



Tunbridge Wells Borough Council

# **Annual Financial Report for 2021/22**

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# Narrative Report

## 1. About Tunbridge Wells

The borough of Tunbridge Wells is set in the High Weald of Kent, around 70% of which is designated as an area of outstanding natural beauty. Of the estimated 118,940 residents, around 55% live in the town of Royal Tunbridge Wells with 45% living in the larger towns of Cranbrook, Paddock Wood and Southborough and the surrounding towns and villages. The borough is bordered by the districts and boroughs of Sevenoaks, Maidstone and Tonbridge and Malling to the north, Ashford to the east, and to the south it borders Wealden and Rother in East Sussex.

## 2. About the Council

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

	May 2021	May 2022
Conservative	24	13
Liberal Democrat	13	16
Labour	5	7
Tunbridge Wells Alliance	5	9
Independent	1	3

Tunbridge Wells Borough Council operates under executive arrangements, also known as the 'Leader and Cabinet' model. The Full Council elects the Leader and the Leader appoints their Cabinet from amongst the members of the Council.

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

## 3. The Statement of Accounts

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. There have been no material changes to the presentation of the Accounts for 2021/22.

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

## **The Annual Governance Statement**

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

## **The Statement of Responsibilities**

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

## **The Independent Auditor's Report**

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

## **The Core Financial Statements**

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

- The Comprehensive Income and Expenditure Statement – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
- The Movement in Reserves Statement – this shows the movement from the start of the year to the end, on the different reserves held by the Council, analysed into 'Usable Reserves' (those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. It shows how the movements in year of the Council's reserves are broken down between gains and losses incurred, in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following adjustments.
- The Balance Sheet – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first grouping is of usable reserves, those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of

reserves and any statutory limitations on their use (such as the Capital Receipts Reserve being restricted to fund capital expenditure or to repay debt). The second grouping of reserves is those that the Council is not able to use to provide services. This group includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

## **The Collection Fund Statement**

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

## **4. Service Performance**

The Council uses a range of indicators to measure the performance of its strategic objectives (Corporate Priorities), and the day to day running of services (Council Business). Corporate Priority Project performance is assessed through a broad set of criteria including whether the project is still on time, on budget, delivered to the appropriate quality levels and whether there is appropriate resource available to deliver it. These criteria are measured on a monthly basis using a "traffic light" system, and those that are on target are given a green status.

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

The authority also continues to collect information for the Government's Single Data List, and monitors a range of indicators with no targets, that provide a picture of the state of the borough, such as the number of crimes per 1,000 population and unemployment levels.

## 4.1 Corporate Priorities

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

At the start of 2021/22 the Council had four remaining projects to complete, measured as five to take account of the separate projects for the community hubs. The Amelia Scott cultural and learning hub was completed in the first month of 2022/23.

The remaining projects in the Five-Year Plan are listed below along with their 'Red/Amber/Green' project statuses as reported to Cabinet:

Priority Projects	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Provide a new Cultural and Learning Hub in Royal Tunbridge Wells (The Amelia Scott)	Amber	Amber	Amber	Amber
Create a new Local Plan for the borough	Green	Green	Green	Green
Create new sports facilities across the borough	Green	Green	Green	Green
Support the development of community centres in the borough:				
- Cranbrook	Amber	Amber	Amber	Amber
- Paddock Wood	Amber	Amber	Amber	Amber

The Amelia Scott was very close to completion on 31 March 2022, but eventually opened on the 28 April. As with all large building projects at present, there have been labour and materials risks and until it was fully complete the project was reflected at Amber.

The Cranbrook community centre has seen little progress recently, as the business case is being updated and funding is being sought and secured.

The Paddock Wood community centre is being built, thus far to time and budget. The Amber rating is to reflect that some of the funding is related to S106 developer income and is therefore dependent upon developers building and selling their new properties.



## 4.2 Council Business

The performance indicators for Council business are refreshed periodically to ensure they remain up-to-date and relevant for the authority.

The Covid-19 pandemic has continued to have an impact on the consistent collection of data for some performance measures across 2021/22, with some services being impacted by lockdown measures, social distancing requirements and staffing changes. This has resulted in either 'nil' returns in some quarters, or lower than expected performance levels.

The Council now reports on 23 performance indicators that have quarterly target measures. Where the performance indicators are directly comparable with previous years, performance has been better than the previous year, but still lower than the average since 2015.

The percentage of performance indicators on target are as follows:

Year	On Target
2016/17	86%
2017/18	91%
2018/19	86%
2019/20	73%
2020/21	57%
2021/22	69%

The continuing reduction in performance levels is mainly due to continued pressure on temporary housing requirements, difficulties in processing planning applications within statutory timescales - those without extension of time agreements - as it continues to be extremely difficult to fill vacant Planning posts and working from home has impacted on the productivity of this team. It should be noted that all Government Planning indicators have been achieved, but this Council has set ambitious targets over and above those monitored nationally. Lastly, working days lost due to sickness was above target during the middle quarters of the year when covid infection levels were high but social distancing restrictions had been lifted.

## 4.3 Performance Conclusion

In 2021/22 the Council has still been recovering from the effects of the Covid-19 pandemic and this has impacted negatively on some areas of performance, but there has been a clear improvement since 2020/21. The environment continues to pose challenges, and similar to organisations nationwide, the Council has experienced recruitment difficulties in key services, but has continued to deliver its major projects and the requirements of central government.



## 5. Financial Performance

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

	Approved Budget	Actual	Variance
	£000	£000	£000
Chief Executive	183	177	(6)
<b>Total Chief Executive</b>	<b>183</b>	<b>177</b>	<b>(6)</b>
Director Finance, Policy and Development	151	145	(6)
Finance, Procurement & Parking	(109)	(167)	(58)
Mid Kent Client Services	1,975	2,092	117
Economic Development	253	(62)	(315)
Planning	1,265	1,326	61
Policy & Governance	1,331	1,255	(76)
<b>Total Finance, Policy and Development</b>	<b>4,866</b>	<b>4,589</b>	<b>(277)</b>
Director of Change & Communities	134	133	(1)
Human Resources, Customer Service and Culture	1,949	1,645	(304)
Housing, Health and Environment	5,328	5,580	252
Facilities and Community Hubs	1,394	1,271	(123)
Digital Services and Communications	828	735	(93)
<b>Total Change &amp; Communities</b>	<b>9,633</b>	<b>9,364</b>	<b>(269)</b>
<b>Total Cost of Services</b>	<b>14,682</b>	<b>14,130</b>	<b>(552)</b>
Parish Council Precepts	2,779	2,779	0
Interest and Investment Income	(464)	(596)	(132)
Capital Expenditure from Revenue	333	333	0
Minimum Revenue Provision	290	1,442	1,152
Transfer to (from) Earmarked Reserves	(1,857)	(6,383)	(4,526)
<b>Net Expenditure</b>	<b>15,763</b>	<b>11,705</b>	<b>(4,058)</b>
Government and General Grants	(2,110)	(4,280)	(2,170)
Business Rates from Collection Fund	(2,375)	3,818	6,193

Council Tax from Collection Fund	(11,278)	(11,278)	0
<b>Balance Transferred (to) from General Fund</b>	<b>0</b>	<b>(35)</b>	<b>(35)</b>

The Directorate Cost of Services actual outturn shows an underspend to the budget of £552,000.

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

- Income from garden waste collections was £764,000 below budget and £446,000 below the outturn for last year. In July 2021 the decision was taken to suspend garden waste collections due to the national shortage of HGV drivers. This meant the contractor could free up available staff to ensure that food waste, recycling, refuse and clinical waste collections continued. Garden waste collections resumed in March 2022.
- The Assembly Hall theatre was required to close for some of the year due to the pandemic restrictions. Income was £664,000 below budget but £1,236,000 above the outturn for last year, when it was only able to open for a short period. As costs have been lower the subsidy to the theatre was only £24,000 above budget.
- Crematorium income was £264,000 below budget and £173,000 below the outturn for last year. It is believed that increased competition from the new Crematorium in Wealden is reducing demand in Tunbridge Wells.
- A number of areas did show an improvement against budget to mitigate the income losses described above. Income from the Ice Rink was £170,000 above budget, with the highest ticket sales in its history. Planning income was £139,000 above budget and £178,000 above the outturn for last year. Also additional income of £146,000 was received from the sports centres management fee, which was reinstated from October 2021.

Those affecting costs are:

- Savings of £897,000 on staff costs mainly due to vacant posts during the year.
- Costs for running the Assembly Hall Theatre were under budget by £640,000 which was mainly due to a reduction in the fees usually paid to promoters. These fees are driven by income and as explained above, the theatre was closed for part of the year due to the pandemic. Cost savings were made to mitigate most of the loss to budget from income.
- Contract payments were under budget by £392,000 which includes £227,000 from an underspend in contract costs for waste collection and street sweeping, due to the indexation being lower than budgeted, and £165,000 which had been due to be paid as financial support for the sports centres, but was not eventually deemed necessary.

Net interest was £132,000 above budget of which £125,000 was for investment interest. The Council's investment in a property development fund generated net dividends of 4.42%, helping achieve an average overall interest rate of 0.82%. The remaining £7,000 over budget was from an increase in income from the Council's investment property of £5,000, plus small improvements to budget in other interest of £2,000.

The Council is required to make an annual contribution from revenue to finance purchases that have yet to be financed from reserves. This is termed as the Minimum Revenue Provision (MRP). The Council has overpaid its contribution for 2021/22 by £1,152,000 to reduce this outstanding debt.

Net transfers from earmarked reserves of £6,383,000 (excluding the General Fund transfer of £35,000) were made during the year. This included £8,422,000 transferred from the Grant Volatility reserve. In 2020/21 the Government expanded business rates retail relief by increasing it to 100% and extending it to the leisure and hospitality sectors. The discount also applied for the first three months of 2021/22 and was at 66% for the rest of the year. The discount reduces the amount billed and therefore the amount received by the Council that year. The Council is compensated for the relief through Section 31 business rates grants, but these sit outside of the Collection Fund account. Therefore £15,398,000 from these grants was transferred into the Grant Volatility Reserve in 2020/21, to fund the Collection Fund deficit in future years. Of this £12,731,000 has been withdrawn to fund the deficit in 2021/22, but £4,309,000 from 2021/22 grants has been transferred into the reserve to fund next year's deficit. A net £2,039,000 was transferred into earmarked reserves to fund revenue and capital investments in the future.

Government and general grants show a surplus to budget of £2,170,000, which is £1,947,000 from government and £223,000 from Kent County Council. This is made up of £737,000 from the sales, fees and charges scheme, which compensated Councils for income losses during April to June 2021, a grant of £486,000 to support additional costs arising from the pandemic, £430,000 towards the cost of new burdens that have been placed upon authorities in supporting the pandemic response, £375,000 to support the costs of the Council Tax Reduction Scheme and a £142,000 increase in regular grants over and above that which had been included in the budget.

Business rates from the Collection Fund show an underachievement of £6,193,000, which is due to a transfer of £8,422,000 into the Collection Fund to reduce the deficit it holds. This transfer is made up of £12,731,000 into the fund, for the 2020/21 deficit, less a transfer of £4,309,000 needed from the fund for 2021/22. The deficit for 2021/22 is because Government expanded business rates retail relief for the year at 100% for the first three months and at 66% for the rest of the year. The remaining surplus to budget is due to business rates growth since the inception of the business rates retention scheme but the Council is prudent and does not rely on this when setting the budget.

The coronavirus pandemic clearly had a major impact and posed a huge financial challenge to the Council. The Council, however, remains in a strong position to meet this financial challenge and has managed its finances extremely carefully to close the year with a small balance of £35,000 being transferred to the general fund. The challenges of the pandemic continue and, along with the continuing conflict in Ukraine and the cost-of-living crisis, financial concerns are set to remain for the years ahead.

## **6. Capital Expenditure**

The Council's Capital Programme was approved at the Cabinet meeting of 11 March 2021. A gross budget of £12,103,000 was approved which, in net terms, after allowing for specific

funding, meant the amount to be met from the sale of assets or from the Capital and Revenue Initiative Reserve was £3,145,000. The table below shows how this changed during the year from additional approvals, deletions and reductions, and from spend being rescheduled to and from the next financial year.

	<b>Gross Expenditure</b>	<b>Income and Funding</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Original Approved Gross Capital Programme	12,103	(8,958)	3,145
Approvals Added or Increased	7,650	(4,521)	3,129
Approvals Deleted or Reduced	(204)	138	(66)
Deferred to 2022/23	(9,814)	5,077	(4,737)
Brought Forward from 2022/23	200	0	200
<b>Actual Expenditure 2021/22</b>	<b>9,935</b>	<b>(8,264)</b>	<b>1,671</b>

The largest schemes in 2021/22 were The Amelia Scott (£7,159,000), Disabled Facilities Grants (£965,000), the Town Hall Roof (£520,000), and the Crescent Road Properties (£278,000).

Approvals added or increased include projects that were rescheduled from 2020/21 to 2021/22 (£4,221,000), and variations to existing schemes within the year, including The Amelia Scott (£1,262,000) and Affordable Housing Grants (£909,000).

Projects deferred to 2022/23 include a number of projects that were started in 2021/22 but will continue next year. These include The Amelia Scott (£1,426,000), Disabled Facility Grants (£235,000) and the IT Strategy (£161,000).

The Council used a total of £1,133,000 from the sale of assets, as part of a continuing programme to review its asset base and to obtain the best price in the market when sale is appropriate. A £1.4 million grant from the 'Getting Building Fund' was also received for The Amelia Scott, via Kent County Council, SELEP Ltd and HM Government.

## 7. Treasury Management and Pensions

### 7.1 Investments

As at 31 March 2022 the Council had £55.7 million of investments and cash balances, which is broken down into a long term investment of £9 million, which is an investment with a property investment fund, £10 million in a short term notice account and £36.7 million of bank account balances.

The Council achieved an investment return of 0.82% during the year which equated to investment income of £487,000.

## 7.2 Borrowing

The Council holds no external borrowing. With reserves largely committed it may be necessary to enter into external borrowing in order to fund new capital schemes in the future.

## 7.3 Cash Flow Summary

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

2020/21		2021/22
£000		£000
(104,879)	Cash Inflows (Income)	(91,613)
88,015	Cash Outflows (Expenditure)	82,160
<b>(16,864)</b>	<b>Net Cashflows from Operating Activities</b>	<b>(9,453)</b>
<b>(20,114)</b>	<b>Net Cashflows from Investing Activities</b>	<b>592</b>
<b>17,829</b>	<b>Net Cashflows from Financing Activities</b>	<b>(12,028)</b>
<b>(19,149)</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>(20,889)</b>

## 7.4 Pensions

The Council is a member of the Local Government Pension Scheme which is administered on behalf of the Council by Kent County Council. The net liability as at 31 March 2022 was £61.571 million, a decrease of £4.109 million from the previous year.

The change in the pension fund deficit over the year is dependent on asset returns, corporate bond yields and market expectations of inflation which when taken together has resulted in a decrease in the pension fund deficit compared to the previous year. The deficit is measured in line with accounting standards, which, for example, measure the value of the assets held by the Pension Fund according to their market value at 31 March 2022, rather than assessing the likely income over the period in which the benefits will be paid.

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

## 8. The Balance Sheet

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

31 March 2021		31 March 2022
£000		£000
124,286	Property, Plant and Equipment	131,658
3,654	Heritage Assets	3,763
710	Investment Property	710
14,148	Other Long-Term Assets	14,248
25,984	Cash and Cash Equivalents	46,873
11,645	Money Owed to the Council	8,703
(26,467)	Money Owed by the Council	(39,477)
(68,752)	Long Term Liabilities	(67,085)
<b>85,208</b>	<b>Net Assets</b>	<b>99,393</b>
39,466	Usable Reserves	32,493
45,742	Unusable Reserves	66,900
<b>85,208</b>	<b>Total Reserves</b>	<b>99,393</b>

## 9. Future Plans

### 9.1 Revenue Budget for 2022/23

The table below summarises budgeted net expenditure on services for 2022/23 compared to 2021/22 and shows how this is funded from government grants and council tax.

This shows that there is a net amount of £944,000 being used from reserves to fund the revenue budget in 2022/23. This comprises a withdrawal of £2,066,000 from reserves which is to be used to temporarily balance the budget, less a transfer of £1,122,000 back into the reserves. The £1,122,000 consists of £1,097,000 to the grant volatility reserve in preparation for the reduction in the New Homes Bonus grant received from Government going forward, and £25,000 to the insurance reserve to cover policy excess increases.

	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	<b>Budget Change</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	182	183	1
Finance, Policy and Development	5,510	4,662	(848)
Change and Communities	9,074	10,105	1,031
<b>Net Expenditure on Services</b>	<b>14,766</b>	<b>14,950</b>	<b>184</b>
Net Interest Receivable	(450)	(555)	(105)
Capital Charges	290	325	35
<b>Net Expenditure by Council</b>	<b>14,606</b>	<b>14,720</b>	<b>114</b>
General Grants and Non-Domestic Rates	(4,171)	(4,626)	(455)
Council Tax	(8,500)	(9,150)	(650)
<b>Income from Grants and Council Tax</b>	<b>(12,671)</b>	<b>(13,776)</b>	<b>(1,105)</b>
<b>Net contribution to/(withdrawal from) reserves</b>	<b>(1,935)</b>	<b>(944)</b>	<b>991</b>

It should be noted that the services expenditure figures above are shown purely on a funding basis and therefore exclude adjustments between accounting and funding bases, as set out in Note 9 to the Statement of Accounts.

The table below shows the main variances in planned services expenditure from 2021/22 to 2022/23.

<b>Reason for Major Variances</b>	
Increase in Sales, Fees and Charges	(1,086)
Additional Premises Costs	102
Other small increases/decreases in income and expenditure	181
The Amelia Scott Opening	292
Additional Contracts Costs	315
Employee Costs	380
Increase in Interest Receivable	(105)
Increase in Minimum Revenue Provision	35
<b>Difference in Net Expenditure</b>	<b>114</b>



Increase in Government Grants	(455)
Council Tax Increase	(650)
<b>Difference in Income From Grants and Council Tax</b>	<b>(1,105)</b>
<b>Difference in Net Withdrawal from/(contribution to) Earmarked Reserves</b>	<b>991</b>

Beyond 2022/23 the Council intends to return to its commitment to balance the revenue budget without the use of reserves. Its projections assume that the increase in the basic amount of Council Tax will be £5.00 for a Band D Property in 2023/24 and that fees and charges will rise again by an average of 3% each year.

## 9.2 Capital Programme 2022/23 to 2024/25

At their meeting of 10 February 2022 Cabinet approved a new capital programme covering the years 2022/23 to 2024/25. This was subsequently amended by deferrals from and to 2021/22 and by some additions and deletions to be approved at the meeting of 23 June 2022. The adjusted capital programme is summarised below:

	<b>Reserves</b>	<b>Borrowing</b>	<b>Govt. Grants</b>	<b>Other Grants &amp; Contribs.</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2022/23</b>					
Town Hall Conversion	5,000	0	0	0	5,000
Disabled Facilities Grants	0	0	2,438	0	2,438
The Amelia Scott	1,366	0	0	718	2,084
Weald Leisure Centre Decarbonisation	240	0	1,177	0	1,417
Acquisition of Sites Sports Strategy	298	0	0	785	1,083
Affordable Housing Grant	0	0	0	956	956
Great Hall Car Park	0	850	0	0	850
RVP Car Park Refurbishment	830	0	0	0	830
Benhall Mill Depot	772	0	0	0	772
Other schemes	2,545	401	242	364	3,552
<b>Total</b>	<b>11,051</b>	<b>1,251</b>	<b>3,857</b>	<b>2,823</b>	<b>18,982</b>

<b>2023/24 to 2024/25</b>					
Disabled Facilities Grants	0	0	1,648	0	1,648
Other schemes	60	0	0	0	60
<b>Total</b>	<b>60</b>	<b>0</b>	<b>1,648</b>	<b>0</b>	<b>1,708</b>
<b>Total Programme</b>	<b>11,111</b>	<b>1,251</b>	<b>5,505</b>	<b>2,823</b>	<b>20,690</b>

## 10. Economic Climate

The pandemic caused by Covid-19 continued to have an unprecedented impact on the local economy and the council's financial and staffing resources. This was further exacerbated with the identification of the Omicron variant which led to the reintroduction of economic restrictions and health concerns in the run up to Christmas.

The government scheme to help partly compensate councils for the loss of income from sales, fees and charges ended in June 2021. Aside from the impact of the coronavirus, 2021/22 proved to be yet another challenging year as the Council was required to manage with zero revenue support grant. This represents a loss of £4.6 million since 2010. The Council is still relatively financially secure in comparison with other councils and was able to fund the loss of income due to the pandemic through a combination of effective financial and treasury management along with government support rather than the planned temporary use of reserves.

The budget strategy for 2022/23 of continuing to support the community and businesses as they recover from the pandemic rather than seek to make cuts to services was further vindicated with the arrival of the Omicron variant and the surprise ad-hoc funding in the Local Government Finance Settlement. The Secretary of State has said that this will be the last time councils will have a single year settlement. This will enable the council to develop a medium-term budget strategy that can dovetail with the Government's multi-year settlement and make use of post covid demand and usage data with which to make informed decisions on service provision.

The main risk to this medium-term budget strategy is now the realisation that the Bank of England's view that inflation above their 2 per cent target was 'transitory', is clearly wrong and the country should expect a period of very high levels of inflation. Increases on the council's main contracts are approaching 10 per cent and with the ability to increase council tax capped at 2.6 per cent, this creates a further budget gap for which difficult decisions will need to be made to balance the budget.

A recent benchmarking exercise confirmed that the council's successful use of digital technology and efficient service delivery had resulted in the council having the lowest unit cost per resident of all the councils in the comparator group. This is reassuring for residents but makes the identification of further savings very difficult given the already lean operating base.

The economic strategy of encouraging growth to the borough has been impacted by the pandemic but the borough remains well positioned to attract new investment as economic

confidence returns and this should provide a good source of funding through the retained share of business rate growth. The borough has historically been one of the most economically resilient parts of the country and this has continued to be the case with some of the lowest levels of unemployment in the county and high levels of disposal income amongst residents. An Overview and Scrutiny task and finish group is also looking into the impact of deprivation within the borough.

There is still tough competition between primary destination town centres and private sector investors who are very selective in choosing where to invest. The local residential housing market is encouraging, as purchasers look to relocate to the borough especially from London and Hong Kong. There has been a reduction in commuting and greater working from home which is expected to result in more spend being made locally.

Local developers are reporting good interest in the new major housing schemes. The promotional material produced by the developers that are successfully attracting large numbers of people looking to move into the borough highlight the attractive environment and facilities of the borough (which are nearly all provided or funded as discretionary services by the Council).

The Council's Local Plan is fundamental in facilitating growth and ensuring that development is complemented with additional infrastructure. At examination, Local Plans across the region have failed to get past Stage 1 'Duty to Co-operate' but for Tunbridge Wells Borough Council the Inspector has recently decided that the Local Plan can proceed to Stage 2 which will cover policies and site allocations.

The Amelia Scott project has been completed and opened on 28 April 2022. This scheme brings together the Gateway services, the museum, library and adult education, all within one building. This new facility is expected to generate increased footfall and give confidence to the private sector to invest in the borough. Increased business rate growth is needed to provide the proceeds to the Council to fund services and maintain its assets for future generations.

The cost of providing local services in an expensive and busy area such as the borough of Tunbridge Wells, continues to bring its own challenges regarding the ability of the Council and contractors to recruit and retain staff. This is a particular pressure for services where fees are set nationally by the Government and cannot cover their costs. This has been exacerbated by high levels of inflation and low unemployment which drives up salary competition and creates labour shortages.

The Council entered the Covid-19 pandemic on a sound financial footing with no long-term debt, cash reserves, a balanced revenue budget and a track record of clean annual audit letters. This provided some capacity to respond to and recover from the pandemic but with the significant reduction to income, relatively fixed expenditure and inflation at a 30 year high the council will need to act to rebalance its finances over the medium-term. The need for political decision-making on service provision and the use of assets was set out in the Section 25 Statement approved by Full Council in February 2022.

The Council had a third of its seats up for election in May 2022 which could result in a change in political administration and a change to existing policies and strategies.

# 11. Impact of Covid-19 Pandemic

The Covid 19 lockdown measures began in the UK on the 23 March 2020 and have had a significant impact on the Council and its finances throughout 2020/21 and 2021/22. Council services and their delivery methods have been adapted to the varying restrictions and Government have delegated additional responsibilities to Councils to support the management of the pandemic.

The continuing impact of the pandemic caused the Council to budget for £3 million of its reserves to be used in 2021/22 to fully fund revenue expenditure during the year. In the event, Government extended their financial support packages and whilst they have not fully covered all losses, they have delivered further Sales, Fees and Charges Compensation for losses, Covid Support Grants, New Burdens Grants for pandemic related services they required and compensation for Business Rates and Council Tax losses. This, combined with very careful management of revenue expenditure throughout the year, has resulted in this Council being able to fully fund all revenue expenditure without recourse to reserves.

The main Covid-19 considerations for the 2021/22 accounts have been the impact upon the sales, fees and charges, Government grants, Government Business Grants, property valuations, pension valuations, investment valuations and impairments for doubtful debts.

- Sales, Fees and Charges – The Council underachieved on its budget by £1.1m, due mainly to losses from the suspension of Garden Waste services and the reduction in shows at the Assembly Hall Theatre. The Government extended its revenue compensation scheme into the first quarter of 2021/22, and whilst the Council was required to bear the first 5% of lost budgeted income, the Government paid 75p in every £1 thereafter. The Council therefore received £737,000 in compensation.
- Government Grants – The Government gave the Council £486,000 to address continuing Covid 19 pressures and gave £430,000 in New Burdens grants, mainly for the administration of the Business Grants.
- Property valuations - The Council had a proportion of its Property Plant and Equipment valued as at 31st March 2022, as is usual practice. There had been concern amongst valuers about the impact of the pandemic on property values, but this has fallen away. Whilst most property values have held firm, the multi-storey car parks have been revalued downwards in 2021/22 by £5.1m, which reflects the reduced income still being experienced at present. Off Street Parking income is recovering, but slowly and is still £1.1m (22%) lower than pre-Covid levels.
- Pension valuations – Many pension assets were valued on the 31 March, meaning there should be an immaterial impact upon the value of the fund. As was the case in 2020/21, the Kent Pension Fund states that it is confident in the reasonableness of its data and any estimates are unlikely to have a material effect on the results of their report. There is no uncertainty disclosure required.
- Investments and Investment Properties – The bank interest rate was cut to 0.10% in March 2020 when it became clear that the coronavirus outbreak would pose a huge threat to the economy. It remained unchanged until 16 December 2021 when it was increased by 0.15% to 0.25%. The rate was increased again on 3 February 2022 to 0.50% and again on 17 March 2022 to 0.75%, where it remained for the rest of the financial year. The Council is now keeping all of its cash either in its current bank

account or very short term, partially due to the need to keep cash available to repay to Government, but also because the interest rate negotiated on the current account (0.05% below base), is competitive in the current climate. Whilst budgeted interest rates were 1.35% and actual 0.82%, the availability of extra cash from business grants, Section 31 grants and the deferment of aspects of the capital program, has meant that investment interest overall was £125,000 more than budgeted. The Council has a £9 million investment with a property investment fund. The actual market value of the fund is recorded as at the 31 March 2022 and has enjoyed a significant gain in value of £1,827,771 in 2021/22, easily offsetting the small loss of £74,827 over 2020/21. The Council has one investment property, a restaurant, which closed on the 20 March 2020 due to the pandemic and the leaseholder subsequently went into administration. The property was leased again on 22 January 2021, but is now at a lower premium of £45,000 per annum. This is sufficient to repay the internal borrowing for the purchase of the investment property as the Minimum Revenue Provision has been reduced accordingly.

- Debt Collection and provisions – The Council has £3.2m of outstanding trade accounts debt at 31 March 2022, compared to £1.3m at the end of 2020/21. £1.4m is an outstanding contribution to the Amelia project from Kent County Council, £788,000 is for developer contributions from Berkeley Homes with the remaining £1m mainly with other local authorities or companies with sufficient reserves to settle their debts. The outstanding investment property debt has not been written off, as there may be proceeds from the administration process, but it has been fully provided for in the accounts. There have been no new repercussions of the pandemic on outstanding debt.

## Provision of Services

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

Some services were still affected in the first quarter of 2021/22, with some, like the Garden Waste service, not being reintroduced until the last quarter. However, by the end of the year all services had been re-established.

Government initiatives to support the public and local businesses have continued in 2021/22 in the form of further Business Grants and Test & Trace Grants for those residents unable to work when they had Covid. Further Business Rates Relief also required additional billing adjustments.

## Council's Workforce

Council Officers have worked incredibly hard over the whole of the Covid period and continue to manage the residual effects of the pandemic. All staff are working, although many from home, as the Town Hall is due to be refurbished following the lease of a substantial part of it to a third party.

Staff have been under considerable pressure managing the volumes of work created by the pandemic and recruitment has been delayed due to difficult market conditions. Staff are still trying to find the time to take annual leave and recuperate from the last 2 years.

## Supply Chains

Government introduced a new Public Procurement Notice at the beginning of the pandemic which obliged government bodies to support their supply chain financially, should they provide evidence of need. The Council reviewed the financial position of all core suppliers, but only needed to provide financial support to Fusion, the Council's leisure services provider. The Fusion contract is functioning normally again now and this obligation on government bodies to support their supply chain has now expired.

## Reserves, Financial Performance and Financial Position

The Council has £32.49m of usable reserves; £4.33m in its General Fund, £2.20m in Capital Receipts, £3.28m in Capital Grants and Contributions and a further £22.68m in Earmarked reserves. The Capital Receipts reserve is mainly allocated to the "The Amelia Scott" project and the Grants and Contributions are already allocated for specific purposes. The Earmarked reserves contain £6.718m of Section 31 Business Rates grants and £0.26m of Council Tax compensation, which will need to be paid over to preceptors and Government as the spreading of Business Rates and Council Tax deficits, required by last year's Collection Fund accounting regulations, are unwound. The Council's real Usable Reserves are therefore only £25.517m, which is still an increase of £1.45m since March 2021.

There was a real concern at the end of the last financial year, that £3m of reserves would be needed to support the Council's revenue budget during 2021/22. However, through very careful cost management and Government grant support, the Council has managed to fully fund its operations without recourse to reserves. In the event a small surplus to budget of £35,000 was transferred to the General Fund at the end of the year.

Covid-19 severely affected the Council's revenue streams and this has continued into 2021/22. Government provided financial support until the end of June 2021, which was helpful, but the economy has still not fully recovered and there have still been shortfalls to some Sales, Fees and Charges budgets. The Council continues to manage its expenditure very tightly, but reserves may be needed to fund operations for 2022/23, especially as inflation is now rising steadily. Whilst the Earmarked reserves have been allocated for particular projects or contingencies, not all have been contractually committed. There is £10.45m, including the balance in the General Fund, that could be reallocated to support the core activities of the Council should it be needed.

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

## Cash Flow Management

Cash flow has been closely monitored since the pandemic began. The Council now holds its reserves in its current account or in very short-term investments, and benefits from positive creditor cash flows. At present the Council is not investing longer term due to the low interest rates on offer and the need to retain working capital, but as interest rates have begun to rise throughout 2021/22 the council has started to increase its short-term investments to maximise interest earned.

The Government has provided cashflow support for the Business Rates Reliefs they have awarded and the Council has been given millions of pounds upfront to distribute as Business Grants. In the short term, the Council has more than sufficient cash to continue providing services at the existing levels.

## Major Risks to the Authority

The Council managed the financial effects of the Covid-19 pandemic very successfully in 2021/22, however, this was with the support of Government grants for Sales, Fees and Charges and general pandemic costs. These grants are no longer available, the economy has not fully recovered from the pandemic and there are now inflationary, supply chain and labour pressures that are being brought to bear. This Council has a long history of managing its costs to balance its budget and has done so again in this financial year. It will be cautious moving into 2022/23, but does have available reserves that can be utilised, should the economy take longer to settle.

It is recognised that there may be long term changes to behaviour which could affect high street businesses, the amount of time people spend working in offices and the services required of the Council from their residents. This will impact both income and costs as services are adapted to meet the post Covid normal.

These changing patterns of behaviour are being monitored closely and the Council is formulating plans, considering its levels of service, sales, fees and charges and whether it needs to reformulate its capital programme, due to the residual effects of the pandemic and the economic instability now being experienced.

## Plans for Recovery

The Council has responded to Government advice during the pandemic to avoid making significant changes to the operation of the council. As requested, we have relied upon Government financial support and our reserves should they have been needed.

However, the Council is now taking stock of the economic outlook and is undertaking a review of service levels and discussing whether the approved capital programme is still fit for purpose. It is uncertain as to how long this process will take, especially as in May 2022 the Council changed politically to being run by a new administration, but work has commenced and the Members are committed to ensuring the financial stability of the Council.



# Annual Governance Statement

## Scope of Responsibility

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: 'Good Governance in Local Government'. We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. We must prepare the statement in line with proper practices and report it to a committee of Councillors. This is our Annual Governance Statement for 2021/22 which meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which requires an authority to conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement.

## Context and our ambitions

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

### Our Borough

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

### Our Services

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

### Our People

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

## Providing Value

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

The current Five-Year Plan runs until the end of 2022 but with the projects either completed or no longer supported politically a new plan is required. In advance of this a high-level public consultation took place in April 2022, the results are available for the new administration. Two new projects were formally agreed to be included in the Five-Year plan. These are:

- Reviewing the future of the Town Hall
- Reviewing the future of the Assembly Hall Theatre

In March 2022 Cabinet approved the appointment of a co-working partner for the conversion and letting of part of the Town Hall. The review of the Assembly Hall remains outstanding.

In April 2022 the Amelia Scott Project was completed and opened to the public.

In July 2019 Full Council declared a climate emergency. A climate cross-party task force has been established and a dedicated report is due with actions to make the Borough carbon neutral by 2030.

## The Governance Framework

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

The governance framework has been in place at Tunbridge Wells Borough Council during the year ended 31 March 2022 and up to the date of approval of the Financial Report.

We also have specific parts within the framework, including:

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

- Independent oversight and challenge provided by our External Auditors, Government Inspectorates and the Local Government Ombudsman;
- Our procedure rules and internal management of:
  - Financial management and control
  - Commissioning and procurement
  - Information governance and data security
  - Health and safety
  - Complaints handling
  - Whistleblowing and Anti-fraud and corruption

## **Review of Effectiveness**

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

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

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

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

The Monitoring Officer and the Audit & Governance Committee keep the Council's Constitution under review. Changes come through the Constitutional Review Working Party (CRWP) and the working party have met when required. The most recent concerning the Code of Conduct Complaints Handling Process Review with the report considered by the Audit & Governance Committee in March 2022.

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

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

We have received no reports through the Whistleblowing Charter during 2021/22.

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

## **Ensuring openness and comprehensive stakeholder engagement**

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

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

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

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

In September 2017 the Council agreed our Five Year Plan. The 'Strategic Compass' aligns with the Council's Five Year Plan, setting out our corporate commitments to staff and elected members. The 'Strategic Compass' adopts a balanced scorecard approach and encapsulates all priorities for the community, residents and customers, staff and providing value for money.

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

There will need to be a fundamental review of the Council's Five Year Plan and Medium Term Financial Strategy in-light of the change in political administration following the local election in May 2022.

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

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

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

Under the Constitution, the whole Council controls our policy and budget.

The Council's Cabinet is responsible for shaping and ensuring the delivery of the Council's day-to-day services within the boundaries of the Five-Year Plan and Budget. We publish a Forward Plan of Key Decisions to enable their consideration by other elected members, stakeholders and the public. Cabinet meets regularly in public. Further details of individual Cabinet members and Cabinet as a whole (including links to agendas and minutes) is on our website:

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

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

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

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

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

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

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

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

## **Managing risks and performance through control and strong public financial management**

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

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

The Risk Register is subject to periodic reviews by the Council's Management Board, with risk owners invited to attend the Audit and Governance Committee throughout the year.

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

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

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

### **Internal Audit Opinion**

The Head of Internal Audit will present the annual report and opinion to the Audit and Governance Committee on 26 July 2022. The specific extract of the report which includes the opinion reads:

The Internal Audit function for the Council is delivered through the Mid Kent Audit Partnership, a 4-way shared service with Maidstone, Swale and Tunbridge Wells. The Audit Partnership provides internal audit, consultancy, and advisory support to the Council, and deliver a programme of work (an audit plan) each year. The plan is agreed and monitored through the Audit Committee.

The Internal Audit team continue to report positive levels of engagement across the Council when undertaking their work. Managers and Heads of Service are actively involved in scoping audit work and display a good understanding of internal control and risk management as part of that process.

A key source of assurance over the internal control environment for the Council is derived from the Head of Audit Annual Opinion. The interim Head of Audit Partnership gave the following conclusion for 2021/22 and no matters of concerns were highlighted:

*The planned programme of work delivered by internal audit was constrained by the impact of the COVID pandemic restrictions and significant staffing changes within the internal audit team. The results of the reduced level of internal audit work concluded during the year required me to seek additional assurances to form my opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I am able to draw a positive conclusion as to the adequacy and effectiveness of Tunbridge Wells Borough Council's risk management, control and governance processes. In my opinion, Tunbridge Wells Borough Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.*

## Future appointment of external auditors

In December 2021 Full Council agreed to opt into the Local Government Association set up sector-led body (PSAA) for appointing external auditors. PSAA expect to complete the procurement during 2022. This current arrangement continues until at least 2022/23.

## Other review and assurance

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

- The Council, Cabinet and committees advised by the Council's Management Board;
- Corporate Asset issues come before a Development Advisory Panel to ensure the Council adopts a comprehensive approach to buying, maintaining, reviewing and disposing of property and assets;
- Human Resources oversees the Council's overall approach to effective people management, including regular appraisals and providing relevant training and development;



- A standardised approach to project management with extra resources put into key projects to ensure satisfactory management and delivery to time, cost and quality;
- The Council works with Maidstone and Swale councils to look at opportunities for partnership working, but has an open attitude to working with anyone that can improve value for money. In this partnership, services undergo external review, satisfaction surveys and benchmarking, plus examining service processes to assess value for money.

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

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

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

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

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

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

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

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

## Significant governance issues

In March 2020, in accordance with the Civil Contingences Act 2004 the Council declared a business continuity emergency in response to the coronavirus pandemic. Much of the time since then has been focused on ensuring that Council services can continue to be delivered, assisting local residents – and the voluntary and community organisations that support them, and supporting local businesses cope with the various restrictions on how they do business and in the reopening of the local economy. The Council has also supported local Primary Care Notices with the roll-out of the vaccine. Whilst, at the time of writing this statement, the

prevalence and spread of the virus have reduced significantly, it is likely that issues associated with the pandemic will affect us for some time to come and there remains a risk of further 'waves' of infection associated with new variants of concern. The Council is an active participant in the Kent Resilience Forum (KRF), which comprises emergency responders and specific supporting agencies.

At the time of writing, there are no Government health or economic restrictions relating to the Covid-19 Pandemic. The legacy from the pandemic will have a fundamental impact on how society lives and works in addition to the impact on the Council's finances and how it operates.

Whilst this Statement relates to the Financial Year 2021/22, at the time of writing Local Council elections in May 2022 have left the Council in No Overall Control politically with a different Leading Group holding 16 seats and other parties 13, nine and seven with three independent councillors. Discussions at this time are ongoing as to how the council will be run politically.

Looking forward, the decision by the Council to continue with elections in thirds will require a complete review of the boroughs wards with the decision on the number of councillors due from the Local Government Boundary Commission for England. In any event the Council will again have local elections (one third) in 2023 with all out elections in 2024 (new warding arrangements) followed by elections in thirds thereafter.

## Assurance conclusion

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

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

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

Signed:



**Cllr Tom Dawlings**

**Leader of the Council**

A handwritten signature in black ink, appearing to read 'William Benson', written in a cursive style.

**William Benson**

**Chief Executive**

On behalf of Tunbridge Wells Borough Council

# Statement of Responsibilities

## Statement of Responsibilities for the Statement of Accounts

### The Borough Council's Responsibilities

The Council is required to:

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

### The Responsibilities of the Director of Finance, Policy and Development

The Director of Finance, Policy and Development is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts the Director of Finance, Policy and Development has:

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

The Director of Finance, Policy and Development has also:

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

By signing the Statement of Accounts, the Director of Finance, Policy and Development is stating that the accounts present a true and fair view of the financial position of the authority as at 31 March 2022 and its expenditure and income for the year ended 31 March 2022.

Signed:

A handwritten signature in black ink, appearing to read 'L M Colyer', written in a cursive style.

L M Colyer FCPFA

Director of Finance, Policy and Development

30 September 2022

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

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Tunbridge Wells Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance, Policy and Development use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we

conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance, Policy and Development's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance, Policy and Development's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance, Policy and Development with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance, Policy and Development and Those Charged with Governance for the financial statements' section of this report.

## Other information

The Director of Finance, Policy and Development is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



## **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## **Responsibilities of the Authority, the Director of Finance, Policy and Development and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance, Policy and Development. The Director of Finance, Policy and Development is responsible for the preparation of the Statement of Accounts, which

includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Policy and Development determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance, Policy and Development is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom

2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003

- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and fraudulent expenditure recognition. We determined that the principal risks were in relation to journal entries which met a range of criteria defined as part of our risk assessment.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance, Policy and Development has in place to prevent and detect fraud;
  - journal entry testing, with a focus on journals meeting a range of criteria defined as part of our risk assessment;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and pension fund net liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuations of land and buildings and pension fund net liability.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector

- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

## **Responsibilities of the Authority**

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

## **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Tunbridge Wells Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor, 30 Finsbury Square, London  
EC2A 1AG

Date: 30 September 2022

# Financial Statements

## Comprehensive Income and Expenditure Statement

2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
Expend	Income	Net		Expend	Income	Net
£000	£000	£000		£000	£000	£000
202	0	202	Chief Executive	221	0	221
45,157	(33,694)	11,463	Finance, Policy and Development	40,570	(33,928)	6,642
4,032	(4,032)	0	Covid-19 Business Grants	2,182	(2,182)	0
21,853	(8,455)	13,398	Change and Communities	21,926	(11,369)	10,557
<b>71,244</b>	<b>(46,181)</b>	<b>25,063</b>	<b>Cost of Services</b>	<b>64,899</b>	<b>(47,479)</b>	<b>17,420</b>
0	(410)	(410)	(Gain)/Loss on Disposal of Non-Current Assets	0	(49)	(49)
2,695	0	2,695	Parish Council Precepts	2,779	0	2,779
75	0	75	Pension Administration Expenses	70	0	70
<b>2,770</b>	<b>(410)</b>	<b>2,360</b>	<b>Other Operating Expenditure</b>	<b>2,849</b>	<b>(49)</b>	<b>2,800</b>
82	0	82	Interest Payable	0	0	0
0	(707)	(707)	Interest and Investment Income	0	(2,424)	(2,424)
1,326	0	1,326	Pensions Interest Expense and Income	1,287	0	1,287
<b>1,408</b>	<b>(707)</b>	<b>701</b>	<b>Financing and Investment Income and Expenditure</b>	<b>1,287</b>	<b>(2,424)</b>	<b>(1,137)</b>
0	(23,908)	(23,908)	Government Grants and Contributions	0	(4,280)	(4,280)
0	(4,767)	(4,767)	Capital Grants and Contributions	0	(5,750)	(5,750)
0	(11,068)	(11,068)	Council Tax Receivable	0	(11,606)	(11,606)

19,103	(7,444)	11,659	Business Rates Retained Income	19,879	(24,229)	(4,350)
0	0	0	Donated Assets	0	(31)	(31)
<b>19,103</b>	<b>(47,187)</b>	<b>(28,084)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>19,879</b>	<b>(45,896)</b>	<b>(26,017)</b>
		<b>40</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(6,934)</b>
		(2,176)	Surplus on revaluation of non-current assets			(3,106)
		210	Impairment losses on non-current assets charged to Revaluation Reserve			3,609
		5,814	Re-measurement of defined benefit liability			(7,754)
		<b>3,848</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,251)</b>
		<b>3,888</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(14,185)</b>



# Movement in Reserves Statement

## Movement in Reserves 2021/22

	General Fund	Capital Grants & Contribs	Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2021</b>	<b>33,361</b>	<b>2,781</b>	<b>3,324</b>	<b>39,466</b>	<b>45,742</b>	<b>85,208</b>
Surplus or (deficit) on provision of services (accounting basis)	6,934	0	0	6,934	0	6,934
Other Comprehensive Expenditure and Income	0	0	0	0	7,251	7,251
<b>Total Other Comprehensive Expenditure and Income</b>	<b>6,934</b>	<b>0</b>	<b>0</b>	<b>6,934</b>	<b>7,251</b>	<b>14,185</b>
Adjustments between accounting and funding basis under regulation	(13,282)	499	(1,124)	(13,907)	13,907	0
<b>Net Increase / (Decrease) in Year</b>	<b>(6,348)</b>	<b>499</b>	<b>(1,124)</b>	<b>(6,973)</b>	<b>21,158</b>	<b>14,185</b>
<b>Balance as at 31 March 2022</b>	<b>27,013</b>	<b>3,280</b>	<b>2,200</b>	<b>32,493</b>	<b>66,900</b>	<b>99,393</b>

## Movement in Reserves 2020/21

	General Fund	Capital Grants & Contribs	Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2020</b>	<b>15,351</b>	<b>1,802</b>	<b>4,076</b>	<b>21,229</b>	<b>67,867</b>	<b>89,096</b>
Surplus or (deficit) on provision of services (accounting basis)	(40)	0	0	(40)	0	(40)
Other Comprehensive Expenditure and Income	0	0	0	0	(3,848)	(3,848)
<b>Total Other Comprehensive Expenditure and Income</b>	<b>(40)</b>	<b>0</b>	<b>0</b>	<b>(40)</b>	<b>(3,848)</b>	<b>(3,888)</b>
Adjustments between accounting and funding basis under regulation	18,050	979	(752)	<b>18,277</b>	(18,277)	<b>0</b>
<b>Net Increase / (Decrease) in Year</b>	<b>18,010</b>	<b>979</b>	<b>(752)</b>	<b>18,237</b>	<b>(22,125)</b>	<b>(3,888)</b>
<b>Balance as at 31 March 2021</b>	<b>33,361</b>	<b>2,781</b>	<b>3,324</b>	<b>39,466</b>	<b>45,742</b>	<b>85,208</b>

# The Balance Sheet

31 March 2021	Note		31 March 2022
£000			£000
124,286	12	Property, Plant and Equipment	131,658
3,654	13	Heritage Assets	3,763
710	14	Investment Property	710
1,035		Intangible Assets	963
10,413	16	Long Term Investments	12,240
2,700	17	Long Term Debtors	1,045
<b>142,798</b>		<b>Long Term Assets</b>	<b>150,379</b>
106	16	Short Term Investments	99
116		Inventories	101
11,263	17	Short Term Debtors	8,503
25,984	16	Cash and Cash Equivalents	46,873
160	15	Assets Held for Sale	0
<b>37,629</b>		<b>Current Assets</b>	<b>55,576</b>
(21,301)	18	Short Term Creditors	(33,354)
(4,106)	18	Short Term Provisions	(4,583)
(1,060)	19	Capital Grants Receipts in Advance	(1,540)
<b>(26,467)</b>		<b>Current Liabilities</b>	<b>(39,477)</b>
(13)	18	Long Term Creditors	(578)
(65,680)	21	Long Term Pension Liability	(61,571)
(3,059)	19	Capital Grants Receipts in Advance	(4,936)
<b>(68,752)</b>		<b>Long Term Liabilities</b>	<b>(67,085)</b>
<b>85,208</b>		<b>Net Assets</b>	<b>99,393</b>

<b>31 March 2021</b>	<b>Note</b>		<b>31 March 2022</b>
<b>£000</b>			<b>£000</b>
<b>39,466</b>	10	<b>Usable Reserves</b>	<b>32,493</b>
<b>45,742</b>	10	<b>Unusable Reserves</b>	<b>66,900</b>
<b>85,208</b>		<b>Total Reserves</b>	<b>99,393</b>



L M Colyer FCPFA

Director of Finance, Policy and Development

30 September 2022

# The Cash Flow Statement

2020/21		2021/22
£000		£000
(17,249)	Taxation	(30,073)
(73,509)	Grants	(40,189)
(10,436)	Sale of goods and rendering of services	(14,168)
(856)	Interest received	(603)
(2,829)	Other receipts from operating activities	(6,580)
<b>(104,879)</b>	<b>Cash inflows generated from operating activities</b>	<b>(91,613)</b>
12,962	Employees	13,296
27,059	Housing Benefit paid out	24,073
19,107	National Non-Domestic Rates tariff and levies	19,888
2,953	Precepts paid	3,043
20,109	Cash paid to suppliers of goods and services	20,266
12	Interest paid	0
5,813	Other payments for operating activities	1,594
<b>88,015</b>	<b>Cash outflows generated from operating activities</b>	<b>82,160</b>
<b>(16,864)</b>	<b>Net cash flows from operating activities</b>	<b>(9,453)</b>
10,416	Purchase of property, plant and equipment, investment property and intangible assets	8,914
0	Purchase of short-term and long-term investments	10,000
(6,158)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(214)
(19,500)	Proceeds from sale of short-term and long-term investments	(10,000)
(4,872)	Grants and contributions to non-current assets	(8,108)
<b>(20,114)</b>	<b>Net cashflows from investing activities</b>	<b>592</b>
1,000	Repayments of short-term and long-term borrowing	0
681	Changes in Council Tax balances held for preceptors	(1,990)
16,148	Changes in Business Rates balances held for Central Government	(10,038)

17,829	Net cashflows from financing activities	(12,028)
(19,149)	Net (increase) / decrease in cash and cash equivalents	(20,889)

6,835	Cash and Cash Equivalents as at 1 April	25,984
25,984	Cash and Cash Equivalents as at 31 March	46,873
(19,149)	Net (increase) / decrease in cash and cash equivalents	(20,889)

# Notes to the Financial Statements

## 1. Expenditure and Funding Analysis

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

	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
<b>2021/22</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	177	44	221
Finance, Policy and Development	4,589	2,053	6,642
Change and Communities	9,364	1,193	10,557
<b>Net Cost of Services</b>	<b>14,130</b>	<b>3,290</b>	<b>17,420</b>
Other Operating Expenditure	4,555	(1,755)	2,800
Financing and Investment Income	(596)	(541)	(1,137)
Taxation and Non-Specific Grant Income	(11,741)	(14,276)	(26,017)
<b>(Surplus) or Deficit</b>	<b>6,348</b>	<b>(13,282)</b>	<b>(6,934)</b>
Opening General Fund Balance at 1 April 2021	(33,361)		
(Surplus) or Deficit on General Fund	6,348		
<b>Closing General Fund Balance at 31 March 2022</b>	<b>(27,013)</b>		

	Net Expenditure Chargeable to General Fund Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
<b>2020/21</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	181	21	202
Finance, Policy and Development	7,170	4,293	11,463
Change and Communities	10,863	2,535	13,398
<b>Net Cost of Services</b>	<b>18,214</b>	<b>6,849</b>	<b>25,063</b>
Other Operating Expenditure	3,021	(661)	2,360
Financing and Investment Income	(700)	1,401	701
Taxation and Non-Specific Grant Income	(38,545)	10,461	(28,084)
<b>(Surplus) or Deficit</b>	<b>(18,010)</b>	<b>18,050</b>	<b>40</b>
Opening General Fund Balance at 1 April 2020	(15,351)		
(Surplus) or Deficit on General Fund	(18,010)		
<b>Closing General Fund Balance at 31 March 2021</b>	<b>(33,361)</b>		

## 2. Note to the Expenditure and Funding Analysis

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

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
<b>2021/22</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	0	44	0	44
Finance, Policy and Development	1,538	487	28	2,053



Change and Communities	(502)	1,753	(58)	1,193
<b>Net Cost of Services</b>	<b>1,036</b>	<b>2,284</b>	<b>(30)</b>	<b>3,290</b>
Other Operating Expenditure	(382)	70	(1,443)	(1,755)
Financing and Investment Income	0	1,287	(1,828)	(541)
Taxation and Non-Specific Grant Income	(5,781)	0	(8,495)	(14,276)
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit</b>	<b>(5,127)</b>	<b>3,641</b>	<b>(11,796)</b>	<b>(13,282)</b>

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
2020/21	£000	£000	£000	£000
Chief Executive	0	22	(1)	21
Finance, Policy and Development	4,337	(189)	145	4,293
Change and Communities	1,689	907	(61)	2,535
<b>Net Cost of Services</b>	<b>6,026</b>	<b>740</b>	<b>83</b>	<b>6,849</b>
Other Operating Expenditure	(446)	75	(290)	(661)
Financing and Investment Income	0	1,326	75	1,401
Taxation and Non-Specific Grant Income	(4,768)	0	15,229	10,461
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit</b>	<b>812</b>	<b>2,141</b>	<b>15,097</b>	<b>18,050</b>

The total adjustments are also shown in the General Fund adjustments between accounting and funding basis in Note 9.

The Other Differences of £8,495,000 is a transfer to the Collection Fund for 2021/22 to repay part of the deficit from 2020/21 (£8.167 million business rates and £0.328 million council tax).

The equivalent figure for 2020/21 was a transfer from the Collection Fund of £15.229 million (£15.065 million business rates and £0.164 million council tax).

## **3. Accounting Policies**

### **3.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the end of March 2022, the close of the financial year. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS).

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

### **3.2 Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services of the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 inventories on the Balance Sheet.
- Expenses in relation to services received, including service provided by employees, are recorded as expenditure when the services are received, rather than when the payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

### **3.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments

that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### **3.4 Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.
- Any revenue costs which are met from capital resources as Revenue Expenditure Financed from Capital under Statute.

The Council is not required to raise Council Tax to fund these charges, and they are therefore reversed through an appropriation from the Capital Adjustment Account to the General Fund. However, the Council is required to make an annual contribution from revenue to the Capital Adjustment Account, towards the reduction in its overall borrowing requirement. This is termed as the Minimum Revenue Provision (MRP).

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

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

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

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

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

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

## 3.6 Contingent Assets

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

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

## 3.7 Contingent Liabilities

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

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

## 3.8 Employee Benefits

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

### **Benefits Payable During Employment**

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

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end that employees can carry forward into the next financial year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

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

## Post-Employment Benefits

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

The liabilities of the Kent County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.35% (based on the annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond curve).

The Council includes the assets of the Kent County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value
- Target return portfolio – current bid price

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs include the cost of curtailments, which are normally linked to an event giving rise to a post-employment benefit.
  - Net interest on the defined liability – the change to the net pension liability that arises from the passage of time during the year. This is debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to Kent County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

### 3.9 Events After the Reporting Period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is amended to reflect such events;
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where such a category of events would have a material effect, disclosure is made in the notes of the nature of events and their estimated financial effect.

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

### 3.10 Financial Instruments

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

#### Financial Assets

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

- Amortised cost
- Fair value through profit or loss (where reference is made to profit or loss, as per the standards, for Local Authorities this means Income and Expenditure), and
- Fair value through other comprehensive income

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. This means the amount presented in the Balance Sheet is the outstanding principal receivable, plus accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

### **Expected Credit Loss Model**

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

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

### **Financial assets measured at fair value through other comprehensive income**

Financial assets that are measured at fair value through other comprehensive income (FVOCI) are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

### **Financial assets measured at fair value through profit or loss**

Financial assets that are measured at fair value through profit and loss (FVPL) are recognised on the Balance Sheet when the Council becomes a party to the contractual

provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

### **Fair Value Measurement**

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

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

The inputs to the measurement techniques are categorised, within the fair value hierarchy, in accordance with the following three levels:

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

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

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

All financial instruments are categorised in accordance with the hierarchy in Note 16.

## **3.11 Government Grants and Contributions**

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

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



consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

### 3.12 Heritage Assets

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

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

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

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

### 3.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is

expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

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

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

### **3.14 Inventories**

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

### **3.15 Investment Property**

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

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

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

out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### **3.16 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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

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

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

#### **Finance Leases – Council acting as Lessee**

Where the Council uses or occupies an asset held under a finance lease, the asset is recognised as such in the appropriate line in the balance sheet, subject to the de minimis limit in Note 3.17 below. The value recognised is the fair value, or (if lower) the present value of the minimum lease payments. This value is offset on the balance sheet by a creditor or long term liability for the leasing charge.

As these assets are included as part of the Council's property, plant and equipment balance, they are subsequently accounted for, in relation to disposal, depreciation, impairment, etc, as set out below in Note 3.17.

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

## **Operating Leases – Council acting as Lessee**

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

## **Finance Leases – Council acting as Lessor**

Where the Council acts as lessor for an asset held under a finance lease, the relevant asset is written out of the balance sheet as a disposal, and accounted for in line with Note 3.17 below. At the start of the lease a receivable (long term debtor or short term debtor) is recognised as at an amount equal to the net investment in the lease. The lease payment receivable is apportioned between the repayment of principle and interest, the interest being calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

## **Operating Leases – Council acting as Lessor**

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

## **3.17 Property, Plant and Equipment**

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

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

## **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not add to an asset's potential

to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred.

## **Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred while assets are under construction.

Assets are carried in the Balance Sheet using the following measurement bases:

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

## **Revaluation**

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

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

## **Impairment**

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

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

## Depreciation

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is based on the opening net book value, as adjusted by gains or losses arising from revaluations at 1 April each year.

Depreciation is calculated on the following bases:

- Land – not subject to depreciation.
- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet.
- Infrastructure – straight-line allocation over 30 years.
- Community assets – not subject to depreciation.
- Surplus assets – straight-line allocation over the useful life of the property as estimated by the valuer.
- Assets under construction – not subject to depreciation.

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

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

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

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

## Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to property, plant and equipment and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation or revaluations

that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

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

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

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

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

### **3.19 Provisions**

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

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



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

### **3.20 Reserves**

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

### **3.21 Revenue Expenditure Financed from Capital under Statute**

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

### **3.22 Value Added Tax (VAT)**

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

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

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. An authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. The additional disclosures that will be required in the 2022/23 financial statements in respect of accounting changes that are introduced in the 2022/23 Code are:



- Annual Improvement to IFRS Standards 2018-2020. The annual IFRS improvement programme notes four change standards:
  - IFRS 1 (First time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard.
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
  - IAS 41 (Agriculture) – one of a small number of TFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16).

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

The implementation of IFRS 16 Leases has been deferred by a further two years. This means the effective date for implementation is now 1 April 2024, which would impact the statements in 2024/25.

## 5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 3 the authority has to make critical judgements about complex transactions. The main areas of issue are laid out below:

### 5.1 Covid-19 Pandemic

The residual effects of the Covid-19 Pandemic are still impacting the Council's finances in specific areas within the financial statements for 2021/22. Some have now fallen away, but the remaining effects include:

- Valuation uncertainty within Property, Plant and Equipment (Note 12)
- Valuation uncertainty for Investment Properties (Note 14)
- Impairment of Debtors balances (Note 17)
- Grants and Contributions (Note 19)
- Business Rates Income (Notes to the Collection Fund Statement 2.1 and 2.2)

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

### 5.2 Covid-19 Grants

In response to the pandemic the Government announced a number of grant packages to be paid out to support local businesses and residents. The Council was required to administer these schemes, in line with the eligibility criteria, and was reimbursed by Government for the payments. The accounting treatment of such transactions needs to have regard to the general principle of whether the Council is acting as the principal or agent. Where the Council deems it is acting as agent, the transactions shall not be reflected in the Council's

Comprehensive Income and Expenditure Statement and will only be reflected where there is a debtor or creditor closing position. Where the Council deems it is acting as principal the transactions are reflected in both the Comprehensive Income and Expenditure Statement and Balance Sheet as appropriate.

The Council deems itself to be acting as Agent for the following grants:

- Small Business Grant and Retail, Hospitality and Leisure Grant Funds
- Christmas Support Payment for Wet Led Pubs
- Local Restrictions Support Grant (Closed)
- Closed Businesses Lockdown Payment
- Self-Isolation Payments (Mandatory)
- Restart Grant
- Omicron Hospitality and Leisure Grant

The Council deems itself to be acting as Principal for the following grants:

- Additional Restrictions Grant
- Local Authority Discretionary Grant Fund
- Local Restrictions Support Grant (Open)
- Self-Isolation Payments (Discretionary)

The Council received additional funding to support its cost of services or offset its income losses and has determined itself to be acting as the principal for these payments. The Council needs to consider whether the grants are awarded to support expenditure on specific services, and should therefore be credited to Cost of Services, or is in the form of an un-ringfenced general grant and should therefore be disclosed within Taxation and Non-Specific Grant Income on the Comprehensive Income and Expenditure Statement.

The Council has treated the following as service specific grants within Cost of Services:

- Council Tax Hardship Fund
- Contain Outbreak Management, Test and Trace and Enforcement and Compliance
- Emergency Assistance, Winter Grant Scheme and Clinically Extremely Vulnerable
- National Leisure and Culture Recovery Funds
- Coronavirus Job Retention Scheme
- Reopening High Streets and Welcome Back Fund
- Household Support Fund

The Council has treated the following as non-specific grant income:

- Covid-19 Emergency Funding
- Compensation Scheme for lost sales, fees and charges
- New Burdens Grants for administering grant schemes
- Business Rate Relief Section 31 Grants
- Local Tax Income Guarantee (Business Rates and Council Tax)

### 5.3 Going Concern

It is assumed that the Council will continue in operational existence for the foreseeable future and accordingly the Accounts have been prepared on a going concern basis.

### 5.4 Pooled Fund Investment

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

### 5.5 Embedded Lease

Under the accounting Code of Practice some legal agreements, such as waste collection contracts, may be regarded as containing a lease for the use of assets operated by the contractors. Such leases, in turn, may be judged to be either finance leases or operating leases, as set out in Note 3.16. The Council has examined its service contracts, particularly the Waste Collection contract, and has determined that, in the circumstances in which the contracts were negotiated and operated, that they do not contain such a lease.

### 5.6 Valuations

The Council is required to revalue Land & Building Assets included in the Balance Sheet as a minimum every five years. The Council re-values the Royal Victoria Place shopping centre every 3 years. Materiality will be verified each year by a desktop calculation using property indices calculated from previous valuations movements over the last 5 years. The method of valuation used is Existing Use Value in accordance with the Royal Institute of Chartered Surveyors definition UKVS 1.3, which uses the estimated amount for which a property should exchange between a willing buyer and seller assuming vacant possession and disregarding potential alternative uses. This is due to the shopping centre being owned by the Council to ensure that it remains a shopping centre for the borough and that the Council has influence over the uses of the property and the way it is managed. It is considered to be a vital asset, providing a vital service for the wellbeing of the Borough and the community that live within.

The Council's multi-storey car parks are usually valued every 3 years because they comprise a significant proportion of the Council's assets and their value can fluctuate. Due to the continued effects of the pandemic on income generated by the car parks all five multi-storeys have been revalued in 2021/22. They are valued on Existing Use Value on the grounds that they are supplying a service to the authority and there is an active market for car parks.

### 5.7 Group Accounts

The Tunbridge Wells Property Holdings Company began trading on 18 May 2015 and is a wholly owned subsidiary of the Council, as explained in Note 26. The revenue has only been

£245,000 during the year and is considered immaterial. Hence the Council has determined that it is not yet necessary to provide Group Accounts. This will be monitored in the future and should the revenue become material, Group Accounts will be provided.

## **6. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

Key estimates and assumptions are made in order to give the most accurate representation of the Council's financial position.

### **6.1 Post-Employment Benefits**

The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 Employee Benefits. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority's retirement benefit obligation. The key assumptions are set out in Note 21.

### **6.2 Property, Plant and Equipment Valuations**

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

The significant assumptions applied in estimating the fair value are:

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

## 6.3 Investment Property Valuation

The accounting treatment for investment properties is set out in Accounting Policy 3.15. The Council's sole Investment Property is measured at Fair Value, using the investment method, which is derived from the market rent and expected yield.

Investment Properties are subject to annual revaluation, but as the Council only holds one asset in this category and due to the nature of the property, this valuation is usually carried out every three years. Should market conditions change substantially during a period, as they did in 2020/21, these assets will be subject to revaluation. This property was therefore revalued as at 31 March 2021. If a full valuation is not due, then the valuation will be verified for material movement, by a desktop exercise to compare the rental values of similar properties on the market, in similar locations, as the fair value of the investment property is based upon the rental value.

## 7. Events after the Reporting Period

On the 25 May 2022 Councillor Ben Chapelard replaced Councillor Tom Dawlings as Leader of the Council. The administration is made up of Liberal Democrats, Tunbridge Wells Alliance and Labour councillors, and the independent councillor for Paddock Wood (East). This replaces the longstanding Conservative administration.

On 6 April 2022, the Council received confirmation that it could proceed to Stage 2 of its Local Plan examination process. This is a crucial step, as other neighbouring authorities have not been given permission to proceed and the costs associated with reparation of the Local Plan would have been significant.

## 8. Expenditure and Income Analysed by Nature

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

2020/21		2021/22
£000		£000
18,652	Employee Benefit Expenses	20,381
47,283	Other Service Expenses	43,828
6,710	Depreciation, Amortisation, Impairment	2,047
82	Interest Payments	0
2,695	Precepts and Levies	2,779
<b>75,422</b>	<b>Total Expenditure</b>	<b>69,035</b>

(10,625)	Fees, Charges and Other Service Income	(15,163)
(707)	Interest and Investment Income	(2,424)
(11,068)	Income from Council Tax	(11,606)
11,659	Retained Business Rates Income	(4,350)
(64,231)	Government Grants and Contributions	(42,377)
(410)	Gain or Loss on Disposal of Non-Current Assets	(49)
<b>(75,382)</b>	<b>Total Income</b>	<b>(75,969)</b>
<b>40</b>	<b>(Surplus) or Deficit on Provision of Service</b>	<b>(6,934)</b>

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(6,059)	Finance, Policy and Development	(9,001)
(4,566)	Change and Communities	(6,162)
<b>(10,625)</b>	<b>Total Fees, Charges and Other Service Income</b>	<b>(15,163)</b>

## 9. Adjustments between accounting and funding basis under regulations

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

<b>2021/22</b>	<b>General Fund</b>	<b>Capital Grants &amp; Contris</b>	<b>Capital Receipts</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>
<b>Reversal of items debited to the Comprehensive I&amp;E Statement</b>					
Write down intangible assets	167	0	0	<b>167</b>	<b>(167)</b>
Depreciation of Property, Plant & Equipment	3,063	0	0	<b>3,063</b>	<b>(3,063)</b>

Impairment to Property, Plant & Equipment	(2,195)	0	0	<b>(2,195)</b>	<b>2,195</b>
Gain or (loss) on sale of non-current assets	(49)	0	214	<b>165</b>	<b>(165)</b>
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory override	(1,828)	0	0	<b>(1,828)</b>	<b>1,828</b>
Difference between accounting and statutory credit for Council Tax	(8,494)	0	0	<b>(8,494)</b>	<b>8,494</b>
Difference between accounting and statutory pension costs	3,641	0	0	<b>3,641</b>	<b>(3,641)</b>
Donated Assets	(31)	0	0	<b>(31)</b>	<b>31</b>
Amount by which officer remuneration charged on an accruals basis is different from remuneration chargeable in year	(30)	0	0	<b>(30)</b>	<b>30</b>
<b>Insertion of items not debited or credited to Comprehensive I&amp;E Statement</b>					
Statutory provision for the financing of capital investment	(1,442)	0	0	<b>(1,442)</b>	<b>1,442</b>
Capital expenditure from revenue	(333)	0	0	<b>(333)</b>	<b>333</b>
Capital grants and contributions in Comprehensive I&E account	(5,751)	5,751	0	<b>0</b>	<b>0</b>
<b>Financing of capital expenditure directly from reserves</b>					
Financing from capital grants and contributions reserve	0	(5,252)	0	<b>(5,252)</b>	<b>5,252</b>

Financing from capital receipts reserve	0	0	(1,338)	(1,338)	1,338
<b>Total to Movement in Reserves Statement</b>	<b>(13,282)</b>	<b>499</b>	<b>(1,124)</b>	<b>(13,907)</b>	<b>13,907</b>

<b>2020/21</b>	<b>General Fund</b>	<b>Capital Grants &amp; Contribs</b>	<b>Capital Receipts</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>
<b>Reversal of items debited to the Comprehensive I&amp;E Statement</b>					
Write down intangible assets	166	0	0	166	(166)
Depreciation of Property, Plant & Equipment	3,236	0	0	3,236	(3,236)
Impairment to Property, Plant & Equipment	1,050	0	0	1,050	(1,050)
Movement in value of Investment Properties	980	0	0	980	(980)
Revenue Expenditure financed from Capital under Statute	593	0	0	593	(593)
Gain or (loss) on sale of non-current assets	(410)	0	6,211	5,801	(5,801)
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory override	75	0	0	75	(75)
Difference between accounting and statutory credit for Council Tax	15,229	0	0	15,229	(15,229)
Difference between accounting and statutory pension costs	2,142	0	0	2,142	(2,142)
Amount by which officer remuneration charged on an accruals basis is different	82	0	0	82	(82)



from remuneration chargeable in year					
<b>Insertion of items not debited or credited to Comprehensive I&amp;E Statement</b>					
Statutory provision for the financing of capital investment	(290)	0	0	<b>(290)</b>	<b>290</b>
Capital expenditure from revenue	(36)	0	0	<b>(36)</b>	<b>36</b>
Capital grants and contributions in Comprehensive I&E account	(4,767)	4,767	0	<b>0</b>	<b>0</b>
<b>Financing of capital expenditure directly from reserves</b>					
Financing from capital grants and contributions reserve	0	(3,788)	0	<b>(3,788)</b>	<b>3,788</b>
Financing from capital receipts reserve	0	0	(6,963)	<b>(6,963)</b>	<b>6,963</b>
<b>Total to Movement in Reserves Statement</b>	<b>18,050</b>	<b>979</b>	<b>(752)</b>	<b>18,277</b>	<b>(18,277)</b>

## 10. Reserves

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

### 10.1 Usable Reserves

#### General Fund

This represents a non-specific reserve, without legal restrictions on spending, arising from annual surpluses or deficits as well as earmarked reserves to cover specific projects or contingencies. The earmarked reserve amounts are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement.

There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund.

## Earmarked Reserves

The reasons for maintaining the earmarked reserves are shown below:

Reserve	Description
Capital & Revenue Initiatives	Used to support future capital and revenue schemes in accordance with the Council's Corporate and Financial Plan
Torrington Car Park	To be used to refurbish Torrington car park
On Street Parking	The ring-fenced parking surplus that is used to fund highways and transport schemes in the borough.
Local Plan	A reserve for costs associated with the Local Plan due to the phasing of timeframes and costs.
Section 106 Contributions	S106 contributions may have conditions where they have to be repaid with interest if they cannot be used for the specified purpose within a given time. Sufficient money is retained within this reserve to pay interest on unapplied contributions.
Garden of Remembrance	Where money is donated it is retained in this reserve until it can be spent.
Strategic Plan	Where the Council obtains more money from investment income than it has budgeted for, it places the excess into this reserve, which is then used to finance various strategic projects.
RVP Car Park	To provide for periodic maintenance in the car parks used for the Royal Victoria Place shopping centre.
Government Grants	Contains the equivalent amount of grants provided by the Government during the financial year that cannot be used until after 31 March that year.
Invest to Save	This reserve is used to fund revenue and capital initiatives which will result in savings or increase income streams.
Cultural	This reserve holds money to undertake key cultural projects in the Borough.
Housing Renewal	When housing renewal grants are repaid an equivalent contribution is made to this reserve, which will be used to finance future grants.
Insurance	Savings made through higher excess thresholds in the new insurance contract are paid into this reserve, and will be used

	where necessary to finance expenditure that would previously have been recovered from the insurers.
Grant Volatility	This reserve is used to cushion the impact of any further changes to government grant funding that could not have been anticipated from information available at the time of setting the budget. It also holds an amount that has been transferred into the reserve to fund the Collection Fund deficit that needs to be repaid.
ICT MKS Partnership	All Information Technology services are now provided from Maidstone Borough Council via a partnership agreement. This reserve will be used to hold any budget surpluses or fund deficits between financial years.
Establishment	The Council introduced Contribution Related Pay in 2013/14. This reserve provides for differences between budgets set and actual performance assessed and will also provide for any rebasing of salaries as a result of the market review.
Ice Rink	This reserve will be used to smooth the impact of inclement weather on the financial success of the Ice Rink and accompanying events.
Digital Transformation	This reserve has been created from the ICT MKS Partnership reserve to fund digital transformation projects.
Traveller Protocol	This reserve will be used to manage traveller incursions and will be matched by parish and town Council contributions. The reserve will be used to enable the Borough Council to enforce a Section 77/78 court-ordered eviction or to restore land after the vacation of an unauthorised encampment.
Land Charges Loss of Income	This reserve has been created from an overachievement in Land Charges income to mitigate against the surplus revenue that will be lost if Government centralises the service.
Lottery Income	This reserve holds income retained by the Council from the Tunbridge Wells Lottery to support the local voluntary and community sector.
Rent Advance and Deposit	This reserve holds monies set aside by the Council to fund the rent advance and deposit guarantee schemes which support households who have a priority need for accommodation under homelessness legislation.
Waste Bin Replacement	An annual contribution is transferred to this reserve to fund the purchase of any replacement bins needed during the life of the current waste collection contract.

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

Reserve	31 March 2021	Income	Expenditure	31 March 2022
	£000	£000	£000	£000
General Fund	4,301	35	0	4,336
Capital & Rev Initiatives	3,023	1,888	(72)	4,839
Torrington Car Park	81	0	(81)	0
On Street Parking	833	100	(20)	913
Local Plan	1,009	60	(43)	1,026
Section 106 Contributions	36	6	0	42
Garden of Remembrance	2	2	0	4
Strategic Plan	1,344	24	(15)	1,353
RVP Car Park	1,397	100	0	1,497
Government Grants	640	488	(421)	707
Invest to Save	721	0	(40)	681
Cultural	169	129	0	298
Housing Renewal	254	29	0	283
Insurance	316	25	0	341
Grant Volatility	17,900	4,309	(12,731)	9,478
ICT MKS Partnership	197	30	(165)	62
Establishment	364	0	0	364
Ice Rink	219	0	0	219
Digital Transformation	37	0	(12)	25
Traveller Protocol	15	0	0	15
Land Charges Income	60	0	0	60
Lottery Income	25	0	(25)	0
Rent Advance and Deposit	388	82	0	470
Waste Bin Replacement	30	0	(30)	0
<b>Total</b>	<b>33,361</b>	<b>7,307</b>	<b>(13,655)</b>	<b>27,013</b>

The net transfer of £8,422,000 out of the Grant Volatility reserve is from additional Section 31 grant payments, received from Government to compensate for the expanded business rates reliefs given to businesses in response to the pandemic. Due to the required accounting treatment, the additional Section 31 grants do not go through the Collection Fund and instead are held here until they are required to fund movements on the Collection Fund. As at 31 March 2022 the reserve holds £6,976,000 that will be transferred out of the reserve in 2022/23 and 2023/24 to fund the Collection Fund deficit.

<b>Reserve</b>	<b>31 March 2020</b>	<b>Income</b>	<b>Expenditure</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund	4,090	211	0	4,301
Capital & Rev Initiatives	2,666	495	(138)	3,023
Torrington Car Park	102	0	(21)	81
On Street Parking	733	100	0	833
Local Plan	509	500	0	1,009
Section 106 Contributions	36	0	0	36
Garden of Remembrance	2	0	0	2
Strategic Plan	1,319	25	0	1,344
RVP Car Park	1,118	279	0	1,397
Government Grants	708	292	(360)	640
Invest to Save	737	0	(16)	721
Cultural	141	28	0	169
Pensions Settlement	0	192	(192)	0
Housing Renewal	195	59	0	254
Insurance	291	25	0	316
Grant Volatility	1,342	16,558	0	17,900
ICT MKS Partnership	278	30	(111)	197
Establishment	364	0	0	364
Parish Enabling	35	0	(35)	0
Ice Rink	219	0	0	219
Digital Transformation	46	0	(9)	37
Traveller Protocol	15	0	0	15

Land Charges Income	60	0	0	60
Lottery Income	32	0	(7)	25
Rent Advance and Deposit	313	75	0	388
Waste Bin Replacement	0	30	0	30
<b>Total</b>	<b>15,351</b>	<b>18,899</b>	<b>(889)</b>	<b>33,361</b>

## Capital Grants and Contributions

The Council receives grants and contributions towards capital expenditure, and, where there are no repayment conditions, or when such conditions have been fulfilled, these are credited to the Income and Expenditure Account and immediately transferred into the Capital Grants and Contributions Reserve until required to finance capital investment.

## Usable Capital Receipts

Proceeds from the sales of Property, Plant and Equipment are initially credited to the Income and Expenditure Account, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.

## 10.2 Unusable Reserves

### Revaluation Reserve

This reserve consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date are consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>	<b>Revaluation Reserve</b>	<b>£000</b>
40,594	Balance as at 1 April	40,797
2,176	Gain on revaluation of non-current assets	3,106
(210)	Impairment losses of non-current assets	(3,609)
(964)	Gain or (loss) on sale of non-current assets	(159)
(799)	Adjustment for depreciation of revalued non-current assets	(794)

<b>40,797</b>	<b>Balance as at 31 March</b>	<b>39,341</b>
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### Financial Instruments Revaluation Reserve

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>	<b>Financial Instruments Revaluation Reserve</b>	<b>£000</b>
1,488	Balance as at 1 April	1,413
(75)	Surplus or (deficit) on revaluation of financial instruments	1,828
<b>1,413</b>	<b>Balance as at 31 March</b>	<b>3,241</b>

### Capital Adjustment Account

This reserve receives credits when capital is financed from revenue resources or other usable reserves and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>	<b>Capital Adjustment Account</b>	<b>£000</b>
77,814	Balance as at 1 April	83,452
(166)	Write Down Intangible Assets	(167)
(3,236)	Depreciation of Property, Plant and Equipment	(3,063)
(1,050)	Impairment Losses and Impairment Loss Reversals to Property, Plant and Equipment	2,195
(980)	Movements in value of Investment Properties	0
(593)	Revenue Expenditure financed from Capital under Statute	0
(212)	Gain or (loss) on sale of non-current assets	(6)
(1)	Difference between accounting and statutory finance costs	0
0	Donated assets	31

290	Statutory provision for the financing of capital investment	1,442
36	Capital expenditure financed from revenue	333
3,788	Capital expenditure financed from grants and contributions	5,252
6,963	Capital expenditure financed from capital receipts	1,338
799	Adjustment for depreciation of revalued non-current assets	794
<b>83,452</b>	<b>Balance as at 31 March</b>	<b>91,601</b>

### Financial Instruments Adjustment Account

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

2020/21		2021/22
£000	Financial Instruments Adjustment Account	£000
(1)	Balance as at 1 April	0
1	Difference between accounting and statutory finance costs	0
<b>0</b>	<b>Balance as at 31 March</b>	<b>(0)</b>

### Deferred Capital Receipts

In some cases an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.

2020/21		2021/22
£000	Deferred Capital Receipts	£000
4,772	Balance as at 1 April	147
(4,625)	Gain or (loss) on sale of non-current assets	0
<b>147</b>	<b>Balance as at 31 March</b>	<b>147</b>

The Deferred Capital Receipts reserve was credited during 2017/18 with £7.4 million as a result of the sale of land at Holly Farm which had been sold but the receipt is to be phased over a period of 4 years. The reserve had been debited during 2020/21 with the final instalment of £4.625 million.



## Pensions Reserve

This reserve is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.

2020/21		2021/22
£000	Pensions Reserve	£000
(57,508)	Balance as at 1 April	(65,464)
(5,814)	Re-measurement of defined benefit liability	7,754
(2,142)	Difference between accounting and statutory pension costs	(3,641)
<b>(65,464)</b>	<b>Balance as at 31 March</b>	<b>(61,351)</b>

## Collection Fund Adjustment Account

This reserve represents the differences arising from the recognition of Council tax income and non-domestic rates in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.

2020/21		2021/22
£000	Collection Fund Adjustment Account	£000
855	Balance as at 1 April	(14,374)
(15,229)	Diff between accounting and statutory credit for Council Tax	8,494
<b>(14,374)</b>	<b>Balance as at 31 March</b>	<b>(5,880)</b>

## Accumulated Absences Account

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

2020/21		2021/22
£000	Accumulated Absences Account	£000
147	Balance as at 1 April	229
82	Amounts accrued at the end of the current year	(30)

## 11. Summary of capital expenditure and financing

Capital expenditure was incurred and financed as shown below:

2020/21		2021/22
£000		£000
<b>5,900</b>	<b>Opening Capital Financing Requirement as at 1 April</b>	<b>5,694</b>
10,167	Property, Plant and Equipment	8,829
123	Intangible Assets	95
1,277	Revenue Expenditure Funded from Capital under Statute	1,011
<b>11,567</b>	<b>Total Capital Investment</b>	<b>9,935</b>
(6,963)	Capital Receipts	(1,338)
(3,788)	Government Grants and Other Contributions	(5,252)
(684)	Grants and Contributions towards REFFCUS	(1,011)
(36)	Revenue Financing	(333)
(290)	Minimum Revenue Provision	(1,442)
<b>(11,761)</b>	<b>Total Financing</b>	<b>(9,376)</b>
<b>(12)</b>	<b>Movement in Long Term Debtors within Capital Financing Requirement</b>	<b>(22)</b>
<b>5,694</b>	<b>Closing Capital Financing Requirement as at 31 March</b>	<b>6,231</b>

The Capital Financing Requirement (CFR) is the measure, taken from the Balance Sheet, of the capital expenditure incurred historically by the Council, which has yet to be financed at the end of the financial year.

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

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

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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
124,286	Property, Plant and Equipment	131,658
3,654	Heritage Assets	3,763
710	Investment Properties	710
1,035	Intangible Assets	963
98	Long term debtors financed from capital	79
160	Assets available for sale	0
(40,797)	Revaluation Reserve	(39,341)
(83,452)	Capital Adjustment Account	(91,601)
<b>5,694</b>	<b>Total Capital Financing Requirement</b>	<b>6,231</b>

## 12. Property, Plant and Equipment

### 12.1 Analysis of Carrying Amount

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

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

	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra- structure</b>	<b>Community</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 31 March 2021</b>						
Gross Carrying Amount	107,826	2,975	782	8,710	10,512	<b>130,805</b>
Cumulative Depreciation & Impairment	(5,480)	(1,202)	(542)	(144)	849	<b>(6,519)</b>

<b>Total</b>	<b>102,346</b>	<b>1,773</b>	<b>240</b>	<b>8,566</b>	<b>11,361</b>	<b>124,286</b>
<b>Balance as at 31 March 2022</b>						
Gross Carrying Amount	106,167	2,769	746	8,710	17,671	<b>136,063</b>
Cumulative Depreciation & Impairment	(2,606)	(1,145)	(510)	(144)	0	<b>(4,405)</b>
<b>Total</b>	<b>103,561</b>	<b>1,624</b>	<b>236</b>	<b>8,566</b>	<b>17,671</b>	<b>131,658</b>

## 12.2 Reconciliation of Opening and Closing Balances

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

	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra-structure</b>	<b>Community</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Movements 2020/21</b>						
Balance at 1 April 2020	104,693	2,045	254	8,551	1,082	<b>116,625</b>
Additions	253	193	12	15	9,694	<b>10,167</b>
Revaluations	1,781	0	0	0	0	<b>1,781</b>
Impairment Losses	(1,140)	0	0	0	0	<b>(1,140)</b>
Impairment Loss Reversals	90	0	0	0	0	<b>90</b>
Depreciation	(2,746)	(465)	(26)	0	0	<b>(3,237)</b>
Reclassifications	(585)	0	0	0	585	<b>-</b>
<b>Total</b>	<b>102,346</b>	<b>1,773</b>	<b>240</b>	<b>8,566</b>	<b>11,361</b>	<b>124,286</b>
<b>Movements 2021/22</b>						

Balance at 1 April 2021	102,346	1,773	240	8,566	11,361	124,286
Additions	1,424	226	20	0	7,159	8,829
Revaluations	(582)	0	0	0	0	(582)
Impairment Losses	(81)	0	0	0	0	(81)
Impairment Loss Reversals	2,276	0	0	0	0	2,276
Disposals	(6)	0	0	0	0	(6)
Depreciation	(2,665)	(375)	(24)	0	0	(3,064)
Reclassifications	849	0	0	0	(849)	0
<b>Total</b>	<b>103,561</b>	<b>1,624</b>	<b>236</b>	<b>8,566</b>	<b>17,671</b>	<b>131,658</b>

## 12.3 Valuation of Property

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

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

Within Property, Plant and Equipment, Land and Buildings and Surplus Assets are subject to valuations. The valuations this year have been provided by G L Hearn Ltd. Other than the shopping centre and the Council's multi-storey car parks, all assets are revalued at 5 year intervals (20% as at 31 March each year).

Royal Victoria Place shopping centre is revalued every 3 years and was last valued as at 31 March 2020.

The Council's multi-storey car parks are usually valued every 3 years but due to the continued effects of the pandemic on income generated by the car parks all five multi-storeys have been revalued in 2021/22.

Valuations of properties depend on various assumptions, in particular, valuers have to determine:

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

The table below analyses the gross carrying cost at 31 March for land and buildings according to the year of valuation, after adjustments for additions in year and depreciation, to ensure a like for like comparison.

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
102,346	Net Book Value at 31 March	103,561
(335)	Adjust for additions since last valuation	(869)
4,829	Adjust for depreciation since last valuation	2,606
<b>106,840</b>	<b>Total Valuations</b>	<b>105,298</b>
0	Valuation in 2021/22	48,980
31,194	Valuation in 2020/21	23,779
32,946	Valuation in 2019/20	17,932
22,748	Valuation in 2018/19	9,398
5,209	Valuation in 2017/18	5,209
14,743	Valuation in 2016/17	0
<b>106,840</b>	<b>Total Valuations</b>	<b>105,298</b>

## 12.4 Covid-19 Pandemic

The Council's valuer needed to declare a "material valuation uncertainty" in the valuation report for 2019/20 due to the pandemic, but this was not needed for the valuations for 2020/21 or 2021/22. As explained in Note 12.3 the Council decided to carry out additional valuations for all of its multi-storey car parks for 2021/22, due to the effect of reduced income from the car parks due to the pandemic.

## 12.5 Impairments

Impairments are assessed each year, in accordance with the policy in Note 3.17, for losses triggered by such occurrences as physical, environmental or economic damage, but no such impairments have been recorded in 2021/22. As noted above in Note 12.3, the impairments, usually reversals, recorded arise from the revaluation of assets carried out in the year.

## 12.6 Capital Commitments

As at 31 March 2022 the Council was contractually committed to the payment of £554,661 for the acquisition of property, plant and equipment, and intangible assets compared to

£4,796,134 at 31 March 2021. This decrease is associated with commitments for the Amelia Scott project.

## 13. Heritage Assets

The Council maintains three groupings of heritage assets:

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

The Museum's assets are generally enhanced by donations from members of the public.

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

2020/21		2021/22
£000		£000
3,627	Balance as at 1 April	3,654
0	Additions by donation	31
27	Revaluations	78
<b>3,654</b>	<b>Balance as at 31 March</b>	<b>3,763</b>

## 14. Investment Property

### 14.1 Investment Property

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

2020/21		2021/22
£000		£000
1,690	Balance as at 1 April	710
(980)	Impairment losses	0
<b>710</b>	<b>Balance as at 31 March</b>	<b>710</b>

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

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

2020/21		2021/22
£000		£000
4	Rental Income from Investment Properties	26
<b>4</b>	<b>Net Gain / (Loss)</b>	<b>26</b>

## 14.2 Covid-19 Pandemic

This investment property is a restaurant which was bought with an incumbent leaseholder. This company ceased trading on the 20 March 2020 due to the Covid-19 pandemic and all lease payments relating to 2020/21 are outstanding. The Council is still awaiting the outcome of the administration process, but the property was revalued as at 31 March 2021, for inclusion in the Balance Sheet.

The property was re-let on the 22 January 2021, and the rental income has now increased to £45,000 per annum. This property was funded from internal borrowing, which has been partially repaid in 2021/22, to still ensure that the reduced rental income can provide for the repayments and therefore does not negatively impact the revenue budget.

## 15. Assets Held for Sale

Following its policy of seeking to dispose of properties not required to provide services, for the best price available, the Council has disposed of a number of pieces of land in recent years. Most of these were considered below the de minimis level for recognising in Property, Plant and Equipment. Note 3.17 specifies that assets made available for sale are held at the lower of carrying value and market value, so that, although the Council expects to gain capital receipts from their disposal, they are not recognised in the Balance Sheet as at 31 March 2022.

2020/21		2021/22
£000		£000
1,176	Balance as at 1 April	160
(1,176)	Disposals	(160)
160	Revaluations	0
<b>160</b>	<b>Balance as at 31 March</b>	<b>0</b>



## 16. Financial Instruments

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

### 16.1 Financial Assets

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

	31 March 2022	31 March 2022	31 March 2022	31 March 2022
	Long Term	Long Term	Short Term	Short Term
	Investments	Debtors	Investments	Debtors
	£000	£000	£000	£000
Principal	0	111	0	6,286
Cash and Cash Equivalents	0	0	46,868	0
Cash and Cash Equivalents Interest	0	0	5	0
<b>Total Amortised Cost</b>	<b>0</b>	<b>111</b>	<b>46,873</b>	<b>6,286</b>
CCLA Property Fund	12,240	0	0	0
Investment Interest Accrued	0	0	99	0
<b>Total Fair Value through Profit and Loss</b>	<b>12,240</b>	<b>0</b>	<b>99</b>	<b>0</b>
<b>Total Financial Assets</b>	<b>12,240</b>	<b>111</b>	<b>46,972</b>	<b>6,286</b>
Non-Financial Assets	0	934	0	2,217
<b>Total Investments, Debtors, Cash and Cash Equivalents</b>	<b>12,240</b>	<b>1,045</b>	<b>46,972</b>	<b>8,503</b>

	31 March 2021	31 March 2021	31 March 2021	31 March 2021
	Long Term	Long Term	Short Term	Short Term
	Investments	Debtors	Investments	Debtors
	£000	£000	£000	£000
Principal	0	144	0	5,050
Cash and Cash Equivalents	0	0	25,981	0
Cash and Cash Equivalents Interest	0	0	3	0
<b>Total Amortised Cost</b>	<b>0</b>	<b>144</b>	<b>25,984</b>	<b>5,050</b>
CCLA Property Fund	10,413	0	0	0
Investment Interest Accrued	0	0	106	0
<b>Total Fair Value through Profit and Loss</b>	<b>10,413</b>	<b>0</b>	<b>106</b>	<b>0</b>
<b>Total Financial Assets</b>	<b>10,413</b>	<b>144</b>	<b>26,090</b>	<b>5,050</b>
Non-Financial Assets	0	2,556	0	6,213
<b>Total Investments, Debtors, Cash and Cash Equivalents</b>	<b>10,413</b>	<b>2,700</b>	<b>26,090</b>	<b>11,263</b>

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

## 16.2 Financial Liabilities

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

	31 March 2022	31 March 2022	31 March 2022	31 March 2022
	Long Term	Long Term	Short Term	Short Term
	Borrowing	Creditors	Borrowing	Creditors
	£000	£000	£000	£000

Principal	0	(0)	0	(4,351)
<b>Total Amortised Cost</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(4,351)</b>
Non-Financial Liabilities	0	(578)	0	(29,003)
<b>Total Borrowing and Creditors</b>	<b>0</b>	<b>(578)</b>	<b>(0)</b>	<b>(33,354)</b>

	31 March 2021	31 March 2021	31 March 2021	31 March 2021
	Long Term	Long Term	Short Term	Short Term
	Borrowing	Creditors	Borrowing	Creditors
	£000	£000	£000	£000
Principal	0	(13)	0	(3,960)
<b>Total Amortised Cost</b>	<b>0</b>	<b>(13)</b>	<b>0</b>	<b>(3,960)</b>
Non-Financial Liabilities	0	0	0	(17,341)
<b>Total Borrowing and Creditors</b>	<b>0</b>	<b>(13)</b>	<b>0</b>	<b>(21,301)</b>

## 16.3 Interest and Investment Income Receivable and Payable

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

2020/21		2021/22
£000		£000
0	Financial Instruments Revaluation	(1,828)
(650)	Interest from loans and receivables	(502)
(4)	Investment Income	(27)
(53)	Other Interest Receivable	(67)
<b>(707)</b>	<b>Total Interest and Investment Income</b>	<b>(2,424)</b>
7	Interest on PWLB Loan	0
75	Financial Instruments Revaluation	0
<b>82</b>	<b>Total Interest Payable</b>	<b>0</b>

## 16.4 Fair Value

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

The fair value of investments is shown in the table below with the level in the fair value hierarchy, as explained in Accountancy Policy 3.10:

31 March 2021	31 March 2021			31 March 2022	31 March 2022
Book Value	Fair Value		Level	Book Value	Fair Value
£000	£000			£000	£000
10,413	10,413	CCLA Property Fund	1	12,240	12,240
<b>10,413</b>	<b>10,413</b>	<b>Long Term Investments</b>		<b>12,240</b>	<b>12,240</b>
106	106	Add accrued interest on long term		99	99
<b>106</b>	<b>106</b>	<b>Short Term Investments</b>		<b>99</b>	<b>99</b>
<b>10,519</b>	<b>10,519</b>	<b>Total Investments</b>		<b>12,339</b>	<b>12,339</b>

The fair values valuations have been provided by the Council's Treasury Management advisor, Link Asset Services. The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, the calculations also include accrued interest in the fair value calculation. This figure is calculated up to and including the valuation date. The rates quoted in this valuation were obtained by Link from the market on 31st March, using bid prices where applicable.

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

## 16.5 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority.
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments.

- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

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

## **Credit Risk**

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions, amounting to £55.9 million at 31 March 2022, cannot be assessed generally, as the risk of any institution failing to make interest payments or to repay the principal sum, will be specific to each individual institution. Recent experience indicates that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise. There has been no experience of default by any of the institutions holding the Council's financial instruments, other than for trade accounts receivable.

The investment with the Church, Charities and Local Authorities (CCLA) Property Fund is represented by the purchase of units within the fund. The price of units and the income from them may fall and rise and therefore as a unit holder the Council may not recover the full amount invested.

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

## **Liquidity Risk**

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

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

## **Refinancing and Maturity Risk**

The Council no longer holds any external debt, but has £6,231,000 of Capital Financing Requirement, presently funded through internal borrowing. Should cashflow circumstances change, it may be necessary to borrow externally to fund this debt, thereby incurring an interest charge, that is avoided at present.

As interest rates have been so low there has been insufficient benefit to investing longer term and instead funds have been held in the Council's current account or short term deposit accounts.

## **Market Risk**

### **Interest Rate Risk**

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

The Finance 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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been to increase investment income by £596,000.

The return from the CCLA Property Fund is expected to fluctuate in response to changes in capital appreciation or income. The Fund is permitted to borrow up to 50% of the value of the

Fund in order to purchase direct properties. A failure by the Fund to perform its obligations under the terms of any such loan would permit lenders to demand early repayment of the finance and to realise any security they have over the Fund's Property. Borrowing also increases risk by magnifying capital and income performance, gains and losses.

### Price Rate Risk

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

### Foreign Exchange Risk

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

## 17. Debtors

### 17.1 Groupings of Debt

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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
1,307	Trade Accounts Receivable	3,228
1,609	Other Trade Debtors	1,959
2,261	Central Government	441
411	Prepayments	311
5,675	Other Debtors	2,564
<b>11,263</b>	<b>Total Short Term Debtors</b>	<b>8,503</b>
<b>2,700</b>	<b>Total Long Term Debtors</b>	<b>1,045</b>
<b>13,963</b>	<b>Balance as at 31 March</b>	<b>9,548</b>

The Debtors balances for 2020/21 include £4.690 million in relation to the Collection Fund account balances owed by Central Government for business rates and by Local Authorities for business rates and council tax. This is shown as £2.141 million in short term debtors, categorised as Other Debtors, and £2.549 million within Long Term Debtors.

The Debtors balances for 2021/22 include £0.893 million in relation to the Collection Fund account balances owed by Central Government for business rates, which is shown within Long Term Debtors.

## 17.2 Trade Accounts Receivable

As explained in Note 3.10 above, the grouping of 'Trade accounts receivable' comes within the definition of Financial Instruments. Invoices are sent to individuals and other entities, where money cannot be obtained in advance of the service being rendered, and where payment is required on the receipt of the invoice.

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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
1,059	Less than 3 months	2,985
37	3 to 6 months	19
79	6 to 12 months	8
132	More than 1 year	216
<b>1,307</b>	<b>Total Trade Accounts Receivable</b>	<b>3,228</b>

The Council has £3.2m of outstanding trade accounts debt at 31 March 2022, compared to £1.3m at the end of 2020/21. £1.4m is an outstanding contribution to the Amelia project from Kent County Council and £788,000 is for developer contributions from Berkeley Homes. The remaining £1m is mainly with other local authorities or companies with sufficient reserves to settle their debts.

The Council has also made impairment provisions of £3,843,000 at 31 March 2022, compared to £3,546,000 at 31 March 2021, covering debts for Housing Benefit overpayments, this Council's share of Council Tax and Non-Domestic Rates debts, rents, rent deposits and Penalty Charge Notices for parking. The approach to assessing these impairment provisions is similar to those for trade debtors, as outlined above, although such debts do not fall within the definition of financial instruments.

## 17.3 Covid-19 Pandemic

Each debt outstanding as at 31 March has been reviewed and an assessment made on the probability of recovery. If the recovery is considered unlikely then a provision for that sum has been made in the accounts. The only remaining debt of any size resulting from the pandemic, is that of the investment property lease holder, which went into administration leaving £102,300 of outstanding lease payments. Whilst this has not yet been written off, as there may yet be some proceeds from the administration process, a provision has been made for the entire sum.



## 17.4 Contingent Assets

There are no contingent assets to be reported.

## 18. Liabilities

### 18.1 Creditors

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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
(14,812)	Central Government	(23,103)
(358)	Other Local Authorities	(2,203)
(6,131)	All Other Bodies	(8,048)
<b>(21,301)</b>	<b>Total Short Term Creditors</b>	<b>(33,354)</b>
0	Other Local Authorities	(578)
(13)	All Other Bodies	0
<b>(13)</b>	<b>Total Long Term Creditors</b>	<b>(578)</b>
<b>(21,314)</b>	<b>Balance as at 31 March</b>	<b>(33,932)</b>

The liability for Central Government as at 31 March 2021 includes £7.999 million in relation to the Covid-19 business grants. The Council has been administering business grants schemes, provided by the Government to support businesses during the pandemic. The funding for these schemes has been provided up front and therefore the Council held these balances short term, until the sums are able to be passed onto businesses or will be returned to Government. The equivalent figure for 2021/22 is £1.597 million.

The Council received an allocation of £5.025 million for the Government's £150 Energy Rebate Scheme in March 2022. This will be paid to residents during April to September 2022 and the balance is therefore held within the Central Government balance.

### 18.2 Provisions

#### Appeals against Business Rate Valuations and Appeals not yet lodged

As part of the changes relating to business rates retention that came into force in 2013, a provision is now made to allow for the potential losses from appeals against valuations. The

appeals outstanding on the 2010 list are calculated based on the appeals outstanding at 31 March 2021 and the average reduction achieved from settled appeals. For the Council this still constitutes £144,017 (40% of the total provision), as the Valuation Office is still working through its caseload.

The new 2017 Rating list, applicable from 1 April 2017, is subject to a new, and significantly more complex appeal process. This has meant that far fewer appeals have been made than would normally have been expected. It is also considered that consultancy companies, which assist businesses to appeal, will not make their appeals in the early years of a new rating list, in order to maximise their earnings from retrospective years' commission. The low number of appeals experienced thus far is not anticipated to be the case indefinitely and the amounts appealed could be significant and retrospective. It could be argued that the amounts to be appealed and the timescales for the appeals, cannot be determined and therefore should be a contingent liability. However, the Ministry of Housing, Communities and Local Government has provided an estimate that 2.1p in every £1 of the annual Rateable Value would be appealed and in order to reflect this material sum, a provision has been made in the Collection Fund. The provision calculation provides on the basis of that 2.1p in every £1, but then recognises those businesses that are in receipt of the various business rate reliefs, which means they are less likely to appeal their rateable value.

This has meant an overall increase in the level of appeals provision to £11,458,667. The Council's 40% share of the total provision has been increased to £4,583,467 (£4,106,338 at 31 March 2021).

## **18.3 Contingent Liabilities**

### **Municipal Mutual 'Run Off' Liabilities**

Municipal Mutual Insurance Limited (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion. Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of claimants rather than MMI. In 2015/16 a review of the Scheme of Arrangements concluded that a 25% levy must be charged on claims since the Scheme of Arrangement commenced and the Council duly paid this. The Council has had a Mesothelioma claim in 2021/22 which has been settled with the Claimant, but the final cost settlement is still outstanding. Also a small proportion may be claimable from Tonbridge and Malling Borough Council (TMBC) as the case relates to a period prior to 1974 when the Tonbridge District Council was divided into both Tunbridge Wells and TMBC.

### **Dispute with Lessee**

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

## Local Plan Examination Process

This has been ongoing through 2021/22, with the Duty to Co-operate and Legal Compliance stages being considered in the second half of the year. Whilst the Inspector's final report has not been issued, the Post Hearing Findings Letter, dated 6 April 2022, stated that the Council may proceed to Stage 2. This is significant, as while it is possible that the Inspector could review the position, at present, they are comfortable to allow the Council to proceed. This is crucial, as other neighbouring authorities have not been given permission to proceed and the costs associated with reparation of the Local Plan would have been significant.

## Planning Inquiries

There are two outstanding planning inquiries against Planning Committee refusal of planning permission at Turnden in Cranbrook and at Sandown Park in Tunbridge Wells. Combined, they are likely to have direct costs to the Council of over £100,000, but if the inquiry finds against the Council, there will also be an unknown amount claimed in costs by the third parties.

# 19. Grants and Contributions

## 19.1 Grants and Contributions

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

2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£000	£000	£000		£000	£000	£000
Grants	Contribs	Total		Grants	Contribs	Total
(26,558)	0	(26,558)	DWP Benefits Grants	(24,197)	0	(24,197)
(4,032)	0	(4,032)	Covid-19 Business & Resident Grants	(2,182)	0	(2,182)
0	0	0	Homelessness Support	(560)	0	(560)
(622)	0	(622)	Council Tax Hardship Fund	0	0	0
0	(2,435)	(2,435)	Contribution from Other Local Authorities and Health Sector	0	(3,216)	(3,216)
0	(684)	(684)	Contributions to revenue expenditure financed from capital	0	(1,011)	(1,011)
(150)	(1,075)	(1,225)	Other grants and contributions	(197)	(953)	(1,150)

<b>(31,362)</b>	<b>(4,194)</b>	<b>(35,556)</b>	<b>Total Within Cost of Services</b>	<b>(27,136)</b>	<b>(5,180)</b>	<b>(32,316)</b>
(13,886)	0	(13,886)	Business Rate Reliefs	(9,221)	0	(9,221)
(7,259)	0	(7,259)	Covid-19 Support Grants	(1,606)	0	(1,606)
(1,160)	0	(1,160)	New Homes Bonus	(860)	0	(860)
(757)	0	(757)	Homelessness Support	(291)	0	(291)
(419)	0	(419)	Benefits & Business Rates administration grants	(527)	0	(527)
(71)	0	(71)	Council Tax	(70)	0	(70)
(2,960)	(1,807)	(4,767)	Grants & contributions towards capital	(1,707)	(4,043)	(5,750)
(115)	(241)	(356)	Other grants and contributions	(478)	(479)	(957)
<b>(26,627)</b>	<b>(2,048)</b>	<b>(28,675)</b>	<b>Total within Taxation and Non-Specific Grant Income</b>	<b>(14,760)</b>	<b>(4,522)</b>	<b>(19,282)</b>
<b>(57,989)</b>	<b>(6,242)</b>	<b>(64,231)</b>	<b>Total within Comprehensive and Expenditure Statement</b>	<b>(41,896)</b>	<b>(9,702)</b>	<b>(51,598)</b>
(15,520)	1,606	(13,914)	Adjust for variation in accruals and capital grants	1,707	(952)	755
<b>(73,509)</b>	<b>(4,636)</b>	<b>(78,145)</b>	<b>Total within Cash Flow Statement</b>	<b>(40,189)</b>	<b>(10,654)</b>	<b>(50,843)</b>

## 19.2 Covid-19 Pandemic

Included in the table above are several amounts received this year to support the Council's response to the pandemic.

Within Cost of Services are the business grants and resident payments where the Council has been delivering Government funded schemes for which it deems itself to be acting as principal. Grants received were as follows:

2020/21		2021/22
£000		£000
(2,638)	Additional Restrictions Grant	(2,170)
(1,366)	Local Authority Discretionary Grant Fund	(0)
(25)	Local Restrictions Support Grant (Open)	(0)
(3)	Self-Isolation Payments (Discretionary)	(12)
<b>(4,032)</b>	<b>Total Covid-19 Business &amp; Resident Grants</b>	<b>(2,182)</b>

A number of grants and contributions are shown within 'Other grants and contributions' that were received for schemes supporting the pandemic response.

Within Non-Specific Grant Income, Covid-19 Support Grants received were as follows:

2020/21		2021/22
£000		£000
(4,227)	Compensation for lost Sales, Fees and Charges	(737)
(1,429)	Covid-19 Emergency Funding	(486)
(1,309)	Local Tax Income Guarantee (Business Rates & Council Tax)	0
(294)	New Burdens Grants for administering grant schemes	(430)
<b>(7,259)</b>	<b>Total Covid-19 Support Grants</b>	<b>(1,653)</b>

### 19.3 Capital Grants Receipts in Advance

The Council receives grants and contributions that have yet to be recognised as income as they have no conditions attached to them that will require the monies to be returned to the giver. The balances at year end are as follows:

31 March 2021		31 March 2022
£000	Short Term Capital Grants Receipts in Advance	£000
(670)	Balance as at 1 April	(1,060)
(30)	Grants Received	(44)
100	Applied to revenue & capital expenditure	3
(460)	Transfer from Long Term Grants	(439)
<b>(1,060)</b>	<b>Balance as at 31 March</b>	<b>(1,540)</b>

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>	<b>Long Term Capital Grants Receipts in Advance</b>	<b>£000</b>
(3,344)	Balance as at 1 April	(3,059)
(601)	Grants Received	(2,528)
426	Other Transfers	212
460	Transfer to Short Term Grants	439
<b>(3,059)</b>	<b>Balance as at 31 March</b>	<b>(4,936)</b>

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

## 20. Officers' Remuneration

### 20.1 Remuneration of Senior Management

The tables below set out in more detail the remuneration of the senior staff of the Council. The pay of the officers concerned is also included in the remuneration band table set out in Note 20.2 below.

<b>2021/22</b>	<b>Salary</b>	<b>Pension</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	142,197	24,421	166,618
Director of Finance, Policy & Development (s151 Officer)	108,836	18,528	127,364
Director of Change & Communities	100,336	17,659	117,995
<b>Total</b>	<b>351,369</b>	<b>60,608</b>	<b>411,977</b>

<b>2020/21</b>	<b>Salary</b>	<b>Pension</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	136,614	23,291	159,905
Director of Finance, Policy & Development (s151 Officer)	129,361	19,611	148,972
Director of Change & Communities	100,319	17,656	117,975
<b>Total</b>	<b>366,294</b>	<b>60,558</b>	<b>426,852</b>

It should be noted that:

- No bonuses were payable to any of these officers.
- The remuneration is gross of any eligible salary sacrifice schemes.
- The figures for the Chief Executive include fees payable for the role of Returning Officer for electoral purposes. The amounts fluctuate between years, depending on what elections fall due during the financial year. No amount was paid in 2020/21 compared to £10,395 in 2021/22.
- Similarly, the figures for the Director of Finance, Policy and Development include fees payable for elections. No amount was paid in 2020/21 compared to £3,059 in 2021/22.

## 20.2 Remuneration Bands

The table below shows the number of employees in the year whose remuneration was greater than £50,000. For this purpose remuneration means amounts paid to or receivable by an employee (not including pension benefits), and includes sums due by way of expenses allowance (so far as these sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash. The table displays two columns for each year: the first column, in line with the Accounts and Audit Regulations, shows amounts paid to individuals including severance pay. As this can vary considerably between years, a second column is also included which excludes severance pay completely.

The table below shows total remuneration paid to individual employees for the year, whereas the detailed tables above in Note 20.1 show remuneration against the relevant senior post. This does not cause any difference for the two years reported above, but in other years a particular post may be held by more than one employee during the course of the year, and conversely an employee may occupy different posts during the year.

<b>2020/21</b>	<b>2020/21</b>		<b>2021/22</b>	<b>2021/22</b>
<b>Including Severance</b>	<b>Excluding Severance</b>	<b>Remuneration Band</b>	<b>Including Severance</b>	<b>Excluding Severance</b>
7	7	£50,000 - £54,999	12	12

2	2	£55,000 - £59,999	6	6
9	9	£60,000 - £64,999	5	5
2	2	£65,000 - £69,999	2	2
0	0	£70,000 - £74,999	1	1
2	2	£75,000 - £79,999	0	0
0	0	£80,000 - £84,999	4	4
2	2	£85,000 - £89,999	1	1
1	1	£95,000 - £99,999	0	0
1	1	£100,000 - £104,999	1	1
0	0	£105,000 - 109,999	1	1
1	1	£125,000 - £129,999	0	0
1	1	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	1	1
<b>28</b>	<b>28</b>	<b>Total</b>	<b>34</b>	<b>34</b>

## 21. Defined Benefit Pension Schemes

### 21.1 Participation in defined liability pension plan

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

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

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

The accounting policy for this pension plan, including the recognition of actuarial gains and losses, is set out in the accounting policies set out in Note 3.8.

### 21.2 Annual Movement in Plan Obligations and Assets

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



2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£000	£000	£000		£000	£000	£000
Liabilities	Assets	Net		Liabilities	Assets	Net
<b>(149,603)</b>	<b>91,890</b>	<b>(57,713)</b>	<b>Asset / Liability as at 1 April</b>	<b>(183,696)</b>	<b>118,016</b>	<b>(65,680)</b>
(3,347)	0	(3,347)	Current Service Cost	(4,915)	0	(4,915)
0	0	0	Curtailments	0	0	0
(3,471)	2,145	(1,326)	Interest expense and income	(3,633)	2,346	(1,287)
0	(75)	(75)	Administration expenses	0	(70)	(70)
<b>(6,818)</b>	<b>2,070</b>	<b>(4,748)</b>	<b>Surplus/Deficit on Provision of Services</b>	<b>(8,548)</b>	<b>2,276</b>	<b>(6,272)</b>
0	2,595	2,595	Employer Contributions	0	2,627	2,627
(675)	675	0	Employee Contributions	(671)	671	0
4,486	(4,486)	0	Payments to beneficiaries	4,773	(4,773)	0
<b>3,811</b>	<b>(1,216)</b>	<b>2,595</b>	<b>Other Movements</b>	<b>4,102</b>	<b>(1,475)</b>	<b>2,627</b>
0	25,272	25,272	Return on assets excluding interest income	0	115	115
(35,063)	0	(35,063)	Changes in financial assumptions	8,092	0	8,092
1,731	0	1,731	Changes in democratic assumptions	0	0	0
2,246	0	2,246	Experience gains and losses	(453)	0	(453)
0	0	0	Other actuarial gains/(losses)	0	0	0
<b>(31,086)</b>	<b>25,272</b>	<b>(5,814)</b>	<b>Re-measurements</b>	<b>7,639</b>	<b>115</b>	<b>7,754</b>

(183,696)	118,016	(65,680)	Asset / Liability as at 31 March	(180,503)	118,932	(61,571)
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In 2015, the Government introduced reforms to public sector pensions, with most public sector workers moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial (McCloud) and fire fighter's (Sergeant) schemes as part of the reforms, breached age discrimination rules. This case has impacted upon other areas of the public sector and in 2019/20 the Council reflected the additional liability. This has been rolled forward into the liability for 2021/22. The McCloud/Sergeant remedy will be implemented in two phases with Phase One commencing on 1st April 2022. This could be a risk to the liability, but it is the actuary's view that there is no material difference between the approach underlying their estimated allowance and the proposed remedy.

The Return on Assets has been very low this year as many assets are held in Equities which have been adversely affected by the recent economic uncertainties. Mortality rate assumptions have remained much the same as last year. Salary and pension rate increases have both risen, but the impact upon the fund liabilities has been offset by an increase in the discount rate assumed.

## 21.3 Plan Assets

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

31 March 2021	31 March 2021		31 March 2022	31 March 2022
£000	%		£000	%
75,995	64.4%	Equities	76,559	64.0%
701	0.6%	Gilts	726	1.0%
14,738	12.5%	Bonds	16,421	14.0%
12,214	10.3%	Property	13,970	12.0%
5,852	5.0%	Cash	2,457	2.0%
8,516	7.2%	Target Return Portfolio	8,799	7.0%
<b>118,016</b>	<b>100%</b>	<b>Total</b>	<b>118,932</b>	<b>100%</b>

## 21.4 Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham,

an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2022. The main assumptions used for the purposes of the calculations are:

2020/21		2021/22
	<b>Mortality assumptions:</b>	
21.6 years	Longevity at 65 for current pensioners: Men	21.6 years
23.6 years	Longevity at 65 for current pensioners: Women	23.7 years
22.9 years	Longevity at 65 for future pensioners: Men	23 years
25.1 years	Longevity at 65 for future pensioners: Women	25.1 years
	<b>Other assumptions:</b>	
3.80%	Rate of increase in salaries	4.20%
2.80%	Rate of increase in pensions	3.20%
2.00%	Rate for discounting scheme liabilities	2.60%
50.0%	Take-up option to convert annual pension into retirement lump sum	50.0%

## 21.5 Basis for Estimating Assets and Liabilities

The estimates depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Council with expert advice about the assumptions to be applied. The table below shows the impact of small changes to the major assumptions:

2020/21		2021/22
£000	Discount Rate:	£000
(4,740)	Increase of 0.1%	(4,305)
5,086	Reduction of 0.1%	4,622
	<b>Salary Increases:</b>	
4,913	Increase of 0.1%	4,463
(4,908)	Reduction of 0.1%	(4,458)
	<b>Pension Increases:</b>	
5,084	Increase of 0.1%	4,620
(4,741)	Reduction of 0.1%	(4,305)

	<b>Adjustment to Mortality Estimates:</b>	
5,115	Increase of 1 year	4,643
(4,713)	Reduction of 1 year	(4,285)

## 21.6 Funding Arrangements

The estimated cash contribution for 2022/23 is £2,881,000 compared with the actual contribution of £2,636,000 for 2021/22.

## 22. Termination Benefits and Exit Packages

In 2021/22 the Council paid £22,000 in exit packages to 1 former member of staff, compared to £3,000 paid to 1 former member of staff in 2020/21. This payment, when combined with the salary payment, did not exceed £50,000 and was a compulsory redundancy.

The table below shows the complete cost of exit packages agreed in each year that has been charged to the Comprehensive Income and Expenditure Statement. The costs shown include severance pay, any curtailment costs relating to the cost of allowing employees to take their pensions before normal retirement age, and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.

2020/21	2020/21		2021/22	2021/22
Number	Cost		Number	Cost
	£000	Banding		£000
1	3	£0 - £19,999	0	0
0	0	£20,000 - £39,999	1	22
<b>1</b>	<b>3</b>	<b>Total</b>	<b>1</b>	<b>22</b>

## 23. Members' Allowances

The total amount of Member's allowances paid in 2021/22 was £353,241 compared to £346,545 in 2020/21.

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

## 24. External Audit Costs

The audit fees for 2021/22, payable to Grant Thornton, are set out below:

2020/21		2021/22
£000		£000
47	External Audit Services – Statutory Accounts	42
24	Audit & Statutory Certification of Grant Claims	24
18	Value for Money Audit	9
0	Value for Money Audit in Respect of 2020/21	9
8	Additional Fees due to Impact of Covid-19 for 2019/20	7
0	Fee Variations	17
0	Fee Variations in Respect of 2020/21	14
<b>97</b>	<b>Sub Total</b>	<b>122</b>
0	Rebate of Audit Fees from Public Sector Audit Appointments	(8)
<b>97</b>	<b>Total</b>	<b>114</b>

## 25. Leasing

### 25.1 Operating Leases – Council acting as lessor

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

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

31 March 2021		31 March 2022
£000	Leases expiring:	£000
(1,406)	Within one year	(1,464)
(4,659)	Between two and five years	(5,028)
(77,107)	Later than five years	(76,463)

<b>(83,172)</b>	<b>Total</b>	<b>(82,955)</b>
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The minimum lease payments receivable as shown in the above table do not include rents that are contingent upon events taking place after the start of the lease, such as adjustments following rent reviews.

## 25.2 IFRS 16 Leases

The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases by a further two years. This means the effective date for implementation is now 1 April 2024, which would impact the statements in 2024/25.

## 26. Related Parties

The term “Related Party” covers relationships between the Council and a body or individual where one of the parties can exercise significant influence over the policies and decisions of the other.

### 26.1 Central Government

The UK central government provides much of the Council’s funding and determines its statutory framework. Details of transactions with central government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and Note 17 Debtors, Note 18 Liabilities and Note 19 Grants and Contributions.

### 26.2 Kent Pension Scheme

The Council participates in the Kent Pension Scheme, making annual contributions to the Kent Pension Fund as set out in Note 20. Although the scheme is administered by Kent County Council, the pension fund is a separate legal entity, and Kent County Council is not in itself a related party.

### 26.3 Tunbridge Wells Property Holdings Ltd

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

The company started trading on the 18 May 2015, when 8 properties were leased to the company by the Council on 22 year leases and since then a further 11 properties have been leased. 2021/22 is the sixth year of trading the company is expected to make a small profit in

the region of £19,000. The accounts will be filed at Companies House by December 2022. Group Accounts have not been prepared as the revenue is immaterial as shown in Note 5 Critical Judgements in Accounting Policies.

## **26.4 Members and Senior Officers**

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

Returns were received from all Councillors elected for the 2021/22 financial year and all Chief Officers and there were no transactions considered of material significance to warrant separate disclosures in the accounts.

Details of payments to senior officers and to members are shown in Note 20 Officers' remuneration and Note 23 Members' allowances respectively.

# Collection Fund Statement

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

2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£000	£000	£000		£000	£000	£000
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(86,134)	(22,364)	(108,498)	Income Collectable	(92,081)	(39,792)	(131,873)
(655)	0	(655)	Covid-19 Council Tax Hardship Discount	(0)	0	(0)
<b>(86,789)</b>	<b>(22,364)</b>	<b>(109,153)</b>	<b>Income Receivable</b>	<b>(92,081)</b>	<b>(39,792)</b>	<b>(131,873)</b>
			Apportionments of previous year surplus:			
180	0	180	Kent County Council	(360)	0	(360)
27	0	27	Kent Police Authority	(54)	0	(54)
11	0	11	Kent Fire and Rescue Service	(21)	0	(21)
32	0	32	Tunbridge Wells Borough Council	(65)	0	(65)
			Precepts and central share:			
62,533	5,610	68,143	Kent County Council	64,371	1,539	65,910
9,401	0	9,401	Kent Police Authority	9,898	0	9,898
3,669	563	4,232	Kent Fire and Rescue Service	3,667	171	3,838
11,199	22,510	33,709	Tunbridge Wells Borough Council	11,343	6,841	18,184
0	27,592	27,592	Government	0	8,551	8,551
			Transfer to General Fund:			



0	168	168	Cost of collection	0	168	168
			Impairments of debts:			
132	112	244	Write offs	217	397	614
871	895	1,766	Allowance for impairments	507	339	846
			Impairments resulting from appeals:			
0	1,652	1,652	Allowance for impairments	0	1,193	1,193
0	802	802	Transactional protection payments	0	52	52
0	124	124	Renewable energy schemes	0	123	123
<b>88,055</b>	<b>60,028</b>	<b>148,083</b>	<b>Expenditure</b>	<b>89,503</b>	<b>19,374</b>	<b>108,877</b>
<b>1,266</b>	<b>37,664</b>	<b>38,930</b>	<b>(Increase) / Reduction in fund balance</b>	<b>(2,578)</b>	<b>(20,418)</b>	<b>(22,996)</b>

2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
£000	£000	£000		£000	£000	£000
Council Tax	Business Rates	Total	Collection Fund Balance	Council Tax	Business Rates	Total
(500)	(1,975)	(2,475)	Balance at 1 April	766	35,689	36,455
1,266	37,664	38,930	(Increase) / Reduction in fund balance	(2,578)	(20,418)	(22,996)
<b>766</b>	<b>35,689</b>	<b>36,455</b>	<b>(Surplus) / Deficit Balance at 31 March</b>	<b>(1,812)</b>	<b>15,271</b>	<b>13,459</b>

# Notes to the Collection Fund Statement

## 1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimated at 1 April 1991 values for this specific purpose. The property valuations are carried out by the Valuation Office Agency. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority and this Council for the forthcoming year and dividing this by the Council Tax Base

The Council Tax base is the number of chargeable dwellings in each valuation band, adjusted where discounts apply, converted to an equivalent number of Band D dwellings. This was calculated as follows:

	<b>Multiplier</b>	<b>2020/21</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2021/22</b>
		<b>Properties</b>	<b>Band D Equivalent</b>	<b>Properties</b>	<b>Band D Equivalent</b>
A	6/9	2,153.26	1,435.62	2,052.32	1,368.34
B	7/9	3,801.01	2,956.34	3,677.56	2,860.34
C	8/9	11,136.41	9,899.00	10,852.29	9,646.46
D	9/9	9,088.21	9,088.21	9,081.06	9,081.09
E	11/9	6,321.01	7,725.65	6,250.79	7,639.84
F	13/9	4,381.50	6,328.83	4,446.18	6,422.29
G	15/9	4,990.07	8,316.79	5,036.49	8,394.14
H	18/9	544.38	1088.76	561.10	1,122.20
	<b>Total</b>	<b>42,415.85</b>	<b>46,839.20</b>	<b>41,957.79</b>	<b>46,534.70</b>
	<b>Collection Rate</b>		<b>0.988</b>		<b>0.975</b>
	<b>Tax Base</b>		<b>46,277.10</b>		<b>45,371.40</b>

## 2. Non-Domestic Rates

The total non-domestic rateable value at 31 March 2022 was £135.741 million (£134.831 million as at 31 March 2021). The national non-domestic multiplier for the year was 51.2p the same as 2020/21. A new ratings list was published for 2017, updating the last valuation list that came into effect in 2010. The principle is that a revaluation should take place every 5 years to ensure that rateable values reflect changes in the property market. Legislation had been introduced to bring the next revaluation forward by one year from 2022 to 2021, but government postponed this due to Covid-19 until 1 April 2023. At each revaluation the multipliers are revised so that the overall national business rates bill only changes in line with inflation.

In 2015/16 the Council joined the Kent Non-Domestic Rates Pool, which enables the County to retain much of the Business Rates Levy that would otherwise have been paid to government, and therefore maximise the retention of locally generated business rates.

### 2.1 Covid-19 Pandemic

Business rates income, after reliefs applied, is shown to be £39,792,000 for 2021/22, compared to £22,364,000 for 2020/21. In response to the coronavirus pandemic the Government expanded business rates retail relief by increasing it to 100% in 2020/21 and extending it to the leisure and hospitality sectors. This was continued into 2021/22, but the discount reduced to 66% from July 2021, therefore increasing the business rates income compared to the previous year. The Council is reimbursed for the reliefs granted by Government through the payment of Section 31 grants, however these grants do not get paid to the Collection Fund and are instead credited to the appropriate line in the Comprehensive Income and Expenditure Statement.

The Council's share of the deficit on the collection fund will need to be repaid over future years and therefore it has placed a sum of £6,976,000, from Section 31 grants into reserves to fund this deficit in relation to business rates.

### 2.2 Business Rates Appeals

There were a number of appeals received last year from businesses claiming reductions in their rateable values due to a 'Material Change in Circumstances', that material change being the pandemic. However, the Government's decision to legislate against any pandemic based appeals has removed this risk.

The new 2017 Rating list, applicable from 1 April 2017, is subject to a significantly complex appeal process. The basis of the appeals provision is explained in Note 17.2 Provisions, but there has been an overall increase in the level of appeals provision to £11,458,667 (£10,265,845 at 31 March 2021).