Financial Services Manager.
- to manage its affairs to secure economic, efficient and effective use of resources and to 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 2009.

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

The financial statements for the year ended 31 March 2009, required by the Audit and Accounts Regulations 2003 are set out on pages 25 to 48.

Lee Colyer

Head of Finance and Governance

15 June 2009

Committee Approval

Committee Approval of the Financial Report and Statement of Accounts for the year ended 31 March 2009

The Audit Committee, at its meeting on 22 September 2009, approved the Financial Report and Statement of Accounts for the year ended 31 March 2009 in accordance with the Accounts and Audit Regulations 2003."

Signed

Annual Governance Statement

Scope of responsibility

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE[1] Framework: '*Good Governance in Local Government'*. A copy of the code is available on our website or can be obtained from Paul Cummins, Legal Services Manager. This statement explains how Tunbridge Wells Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control. It builds on last year's Annual Governance Statement; changes outlined within this statement have been made to enhance, not replace existing arrangements for governance.

The purpose of the governance framework

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

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

The governance framework has been in place at Tunbridge Wells Borough Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

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

The Framework also encourages local authorities to test their structures against these principles by:

- reviewing their existing governance arrangements against the Framework
- developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
- preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

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

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

The Council's Vision is clearly set out in the document: *Vision 2026 – Enhancing the Quality of Life for All*. In particular, the document states that the Borough "*will be characterised by stronger communities, who feel safer, well served, well housed and with access to excellent health services. Our residents will benefit from better education and skills development, leading to a thriving and diverse local economy. Tunbridge Wells will be a regional hub, attracting visitors and new business to the borough – both from elsewhere and from within the borough. Everyone will benefit from a range of cultural and leisure offers, in an attractive environment. Underpinning our ambitions is a key desire to ensure the borough remains sustainable, in terms of our current and future prosperity and ensuring the benefits enhance the quality of life for all."*

This Vision can be captured in four words 'Prosperous', 'Green', 'Healthy' and 'Confident' and the Council's Strategic Plan has been aligned to the vision and the key ambitions that we hope to have achieved by 2026 have been identified under each of the four headings.

The Strategic Plan is reviewed on an annual basis and cross-cutting priorities are pursued through the Council's Local Strategic Partnership (supported by a local Public Service Board).

The Council has developed an integrated approach to its strategic, financial and service planning. The Strategic Plan is put together in parallel with the Medium Term Financial Strategy and People Strategy and the Strategic Plan makes clear what are priority and non-priority issues and this informs the allocation of resources. The Council devised a timetable for corporate and financial planning in 2006 which ensures that service plans are devised in light of overall strategic priorities and financial plans and that these priorities and plans are informed by service-specific issues, developments and constraints. The timetable also provides considerable time for consultation, evaluation and options appraisal. Revenue and capital budgets are agreed annually and set out spending plans for a three-year period in line with the Council's priorities.

The Cabinet (and other committees of the Council receive quarterly progress reports on key issues relating to the Council's vision and priorities, resources and governance arrangements. In addition, as a response to the global economic slowdown, Cabinet received monthly reports on key economic and social indicators.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

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

In addition to the role of the Constitution in defining the roles and responsibilities of members and officers, the Council has been working with the Leadership Centre for Local Government to develop and 'Umbrella Framework' setting out the areas of responsibility of political leaders, senior officers and political and managerial leaders together. This Framework is reviewed and updated on a regular basis.

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

The Council has adopted a Code of Corporate Governance which has been prepared in accordance with the principles outlined in the CIPFA/SOLACE publication. The Council has also adopted codes of conduct for members and officers. Training has been provided on the various codes and this has been supplemented with written guidance and Member briefings. Officers and Members are required to declare interests that may impact on the Council's decision making process. These interests are held on a register and reviewed on a regular basis by the Monitoring Officer.

The Council's Constitution which is kept under review by the Monitoring Officer and Standards Committee. Various amendments to the Constitution have been made as necessary. A comprehensive review of the Council's Constitution (including standing orders, financial and contract procedure rules and the scheme of delegation) was undertaken in 2006-7 with the updated Constitution adopted in December 2007 (further details of changes were provided in last year's Statement of Internal Control). The review was overseen by a Member Working Group. The Standards Committee takes an active interest in reviewing and updating the Constitution and associated standing orders and procedures. The Council has an active and effective Standards and Audit Committee (see below under 'effective scrutiny').

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

The Council operates a Confidential Reporting Code (also known as a Whistle-Blowing Charter) which is attached at Part 5 of the Council Constitution. The Council wants all its officers and members to be part of the drive towards exemplary standards in public life and the policy is designed to promote a culture of honesty and openness, and to reassure anyone who feels that their position might be threatened if they speak up. The policy includes a promise from senior officers to treat seriously claims made in good faith; that claims will be investigated; that the complainant will be informed of the outcome of the investigation; and that no one will suffer any disciplinary action if they make a complaint in good faith. The Code is available on the intranet and a briefing paper has been circulated to all staff as part of the Corporate Briefing process with links to relevant external agencies.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

A Constitution approved by the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is continually reviewed to ensure that it is fit for purpose. The most recent version of the Council's Constitution can be found on the Council's website at www.tunbridgewells.gov.uk. Under the terms of the Constitution, the whole Council is responsible for the determination of the policy and budget framework.

The Council's Cabinet is responsible for shaping and delivering the delivery of the Council's day-to-day services within the parameters of the Strategic Plan and Budget. A number of 'Lead Members' and 'Champions' have been appointed to provide support and assistance to cabinet members and to lead on particular projects or initiatives. A Forward Plan of Key Decisions is published to enable consideration to be given by other elected members, stakeholders and the public. A new Forward Plan template has been introduced to provide a more detailed explanation of future reports to further assist this process. Cabinet meets regularly in public. Further details of individual cabinet members and Cabinet as a whole (including links to agendas and minutes) can be found on the website: http://www.tunbridgewells.gov.uk/section.asp?docid=1128&catid=387

In addition to the Cabinet and other regulatory committees, the Council has an Audit Committee and a Standards Committee which assist the Council in assuring its overall governance framework. Both committees include independent members and have been very effective in providing challenge on a range of governance issues. Both committees have produced annual reports which provide further details of their work. Further details of the membership and work of the Audit Committee can be found on the website: http://www.tunbridgewells.gov.uk/section.asp?catid=1430. Further details of the work of the Standards Committee can be found on the Council's website: http://www.tunbridgewells.gov.uk/section.asp?catid=392. The Council's Overview and Scrutiny function is discharged by three 'Select Committees' The committees meet regularly and, between them, have dealt with a wide range of work. Further details of the work of the select committees can be found on the Council's website: http://www.tunbridgewells.gov.uk/section.asp?catid=1388

The Council has developed a wide range of methods of consultation and communication which have been brought together in the Council's Consultation and Engagement Strategy. This incorporates policies on communication, 'hard to reach' groups and customer access. Particular examples include the media, borough magazine, internet (including a 'Leader's blog'), surveys, focus groups and the 'Ward Walks' initiative. The Council also works closely with a wide range of partners and community groups including parish councils and the voluntary and community sector.

The Council has a Risk Management Strategy which provides a comprehensive framework for identifying, evaluating and managing risk. The strategy sets out the role of Members and designates the Chief Executive as responsible for leading the management of risk in the Council and allocates responsibilities to corporate and service managers. The Cabinet and senior managers have reviewed the strategic risks and action plans have been developed to manage those risks. A Strategic Risk Register has been adopted and is reviewed and updated on a regular basis. In addition, each service manager is responsible for maintaining a risk register of operational risks which is reviewed on a regular basis and is incorporated into the service planning process.

The Tunbridge Wells Regeneration Company Limited was created on 23 September 2008 with the Council holding 50% of the voting rights. It is intended to provide a quarterly summary of the trading activities to Cabinet. As a 31 March 2009 the TWRC had yet to commence any significant trading activity.

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

The Council is committed to identifying and fulfilling the learning and development needs of Members and officers. To this end, it has entered into a Learning and Development Partnership with Maidstone Borough Council and, as part of the partnership, joint training opportunities are identified. Officer training needs are identified through the annual appraisal process, six-monthly review and on an ongoing basis. A corporate training budget has been established and a training calendar developed to meet training and development needs identified through the appraisal process.

In terms of Member Development, the Council achieved the South East Employers Elected Member Development Charter in November 2008. It had a Member Charter Steering Group which has now been replaced by the Member Learning and Development Group.

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

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

Review of Effectiveness

Tunbridge Wells Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit and Risk Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

<u>Internal Audit</u>

The Council has in place arrangements for internal audit for which the Head of Finance and Governance has overall responsibility. Internal audit work is planned and undertaken on a risk based approach and complies with the standards set out in the Code of Practice for Internal Audit in Local Government in the UK. The Internal Audit Section undertakes work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom. Since the departure of the Head of Finance and Governance, the Deputy S151 Officer is acting up to the role of S151 Officer and the Director of Change and Business Support is assuming broader responsibility for governance.

The Internal Audit and Risk Manager has carried out an independent review of the internal control environment, which is reported to the Audit Committee. He has concluded that the state of the internal control environment is satisfactory.

<u>Other explicit review/assurance mechanisms</u>

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

- The Council, Cabinet and Committees are advised by the Council's Management Board
- A Corporate Governance Working Group which plays an important role in coordinating governance-related activity;
- The 'First Group' (comprising the Chief Executive, Directors and senior managers of the organisation) which provides a coordinated approach to performance and financial management;
- An Income Management Group which provides a joined-up approach to income management and debt recovery;
- A Corporate Property Group which ensures that the Council adopts a holistic approach in the acquisition, maintenance, review and disposal of property and assets;

- Human Resources oversee the Council's overall approach to effective people management including regular appraisals and the provision of relevant training and development activity. Key developments over the course of the past year include the agreement of the Council's People Strategy, the review of a wide range of employee policies, procedures and benefits and the establishment of a learning and development partnership with Maidstone Borough Council;
- Project Management: a standardised approach to project management has been adopted by the Council and additional resources have been put into key projects to ensure that they are adequately managed and delivered to time, cost and quality.
- BTP/partnership working: the Council is working with Maidstone, Swale and Ashford to look at opportunities for partnership working or business process re-engineering. As part of this process, services are subjected to external review, satisfaction surveys and benchmarking as well as an examination of service processes to assess value for money.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

No significant issues were raised in last year's Annual Governance Statement. We do, however, consider one issue identified in this year's review to be significant – namely the Council's senior management capacity following the retirement of the Director of Services to the Community and the resignation of the Director of Planning and Development and the Council's S151 Officer. The Council's Strategic Risk Register will be updated to reflect this and a number of steps are being taken to address the situation including: early steps being taken to replace the Director of Planning and Development; additional resources being put into finance to support the Deputy S151 Officer who is being seconded into the role; and a review/restructure of the Council's wider senior management team.

We are satisfied that these steps and others set out in the action plan (available at http://www2.tunbridgewells.gov.uk/Default.aspx?page=2774) and will address the issues identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Cllr Roy Bullock MBE	**Sheila Wheeler**
Leader of the Council	Chief Executive

On behalf of Tunbridge Wells Borough Council

Independent auditor's report to the Members of Tunbridge Wells Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Tunbridge Wells Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and auditor

The Acting Head of Finance and Governance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Tunbridge Wells Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

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.

Andy Mack
(Officer of the Audit Commission)

Audit Commission
16 South Park
Sevenoaks
Kent
TN13 1AN
Date: 23 September 2009

Statement of Accounting Policies

This statement of accounting policies incorporates three changes introduced by the SORP for the year 2008/09: these are explained in the “Changes to Accounting Policies” paragraph in the Explanatory Foreword.

1. General Principles

The Statement of Accounts summarises the Council’s transactions for the 2008/09 financial year and its position at the end of 31 March 2009, the close of the financial year. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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.
- 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Provisions

We make Provisions where an event has taken place that gives the Council an obligation that requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

We charge Provisions to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), we only recognise this as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

4. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, we recognise government grants and third party contributions and donations as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. Retirement Benefits

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

The liabilities of the Kent County Council pension scheme attributable to the 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 projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on the iboxx Sterling Corporates Index, AA over 15 years).

We include the assets of the Kent County Council Pension Fund attributable to the 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.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services 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 – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- 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 – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Kent County Council Pension Fund – the employer's contributions to the pension fund for the financial year.

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. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year-end.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. VAT

Value Added Tax (VAT) has not been included in the income and expenditure of the accounts unless it is irrecoverable.

8. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

9. Intangible Fixed Assets

We capitalise expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment (normally 10 years) to reflect the pattern of consumption of benefits.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Assets valued at less than £25,000 are not included on the balance sheet, provided that the total excluded has no material impact.

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

- Assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – existing use value if there is sufficient evidence, otherwise depreciated replacement cost
- surplus assets – market value.

We revalue 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. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – 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 charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Legislation requires capital receipts to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to this Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

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 calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer.
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet:

ICT equipment	5 years
Litter bins	5 years
Wheeled bins	15 years
Play area equipment	10 years
Other equipment	Normally 5 years

- infrastructure – straight-line allocation over a period determined for each class of asset:

Environmental improvements, etc	50 years
Footway lighting	30 years

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.

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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. Charges to Revenue for Fixed Assets

We debit service revenue accounts, support services and trading accounts with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. It would be required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, but the Council has no such borrowing requirement. Depreciation, impairment losses and amortisations are therefore reversed in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account.

12. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of fixed assets has been 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, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

13. Leases

The Council has no finance leases, but leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

14. Financial Assets

The financial assets of the Council all fall into the category of “Loans and Receivables”: assets that have fixed or determinable payments, but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

16. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

The Income & Expenditure Account

This statement sets out the Council's Income and Expenditure for the year, according to proper accounting practice. The services analysis used complies with CIPFA's Best Value Accounting Code of Practice (BVACOP), allowing it to be compared from year to year, to the Government's requirements, and to other local authorities.

2007/08		Note	2008/09		
Net			Gross	Income	Net
£000			£000	£000	£000
564	Central services to the public		8,836	6,873	1,963
14,755	Cultural, environmental and planning services		60,017	8,813	51,204
485	Highways, roads and transport services		17,550	6,132	11,418
2,010	Housing services		30,804	25,619	5,185
2,360	Corporate and democratic core		4,086	14	4,072
898	Non-distributed costs		1,999	16	1,983
21,072	**Net Cost of Services**		**123,292**	**47,467**	**75,825**
(181)	(Gain) / Loss on the disposal of fixed assets				36
1,295	Parish council precepts				1,383
-	Interest payable				22
(2,288)	Interest and investment income				(2,796)
660	Pensions interest cost and net return on assets	11			1,470
20,558	**Net Operating Expenditure**				**75,940**
(6,949)	Demand on Collection Fund				(7,379)
(1,297)	General government grants	13			(1,240)
(5,824)	Non-domestic rate redistribution				(6,079)
6,488	**(Surplus) / Deficit for the Year**				**61,242**

Statement of Movement on the General Fund Balance

While the Income and Expenditure Account shows the Council's performance according to proper accounting practice, it does not represent the whole of the transactions that count against the Council tax and the movement on the balance of the General Fund. This difference is shown below, and in more detail in the table following.

2007/08 Net £000		**Note**	**2008/09 Net** £000
6,488	(Surplus) / Deficit for the Year		61,242
(6,488)	Net additional amounts debited or credited to balance	below	(59,796)
-	**(Increase) / Decrease in General Fund Balance**		**1,446**
(18,400)	General Fund Balance at 1 April		(18,400)
(18,400)	**General Fund Balance at 31 March**		**(16,954)**

2007/08 Net £000		**2008/09 Net** £000
	1 Amounts included in I&E account, but excluded from Movement in Balance	
(22)	Write-down of intangible fixed assets	(82)
(8,264)	Depreciation and impairment of fixed assets	(52,902)
2,470	Write-down of Government Grants Deferred	247
(913)	Revenue Expenditure financed from capital under statute	(6,652)
181	Gain / (Loss) on the disposal of fixed assets	(36)
210	Difference between pension costs in Income and Expenditure account and actual contributions	(520)
(6,338)		**(59,945)**
	2 Amounts not included in Income and Expenditure Account, but included in Movement in Balance	
3,910	Capital expenditure charged to Revenue Account	2,286
3,910		**2,286**
	3 Other transfers to General Fund balance	
(4,060)	Net transfer to/(from) earmarked reserves	(2,137)
(4,060)		**(2,137)**
(6,488)	**Total**	**(59,796)**

The Statement of Total Recognised Gains and Losses

This statement analyses the total gains and losses within the "net worth" section of the balance sheet shown below. The share of the Collection Fund is the proportion that relates to Tunbridge Wells Borough Council, as compared with the County Council, Police and Fire Authorities.

2007/08		2008/09
£000		£000
6,488	(Surplus) / Deficit on Income and Expenditure Account	61,242
(7,886)	(Gain) / Loss on valuation of fixed assets	(5,205)
(5,090)	Actuarial (Gain) Loss on pension fund assets and Liabilities	6,580
(43)	(Increase) / Decrease in share of Collection Fund	(52)
(6,531)		**62,565**

The Balance Sheet

The Balance Sheet details the Council's assets and liabilities at the end of the financial year

31 March 2008		Note	31 March 2009	
£000			£000	£000
	Fixed Assets	15-18		
224	**Intangible Fixed Assets**		879	
	Tangible Fixed Assets:			
	Operational assets:			
103,103	Land and Buildings		66,811	
2,874	Vehicles, Plant and Equipment		2,478	
7,016	Infrastructure assets		432	
3,156	Community assets		4,347	
	Non-operational assets:			
8,927	Assets under construction		255	
811	Surplus assets held for disposal		340	
126,111	**Total Fixed Assets**			75,542
-	Long-term investments	19		5,201
480	Long-term debtors			543
126,591	**Total Long-term assets**			81,286
	Current assets:			
36	Stocks and works in progress		28	
7,747	Debtors	20	7,801	
(2,406)	Provision for bad debts	20	(2,730)	
31,700	Investments	19	23,145	
578	Cash and bank	30	56	
				28,300
164,246	**Total assets**			109,586
	Current liabilities			
-	Short-term borrowing		-	
(8,414)	Creditors	21	(6,316)	
-	Bank overdraft		(84)	
				(6,400)
155,832	**Total assets less current liabilities**			103,186
	Long-term liabilities			
(203)	Provisions	23		(198)
-	Capital grants and contributions unapplied	22		(1,462)
(3,500)	Government grants deferred	22		(4,879)
(40)	Deferred liabilities			(23)
(22,450)	Liability for defined benefit pension scheme	11		(29,550)
129,639	**Total assets less liabilities**			**67,074**
	Financed by:			
5,849	Revaluation reserve	26		10,717
116,782	Capital adjustment account	25		59,967
(22,450)	Pensions reserve	11		(29,550)
2,478	Usable capital receipts reserve	27		2,492
18,400	General fund balance			16,954
8,537	Earmarked reserves	28		6,400
43	Share of Collection Fund	28		94
129,639	**Total net worth**			**67,074**

The Cash Flow Statement

This statement analyses the movements in the Council's cash balances over the year. Note 29 reconciles the net revenue cashflow in this statement to the Income and Expenditure Account, while note 30 shows the details of the cash balances, and how they have moved.

2007/08		2008/09	
£000		£000	£000
	Revenue Activities		
	Cash outflows		
14,255	Cash paid to or on behalf of employees	15,836	
17,955	Other operating cash payments	22,680	
22,457	Housing benefit paid out	24,306	
44,203	National non-domestic rate payments to national pool	41,033	
50,522	Precepts paid	53,057	
149,392			156,912
	Cash inflows		
(1,602)	Rents (after rebates)	(1,712)	
(53,135)	Council tax receipts	(55,818)	
(5,824)	National non-domestic rate receipts from national pool	(6,079)	
(43,434)	Non-domestic rate receipts	(42,358)	
(1,259)	Revenue Support Grant	(846)	
(28,805)	DWP grants for benefits	(28,693)	
(1,534)	Other government grants	(3,068)	
(12,144)	Cash received for goods and services	(12,986)	
(147,737)			(151,560)
1,655	**Net cash (inflow) / outflow from revenue activities**		5,352
	Returns on investments and servicing of finance		
-	Cash outflows - interest paid	60	
(2,263)	Cash inflows - interest received	(2,416)	
(2,263)			(2,356)
(608)			**2,996**
	Capital Activities		
	Cash outflows		
8,934	Purchase of fixed assets	3,561	
913	Other capital cash payments	-	
-	Long Term investments	5,000	
9,847			8,561
	Cash inflows		
(3,837)	Sale of fixed assets	(377)	
(660)	Capital grants received	(396)	
(792)	Other capital cash received	(678)	
(5,289)			(1,451)
4,558	**Net cash (inflow) / outflow from capital activities**		7,110
3,950	**Net cash (inflow) / outflow before financing**		10,106
(5,400)	Net increase / (decrease) in short term deposits		-
-	Net increase / (decrease) in other liquid resources		(9,500)
(1,450)	**Net (increase) / decrease in cash**		**606**

Notes to the Core Financial Statements

1 Authorisation of Statement of Accounts

On the assumption that the Audit Committee approves the changes outlined in the covering report, the wording will be:

The draft Statement of Accounts was authorised by the Audit Committee at their meeting on 22 September 2009,

2 Exceptional and other Unusual items, and Restatements

Exceptional items derive from events or transactions that fall within the ordinary activities of the organisation, but which would distort the reporting of expenditure and income on services, and comparisons between years, if they were not shown separately.

For 2008/09 no items come under the accounting definition of Exceptional Items, but it should be noted that the Income and Expenditure Account contains a total of £50m in charges for impairments to fixed asset values, compared to £4m in 2007/08, and also that almost £6m of capital expenditure formerly counted as being on fixed assets has been re-classified as Revenue Expenditure Financed from Capital Under Statute, meaning that it has been charged to the Income and Expenditure Account and then reversed through the Statement of Movement, having no impact on the Council tax or the General Fund Balance.

During 2008/09 the Council received a total of £520,000, together with£588,000 interest in a claim for VAT that was paid over to HM Revenues and Customs during the 1990s in accordance with their guidance at the time, but which has now been agreed to have been incorrectly charged. £770,000 of this has been transferred to the Strategic Plan Reserve for one-off strategic projects.

The Balance Sheet has been re-stated to allow for the effect of valuing pension fund assets at bid price, rather than at mid-market price: this has added £200,000 to the 31 March 2008 value of both the pension liability and the Pensions Reserve.

3 Special Expenses

Under Section 147 of the Local Government Act 1972 and Section 35 of the Local Expenses Government Finance Act 1992 certain expenses are treated as Special Expenses to be charged to particular areas within the borough. For Royal Tunbridge Wells 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 headings of the Income and Expenditure Account. An analysis of Special Expenses is given below:

2007/08			**2008/09**	
Net		**Gross**	**Income**	**Net**
£000		£000	£000	£000
	Royal Tunbridge Wells:			
1,751	Parks, Recreation Grounds, The Common, Cemeteries	5,601	(323)	5,278
61	Footway Lighting	91	-	91
	Southborough			
7	Footway Lighting	15	-	15
	Capel			
-	Footway Lighting	2	-	2

The figures for 2008/09 are distorted by unusual costs of impairments to fixed assets, totalling £3.1m.

4 Trading Undertakings

Although the Council does not undertake any trading activities that fall within a category that should be separately identified in the Income and Expenditure account, the activities set out below are included in the Net Cost of Services. The surpluses and deficits shown below exclude impairment charges.

2007/08 Gross (Surplus)/ Deficit		2008/09 Turnover	Gross (Surplus)/ Deficit
£000		£000	£000
209	Assembly Hall Theatre	(2,923)	326
(48)	Crematorium & Cemetery	(1,189)	(63)
143	Sports Centres	(191)	711

From 1 October 2006, the Council's three sports centres have been managed under an external contract for a period of ten years.

5 Publicity

In 2008/09 the Council incurred expenditure of £494,000 on publicity as defined under Section 5(1) of the Local Government Act 1986, compared to £419,000 in 2007/08.

2007/08		2008/09
£000		£000
77	Recruitment advertising	82
305	Other advertising and publicity	369
37	Borough Magazine	43
419	Net Cost of Services	494

6 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 2008/09, between the chargeable and non-chargeable activities.

2007/08	Building Regulations	2008/09		
Chargeable £'000	Charging Account	Chargeable £'000	Non-Chargeable £'000	Total £'000
	Expenditure			
220	Employees	147	126	273
8	Severance Pay	0	82	82
8	Transport	4	4	8
25	Supplies & Services	25	4	29
201	Central and Support Services	139	114	253
9	FRS 17 Pension Costs	-2	-1	-3
471	**Total Expenditure**	**313**	**329**	**642**
	Income			
(423)	Building Regulation charges	(349)	-	(349)
(423)	**Total Income**	**(349)**	**-**	**(349)**
48	**(Surplus) / Deficit for Year**	**(36)**	**329**	**293**

The trading account made a surplus of £36,000 in 2008/09 compared to a deficit of £48,000 in 2007/08. Non-chargeable activities in 2008/09 cost £329,000. There is a requirement to break even over a three year rolling accumulated position: as at 31 March 2009 the three year position is a deficit of £22,000, compared with £72,000 at 31 March 2008.

7 Members' Allowances

The total amount of members' allowances paid in 2008/09 was £287,000, compared to £265,000 in 2007/08.

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

8 Officers' Remuneration

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. This is in accordance with the requirements of the Accounts and Audit Regulations 2003.

Salary Band	Number of employees 2007/08	Number of employees 2008/09
£50,000 - £59,999	8	8
£60,000 - £69,999	4	6
£70,000 - £79,999	2	2
£80,000 - £89,999	3	2
£90,000 - £99,999	-	1
£100,000-£109,999	-	-
£110,000 - £119,999	1	1
Total	18	20

9 Related Party Transactions

The Council is obliged to disclose material transactions with related parties, a term which includes central government and some partnerships, as well as any financial relationships with members and chief officers (other than payments of salaries, expenses, etc.). We disclose these transactions to indicate the extent to which the Council might have been constrained in its ability to bargain freely with such bodies or individuals.

The central government provides much of the Council's funding, and determines its statutory framework. Details of transactions with central government are shown in the Income and Expenditure Account, the Cash Flow Statement and Note 34 (Government Grants).

The Council makes contributions to the Kent County Council pension scheme, details of which are given in Note 12.

Members of the Council have direct control over the Council's financial and operating policies. None of the members or chief officers had any interests in any related party transactions during the year. The Register of Members' Interests is held at the Town Hall, Tunbridge Wells, and is open to public inspection.

10 Audit Costs

The Audit Commission conducts the annual audit of the Council's accounts. The Auditor's remuneration and expenses in 2008/09 was £276,000 compared to £206,000 in 2007/08. This was made up as follows:

2007/08 £000		**2008/09** £000
155	External Audit Services	161
1	Statutory Inspections	-
50	Grant Claims	37
-	Other	78
206	**Total**	**276**

11 Retirement Benefits

Participation in Pension Scheme

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. These retirement benefits will not actually be payable to employees until they retire, but the Council is incurring a liability for these future commitments, and it is this liability that needs to be disclosed at the time that employees are earning their future entitlement. Members of staff are eligible for inclusion in the Local Government Pension Scheme, which is a contributory scheme administered in this area by Kent County Council on behalf of all Kent Districts and the County Council. This is a funded scheme, meaning that the authority and employee pay contributions into a fund, calculated at a level to balance the pension liabilities with investment assets.

Change of Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in defined pension benefit schemes are now valued at bid price, rather than at mid-market value. The effect of this change is that the net deficit at 31 March 2008 has been restated from £22,450,000 to £22,650,000, an increase of £200,000. The net amounts charged to the Income and Expenditure Account and the General Fund Balance remain unchanged.

Transactions relating to retirement benefits

We recognise the costs of retirement benefits in the Net Cost of Services at the time that they are earned by employees, rather than when benefits are eventually paid as pensions. The charge that we are legally required to make against the Council Tax, however, is based on the cash payable for the year. The real cost of retirement benefits is therefore shown in the Income and Expenditure Account, but is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

2007/08		**2008/09**
£000		£000
	Income and Expenditure Account:	
	Net cost of Services:	
1,660	Current Service Cost	1,110
-	Past Service Cost	460
-	Settlements and Curtailments	232
	Net Operating Expenditure:	
4,190	Interest Cost	4,730
(3,530)	Expected Return on Assets	(3,260)
2,320	**Net Charge to Income and Expenditure Account**	**3,272**
	Statement of Movement on the General Fund Balance:	
(2,320)	Reversal of new charges made in Income and Expenditure account in accordance with FRS 17	(3,272)
	Actual amount charges to General Fund Balance for pensions in the year:	
2,530	Employer's contributions	(2,752)
2,530	**Net charge to General Fund Balance**	**(2,752)**

In addition to the recognised gains and losses included in the Income and Expenditure Account, a net actuarial loss of £6,380,000 was recognised in the Statement of Recognised Gains and Losses, compared to a gain of £5,120,000 in 2007/08 as restated. The cumulative net actuarial loss since 2004/05 recognised in the Statement of Total Recognised Gains and Losses is £12,978,000.

Assets and Liabilities in relation to retirement benefits

The following table reconciles the opening and closing assets and liabilities.

	2007/08				**2008/09**	
Liabilities	**Assets**	**Net**				
£000	£000	£000		£000	£000	£000
(77,900)	**50,150**	**(27,750)**	**Asset / Liability at 1 April**	**(69,040)**	**46,590**	**(22,450)**

						-
(1,660)	-	(1,660)	Current Service Cost	(1,110)	-	**(1,110)**
-	-	-	Past Service Cost	(460)	-	**(460)**
-	-	-	Settlements and Curtailments	(232)	-	**(232)**
(4,190)	-	(4,190)	Interest Cost	(4,730)	-	**(4,730)**
-	3,530	3,530	Expected Return on Assets	-	3,260	**3,260**
12,260	(7,170)	5,090	Actuarial gains and losses	5,940	(12,520)	**(6,580)**
-	2,530	2,530	Employer contributions	-	2,752	**2,752**
(540)	540	-	Contributions by scheme participants	(600)	600	**-**
2,990	(2,990)	-	Benefits paid	3,400	(3,400)	-
(69,040)	**46,590**	**(22,450)**	**Asset / Liability at 31 March**	**(66,832)**	**37,282**	**(29,550)**

Comments:

- The reduction in current service cost, and the actuarial gain on the pension liability were triggered by a lower discount rate, based on a reduced forecast of inflation.
- The Past Service Cost in 2008/09 reflects improvements in benefits for scheme members.
- The Settlements and Curtailments figure in 2008/09 reflects the costs of early retirements from redundancy (reflected also in added employer contributions).
- The actuarial loss on the share of pension fund assets reflects the general position on investments for the year.
- The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields in fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.
- The actual return on scheme assets in the year was a loss of £9,060,000 (£2,620,000 in 2007/08).

Scheme History

	2005/06	**2006/07**	**2007/08**	**2008/09**
	£000	£000	£000	£000
Present value of liabilities	(78,770)	(77,900)	(69,040)	(66,832)
Fair value of assets	47,090	50,150	46,590	37,282
Surplus / (Deficit) in the scheme	(31,680)	(27,750)	(22,450)	(29,550)

The Council has elected not to restate the fair value of assets for 2005/06 and 2006/07 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitment that the authority has in the long run to pay retirement benefits. The total net liability of £29,550,000 has a substantial impact on the net worth of the authority as shown in the Balance Sheet. However several points mitigate the effect of this deficit:

- The interest rate used for discounting the liabilities for future pensions is related to bond yields, and is specified as such for the purposes of this statement. However this is lower than the expected long-term returns from the actual investments that are managed by the Pension Fund and that the actuaries estimate when assessing employers’ contributions to the Pension Fund;
- The deficit on the funded element of the scheme will be made good by increased employer’s contributions over the remaining working life of the employees, as assessed by the scheme actuary;
- Provision is made within the Council’s budget for the annual payment of unfunded pension liabilities.

The total contributions expected to be made to the Local Government Pension Scheme in 2009/10 is £2,410,000.

Basis for estimating assets and liabilities

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 Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations have been:

2007/08		2008/09
£000		£000
	Long term expected rate of return on scheme assets:	
7.7%	Equity Investments	7.0%
5.7%	Bonds	5.4%
5.7%	Property	4.9%
4.8%	Cash	4.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.5	Men	21.5
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
22.6	Men	22.6
25.5	Women	25.5
3.6%	Rate of inflation	3.1%
5.1%	Rate of increase in salaries	4.6%
3.6%	Rate of increase in pensions	3.1%
6.9%	Rate for discounting scheme liabilities	6.9%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

The life expectancies quoted above are from records maintained by actuaries specifically for members of pension schemes, and include an allowance for expected future increases. They exceed life expectancies for the entire population.

The pension scheme's assets consist of the following categories, by proportion of the total assets held:

2008		2009
69%	Equities	66%
14%	Bonds	17%
11%	Property	9%
6%	Cash	8%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March for each year.

	2004/05	2005/06	2006/07	2007/08	2008/09
Differences between the expected and actual return on assets	3.90%	15.70%	-0.70%	-15.40%	-33.60%
Experience gains and losses on liabilities	-7.70%	-0.20%	5.90%	17.80%	8.90%

12 Leasing

The Council has no commitments under finance leases. Payments under operating leases for vehicles and equipment during the year amounted to £158,000 (£201,000 in 2007/08).

Under its current operating leases, the Council was committed at 31 March 2009 to making payments of £165,000, as shown below:

	£000
Leases expiring in 2008/09	101
Leases expiring between 2009/10 and 2013/14	64
Leases expiring after 2013/14	-
	165

The council also paid £177,000 in operating leases for property during 2008/09, and received £1,147,000 in lease rentals, including £890,000 from its freehold ownership of the Royal Victoria Place shopping centre.

13 Government Grants

The amount shown as "General Government Grants" in the Income and Expenditure Account is made up as follows:

2007/08 £000		**2008/09** £000
(977)	Revenue Support Grant	(846)
-	Area Based Grant	(22)
(320)	Local Authority Business Growth Incentive (LABGI)	(102)
-	Performance Reward Grant	(270)
(1,297)	**Total**	**(1,240)**

The Cash Flow Statement shows that the Council received £846,000 in Revenue Support Grant and £28,693,000 from the Department of Work and Pensions for benefit payments. Other grants in the Cash Flow Statement are made up as follows:

2007/08 £000		**2008/09** £000
(197)	Development Control	-
(55)	Concessionary bus fares	-
(224)	Community Safety	-
(1,050)	C Tax and benefits	(983)
(38)	LABGI	(384)
-	Disabled Facilities	(394)
-	Housing Renewal Grants	(376)
(252)	Other grants	(931)
(1,816)	**Total**	**(3,068)**

14 Financial Instruments: Risk Management

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

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions (see note 19 below) and from credit exposures to the authority's customers (see Note 20 below).

Liquidity risk

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

Market risk

Interest rate risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its investments. As the Council has no borrowings, reductions in interest rates would reduce the interest income credited to the Income and Expenditure Account, while increases in interest rates would increase the income. The Council is minimising its exposure to this risk, however, by reducing the budget for anticipated interest income on an annual basis. Any excess income is used for one-off projects, rather than to meet recurring revenue budgets.

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 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been to increase investment income by £377,000.

Price risk

The authority does not generally invest in equity shares, and is not therefore exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

15 Capital Investment and Financing

	2007/08	**2008/09**
	£000	£000
Intangible assets	43	356
Operational assets	1,746	3,036
Non-Operational assets	6,871	159
Revenue Expenditure Funded from Capital under Statute	913	725
Total capital investment	**9,573**	**4,276**
Financed by:		
Capital Receipts	4,841	363
Government Grants and other contributions	822	1,627
Revenue financing	3,910	2,286
Total financing	**9,573**	**4,276**

In addition to the amount of £4,276,000 shown above as capital investment, £1,012,000 was paid against the capital programme allocation, but was classified as Revenue Expenditure Financed from Capital under Statute and financed by grants and contributions. This amount is therefore counted as revenue expenditure and income in line with the Statement of Accounting Policies.

The table above shows that the Council financed the whole of its capital programme from internal resources, without recourse to borrowing. While the Council holds no loan debt, the table below shows that some long term debtors have technically been financed from borrowing. As these debtors reduce each year when repayment is received, this borrowing requirement will be reduced annually without further requirement for providing for debt repayment.

	31/3/08	**31/3/09**

	£000	£000
Fixed Assets	126,111	75,542
Government Grants Deferred	(3,500)	(4,879)
Capital Adjustment Account	(116,782)	(59,967)
Revaluation Reserve	(5,849)	(10,717)
Long Term Debtors	300	300
	280	**279**

The main items of capital expenditure (gross of grants and contributions) during 2008/09 were:

	£000
Cinderhill Gypsy Site	452
Southwood Road Play Area	351
Pembury Youth Area	50
Langton Green Play and Teenage Area	50
Replacement Football Pitch in Goudhurst	159
Glass recycling collection vehicle (part share with T&MBC)	61
Gateway, 8 Grosvenor Road	1,878
IT Strategy Phase III	61
IT Strategy 2006-2011	137
Financial Management System	151
Corporate Collaboration Software	75
Virtualisation of Servers	114
Community Investment Fund and Village Hall Grants	146

The Council has approved capital schemes totaling £6,676,000 for 2009/10, but no contracts had been signed or committed at 31 March 2009.

16 Movements in Fixed Assets

Summary - all capital investment

	Operational Assets	**Non-Operational Assets**	**Intangible Assets**	**Revenue Expenditure Capitalised under Statute**	**Total**
	£000	£000	£000		£000
Balance at 1 April 2008	116,148	9,737	224	-	**126,109**
Additions	3,036	159	356	725	**4,276**
Depreciation for the year	(2,602)	-	-	-	**(2,602)**
Write-down intangible assets			(82)		**(82)**
Write-down revenue expenditure capitalised under statute	-	-	-	(6,652)	**(6,652)**
Disposals	(21)	(391)	-	-	**(412)**
Impairments	(49,913)	(387)	-	-	**(50,300)**
Reclassifications	2,780	(9,088)	381	5,927	**-**
Revaluations	4,640	565	-	-	**5,205**
Balance at 31 March 2009	**74,068**	**595**	**879**	**-**	**75,542**

The table above summarises movements on the three main categories of fixed assets. More details are given in the tables below:

Operational Assets

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Total
	£000	£000	£000	£000	**£000**
Cost or Valuation					
Balance at 1 April 2008	111,229	4,917	8,489	3,155	**127,790**
Additions	2,052	627	-	357	**3,036**
Disposals	(42)	(715)	(6)	-	**(763)**
Impairments	(49,913)	-	-	-	**(49,913)**
Reclassifications	8,832	(382)	(7,729)	1,014	**1,735**
Revaluations	(4,940)	-	-		**(4,940)**
Balance at 31 March 2009	**67,218**	**4,447**	**754**	**4,526**	**76,945**
Depreciation					
Balance at 1 April 2008	(8,126)	(2,043)	(1,473)	-	**(11,642)**
Charge for the year	(1,929)	(641)	(32)	-	**(2,602)**
Disposals	21	715	6	-	**742**
Reclassifications	47	-	1,177	(179)	**1,045**
Revaluations	9,580	-	-	-	**9,580**
Balance at 31 March 2009	**(407)**	**(1,969)**	**(322)**	**(179)**	**(2,877)**
Net Balance Sheet at 1 April	103,103	2,874	7,016	3,155	116,148
Net Balance Sheet at 31 March	66,811	2,478	432	4,347	74,068

Non-Operational Assets

	Surplus Assets	Assets under Construction	Total
	£000	£000	**£000**
Cost or Valuation			
Balance at 1 April 2008	816	8,926	**9,742**
Additions	-	159	**159**
Disposals	(371)	(20)	**(391)**
Impairments	(387)	-	**(387)**
Reclassifications	(270)	(8,810)	**(9,080)**
Revaluations	552	-	**552**
Balance at 31 March 2009	**340**	**255**	**595**
Depreciation			
Balance at 1 April 2008	(5)	-	**(5)**
Charge for the year	-	-	**-**
Disposals	-	-	**-**
Reclassifications	(8)	-	**(8)**
Revaluations	13	-	**13**
Balance at 31 March 2009	**-**	**-**	**-**
Net Balance Sheet at 1 April	811	8,926	**9,737**
Net Balance Sheet at 31 March	340	255	**595**

The Council holds no fixed assets under finance leases.

17 Assets Held by the Council

The Council's fixed assets include:

31.3.2008		31.3.2009
5	Car Parks - Multi-storey	5
20	Car parks - surface	20
1	Depot	1
26	Houses	26
4	Offices	4
23	Public Conveniences	23
3	Sports Centres	3
33	Buildings occupied by others (includes shops and industrial units)	33

In addition the Council held one each of the following: theatre, cemetery, crematorium, museum, shopping centre. The total acreage of parks and gardens was 188 acres, both at the start and end of the financial year.

18 Asset valuations

While most categories of fixed assets are carried on the balance sheet on the basis of historic cost, operational land and buildings and assets awaiting disposal are subject to valuations at not more than five-year intervals. With one exception, all assets in these categories were revalued at 1 April 2008 by qualified valuers employed by NB Real Estate Ltd, and the same valuers also re-assessed the values of a selection of properties at 31 March 2009, in the light of capital investment during the year and movements in asset values. The valuers employed by these firms are members of the Royal Institute of Chartered Surveyors. Where there was no formal valuation as at 31 March 2009 a reduction has been assessed using the average amount by which the valued properties had dropped in value during the year. This process was also used for the Royal Victoria Place shopping centre, for which it was not possible to obtain sufficient trading information to commission a full valuation. This property was last valued in 2008 by DTZ Debenham Tie Leung. Apart from one property (Cinderhill Gypsy site) which was completed at the end of 2008/09 and which will be valued during 2009/10, all other properties were valued during 2008/09.

Properties regarded by the Authority as operational are valued on the basis of market value for existing use or, where this could not be assessed because there was no market for such an asset, the depreciated replacement cost.

19 Investments

The Council monitors its cash flow and, where possible, lends out its surplus cash, which arises mainly from the maintenance of reserves. Investments with a maturity date of over 364 days are shown as long term, and others as short term. At 31 March 2009 there was a single long term loan of £5m, maturing in 2011/12, which is classified as long term.

All of the Council’s investments fall within the category of “loans and receivables”, in that they have fixed or determinate payments and are not quoted in an active market. The investments at 31 March 2009 are classified as follows:

2007/08			2008/09	
Book Val.	Fair Val.		Book Val.	Fair Val.
£000	£000		£000	£000
-	-	Callable Deposits	3,159	3,402
-	-	Cash	2,200	2,200
32,287	32,269	Fixed Term Deposits	22,987	23,593
32,287	**32,269**	**Total**	**28,346**	**29,195**

The authority bears a credit risk relating to its investment holdings and its income from these investments. This risk is minimised through the annual Treasury Management Policy and Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as set out in the ratings services of Fitch IBCA. The Policy and Strategy also imposes a maximum sum to be invested with a financial institution located within each category, and a maximum term for which investments can be made.

The credit criteria in respect of financial assets held by the authority are as detailed below:

Financial asset category	Criteria	Maximum investment	Maximum Duration
Top Tier	Short Term: F1+ Long Term: AA Support: 2	£5m	5 years
Second Tier	Short Term:F1+ Long Term: AA- Support: 2	£5m	3 years
Third Tier	Short Term:F1 Long Term: A+ Support: 2	£5m	1 year
Fourth Tier	Short Term:F1 Long Term: A Support: 3	£3m	3 months (1 year prior to October 2008)

The Council has not specifically ruled out lending to foreign banks, but in practice some banks no longer meet the lending criteria, and at 31 March 2009 there was only a single short term loan of £3m, maturing in October 2009, to an Irish bank: all other loans are to British institutions.

There were no losses in either 2007/08 or 2008/09 due to either derecognition or impairment of its investments, and there was an overall gain of £2,168,000 arising from its investment activity during the year, compared to £2,263,000 in 2007/08.

Because of the deterioration of the economic climate during 2008/09, a number of the ratings for counterparties were reduced after loans had already been taken out. This meant that, at its peak, the Council had £21m of investments in financial institutions that breached the limits as set out above. All repayments scheduled for 2008/09 were in fact received, and the figure had reduced to £13m at the end of the financial year. The Council does not anticipate any losses from non-performance by any of its counterparties in relation to deposits and bonds.

20 Debtors and Prepayments

This table shows amounts that the Council was owed at 31 March by third parties, together with amounts paid by the Council in advance of the receipt of goods or services.

	31/3/2008	**31/3/2009**
	£000	£000
Government Departments including taxation	782	1,477
Housing Tenants	80	94
Business Ratepayers	2,206	1,866
Council Taxpayers	1,761	1,803
Accrued Interest	765	-
Sundry Debtors	1,870	2,338
	7,464	7,578
Less Provision for Bad Debts	(2,406)	(2,730)
	5,058	4,848
add Payments in Advance	283	223
Total Debtors and Payments in Advance	**5,341**	**5,071**

From 2008/09 accrued interest at the end of the year is included in the balance sheet as part of the balance of the investment, rather than being shown, as in previous years, as a debtor accrual.

The Council makes continued attempts to collect debt, taking action through collection agencies or legal processes where appropriate. It should be noted that £1.8m of the bad debt provision relates to the Collection Fund, most of which relates to income collected on behalf of the Government or of precepting authorities.

Normally the Council requires immediate payment of amounts due, but in a number of cases accounts are raised for various categories of charges, and these are classified and disclosed as a category of financial instruments. The table below categorises the age of this category of debt (trade receivables):

	£000
Less than 30 days	415
31 - 60 days	78
61 - 90 days	9
Over 90 days	121
Total Debt	**623**

The current financial system was implemented at the start of the 2008/09 financial year, and the Council does not have a full historic record of the collectability of debt. It has, however, made provision for £37,000 (6% of the total debt), as a prudent assessment of the possibility of non-collection.

21 Creditors

This table shows amounts that the Council owed at 31 March to third parties, together with amounts received by the Council in advance of the supply of goods or services. Grants and contributions held for future capital investment were previously shown in this category, but are now separated – see Note 22.

31/3/2008 £000		**31/3/2009** £000
(308)	Government Departments including taxation	(223)
(219)	Kent County Council - pension contributions	(254)
(284)	Capital Creditors	(275)
(2,465)	Revenue receipts in advance	(2,305)
(311)	Preceptors' element of Collection Fund balance	(682)
(2,812)	Sundry Creditors	(2,577)
(6,399)	**Total Creditors**	**(6,316)**
(2,015)	Add Grants and contributions in previous balance sheet	-
(8,414)	**Total per Balance Sheet**	**(6,316)**

22 Capital Grants and Contributions

Capital grants and contributions are often received before the related capital expenditure, and are then held in the Capital Grants and Contributions Unapplied account until they are required. Prior to 2008/09 this account was included as part of "Creditors" under "Current Liabilities", but it is now shown separately in the balance sheet. The movements in this account are as shown below.

	2007/08				**2008/09**	
Grants	**Contribs**	**Total**		**Grants**	**Contribs**	**Total**
£000	£000	£000		£000	£000	£000
-	(2,084)	(2,084)	Balance at 1 April	-	(2,015)	(2,015)
(660)	(93)	(753)	Income received in the year	(396)	(677)	(1,073)
660	162	822	Used for financing capital investment	396	1,230	1,626
-	**(2,015)**	**(2,015)**	**Balance at 31 March**	**-**	**(1,462)**	**(1,462)**

When the grants and contributions are used to finance capital, they are transferred to the Government Grants Deferred Account, and then written down to the Income and Expenditure Account in line with depreciation and disposals. This balance forms part of the Council's Capital Financing Requirement (note 15 above) and is not available for further expenditure. The movements in this account are shown below.

31/3/2008		31/3/2009
£000		£000
(5,147)	Balance as at 1 April	(3,500)
(822)	Grants applied to capital investment	(1,626)
2,469	Amounts written down to service revenue accounts	247
(3,500)	**Balance at 31 March**	**(4,879)**

23 Provisions

As described in the Statement of Accounting Policies, provisions represent amounts set aside for liabilities that have definitely been incurred, but where the exact amount and date of payment is uncertain.

	Balance 1 April	New in year	Used in Year	Returned to Revenue	Balance 31 March
	£000	£000	£000	£000	£000
Tunbridge Wells High School	198	-	-	-	198
Assembly Hall Back Pay	5	-	(5)	-	-
Total	**203**	**-**	**(5)**	**-**	**198**

The provision related to the High School is for a contribution to new facilities at the school, but there are some conditions to be fulfilled before it can be paid over.

24 Summary of Movement in Reserves and Balances

This note analyses the movement in each reserve, and the total gains and losses shown below equals the total shown in the Statement of Recognised Gains and Losses. The movements on individual reserves are shown in more detail elsewhere, as specified below.

	Balance 1 April	Gains / (Losses)	Transfers between Reserves	Balance 31 March	Further Details
	£000	£000	£000	£000	
Capital Adjustment Account	116,782	-	(56,815)	59,967	Note 25
Revaluation Reserve	5,849	5,205	(337)	10,717	Note 26
Pensions Reserve	(22,450)	(6,580)	(520)	(29,550)	Note 11
Usable Capital Receipts Reserve	2,478	-	14	2,492	Note 27
Earmarked Reserves	8,537	-	(2,137)	6,400	Note 28
Share of Collection Fund	43	52	(1)	94	Note 28
General Fund	18,400	(61,242)	59,796	16,954	Statement of Movement
Total	**129,639**	**(62,565)**	**-**	**67,074**	

25 Capital Adjustment Account

This account is maintained to contain the balance of the Capital Financing Requirement (note 15) that is not related to Fixed Assets (note 16), the Government Grants Deferred Account (note 22) or the Revaluation Reserve (note 26). As shown below, the account is credited with the sums used for financing from Usable Capital Receipts and from Revenue, and with the annual write down of Government Grants Deferred, and debited with the annual amounts reversing the charges within the Statement of Movement in the General Fund balance for Depreciation, *Deferred Charges*, and the write-down of Intangible Assets (note 16). As this account forms part of the Capital Financing Requirement, it is not available for spending.

	2007/08	2008/09
	£000	£000
Financing of Capital Expenditure:		
Revenue financing	3,910	2,286
Capital receipts	4,841	363
	8,751	2,649
Reversal of depreciation	(4,272)	(2,602)
Depreciation on revalued assets	-	11
Reversal of impairments	(3,992)	(50,300)
Disposal of fixed assets	(1,619)	(87)
Write down Long Term Debtors	-	-
Reversal of write-down of Intangible Assets	(22)	(82)
Adjust Revenue Expenditure from Capital under Statute	(913)	(6,652)
Reversal of write-down of Grants Deferred	2,469	247
Net movement for the year	402	(56,816)
Add balance at 1 April	116,380	116,782
Balance at 31 March	**116,782**	**59,966**

26 Revaluation Reserve

The Revaluation Reserve was instituted at 1 April 2007, and represents gains recorded on individual assets since that date as a result of the annual revaluation exercise. The annual movements in this reserve are:

- Upward revaluations, or downward revaluations for assets that already have a balance in the Revaluation Reserve.
- An annual adjustment between this reserve and the Capital Adjustment Account, for depreciation on assets which already have a balance in the Revaluation Reserve.
- The removal of balances for assets which have been sold.

	2007/08	2008/09
	£000	£000
Revaluations for the year	7,886	5,205
Reduction for depreciation of revalued assets	-	(11)
Disposals of fixed assets	(2,037)	(326)
Net movement for the year	5,849	4,868
Add balance at 1 April	-	5,849
Balance at 31 March	**5,849**	**10,717**

27 Usable Capital Receipts

Receipts from the sale of fixed assets can only be used to finance new capital investment. They are initially credited to this reserve, and then transferred to the Capital Adjustment Account (note 25) when they are used for financing.

	2007/08	2008/09
	£000	£000
Capital Receipts from sale of fixed assets	3,837	377
Amounts applied to finance new capital investment	(4,841)	(363)
Net movement for the year	(1,004)	14
Add balance at 1 April	3,482	2,478
Balance at 31 March	**2,478**	**2,492**

28 Earmarked Reserves and Collection Fund Balance

Earmarked reserves are amounts set aside by the Council from its General Fund balance to meet identified future liabilities. The purposes of the main reserves are set out below.

	Balance 1 April	Receipts	Payments	Balance 31 March
	£000	£000	£000	£000
Capital and Revenue Initiatives	6,370	-	(2,371)	3,999
Planned Maintenance	235	-	(29)	206
Dunorlan Park	65	-	-	65
Torrington Car Park	249	-	-	249
On-Street Parking	48	44	(75)	17
Local Development Framework	172	-	(156)	16
General Reserve	205	350	(184)	371
LABGI	606	101	(418)	289
Section 106 contribution interest	226	-	(66)	160
Maintenance of graves	31	-	-	31
Maintenance of Garden of Remembrance	28	-	(5)	23
Strategic Plan	212	1,638	(1,181)	669
Second Homes	90	-	(55)	35
Performance Reward	-	270	-	270
Total	**8,537**	**2,403**	**(4,540)**	**6,400**

Notes:

- Capital & Revenue Initiatives Reserve – the reserve is used to support future capital and revenue schemes in accordance with the Council's Corporate and Financial Plan.
- Planned Maintenance – to provide for deferred expenditure on revenue planned maintenance.
- Dunorlan Park – a reserve from an insurance claim to be used for improvements to the park.
- Torrington Car Park – a reserve to refurbish the car park.
- On Street Parking Reserve – the ringfenced parking surplus that is used to fund highways and transport schemes in the borough.
- Local Development Framework – a reserve for costs associated with the Local Development Framework due to a rephasing of timeframes and costs.
- General Reserve – this is used to finance particular revenue projects which are accommodated within the revenue budget and are committed by the end of the financial year, but where the expenditure is delayed until the following year.
- LABGI – a reserve for Local Authority Business Growth Incentive Scheme government grant which is used for economic development projects.
- Section 106 Contributions – these are developers' contributions to be used to finance capital projects: normally they would have to be repaid with interest if they cannot be used for the specified purpose within a given time. Sufficient money is retained within this reserve to pay interest on unapplied contributions. This reserve was previously classified as a provision, but has been moved following a review of accounting principles.
- Maintenance of graves and garden of remembrance – where money is donated for these purposes it is retained in these reserves until it can be spent. These reserves were previously classified as provisions, but have been moved following a review of accounting principles.
- Strategic Plan reserve – 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.
- Second Homes – additional money receivable from Council Tax on second homes and payable as part of the precept to Kent County Council is then distributed to district councils and used to fund particular projects.

- Performance Reward – money received as a result of reaching targets under the Local Area Agreement has been set aside to fund individual projects, 50% of which is reserved for capital schemes.

The Collection Fund balance, which is shown separately on the Balance sheet, represents the proportion of the Collection Fund balance that is due to or from the Council. Amounts to or from the County Council, Police Authority and the Fire and Rescue service are shown as debtors or creditors.

29 Reconciliation of Cash Flow Statement to Income and Expenditure Account

	£000	£000
Income and Expenditure Account Deficit / (Surplus)		61,242
Movements on Collection Fund in Revenue Activities		(1,541)
Transfer capital expenditure incorrectly in fixed assets		(5,927)
Interest-related transactions		2,356
Non-cash transactions:		
Depreciation of fixed assets	(2,640)	
Write-down of intangible assets	(44)	
Impairment of fixed assets	(50,300)	
Write-down of government grants deferred	247	
(Gain) / loss on sale of fixed assets	(36)	
Movement in pensions liability	(520)	
		(53,293)
Changes in revenue accruals:		
Long-term debtors	63	
Interest included in Investment balances	1,147	
Stocks and works in progress	(8)	
Debtors	214	
Creditors	1,077	
Deferred credits	17	
Provisions	5	
		2,515
Net Revenue Activities in Cashflow statement		**5,352**

30 Movement in Cash Balances

	1 April	**31 March**	**Movement**
	£000	£000	£000
Cash Overdrawn	-	(84)	(84)
Cash in hand and at bank	578	56	(522)
Cash Movement per cashflow statement	**578**	**(28)**	**(606)**

31 Movement in Net Debt

	1 April	**31 March**	**Movement**
	£000	£000	£000
Short term investments	31,700	23,145	(8,555)
Adjust for interest included in carrying values		(945)	(945)
Short term borrowing	-	-	-
Movement in management of liquid resources	**31,700**	**22,200**	**(9,500)**

All of the Council's investments, both at the start and end of the year, come into the category of "loans and receivables".

32 Contingent Assets and Liabilities

In June 2009 the Department of Work and Pensions issued a notice informing the Council of a penalty charge of £220,000 relating to an assessed over-recovery of Housing Benefit Subsidy for 2006/07. The Council is disputing the amount and the circumstances of this notice, and has therefore not adjusted the 2008/09 accounts.

The "Long Term Debtors" total on the balance sheet includes a total of £44,000 for equity share loans to members of staff, taken out in the 1990s, under which the Council foregoes interest on the loan in return, but, when the individuals leave the Council's service, it is due to receive the same proportion of the share of the house as represented by its initial loan. Because the amounts are immaterial the Council has not made any adjustments to the accounting statements to deal with the loss of interest, and the potential gain cannot be taken into account until it occurs.

33 Material Events after the Balance Sheet Date

There have been no material events falling after the balance sheet date that would affect a reader's understanding of the accounts for 2008/09.

34 Related Company

The Tunbridge Wells Regeneration Company Ltd was created on 23 September 2008, with the aims of:

- Delivering regeneration and development projects in the Tunbridge Wells area with a view to securing the economic, social and environmental well being of the area;
- Increasing the land value in the Tunbridge Wells area,
- Establish a long term capital programme;
- Review the masterplan and submit proposals to the Council.

50% of the voting rights are held by the Council. The company did not trade during 2008/09.

The Collection Fund

Income and Expenditure Account

2007/08 £000		Note	2008/09 £000	£000
	Income			
53,027	Income from Council Tax	**3**	55,712	
4,990	Transfers from General Fund: Council Tax Benefits		5,298	
44,385	Income from Business Rates	**2**	43,501	
102,402				104,511
	Expenditure			
	Precepts:			
42,283	Kent County Council		44,342	
5,358	Kent Police Authority		5,676	
2,704	Kent Fire and Rescue Service		2,824	
6,925	Tunbridge Wells Borough Council		7,348	
	Business Rates:			
44,203	Payments to national pool		43,319	
182	Costs of Collection		182	
	Bad and Doubtful Debts:			
364	Write Offs		189	
(173)	Provisions		(38)	
201	Adjustments of previous year's surplus	**4**	245	
102,047				104,088
(355)	**(Increase) / Reduction in fund balance**			**(423)**
1	Balance on fund at 1 April			(354)
(354)				(777)

Notes to the Collection Fund

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 Rate 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 2009 was £104.471m. The national non-domestic multiplier for the year was 46.2p.

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 Number of Taxable Properties after effects of Discounts	Ratio	Band D Equivalent Dwellings
A	2,556.70	6/9	1,704.47
B	4,016.50	7/9	3,123.67
C	11,400.70	8/9	10,133.96
D	8,392.25	9/9	8,392.25
E	5,818.05	11/9	7,110.95
F	4,138.75	12/9	5,978.19
G	4,482.70	15/9	7,471.17
H	397.60	18/9	795.20
TOTAL BAND D EQUIVALENTS			44,709.86
COLLECTION RATE			0.990
TAX BASE			**44,262.76**

4 Previous Year's Council Tax and Community Charge

The estimated balance at 31 March 2008 in respect of Council Tax transactions was a surplus of £351,000, compared to £354,000 for the previous year. This was shared between Kent County Council, Kent Police Authority, Kent Fire & Rescue Service and the Borough Council in proportion to their precepts on the Collection Fund in 2008/09. Any surplus or deficit estimated as at 31 March 2009 is taken into account by the respective Councils in calculating their Council Tax for 2009/10.

	31st March 2007 Surplus / (Deficit) £'000	**31st March 2008 Surplus / (Deficit) £'000**
Kent County Council	148	180
Kent Police Authority	19	23
Kent and Medway Fire and Rescue Authority	10	12
Tunbridge Wells Borough Council	24	30
	201	**245**