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Date: Wednesday 13 September 2023

Dear All

AUDIT AND GOVERNANCE COMMITTEE - TUESDAY 19 SEPTEMBER 2023

I enclose, for consideration at the next meeting of the Audit and Governance Committee on Tuesday 19 September 2023, the following items that were unavailable when the agenda was published.

Agenda No	Item
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10	Draft Financial Report and Audit Findings 2022-23 (Pages 2 - 146)
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Kind regards,

Emer Moran
Democratic Services

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Draft Annual Financial Report and Audit Findings for 2022/23

For Audit & Governance Committee on 19 September 2023

Summary

Lead Member: Councillor Christopher Hall – Member for Finance and Performance

Lead Director: Lee Colyer – Director of Finance, Policy & Development (Section 151 Officer)

Head of Service: Jane Fineman – Head of Finance, Procurement & Parking

Report Author: Jane Fineman – Head of Finance, Procurement & Parking

Classification: Public document (non-exempt)

Wards Affected: Not Applicable

Approval Timetable	Date
Management Board	Verbal Update
Audit & Governance Committee	19 September 2023

Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That the Audit Committee note Grant Thornton's Audit Findings Report – Appendix B.
2. That the Audit Committee approve the draft Statement of Accounts and the Annual Governance Statement – Appendix A.
3. The Audit Committee authorise the Chairman and the Director of Finance, Policy & Development to sign a Letter of Representation based on Appendix A and the Audit Findings Report.

1. Introduction and Background

- 1.1 The draft Annual Financial Report (AFR) for 2022/23 (which contains the Statement of Accounts) was uploaded to the Council website on the 31st May 2023 in line with the statutory deadline. There have been no material changes since then and the audit is almost complete, as outlined in Grant Thornton's Audit Findings Report (Appendix B). This Committee now needs to give its formal approval in order that the Annual Financial Report can be published before the 2022/23 audited accounts statutory deadline of 30 September 2023. The deadline has been brought back from the 30 November in 2022 which was extended specifically to aid auditor resourcing. In 2021/22, this council was one of only 12% of councils in England who published their accounts by the deadline of 30 November 2022 and this council published by the 30 September, which was the originally planned date.

2. Draft Annual Financial Report for 2022/23

The Annual Financial Report

- 2.1 The complete document published at the end of the audit process is termed the "Annual Financial Report" (Appendix A), while the term "Statement of Accounts" comprises the formal accounting statements, including the Collection Fund statement, together with the notes to these accounts. The Annual Financial Report consists of:
- Narrative Report
 - The Annual Governance Statement
 - The Statement of Responsibilities
 - The Independent Auditor's Report
 - The Statement of Accounts

Changes to Accounting Standards and other Major Impacts

- 2.2 IFRS (International Financial Accounting Standard) 16 leases should have been implemented on 1 April 2020 with impact to the statements in 2020/21. This has subsequently been deferred for 4 years due to Covid and audit pressures. The effective date for implementation is now 1 April 2024, which would impact the statements in 2024/25. A note will be included in the 2023/24 accounts to lay out the likely impact upon the 2024/25 accounts.

Headline figures in the Statement of Accounts

- 2.3 The revenue accounts, as summarised in paragraph 5 of the Narrative Report, show that the Council achieved a Cost of Services underspend of £1,105,000 compared to budget. This was due mainly to £1,267,000 of staff cost savings resulting from unfilled vacancies. Parking income was £438,000 above budget and income from waste recycling was £371,000 above budget, offsetting the £684,000 overspend on energy costs due to the war in Ukraine. Interest received was also above budget by £1,198,000 due to increases in interest rates and more funds being available for investment. The council also achieved an unbudgeted Business Rates surplus and after some movements to/from reserves, eventually transferred a residual £18,000 to the General Fund. Meeting the revenue budget is a considerable achievement and emphasises the Council's commitment to balancing its budget year on year.
- 2.4 The Usable Reserves fell by £3.7m during the year, from £32.5m to £28.8m. £1,301,000 of the £28.8m however, is really unusable, as it is set aside to repay the Collection Fund in 2023/24 for losses resulting from Business Rates Reliefs, for which the Council has already received Section 31 Grants. The reduction in Usable Reserves in year is mainly due to the Collection Fund repayment for 2022/23 of £5,513,000. The remaining £1.8m net increase in Usable Reserves were funds transferred from revenue to pay for projects that either have been committed but not yet paid for, or approved by Cabinet but not yet committed.
- 2.5 The value of Property, Plant and Equipment increased by £1.9m in the year. The Amelia Scott has been valued at £6m in excess of the build cost previously recorded on the Balance Sheet, but this was more than offset by an £8m reduction in the value of the Royal Victoria Place Shopping Centre, as Covid and the cost of living crisis have adversely affected trade and therefore the value. The remaining £4m increase has come from the 2022/23 capital programme additions of £1.7m and increases in the value of our sports centres. Only £104,000 of capital receipts were achieved, £40,000 for the removal of a restrictive covenant for land at 4 Barnetts Way and £64,000 for a staircasing clawback for 33 Rochdale Road.
- 2.6 There has been a reduction in the Council's net liability for future pension costs, of £56.5m (£4.1m reduction in 2021/22, £7.96m increase in 2020/21, £3.24m increase in 2019/20, £5.56m reduction in 2018/19 and £3.6m reduction in 2017/18). This has been driven by a change in the financial assumptions, with the determined discount rate based on bond yields as at 31 March 2023. Bond

yields have increased significantly over the year increasing the discount rate. A change in CPI inflation has also reduced the employer liabilities. The total deficit is measured correctly in line with accounting standards, but does fluctuate quite considerably from year to year as actuarial assumptions change. Actual pension contributions made by the council are reviewed by the actuaries on a triennial basis, with the last review being the 31 March 2022. The estimated cash contribution for 2023/24 was £3,055,000 compared with the budgeted contribution for 2022/23 of £2,881,000, so the impact is £174,000 on the annual revenue budget of the council.

Accounting Issues

- 2.7 The 2017 Business Rating list for National Non Domestic Rates, applicable from 1 April 2017, was subject to a new and significantly more complex appeal process. This has meant that fewer appeals have been made than would normally have been expected. A new rating list will become effective from 1 April 2023, which means that businesses have just 6 months left to lodge an appeal. As this is the period over which ratings consultants are likely to make the most commission, the number of appeals is likely to increase and the amounts appealed could be significant and retrospective. 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. This estimate has then been further refined to specifically recognise those businesses that are in receipt of the various business rate reliefs, which means they are less likely to appeal their rateable value. A provision has been made for these appeals in the Collection fund, which is now calculated to be £13,498,660. The Council's 40% share of the total provision is now £5,399,464 (£4,583,466 at 31 March 2022).
- 2.8 Accounting for the Business Rates Reliefs through the Collection Fund, via Section 31 Grants spread over the 3 years has been a technical challenge. It has also distorted the Usable Reserves, artificially inflating them with the Government compensation for the Business Rates Relief provided. This has needed to be carefully explained.

Managing, reconciling and accounting for the Governments Energy and Housing Support Funds has been challenging again this year. Compliance with the Code of Practice and IFRS 15 Revenue from Contracts with Customers, has determined the accounting treatment. If the Government determined the terms of the grant then the Council would be considered an "Agent" and the grants would affect only the cash, debtors and creditors on the Balance Sheet. If, however, the grants were determined by the Council (as with the Discretionary Grants), then it would be considered a "Principal" and the grants would be recognised as Income and Expenditure and taken through the Comprehensive Income and Expenditure Account.

2.9 .

- 2.10 The Financial Reporting Council has significantly increased the amount of documentary evidence required for the audit process and has asked for detailed verification of any assumptions made. In addition, preparations must be made for IFRS 16 Leases, which is a significant undertaking. This is putting huge pressure on the Council's Finance Team, Grant Thornton's audit team and the Council's external surveyor. This is unsustainable with the current resources. If the Financial Conduct Authority cannot be persuaded to take a "lighter touch" approach to local government accounting, additional human resources will be needed for the Finance Team and a budget increase will be necessary to pay for the cost of audit and property valuation, in order to manage the audit process in 2023/24.

3. The Audit Findings Report 2022/23

- 3.1 The Audit Director from Grant Thornton has issued a draft Audit Findings Report (Appendix B attached) which she will introduce at the meeting. The report states that she expects to issue an unqualified audit opinion and no adjustments have been identified. She records her appreciation of the assistance provided by the Finance team and other staff.
- 3.2 The Value for Money Review is aimed at assessing the Council's arrangements for delivering economy, efficiency and effectiveness in its use of resources. Grant Thornton have confirmed that the National Audit Office's revised timeframe for the VFM reviews is 3 months from the audit opinion date. Grant Thornton will provide their assessment within that timeframe.
- 3.3 Appendix A of the Audit Findings Report indicates that there are a few outstanding tasks to be completed, but all are anticipated to be completed by this meeting. The representation letter will be signed after the Committee meeting.
- 3.4 Appendix B shows that there have been no amendments to the statements and the only changes have been minor typos or note changes.

Role of Committee and timetable to publication of the Annual Financial Report

- 3.5 As noted in the Audit Findings Report, the audit is almost complete. This Committee has a duty to approve the Statement of Accounts, which will then be published as part of the Annual Financial Report. It is anticipated that this Committee will also give their statutory approval to the Annual Governance Statement at this meeting.

4. Options Considered

- 4.1 The Committee could decide not to approve the accounts.

5. Preferred Option and Reason

- 5.1 That the Committee approve the accounts in order that the statutory obligations and deadlines are met.

6. Consultation on Options

- 6.1 In line with the Accounts and Audit Regulations, a formal advertisement was placed on the internet drawing the attention of the public to the availability of the draft accounts, and the legal right of interested parties to inspect the accounts and the supporting documentation. The inspection period ended on the 11th July. There were no requests to inspect the accounts during this period.

7. Implementation

- 7.1 Once the Independent Auditor's Report is signed the Statement of Accounts will be published on the Council's website.

8. Appendices and Background Documents

The following documents are to be published with this report and form part of the report:

- Appendix A: Draft Annual Financial Report for 2022/23
- Appendix B: Draft Audit Findings Report for 2022/23

9. Cross Cutting Issues

A. Legal (including the Human Rights Act)

The Audit Committee has a legal duty of oversight for the Council's corporate governance arrangements. Under section 151 of the local government act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information. There are no consequences arising from the recommendation that adversely affect or interfere with individuals' rights and freedoms as set out in the Human Rights Act 1998.

Senior Lawyer (Corporate Governance)

B. Finance and Other Resources

The Annual Financial Report details the overall unaudited financial position of the authority and is for information only.

Jane Fineman, Head of Finance, Procurement & Parking

C. Staffing

There are no specific implications.

Jane Fineman, Head of Finance, Procurement & Parking

D. Risk Management

The reporting of the draft Report at this stage is designed to improve scrutiny of the Council's draft accounts and therefore to reduce the risk of material error.

Head of Audit Partnership, Deputy Head of Audit Partnership or Audit Manager

E. Environment and Sustainability

There are no specific implications.

Jane Fineman, Head of Finance, Procurement & Parking

F. Community Safety

There are no specific implications.

Jane Fineman, Head of Finance, Procurement & Parking

G. Equalities

There are no specific implications.

Jane Fineman, Head of Finance, Procurement & Parking

H. Data Protection

There are no specific implications.

Jane Fineman, Head of Finance, Procurement & Parking

I. Health and Safety

There are no specific implications.

Jane Fineman, Head of Finance, Procurement & Parking

J. Health and Wellbeing

There are no specific implications.

Jane Fineman, Head of Finance, Procurement & Parking



Tunbridge Wells Borough Council

Draft Annual Financial Report for 2022/23



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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 115,300 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 2023	May 2022
Liberal Democrat	17	16
Conservative	11	13
Tunbridge Wells Alliance	11	9
Labour	8	7
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 2022/23. There have been no material changes to the presentation of the Accounts for 2022/23.

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.

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 2022/23 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 April 2023.

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
Create a new Local Plan for the borough	Green	Amber	Amber	Amber
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	Green	Green

The Local Plan had been progressing very well until the Planning Inspector, following the Examination Hearings, raised a number of matters that need resolving before the Local Plan can proceed to adoption. Officers are working on the matters with consultants and stakeholders and an update will be presented in 2023/24. As a result of these additional requirements, adoption of the Local Plan has been delayed.

The new sports facilities project is just one element of the Local Plan and will start to progress upon it being agreed.

The Cranbrook community centre project is ongoing, with the NHS final confirmation of the General Practitioners' specification still being awaited and additional funding being sought.

The Paddock Wood Community Centre was completed on 3 March 2023.

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 latest set of indicators will be used in 2023/24's quarterly reports.

The Council now reports on 21 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
2018/19	86%
2019/20	73%
2020/21	57%
2021/22	69%
2022/23	75%

The reduction in performance levels is reversing. That which remains is mainly due to continued pressure on the planning team due to staff shortages. However these have begun to stabilise following a recruitment campaign.

4.3 Performance Conclusion

In 2022/23 the Council's performance indicators show a continued recovery from the effects of the Covid-19 pandemic. The Council's staff retention and recruitment issues this year, alongside inflationary pressures, have posed challenges to performance levels and economic forecasts suggest that this will continue into 2023/24. Performance indicators have been reviewed for 2023/24 to reflect current service priorities and legislative and environmental changes, for example in housing legislation. They will therefore provide an indication of performance which is relevant to the times.

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	188	187	(1)

Appendix A

Total Chief Executive	188	187	(1)
Director Finance, Policy and Development	149	152	3
Finance, Procurement & Parking	(841)	(919)	(78)
Mid Kent Client Services	2,097	2,160	63
Economic Development	293	(41)	(334)
Planning	1,168	1,020	(148)
Policy & Governance	1,428	1,416	(12)
Total Finance, Policy and Development	4,294	3,788	(506)
Director of Change & Communities	137	136	(1)
Human Resources, Customer Service and Culture	2,331	2,237	(94)
Housing, Health and Environment	5,359	4,835	(524)
Facilities and Community Hubs	1,349	1,460	111
Digital Services and Communications	853	763	(90)
Total Change & Communities	10,029	9,431	(598)
Total Cost of Services	14,511	13,406	(1,105)
Parish Council Precepts	2,987	2,987	0
Interest and Investment Income	(556)	(1,770)	(1,214)
Capital Expenditure from Revenue	72	72	0
Minimum Revenue Provision	324	1,079	755
Transfer to (from) Earmarked Reserves	(225)	(2,814)	(2,589)
Net Expenditure	17,113	12,960	(4,153)
Government and General Grants	(2,361)	(2,577)	(216)
Business Rates from Collection Fund	(2,615)	1,736	4,351
Council Tax from Collection Fund	(12,137)	(12,137)	0
Balance Transferred (to) from General Fund	0	(18)	(18)

The Directorate Cost of Services actual outturn shows an underspend to the budget of £1,105,000.

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

- Parking income was £438,000 above budget and £938,000 above the outturn for last year. This is due to increased usage in the car parks which indicates a return to the office for local workers and commuters following the pandemic period and an increase in Fees and Charges as of 1 December 2022.
- Income from waste collection performance payments was £371,000 above budget and £348,000 above the outturn for last year. This is due to extra tonnages being recycled and an increase in the price of cardboard.
- A number of areas are showing an improvement against budget and have returned to pre-pandemic activity levels. Planning income was £218,000 above budget and £346,000 above the outturn for last year. Crematorium income was £156,000 above budget and £116,000 above the outturn for last year.
- Assembly Hall Theatre income was £93,000 below budget but £413,000 above last year's outturn. As costs have been controlled, and were lower than budget, the total subsidy cost for the theatre was £72,000 under budget.

Those affecting costs are:

- Savings of £1,267,000 on staff costs mainly due to vacant posts during the year.
- Energy costs were £684,000 over budget for the year. This was due to the increase in wholesale prices for electricity and gas following Russia's invasion of Ukraine. Service charges were £257,000 over budget for the same reason, as they include electricity costs for two of the Council's multi storey car parks.

Interest and investment income was £1,214,000 above budget of which £1,198,000 was for investment interest. With interest rates rising from 0.75% at the start of the year to 4.25% in March 2023 the Council has been able to obtain higher rates than expected on its investments, with an average interest rate of 2.37% achieved. The remaining £16,000 over achievement was from small improvements to budget from other sources of interest.

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 2022/23 by £755,000 to reduce this outstanding debt.

Net transfers from earmarked reserves of £2,814,000, excluding the General Fund transfer, were made during the year. This included £5,513,000 transferred from the Grant Volatility reserve. At the start of the year the reserve held £6,814,000 to be used to fund the Council's share of the deficit currently held on the Collection Fund. £5,513,000 has been transferred in this financial year with the remaining £1,301,000 to be used in 2023/24. A net £2,699,000 was transferred into earmarked reserves to fund revenue and capital investments in the future.

Government and general grants show a surplus to budget of £216,000. This was made up of £194,000 towards the cost of new burdens that have been placed upon authorities, including the administration of the Council Tax Energy Rebate Scheme, with the remaining £22,000 being small increases in regular grants over and above that which had been included in the budget.

The Business Rates deficit on the Collection Fund of £1,736,000 results from an in-year surplus of £3,336,000, as can be seen in the Comprehensive Income and Expenditure

Statement, less the prior year transfer of £5,513,000 into the Collection Fund to account for Section 31 Grants paid in advance to the Council by the Government for Business Rates Reliefs. The 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.

When the 2022/23 budget was set there was a deficit of £944,000 to be funded from reserves, but this withdrawal was not required. A sum of £18,000 has been transferred into the general fund being the final surplus to budget following all the movements described above.

6. Capital Expenditure

The Council's Capital Programme was approved at the Cabinet meeting of 17 March 2022. A gross budget of £10,402,000 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 £2,628,000. The table below shows how this changed during the year from additional approvals, deletions and reductions, and from spend being rescheduled to and from the next financial year.

	Gross Expenditure	Income and Funding	Net Expenditure
	£000	£000	£000
Original Approved Gross Capital Programme	10,402	(7,774)	2,628
Approvals Added or Increased	11,690	(651)	11,039
Approvals Deleted or Reduced	(3,678)	957	(2,721)
Deferred to 2023/24	(13,921)	4,312	(9,609)
Brought Forward from 2023/24	9	0	9
Actual Expenditure 2022/23	4,502	(3,156)	1,346

The largest schemes in 2022/23 were Disabled Facilities Grants (£974,000), The Weald Leisure Centre Decarbonisation (£939,000), The Amelia Scott (£726,000), and Affordable Housing Grants (£664,000).

Approvals added or increased include projects that were rescheduled from 2021/22 to 2022/23 (£2,241,000), new schemes including the Town Hall Conversion (£2,500,000) and The Asset Acquisition Fund (£2,500,000), and variations to existing schemes within the year, including The Amelia Scott (£658,000).

Projects deferred to 2023/24 include a number of projects that are yet to commence or that were started in 2022/23 but will continue next year. These include The Asset Acquisition

Fund (£2,500,000), the Acquisition of Sports Sites Strategy (£1,083,000) and the Town Hall Conversion (£1,858,000).

The Council used a total of £1,273,000 from the sale of assets and continues to review its asset base and to obtain the best price in the market when sale is appropriate.

7. Treasury Management and Pensions

7.1 Investments

As at 31 March 2023 the Council had £52.8 million of investments and cash balances, which is broken down into a long term investment of £5 million, short term investments of £28 million, £10 million in a short term notice account, a £9 million investment with a property investment fund, and £0.8 million of bank account balances.

The Council achieved an investment return of 2.37% during the year which equated to investment income of £1,643,000.

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:

2021/22		2022/23
£000		£000
(91,613)	Cash Inflows (Income)	(71,568)
82,160	Cash Outflows (Expenditure)	83,712
(9,453)	Net Cashflows from Operating Activities	12,144
592	Net Cashflows from Investing Activities	31,167
(12,028)	Net Cashflows from Financing Activities	(7,846)
(20,889)	Net (increase) / decrease in cash and cash equivalents	35,465

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 2023 was £5.091 million, a decrease of £56.480 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 2023, rather than assessing the likely income over the period in which the benefits will be paid.

The most recent triennial review of the value of the fund to determine the Council's pension contribution for the period from 1 April 2023 to 31 March 2026, was carried out as at 31 March 2022.

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 2022		31 March 2023
£000		£000
131,658	Property, Plant and Equipment	133,528
3,763	Heritage Assets	3,514
710	Investment Property	750
14,248	Other Long-Term Assets	6,401
0	Short Term Investments	38,552
46,873	Cash and Cash Equivalents	11,408
8,703	Money Owed to the Council	7,203
(39,477)	Money Owed by the Council	(30,856)
(67,085)	Long Term Liabilities	(12,970)
99,393	Net Assets	157,530
32,493	Usable Reserves	28,798
66,900	Unusable Reserves	128,732
99,393	Total Reserves	157,530

9. Future Plans

9.1 Revenue Budget for 2023/24

The table below summarises budgeted net expenditure on services for 2023/24 compared to 2022/23 and shows how this is funded from government grants and council tax.

This shows that there is a net amount of £943,000 being used from reserves to fund the revenue budget in 2023/24.

	Budget 2022/23	Budget 2023/24	Budget Change
	£000	£000	£000
Chief Executive	183	188	5
Finance, Policy and Development	4,662	5,039	377
Change and Communities	10,105	11,569	1,464
Net Expenditure on Services	14,950	16,796	1,846
Net Interest Receivable	(555)	(1,540)	(985)
Capital Charges	325	277	(48)
Net Expenditure by Council	14,720	15,533	813
General Grants and Non-Domestic Rates	(4,626)	(4,883)	(257)
Council Tax	(9,150)	(9,707)	(557)
Income from Grants and Council Tax	(13,776)	(14,590)	(814)
Net contribution to/(withdrawal from) reserves	(944)	(943)	1

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 2022/23 to 2023/24.

Reason for Major Variances	
Increase in Sales, Fees and Charges	(1,003)
Other small increases/decreases in income and expenditure	(159)

Employee Costs	835
Additional Premises Costs	875
Additional Contracts Costs	1,298
Increase in Interest Receivable	(985)
Decrease in Minimum Revenue Provision	(48)
Difference in Net Expenditure	813
Increase in Government Grants	(257)
Council Tax Increase	(557)
Difference in Income From Grants and Council Tax	(814)
Difference in Net Withdrawal from/(contribution to) Earmarked Reserves	1

Beyond 2023/24 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 2.99% per year and that fees and charges will rise by an average of 3% each year.

9.2 Capital Programme 2023/24 to 2025/26

At their meeting of 9 February 2023 Cabinet approved a new capital programme covering the years 2023/24 to 2025/26. This was subsequently amended by deferrals from and to 2022/23 and by some additions and deletions to be approved at the meeting of 22 June 2023. The adjusted capital programme is summarised below:

	Reserves	Borrowing	Govt. Grants	Other Grants & Contribs.	Total
	£000	£000	£000	£000	£000
2023/24					
Local Authority Housing Fund	0	0	2,265	3,200	5,465
Disabled Facilities Grants	0	0	3,178	16	3,194
Asset Acquisition Fund	2,500	0	0	0	2,500
Town Hall Conversion	2,358	0	0	0	2,358
Acquisition of Sites Sports Strategy	328	0	0	755	1,083
The Amelia Scott	862	0	0	0	862

Great Hall Car Park	0	850	0	0	850
RVP Car Park Refurbishment	830	0	0	0	830
Benhall Mill Depot	777	0	0	0	777
Other schemes	3,190	211	391	245	4,037
Total	10,845	1,061	5,834	4,216	21,956
2024/25 to 2025/26					
Disabled Facilities Grants	0	0	2,500	0	2,500
Other schemes	1,695	0	195	0	1,890
Total	1,695	0	2,695	0	4,390
Total Programme	12,540	1,061	8,529	4,216	26,346

10. Economic Climate

The Office for National Statistics (ONS) reported that Gross Domestic Product (GDP) for February 2023 was flat, and growth was only 0.1% over the three-month period. There remains debate as to whether the UK will avoid a recession and the reasons why UK growth is lagging other European countries.

The ONS Director of economic statistics, said the UK construction sector had grown strongly in February after a poor January, with more repair work taking place. There was also a boost from retailing, with many shops having "a buoyant month". However, these were offset by the effects of civil service and teachers' strike action, which impacted the public sector, and unseasonably mild weather led to falls in the use of electricity and gas.

The Bank of England (BoE) continues to belatedly raise interest rates most recently from 4.25% to 4.5% in May 2023 as it struggles to regain control of inflation to anywhere near its 2% target. Despite the raising of interest rates, the Consumer Price Index (CPI) continued to increase in February 2023 to 10.4% up from January's 10.1%. High inflation continued to impact the cost-of-living crisis being felt across the country.

The local economic climate is rather better than the national situation. The unemployment rate for Tunbridge Wells stood at 2.2% for February 2023, the third lowest in Kent. The Gross Disposable Household Income (GDHI) per head of population for Tunbridge Wells was £28,187, the second highest in Kent and along with other West Kent Councils was above the average for the South-East of £24,551. The 2022 weekly work-based earnings for Tunbridge Wells were £547.10 which is below the average for the South-East of £549.90. Tunbridge Wells was one of only two places in Kent where female weekly full-time earnings were higher than males.

There remains pressure on the local housing market and as of 13 April 2023 there were 840 households on the housing register compared with 929 as of 31 March 2022. Tunbridge Wells delivered the highest percentage (39.4%) of affordable homes compared to new

homes (690) in Kent using data published by the government for 2020/21. Tunbridge Wells has also welcomed around 400 Ukrainian guests to the borough, some of which are now independently accommodated.

The Council set a budget for 2022/23 with required £944,000 from reserves. This reflects the relatively fixed nature of the Council's income against the inflationary and demand led pressures on expenditure. Councils were once again subject to a single-year government settlement and the centralised control of Council Tax and many fees and charges has continued.

The Council has always faced difficulties recruiting staff due to its proximity to London and the availability of professional private sector employers in the town centre, but this situation has now developed into a retention crisis with turnover of over 25%. In financial terms this has led to an underspend in the salary budget of over £1 million which is unsustainable for the remaining workforce but also masks a structural budget deficit.

A recent benchmarking exercise confirmed that the council's successful use of digital technology and efficient service delivery had resulted in the council having one of the lowest unit costs 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 is starting to gain traction as more quality major planning applications are coming forward. Economic confidence is returning, 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.

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 still intends to adopt a new Local Plan and is currently considering the views of the Inspector's Initial Findings that were issued in November 2022.

The Amelia Scott 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 generating average daily footfall of 900 visitors. This investment by the Council helps to 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 Council remains on a sound financial footing with no long-term debt, adequate cash reserves and a track record of clean annual audit letters in relation to the Statement of Accounts. There remains a need to produce a savings plan which aligns with the recently published initial TWBC Corporate Plan along with a People Strategy; this is set out in the Section 25 Statement approved by Full Council in March 2023.

The Council has a third of its seats up for election in May 2023 followed by an all-out election in May 2024. This is the consequence of the Member decision to retain elections in thirds,

which triggered a requirement to have three member wards and the reduction to 39 councillors.

11. Impact of Covid-19 Pandemic, Cost of Living Crisis and the War in Ukraine

The Covid-19 pandemic and the war in Ukraine have had a significant impact upon the economy. Customer behaviours, and their consequent spending patterns, changed considerably over the Covid period and they have yet to settle into a new normal. The labour market has also changed, with many people reconsidering their work/life balance and either reducing the hours they work or withdrawing from the labour market entirely. The war brought about significant energy price increases and supply chain issues, which compounded the economic stresses already present from the pandemic.

These factors fuelled inflation, which reached a peak in October 2022, as measured by the Consumer Price Index, of 11.1%. In their attempts to manage inflationary pressures, the Bank of England has increased Base Interest Rates from 0.75% in April 2022 to 4.25% by March 2023, which this council has worked hard to utilise by investing any available cash short term, at the best available rates.

Whilst Government had provided financial support packages during the pandemic, the council had been notified that these would all cease by April 2022 and so the Council entered this financial year expecting to need £944,000 from its reserves to balance its revenue budget. The aim was to protect services whilst giving time for customer behaviours to settle and for the Council to establish a contingency plan which, if necessary, could raise income and/or reduce costs to rebalance its budget.

However, in February 2022, after the budget had been set, Russia invaded Ukraine, resulting in considerable impact upon the Council's budget.

The main considerations brought about by the pandemic and the war, for the 2022/23 accounts have been the impact upon the sales, fees and charges, revenue costs, Government grants, property valuations, pension valuations, investment valuations and impairments for doubtful debts. These are explained below:

- **Sales, Fees and Charges** – The Council overachieved on its budget by £0.9m, due mainly to additional parking income. Parking income plummeted during the pandemic, as working from home and online shopping became the norm for many. The recovery from Covid was better than expected however, and in the latter part of the year, parking prices were increased to help finance the additional costs of running and maintaining the car parks.
- **Revenue Costs** – The war in Ukraine and the considerable levels of inflation over the past year, have put significant pressure on already stretched budgets. The main concern has been energy costs which have increased by £0.9m for 2022/23. This has been offset however, by a reduction in staff costs of £1.3m. The Council has struggled to recruit and retain staff as budgets are limited and it is difficult to complete in a tight labour market.

- Government Grants – High inflation, in particular around energy costs, prompted Government to provide financial support to those residents in most need. They required Local Authorities to provide the administrative support to issue their grants and in 2022/23 the Council administered the £150 Energy Rebates, the Energy Bills Support scheme, the Domestic Alternative Fuel Payment scheme and four Household Support Funds. The Council has received a new burdens grant of £150,000 for the Energy Rebate Scheme, but is still awaiting recompense for the costs of administering the remaining schemes. In addition, the Council has been administering the Government's "Homes for Ukraine" scheme and providing support for those who have recently moved from Hong Kong under the Government's "Welcome Programme".
- Property valuations - The Council had a proportion of its Property Plant and Equipment valued as at 31st March 2023, as is usual practice. There had been concern amongst valuers about the impact of the pandemic on property values, but most property values held firm. This is with the exception of the Royal Victoria Place Shopping Centre which has fallen by £8 million. Shopping Centre values have dropped throughout the UK as customers switched to shopping online and have reduced spending due to the cost of living crisis. The Amelia, the Council's new Cultural Hub, opened in April 2022 and has been valued for the first time since its complete renovation. Building costs had increased due to Covid labour and materials supply issues, but the valuation is shown to be £6 million in excess of the build cost.
- Pension valuations – As already explained, in order to manage inflation, rates of return on investments have been increasing. This has had a significant impact upon the net pensions liability for 2022/23. The Council's net liability on its pension fund is now £5.1m, a significant improvement from the net liability in 2021/22 of £61.6m.
- Investments and Investment Properties – As explained previously, bank interest rates increased to 4.25% by March 2023. The budgeted rate of return across the entire portfolio was 1.09%, whereas the actual return became 2.37%. The Council has forecast its cash carefully and invested to take best advantage of rates on offer whilst ensuring sufficient cash availability for working capital needs. The opening cash balance position was much higher than forecast at budget setting due to remaining S31 grant balances from the pandemic, the cash paid upfront for the cost of living support grants, the deferment of elements of the capital programme and the council closing the financial year with a small surplus rather than the budgeted deficit. This has delivered £1.6m in investment interest for 2022/23, an increase of £1.2m from the approved budget of £0.4m. The Council has a £9m investment with a property investment fund. The actual market value of the fund as at 31 March 2023 is £10.3 million. Whilst there is still a gain of £1.3m, the value has reduced by £1.9m since 2021/22 as the value of commercial property has fallen. The Council has one investment property, a restaurant, which is leased for £45,000 per annum which is sufficient to repay the internal borrowing for the purchase of the investment property. This property has just been revalued and shows a gain of £40,000.
- Debt Collection and provisions – The Council has £2.1m of outstanding trade account debt as at 31 March 2023, compared to £3.2m at the end of 2021/22. A provision of £0.3m has been made in the accounts for outstanding debts relating to the leaseholder of the investment property going into administration during the pandemic, and the Council's leisure services provider which is currently unable to settle its debts with the Council due to a fall in demand from the pandemic and an increase in energy

costs brought about by the war in Ukraine. £0.3m is an outstanding contribution to the Amelia project from Kent County Council and the remaining debt is mainly with other local authorities or companies with sufficient reserves to settle their debts.

Again, this has been another very challenging year for the Council, but with very careful management of revenue expenditure throughout the year, this Council has been able to fully fund all revenue expenditure without recourse to reserves.

Provision of Services

The Council has been effective in continuing to provide its statutory services over the last year despite resources being very stretched. Sometimes, response times are being affected, especially where professionally qualified staff are necessary, such as in Planning.

Additional pressures on services have been created by the Government requiring Local Authorities to provide financial support for residents to help them with the cost of living crisis. The Council has administered many grants this year, identifying and successfully paying those eligible for the schemes. Being unable to recruit has meant that the burden has fallen to existing staff.

Contractors are also under significant financial pressure resulting from wage increase demands and product price increases, but the Council has successfully negotiated affordable support for them to ensure they can continue to deliver their services.

Council's Workforce

Labour shortages affecting the economy generally and limited budgets to be able to compete in the market, has meant the Council has operated with high levels of job vacancies since Covid restrictions eased. Whilst this has generated significant budget savings, it is impacting Officers ability to deliver services. Officers have worked tirelessly over the Covid period, and subsequently, to ensure that residents do still receive their services and to the standard they expect, but it is becoming increasingly unsustainable. A Workforce Plan (People Strategy) is being developed, as recommended in the Council's Auditor's Annual Report 2021/22, to try to address these issues and ensure the Council can retain and recruit the staff it needs to be able to consistently deliver its services.

Flexible working is now embedded, with staff working from home regularly. This has facilitated the lease of a substantial part of the Town Hall to a third party.

Supply Chains

All contracts are functioning normally at the moment albeit some have needed additional financial support during the year.

Reserves, Financial Performance and Financial Position

The Council has £28.79m of usable reserves; £4.35m in its General Fund, £1.03m in Capital Receipts, £3.55m in Capital Grants and Contributions and a further £19.86m in Earmarked

reserves. The Grants and Contributions are provided for specific purposes. The Earmarked reserves contain £1.204m of Section 31 Business Rates grants and £0.97m 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 the 2020/21 Collection Fund accounting regulations, are unwound. The Council's real Usable Reserves are therefore only £27.49m, which is still an increase of £1.82m since March 2022.

There was a real concern at the end of the last financial year, that £944,000 of reserves would be needed to support the Council's revenue budget during 2022/23. However, significant staff cost savings and increases in investment interest, partially offset by increases in energy costs, have enabled the Council to fully fund its operations without recourse to reserves. In the event, a small surplus to budget of £18,000 was transferred to the General Fund at the end of the year.

The Council has budgeted for £943,000 to be needed from reserves to balance its revenue budget in 2023/24, suggesting that there is a structural imbalance which needs to be addressed. This assumes that vacant Officer posts are filled however, which may well not be the case in the short term. Work has commenced on delivering a new Corporate Plan, which takes action to resolve the ongoing budget deficit. The economy is fragile and there are many factors, outside of the control of the Council, which may impact upon the 2023/24 financial position, but the Council is well versed in managing expenditure very tightly and responding to the changing environment. This has been evidenced throughout the Covid period and this financial year where it has consistently managed to fund its revenue costs without recourse to reserves. In addition, whilst the Earmarked reserves have been allocated for particular projects or contingencies, not all have been contractually committed. There is £9.62m, including the balance in the General Fund, that could be reallocated to support the core activities of the Council should it be needed.

An aspect of the budget which still needs to be considered is the funding of the Council's response to its declaration of a Climate Emergency and its ambitions for carbon neutrality by 2030. Whilst there are projects to reduce carbon emissions included in the capital plan and already financed via Earmarked reserves, a roadmap is still being developed which will need to be fully costed and financed.

Cash Flow Management

Cash flow is being closely managed as it now presents a huge opportunity to raise additional revenue for the Council from investment interest. The Council is holding most of its cash in relatively short-term investments (under 1 year) but does have one longer-term escalator investment. All of the council's cash earns interest, even that held in its current account.

Currently, the Council has more than sufficient cash to continue providing services at the existing levels.

Major Risks to the Authority

As explained above, the Council has a structural revenue budget deficit which it is working to close. There are many other factors, completely outside of the control of the Council that

could have a bearing, including the Government reviewing the Local Government Finance Settlement, which is being done annually at the moment.

In response, 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. It manages its risk register closely and has processes in place to respond if necessary.

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 2023/24, but does have available reserves that can be utilised, should the economy take longer to settle.

Plans for Recovery

The Council has formulated a new Corporate Plan and is developing a Workforce Plan to ensure that it has the resources to deliver its services.

Assets are being reviewed to assess which are surplus to operational need and can be sold to generate a capital receipt and the capital programme is constantly being reviewed for best value.

The Council changed politically in 2022 to a new administration comprising of Liberal Democrats, Tunbridge Wells Alliance Members, Labour Members and an Independent Member. This Partnership will continue throughout 2023/24 and creates more stability for the council to move forward. The Members are very committed to ensuring the financial stability of the Council as demonstrated by their Partnership Priorities

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 2022/23 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

Tunbridge Wells Borough Council's key strategic priorities have historically been set out within its Five-Year Plan. The most recent Five-Year Plan ran from 2017- 2022.

At the elections in May 2022, Tunbridge Wells Borough Council experienced a change of political control with 'The Borough Partnership' forming a new political administration. The Borough Partnership is made up of Liberal Democrat, Tunbridge Wells Alliance (TWA) and Labour councillors alongside the independent councillor for Paddock Wood (East). From this Partnership the Leader of the Liberal Democrat Group was elected as Leader of the Council and he formed a Cabinet made up of Liberal Democrats, TWA and Labour members.

Given the continued uncertainty facing the Council (no long-term financial settlement from central government, Covid-related changes to the high street and working practices, inflationary pressures, the cost-of-living crisis and frequent changes to central government policies - including on planning), the Borough Partnership has agreed to set out an interim Plan setting out the priorities and direction of travel of the Borough Partnership.

Since the establishment of the Borough Partnership, Cabinet members have been working to understand the detail of their cabinet areas and to establish a common set of priorities and a direction of travel for agreement at Full Council. The 'Tunbridge Wells Borough Council's Plan' sets out the strategic direction of the Borough Partnership, highlights the administration's political priorities alongside some priority actions for achieving those priorities, and explains the revised operating principles for how the Council will deliver excellent services for residents of the Borough over the next two years.

The Administration has five key priorities, called 'Focus on Five'. These are:

- Safeguarding Finances
- Vibrant and Safer Towns and Villages
- Carbon Reduction
- Genuinely Affordable Housing and Social Rental Housing
- Digital Access, Transparency and Local Democracy

These are the overarching priorities that the Administration believes will provide the best outcomes for residents. Whilst there is no ranking between the Focus on Five priorities, it is clear that Safeguarding Finances underpins the other four priorities and acts as an enabler for sustainable and deliverable projects and services.

The Borough Partnership have outlined a number of operating principles which will ensure that services are delivered in the most effective way:

- Being an outward-looking Council
- Valuing staff
- Being a learning Council
- Digital First

Alongside these operating principles, an approach to managing finances to help reduce the budget deficit in a responsible way has been developed:

- User pays
- Enabling
- Carbon Reduction
- Preventing future costs
- Delivering (good) growth
- Being opportunistic

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 2023 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 and working in full conformance with the Public Sector Internal Audit Standards;
- Independent oversight and challenge provided by our External Auditors, Government Inspectorates and the Local Government Ombudsman;
- Our procedure rules and internal management of:
 - Financial management and control
 - Commissioning and procurement
 - Information governance and data security
 - Health and safety
 - Complaints handling
 - Whistleblowing and Anti-fraud and corruption

Review of Effectiveness

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

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

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

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

The Monitoring Officer and the Audit & Governance Committee keep the Council's Constitution under review. Changes come through the Constitutional Review Working Party (CRWP) and the working party have met when required. The most recent was concerning the Procurement Process and Policy Updates with the report considered by the Audit & Governance Committee in March 2023.

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 2022/23.

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 publishes on its transparency page of the website, 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 March 2023 the Council agreed an Interim TWBC Plan, setting out our corporate commitments to staff and elected members. The Plan 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 TWBC Plan in parallel with the Medium-Term Financial Strategy update and the Asset Management Plan. 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.

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 TWBC 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:

<https://democracy.tunbridgewells.gov.uk/documents/s4317/Item%207%20-%20Governance%20Arrangements.pdf>

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 November 2022 the Audit & Governance Committee approved a new Strategic Risk Register.

<https://democracy.tunbridgewells.gov.uk/documents/s63856/Final%20Strategic%20Risk%20Review%20November%202022.pdf>

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 25 July 2023. 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, Ashford, Swale and Tunbridge Wells. The Audit Partnership provides internal audit, consultancy, and advisory support to the Council, and delivers a programme of work (an audit plan) each year. The plan is agreed and monitored through the Audit and Governance 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 Head of Audit Partnership gave the following conclusion for 2022/23 and no matters of concerns were highlighted:

The planned programme of work delivered by internal audit was constrained by the significant staffing changes and shortages 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 completed the procurement process, and a report was agreed by the Audit & Governance Committee in March 2023 setting out the new arrangements.

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.

Significant governance issues

Whilst this Statement relates to the Financial Year 2022/23, at the time of writing Local Council elections in May 2023 have left the Council in No Overall Control politically.

Because of population changes, the Council has been subject to a review by the Local Government Boundary Commission for England. The decision by the Council to retain elections by 'thirds' necessitated a complete review of the Borough's wards and will require all-out elections in May 2024 under the new warding arrangements followed by elections in thirds thereafter. The LGBCE review has resulted in a reduction in the number of councillors (from 48 to 39) and the all-out elections present the possibility of a significant change in the membership of the Council. As a result, the Council will be reviewing its political governance structures throughout 2023 and reviewing its councillor induction.

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 Ben Chapelard
Leader of the Council



William Benson
Chief Executive

On behalf of Tunbridge Wells Borough Council

Statement of Responsibilities

Statement of Responsibilities for the Statement of Accounts

The Borough Council's Responsibilities

The Council is required to:

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

The Responsibilities of the Director of Finance, Policy and Development

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

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

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

The Director of Finance, Policy and Development has also:

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

By signing the Statement of Accounts, the Director of Finance, Policy and Development is stating that the accounts present a true and fair view of the financial position of the authority as at 31 March 2023 and its expenditure and income for the year ended 31 March 2023.

Signed:



L M Colyer FCPFA

Director of Finance, Policy and Development

31 May 2023

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

Report on the Audit of the Financial Statements

To be added following audit

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Financial Statements

Comprehensive Income and Expenditure Statement

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
Expend	Income	Net		Expend	Income	Net
£000	£000	£000		£000	£000	£000
221	0	221	Chief Executive	215	(1)	214
40,570	(33,928)	6,642	Finance, Policy and Development	47,148	(33,743)	13,405
2,182	(2,182)	0	Covid-19 Business Grants	0	0	0
21,926	(11,369)	10,557	Change and Communities	25,956	(13,378)	12,578
64,899	(47,479)	17,420	Cost of Services	73,319	(47,122)	26,197
		(49)	(Gain)/Loss on Disposal of Non-Current Assets			43
		2,779	Parish Council Precepts			2,987
		70	Pension Administration Expenses			73
		2,800	Other Operating Expenditure			3,103
		0	Interest Payable			2,018
		(2,424)	Interest and Investment Income			(1,770)
		1,287	Pensions Interest Expense and Income			1,088
		(1,137)	Financing and Investment Income and Expenditure			1,336
		(11,606)	Council Tax income			(12,157)
		(4,350)	Business Rates income			(3,336)
		(4,280)	Government Grants and Contributions			(2,576)
		(5,750)	Capital Grants and Contributions			(2,400)

Appendix A

		(31)	Donated Assets			(183)
		(26,017)	Taxation and Non-Specific Grant Income			(20,652)
		(6,934)	(Surplus) or Deficit on Provision of Services			9,984
		(3,106)	(Surplus) on revaluation of non-current assets			(10,285)
		3,609	Impairment losses on non-current assets charged to Revaluation Reserve			742
		(7,754)	Re-measurement of defined benefit liability			(58,578)
		(7,251)	Other Comprehensive Income and Expenditure			(68,121)
		(14,185)	Total Comprehensive Income and Expenditure			(58,137)

Movement in Reserves Statement

Movement in Reserves 2022/23

	General Fund Balance	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2022	27,013	3,280	2,200	32,493	66,900	99,393
Surplus or (deficit) on provision of services (accounting basis)	(9,984)	0	0	(9,984)	0	(9,984)
Other Comprehensive Expenditure and Income	0	0	0	0	68,121	68,121
Total Other Comprehensive Expenditure and Income	(9,984)	0	0	(9,984)	68,121	58,137
Adjustments between accounting and funding basis under regulation	7,188	270	(1,169)	6,289	(6,289)	0
Net Increase / (Decrease) in Year	(2,796)	270	(1,169)	(3,695)	61,832	58,137
Balance as at 31 March 2023	24,217	3,550	1,031	28,798	128,732	157,530

Movement in Reserves 2021/22

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

The Balance Sheet

31 March 2022	Note		31 March 2023
£000			£000
131,658	12	Property, Plant and Equipment	133,528
3,763	13	Heritage Assets	3,514
710	14	Investment Property	750
963		Intangible Assets	833
12,240	16	Long Term Investments	5,000
1,045	17	Long Term Debtors	568
150,379		Long Term Assets	144,193
99	16	Short Term Investments	38,552
101		Inventories	77
8,503	17	Short Term Debtors	7,126
46,873	16	Cash and Cash Equivalents	11,408
55,576		Current Assets	57,163
(33,354)	18	Short Term Creditors	(23,819)
(4,583)	18	Short Term Provisions	(5,399)
(1,540)	19	Capital Grants Receipts in Advance	(1,638)
(39,477)		Current Liabilities	(30,856)
(578)	18	Long Term Creditors	(673)
(61,571)	21	Long Term Pension Liability	(5,091)
(4,936)	19	Capital Grants Receipts in Advance	(7,206)
(67,085)		Long Term Liabilities	(12,970)
99,393		Net Assets	157,530

Appendix A

31 March 2022	Note		31 March 2023
£000			£000
32,493	10	Usable Reserves	28,798
66,900	10	Unusable Reserves	128,732
99,393		Total Reserves	157,530



L M Colyer FCPFA

Director of Finance, Policy and Development

31 May 2023

The Cash Flow Statement

2021/22		2022/23
£000		£000
(30,073)	Taxation	(30,200)
(40,189)	Grants	(12,867)
(14,168)	Sale of goods and rendering of services	(21,559)
(603)	Interest received	(1,299)
(6,580)	Other receipts from operating activities	(5,643)
(91,613)	Cash inflows generated from operating activities	(71,568)
13,296	Employees	13,358
24,073	Housing Benefit paid out	22,720
19,888	National Non-Domestic Rates tariff and levies	20,552
3,043	Precepts paid	3,261
20,266	Cash paid to suppliers of goods and services	20,433
1,594	Other payments for operating activities	3,388
82,160	Cash outflows generated from operating activities	83,712
(9,453)	Net cash flows from operating activities	12,144
8,914	Purchase of property, plant and equipment, investment property and intangible assets	3,037
10,000	Purchase of short-term and long-term investments	346,000
(214)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(104)
(10,000)	Proceeds from sale of short-term and long-term investments	(313,000)
(8,108)	Grants and contributions to non-current assets	(4,766)
592	Net cashflows from investing activities	31,167
(1,990)	Changes in Council Tax balances held for preceptors	(437)
(10,038)	Changes in Business Rates balances held for Central Government	(7,409)
(12,028)	Net cashflows from financing activities	(7,846)
(20,889)	Net (increase) / decrease in cash and cash equivalents	35,465

Appendix A

25,984	Cash and Cash Equivalents as at 1 April	46,873
46,873	Cash and Cash Equivalents as at 31 March	11,408
(20,889)	Net (increase) / decrease in cash and cash equivalents	35,465

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Notes to the Financial Statements

1. Expenditure and Funding Analysis

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

	Net Expenditure Chargeable to General Fund Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
2022/23	£000	£000	£000
Chief Executive	187	27	214
Finance, Policy and Development	3,788	9,617	13,405
Change and Communities	9,431	3,147	12,578
Net Cost of Services	13,406	12,791	26,197
Other Operating Expenditure	4,138	(1,035)	3,103
Financing and Investment Income	(1,770)	3,106	1,336
Taxation and Non-Specific Grant Income	(12,978)	(7,674)	(20,652)
(Surplus) or Deficit	2,796	7,188	9,984
Opening General Fund Balance at 1 April 2022	(27,013)		
(Surplus) or Deficit on General Fund	2,796		
Closing General Fund Balance at 31 March 2023	(24,217)		

	Net Expenditure Chargeable to General Fund Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
2021/22	£000	£000	£000
Chief Executive	177	44	221
Finance, Policy and Development	4,589	2,053	6,642
Change and Communities	9,364	1,193	10,557
Net Cost of Services	14,130	3,290	17,420
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)
(Surplus) or Deficit	6,348	(13,282)	(6,934)
Opening General Fund Balance at 1 April 2021	(33,361)		
(Surplus) or Deficit on General Fund	6,348		
Closing General Fund Balance at 31 March 2022	(27,013)		

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
2022/23	£000	£000	£000	£000
Chief Executive	0	28	(1)	27
Finance, Policy and Development	9,642	(66)	41	9,617

Appendix A

Change and Communities	2,027	1,195	(75)	3,147
Net Cost of Services	11,669	1,157	(35)	12,791
Other Operating Expenditure	(29)	73	(1,079)	(1,035)
Financing and Investment Income	0	1,088	2,018	3,106
Taxation and Non-Specific Grant Income	(2,582)	0	(5,092)	(7,674)
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit	9,058	2,318	(4,188)	7,188

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
2021/22	£000	£000	£000	£000
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
Net Cost of Services	1,036	2,284	(30)	3,290
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)
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit	(5,127)	3,641	(11,796)	(13,282)

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

The Other Differences of £5,092,000 within Taxation and Non-Specific Grant Income is a transfer to the Collection Fund for 2022/23 to repay the deficit for 2021/22 (£5.072 million)

business rates and £0.020 million council tax). The equivalent figure for 2021/22 was a transfer to the Collection Fund of £8,495,000 (£8.167 million business rates and £0.328 million council tax).

3. Accounting Policies

3.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the end of March 2023, 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 2022/23 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 specified by the actuaries, based on the indicative rate of return on high quality corporate bonds.

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 Churches, Charities and Local Authorities (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 has used the temporary override, agreed by the Department of Levelling Up, Housing and Communities (DLUHC), for English Local Authorities, for a 5 year period from 1 April 2018 to 31 March 2025. This statutory override has now been extended by 2 years to 31 March 2025. 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 and 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.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line and results 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, i.e. 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.

The accounting policy of revaluing Investment Properties every 3 years has been changed to annually. This has not given rise to any necessary prior period adjustments and was not the correction of a material error.

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 standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements are:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS in 2023/24 year)
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statement of accounts
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020

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 was deferred by a further two years, although an authority can voluntarily adopt the standard in 2022/23 or 2023/24. This Council will adopt the standard as from 1 April 2024 which will 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, Cost of Living Crisis and the War in Ukraine

The residual effects of the Covid-19 Pandemic are still impacting the Council's finances in specific areas within the financial statements for 2022/23 and some have been compounded by the War in Ukraine and inflationary pressures. The 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)

Each Note has a section to explain the judgements applied.

5.2 Covid-19 Pandemic, Energy and Cost of Living 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. Whilst all of the local business support schemes have been fully closed and accounted for, there are three outstanding Covid related schemes for residents. The Council has determined itself to be acting as the principal for these payments, so 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 Covid related grants as service specific grants within Cost of Services:

- Contain Outbreak Management, Test and Trace and Enforcement and Compliance (carrying it forward)
- Clinically Extremely Vulnerable
- Household Support Fund 1

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

- New Burdens Grants for administering grant schemes
- Business Rate Relief Section 31 Grants

To assist with the significant increases in the cost of energy and the inflationary pressures on day to day living expenses in 2022/23, Government announced a number of grant packages to be paid out to support local residents considered to be financially vulnerable. The Council was required to administer these schemes, in line with the eligibility criteria, and was paid upfront by Government for the Energy grants, although in arrears for the Household Support Funds. 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 Energy grants:

- £150 Energy Rebate (Government Scheme)
- Energy Bills Support Scheme
- Alternative Fuel Payment

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

- Discretionary Energy Rebate Scheme
- Household Support Fund 2 & 3

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 CCLA Property Fund and any change in its fair value is recognised as fair value through profit and loss. DLUHC agreed a temporary override for English Local Authorities for a 5 year period from 1 April 2018 to 31 March 2023, which the Council has used to account for any changes in the fair value of this pooled investment. This statutory override has now been extended by 2 years to 31 March 2025. This means any changes in valuation do not impact the Council's budget and are held in the Pooled Investment Funds Adjustment Account.

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 for the 2022/23 financial year.

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. 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.

The Council's single Investment Property will now be valued annually, rather than every 3 years supported by a desktop verification exercise. This is to be fully compliant with the code.

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 £281,000 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. The Council only holds one asset in this category. Previously, this valuation was carried out every three years, due to the immaterial value of the property, with verification provided by a desktop exercise to compare 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. If market conditions changed substantially during a period, as they did in 2020/21, this asset would have been subject to revaluation. In order to be full compliant with the code, this will now be revalued annually.

7. Events after the Reporting Period

On the 25 May 2022 Councillor Ben Chapelard became Leader of the Council and formed the Borough Partnership, an administration made up of Liberal Democrats, Tunbridge Wells Alliance and Labour councillors, and the independent councillor for Paddock Wood (East). Following the elections in May 2023, the position remained largely unchanged, with the same Leader and Borough Partnership administration composition.

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.

2021/22		2022/23
£000		£000
20,381	Employee Benefit Expenses	19,697
43,828	Other Service Expenses	42,087
2,047	Depreciation, Amortisation, Impairment	12,696
0	Interest Payments	2,018
2,779	Precepts and Levies	2,987
0	Gain or Loss on Disposal of Non-Current Assets	43

69,035	Total Expenditure	79,528
(15,163)	Fees, Charges and Other Service Income	(17,884)
(2,424)	Interest and Investment Income	(1,770)
(11,606)	Income from Council Tax	(12,157)
(4,350)	Retained Business Rates Income	(3,336)
(42,377)	Government Grants and Contributions	(34,397)
(49)	Gain or Loss on Disposal of Non-Current Assets	0
(75,969)	Total Income	(69,544)
(6,934)	(Surplus) or Deficit on Provision of Service	9,984

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

2021/22		2022/23
£000		£000
0	Chief Executive	(1)
(9,001)	Finance, Policy and Development	(10,206)
(6,162)	Change and Communities	(7,677)
(15,163)	Total Fees, Charges and Other Service Income	(17,884)

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.

2022/23	General Fund Balance	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves
Reversal of items debited to the Comprehensive I&E Statement					

Appendix A

Amortisation of intangible assets	172	0	0	172	(172)
Depreciation of non-current assets	3,054	0	0	3,054	(3,054)
Impairment of non-current assets	7,804	0	0	7,804	(7,804)
Movements in value of Investment Properties	(40)	0	0	(40)	40
Revenue Expenditure financed from Capital under Statute	679	0	0	679	(679)
Gain or (loss) on sale of non-current assets	43	0	0	43	(43)
Non-current asset sale proceeds	0	0	104	104	(104)
Pooled investment fund adjustment	2,018	0	0	2,018	(2,018)
Council tax and business rates	(5,092)	0	0	(5,092)	5,092
Pension costs	2,318	0	0	2,318	(2,318)
Donated Assets	(183)	0	0	(183)	183
Holiday Pay	(35)	0	0	(35)	35
Insertion of items not debited or credited to Comprehensive I&E Statement					
Statutory provision for the repayment of debt	(1,079)	0	0	(1,079)	1,079
Capital expenditure from revenue	(72)	0	0	(72)	72
Transfer of capital grants and contributions to capital grants unapplied	(2,399)	2,399	0	0	0
Financing of capital expenditure directly from reserves					

Appendix A

Application of capital grants to finance capital expenditure	0	(2,129)	0	(2,129)	2,129
Use of the capital receipts reserve to finance capital expenditure	0	0	(1,273)	(1,273)	1,273
Total to Movement in Reserves Statement	7,188	270	(1,169)	6,289	(6,289)

2021/22	General Fund Balance	Capital Grants Unapplied Account	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves
Reversal of items debited to the Comprehensive I&E Statement					
Amortisation of intangible assets	167	0	0	167	(167)
Depreciation of non-current assets	3,063	0	0	3,063	(3,063)
Impairment of non-current assets	(2,195)	0	0	(2,195)	2,195
Gain or (loss) on sale of non-current assets	(49)	0	0	(49)	49
Non-current asset sale proceeds	0	0	214	214	(214)
Pooled investment fund adjustment	(1,828)	0	0	(1,828)	1,828
Council tax and business rates	(8,494)	0	0	(8,494)	8,494
Pension costs	3,641	0	0	3,641	(3,641)
Donated Assets	(31)	0	0	(31)	31
Holiday Pay	(30)	0	0	(30)	30
Insertion of items not debited or credited to Comprehensive I&E Statement					

Statutory provision for the repayment of debt	(1,442)	0	0	(1,442)	1,442
Capital expenditure from revenue	(333)	0	0	(333)	333
Transfer of capital grants and contributions to capital grants unapplied	(5,751)	5,751	0	0	0
Financing of capital expenditure directly from reserves					
Application of capital grants to finance capital expenditure	0	(5,252)	0	(5,252)	5,252
Use of the capital receipts reserve to finance capital expenditure	0	0	(1,338)	(1,338)	1,338
Total to Movement in Reserves Statement	(13,282)	499	(1,124)	(13,907)	13,907

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.

Earmarked Reserves

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.

The reasons for maintaining the earmarked reserves are shown below:

Appendix A

Reserve	Description
Capital & Revenue Initiatives	Used to support future capital and revenue schemes in accordance with the Council's Medium Term Financial Plan and Capital Strategy.
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	This reserve has now been closed, with the remaining balance transferred to the Capital & Revenue Initiatives reserve, to fund the capital programme.
Garden of Remembrance	The balance in this reserve has been used in 2022/23 and has now been closed.
Strategic Plan	This reserve has now been closed, with the remaining balance transferred to the Capital & Revenue Initiatives reserve, to fund the capital programme.
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.

Appendix A

ICT MKS Partnership	The balance in this reserve has been used for ICT capital projects in 2022/23 and has now been closed.
Establishment	This reserve has now been closed, with the remaining balance transferred to the RVP Car Park reserve, to fund future capital projects.
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 now been closed, with the remaining balance transferred to the Capital & Revenue Initiatives reserve, to fund the capital programme.
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.
Rent Advance and Deposit	This reserve holds monies set aside by the Council to fund the rent advance and deposit guarantee schemes which support households who have a priority need for accommodation under homelessness legislation.

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

Reserve	31 March 2022	Income	Expenditure	31 March 2023
	£000	£000	£000	£000
General Fund	4,336	18	0	4,354
Capital & Rev Initiatives	4,839	4,233	0	9,072
On Street Parking	913	159	(8)	1,064
Local Plan	1,026	20	0	1,046
Section 106 Contributions	42	0	(42)	0
Garden of Remembrance	4	0	(4)	0
Strategic Plan	1,353	0	(1,353)	0

Appendix A

RVP Car Park	1,497	515	0	2,012
Government Grants	707	396	(81)	1,022
Invest to Save	681	0	(535)	146
Cultural	298	9	0	307
Housing Renewal	283	43	0	326
Insurance	341	25	(266)	100
Grant Volatility	9,478	0	(5,513)	3,965
ICT MKS Partnership	62	0	(62)	0
Establishment	364	0	(364)	0
Ice Rink	219	0	0	219
Digital Transformation	25	0	(25)	0
Traveller Protocol	15	0	(2)	13
Land Charges Income	60	0	0	60
Rent Advance and Deposit	470	41	0	511
Total	27,013	5,459	(8,255)	24,217

The transfer of £5,513,000 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 were held here until required to fund movements on the Collection Fund. As at 31 March 2023 the reserve holds £1,301,000 that will be transferred out of the reserve in 2023/24 to fund the Collection Fund deficit.

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
Total	33,361	7,307	(13,655)	27,013

The Council has taken the opportunity to close some reserves where the specific project or contingency for which it had been intended is no longer required. The balances of these reserves have been transferred to either the Capital & Revenue Initiatives reserve or the RVP Car Park reserve to fund future capital projects.

Capital Grants Unapplied Account

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 Unapplied Account until required to finance capital investment.

Capital Receipts Reserve

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

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.

2021/22		2022/23
£000	Revaluation Reserve	£000
40,797	Balance as at 1 April	39,341
3,106	Upward valuation of non-current assets	10,285
(3,609)	Downward valuation of assets and impairment losses of not charged to the surplus/deficit on the provision of services	(742)
(794)	Adjustment for depreciation on revalued non-current assets	(765)
(159)	Amount written off to the capital adjustment account	(32)
39,341	Balance as at 31 March	48,087

Pooled Investment Funds Adjustment Account

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

2021/22		2022/23
£000	Pooled Investment Funds Adjustment Account	£000
1,413	Balance as at 1 April	3,241
1,828	Upward revaluation of investments	0

0	Downward revaluation of investments	(2,018)
3,241	Balance as at 31 March	1,223

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.

2021/22		2022/23
£000	Capital Adjustment Account	£000
83,452	Balance as at 1 April	91,601
(167)	Amortisation of intangible assets	(172)
(3,063)	Depreciation of non-current assets	(3,054)
2,195	Impairment losses and loss reversals of non-current assets	(7,804)
0	Movements in value of Investment Properties	40
0	Revenue Expenditure financed from Capital under Statute	(679)
(6)	Adjusting amounts written out of the revaluation reserve	32
31	Movement in Donated assets	183
1,442	Statutory provision for the financing of capital investment	1,079
333	Capital expenditure charged against the General Fund	72
5,252	Capital expenditure financed from grants and contributions	2,129
1,338	Use of the capital receipts reserve to finance new capital expenditure	1,273
794	Adjustment for depreciation of revalued non-current assets	765
91,601	Balance as at 31 March	85,465

The Movement in Donated Assets includes £147,500 for the Sherwood Lake that was given to the Council by Town and Country Housing, in return for Ropers Gate Shops that were transferred to them in 2012/13.

Deferred Capital Receipts

In some cases an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a short 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.

2021/22		2022/23
£000	Deferred Capital Receipts	£000
147	Balance as at 1 April	147
0	Gain or (loss) on sale of non-current assets	(147)
147	Balance as at 31 March	0

The Deferred Capital Receipts reserve was credited during 2022/23 as a result of the capital transfer to Town and Country Housing as explained above.

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.

2021/22		2022/23
£000	Pensions Reserve	£000
(65,464)	Balance as at 1 April	(61,351)
7,754	Re-measurement of defined benefit liability	58,578
(3,641)	Difference between accounting and statutory pension costs	(2,318)
(61,351)	Balance as at 31 March	(5,091)

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 tax payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.

2021/22		2022/23
£000	Collection Fund Adjustment Account	£000
(14,374)	Balance as at 1 April	(5,880)

8,494	Differences arising from the recognition of Council tax income and non-domestic rates in the Comprehensive Income and Expenditure Statement compared with statutory requirements	5,092
(5,880)	Balance as at 31 March	(788)

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.

2021/22		2022/23
£000	Accumulated Absences Account	£000
(229)	Balance as at 1 April	(199)
30	Amounts accrued at the end of the current year	35
(199)	Balance as at 31 March	(164)

11. Summary of capital expenditure and financing

Capital expenditure was incurred and financed as shown below:

2021/22		2022/23
£000		£000
5,694	Opening Capital Financing Requirement as at 1 April	6,231
8,829	Property, Plant and Equipment	2,754
95	Intangible Assets	42
1,011	Revenue Expenditure Funded from Capital under Statute	1,706
9,935	Total Capital Investment	4,502
(1,338)	Capital Receipts	(1,274)
(5,252)	Government Grants and Other Contributions	(2,129)
(1,011)	Grants and Contributions towards REFFCUS	(1,027)
(333)	Revenue Financing	(72)

(1,442)	Minimum Revenue Provision	(1,079)
(9,376)	Total Financing	(5,581)
(22)	Movement in Long Term Debtors within Capital Financing Requirement	(3)
6,231	Closing Capital Financing Requirement as at 31 March	5,149

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. 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:

31 March 2022		31 March 2023
£000		£000
131,658	Property, Plant and Equipment	133,528
3,763	Heritage Assets	3,514
710	Investment Properties	750
963	Intangible Assets	833
79	Long term debtors financed from capital	76
(39,341)	Revaluation Reserve	(48,087)
(91,601)	Capital Adjustment Account	(85,465)
6,231	Total Capital Financing Requirement	5,149

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.

Appendix A

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

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure	Community	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2022						
Gross Carrying Amount	106,167	2,769	746	8,710	17,671	136,063
Cumulative Depreciation & Impairment	(2,606)	(1,145)	(510)	(144)	0	(4,405)
Total	103,561	1,624	236	8,566	17,671	131,658
Balance as at 31 March 2023						
Gross Carrying Amount	127,093	2,658	690	8,534	(651)	138,324
Cumulative Depreciation & Impairment	(3,565)	(1,265)	(473)	(144)	651	(4,796)
Total	123,528	1,393	217	8,390	0	133,528

12.2 Reconciliation of Opening and Closing Balances

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

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure	Community	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Movements 2021/22						

Appendix A

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
Total	103,561	1,624	236	8,566	17,671	131,658
Movements 2022/23						
Balance at 1 April 2022	103,561	1,624	236	8,566	17,671	131,658
Additions	2,595	107	4	196	0	2,902
Revaluations	9,826	0	0	0	0	9,826
Impairment Losses	(8,502)	0	0	0	0	(8,502)
Impairment Loss Reversals	698	0	0	0	0	698
Depreciation	(2,693)	(338)	(23)	0	0	(3,054)
Reclassifications	18,043	0	0	(372)	(17,671)	0
Total	123,528	1,393	217	8,390	0	133,528

12.3 Valuation of Property

Revaluations and impairment reversals are treated in line with Accounting Policy 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). The multi-storey car parks are revalued every 3 years.

The Royal Victoria Place shopping centre is usually valued every 3 years and has been revalued in 2022/23.

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 (EUUV). 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.

31 March 2022		31 March 2023
£000		£000
103,561	Net Book Value at 31 March	123,528
(869)	Adjust for additions since last valuation	(2,695)
2,606	Adjust for depreciation since last valuation	2,916
105,298	Total Valuations	123,749
0	Valuation in 2022/23	64,585
48,980	Valuation in 2021/22	39,565
23,779	Valuation in 2020/21	5,419
17,932	Valuation in 2019/20	4,782
9,398	Valuation in 2018/19	9,398
5,209	Valuation in 2017/18	0
105,298	Total Valuations	123,749

12.4 Covid-19 Pandemic, Cost of Living Crisis and the War in Ukraine

The Council's valuer needed to declare a "material valuation uncertainty" in the valuation report for 2019/20 due to the pandemic, but whilst this has not been needed since, there are some notable impacts upon certain property valuations still filtering through from the pandemic. The Amelia, the Council's new Cultural Hub, opened in April 2022 and has been valued for the first time since its complete renovation. Building costs had increased due to

Covid labour and materials supply issues, but the valuation is shown to be £6 million in excess of the build cost previously recorded on the Balance Sheet.

In the case of the valuation for the Royal Victoria Place Shopping Centre, whilst it was negatively affected by the pandemic, this has now been compounded by the cost of living crisis. The valuation has fallen by £8 million as Shopping Centre values have dropped throughout the UK.

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 2022/23. 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 2023 the Council was contractually committed to the payment of £1,588,036 for the acquisition of property, plant and equipment, and intangible assets compared to £554,661 at 31 March 2022. This increase is mainly associated with commitments for the decarbonisation projects.

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:

2021/22		2022/23
£000		£000
3,654	Balance as at 1 April	3,763
31	Additions by donation	35
78	Revaluations	(284)
3,763	Balance as at 31 March	3,514

14. Investment Property

14.1 Investment Property

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

2021/22		2022/23
£000		£000
710	Balance as at 1 April	710
0	Impairment loss reversal	40
710	Balance as at 31 March	750

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.

2021/22		2022/23
£000		£000
26	Rental Income from Investment Properties	45
26	Net Gain / (Loss)	45

14.2 Covid-19 Pandemic, Cost of Living Crisis and the War in Ukraine

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 has been revalued as at 31 March 2023, for inclusion in the Balance Sheet.

The property was re-let on the 22 January 2021, and the rental income of £45,000 per annum is being regularly paid. This property was funded from internal borrowing and the income is sufficient to cover the repayments.

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 2023. No assets were held for sale as at 31 March 2023.

2021/22		2022/23
£000		£000
160	Balance as at 1 April	0
(160)	Disposals	0
0	Balance as at 31 March	0

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 2023	31 March 2023	31 March 2023	31 March 2023
	Long Term	Long Term	Short Term	Short Term
	Investments	Debtors	Investments	Debtors
	£000	£000	£000	£000
Principal	5,000	340	28,000	4,151
Investment Interest Accrual	0	0	220	0
Cash and Cash Equivalents	0	0	11,376	0

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Cash and Cash Equivalents Interest	0	0	32	0
Total Amortised Cost	5,000	340	39,628	4,151
CCLA Property Fund	0	0	10,223	0
Investment Interest Accrued	0	0	109	0
Total Fair Value through Profit and Loss	0	0	10,332	0
Total Financial Assets	5,000	340	49,960	4,151
Non-Financial Assets	0	228	0	2,975
Total Investments, Debtors, Cash and Cash Equivalents	5,000	568	49,960	7,126

	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
Total Amortised Cost	0	111	46,873	6,286
CCLA Property Fund	12,240	0	0	0
Investment Interest Accrued	0	0	99	0
Total Fair Value through Profit and Loss	12,240	0	99	0
Total Financial Assets	12,240	111	46,972	6,286
Non-Financial Assets	0	934	0	2,217

Total Investments, Debtors, Cash and Cash Equivalents	12,240	1,045	46,972	8,503
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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 DLUHC 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 2023	31 March 2023
Long Term	Short Term		Long Term	Short Term
Creditors	Creditors		Creditors	Creditors
£000	£000		£000	£000
(0)	(4,351)	Principal	0	(4,307)
(0)	(4,351)	Total Amortised Cost	0	(4,307)
(578)	(29,003)	Non-Financial Liabilities	(673)	(19,512)
(578)	(33,354)	Total Borrowing and Creditors	(673)	(23,819)

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:

2021/22		2022/23
£000		£000
(1,828)	Pooled investment funds adjustment	0
(502)	Interest from loans and receivables	(1,650)
(27)	Investment Income	(45)
(67)	Other Interest Receivable	(75)
(2,424)	Total Interest and Investment Income	(1,770)

0	Pooled investment funds adjustment	2,018
0	Total Interest Payable	2,018

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 2022	31 March 2022			31 March 2023	31 March 2023
Book Value	Fair Value		Level	Book Value	Fair Value
£000	£000			£000	£000
12,240	12,240	CCLA Property Fund	1	0	0
0	0	Long Term Investments	2	5,000	5,092
12,240	12,240	Long Term Investments		5,000	5,092
0	0	CCLA Property Fund	1	10,332	10,332
0	0	Investments less than one year	2	28,091	28,091
99	99	Add accrued interest on long term investment	2	129	129
99	99	Short Term Investments		38,552	38,552
12,339	12,339	Total Investments		43,552	43,644

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 2023, 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 £52.8 million at 31 March 2023, 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 2023 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 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.

The Council served notice on the investment with the CCLA Property Fund in March 2023 and will sell the units held in the Fund, at the end of September 2023.

Refinancing and Maturity Risk

The Council no longer holds any external debt, but has £5,149,000 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 improving, the council has been looking to longer term investments where cashflow permits, alongside shorter term investments, to maximise the interest from deposits.

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 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been to increase investment income by £693,000.

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 Debtors

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

31 March 2022		31 March 2023
£000		£000
3,228	Trade Accounts Receivable	2,109
1,959	Other Trade Debtors	1,346
441	Central Government	1,298
311	Prepayments	455
2,564	Other Debtors	1,918
8,503	Total Short Term Debtors	7,126
1,045	Total Long Term Debtors	568

9,548 **Balance as at 31 March****7,694**

The Debtors balances for 2022/23 included £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. The equivalent figure for 2022/23, included within Long Term Debtors is £0.200 million.

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.

31 March 2022		31 March 2023
£000		£000
2,985	Less than 3 months	1,426
19	3 to 6 months	82
8	6 to 12 months	293
216	More than 1 year	308
3,228	Total Trade Accounts Receivable	2,109

The Council has £2.1m of outstanding trade accounts debt as at 31 March 2023, compared to £3.2m at the end of 2021/22, with a total impairment provision of £376,000.

The Council has also made impairment provisions of £4,104,000 at 31 March 2023, compared to £3,843,000 at 31 March 2022, 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, the Cost of Living Crisis and the War in Ukraine

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.

There are two debts of note which have been fully provided for in the accounts.

The first is that of the investment property lease holder which went into administration during the pandemic leaving £102,300 of outstanding lease payments. This has not yet been written off, as there may yet be some proceeds from the administration process.

The second is that of the Borough's leisure services provider, which has a contract to manage three sports centres and deliver a return to the Council. They owe the Council £223,000. Demand for leisure services diminished significantly over the Covid period and has not recovered. In addition, the escalation of energy costs due to the war in Ukraine, has made it financially challenging to operate sports centres, especially those with swimming pools. A number of operators have already fallen into administration.

17.4 Contingent Assets

In March 2023, litigation was concluded challenging HMRC on the VAT treatment of the provision of Leisure Services by Local Authorities. Currently, they must be treated as undertaking a business activity, whereas the case determined that Local Authorities' Leisure Services are provided under a statutory framework and can be treated as non-business for VAT purposes. The council will be making a claim to HMRC for the refund of VAT on the Leisure Services it provides, which it anticipates being around £250,000.

18. Creditors

18.1 Creditors

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

31 March 2022		31 March 2023
£000		£000
(23,103)	Central Government	(10,822)
(2,203)	Other Local Authorities	(3,744)
(8,048)	All Other Bodies	(9,253)
(33,354)	Total Short Term Creditors	(23,819)

(578)	Other Local Authorities	(673)
(578)	Total Long Term Creditors	(673)
(33,932)	Balance as at 31 March	(24,492)

The liability for Central Government as at 31 March 2022 included £14.454 million of business rates reliefs, due for repayment to Central Government in March 2023. The equivalent figure as at 31 March 2023 is £2.813 million.

The Council received an allocation of £5.025 million for the Government's £150 Energy Rebate Scheme in March 2022, which was held within the Central Government balance. The scheme has now closed with a balance of £70,000 held as at 31 March 2023, which will be repaid to Government.

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 2023 and the average reduction achieved from settled appeals. For the Council this still constitutes £60,089 of the total value of appeals provided, as the Valuation Office is finishing its caseload.

The new 2017 Rating list, applicable from 1 April 2017, was subject to a new, and significantly more complex appeal process. This meant that in the early years far fewer appeals were made than would normally have been expected. It was also considered that consultancy companies, which assist businesses to appeal, would not make their appeals in the first years of the new rating list, in order to maximise their earnings from retrospective years' commission.

A new 2023 Ratings list came into effect from 1 April 2023 and a deadline of 30 September 2023 has been set for any appeals to the 2017 rating list to have been made. The number of appeals has recently increased significantly and it is expected that this trend will continue until the closing date. 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 DLUHC 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 £13,498,660. The Council's 40% share of the total provision has been increased to £5,399,464 (£4,583,467 at 31 March 2022).

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 had a Mesothelioma claim in 2021/22 which has now been settled. A small proportion of the costs 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. There are no outstanding claim reserves with MMI as at 31 March 2023.

Dispute with Lessee

The Council had an ongoing dispute with a lessee claiming losses of income to their business. The maximum liability, including costs was anticipated to be £60,000. In February 2023 the Lessee was statute barred from bringing a claim which brings the contingent liability to an end.

Local Plan Examination Process

The Local Plan examination has been ongoing through 2022/23, following the completion of the public hearings early in the year. The Inspector's initial findings letter has been received which raises several matters that require further detailed consideration and evidence to support the progress of the Local Plan. This will necessitate further consultation and hearings requiring King's Counsel support. The Council has set aside £1.046m in an Earmarked Reserve to provide for the costs of delivering the Local Plan.

Planning Inquiries

Last year there were two outstanding planning inquiries against Planning Committee decisions at Turnden in Cranbrook and at Sandown Park in Tunbridge Wells.

The Sandown Park Inquiry has been concluded and the Council is not the subject of any further planning appeals which require Public Inquiries. Further, there are no appeals or likely appeals where the applicant or appellant have indicated a preference for an inquiry that would require formal legal support from a King's Counsel or an award of costs against unreasonable behaviour by the Council.

The only King's Counsel support that the Council is likely to need is around ongoing discussions with regards to the Berkeley Homes decision to challenge the decision of the Secretary of State on the Turnden development in Cranbrook. This legal support is estimated to require up to £25,000 of costs.

19. Grants and Contributions

19.1 Grants and Contributions

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

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£000	£000	£000		£000	£000	£000
Grants	Contribs	Total		Grants	Contribs	Total
(24,197)	0	(24,197)	DWP Benefits Grants	(22,803)	0	(22,803)
(2,182)	0	(2,182)	Covid-19 Business and Resident Grants	0	0	0
0	0	0	Cost of Living grants and contributions	(182)	(374)	(556)
(560)	0	(560)	Homelessness Support	(790)	0	(790)
0	(3,216)	(3,216)	Contribution from Other Local Authorities and Health Sector	0	(3,647)	(3,647)
0	(1,011)	(1,011)	Contributions to revenue expenditure financed from capital	0	(1,027)	(1,027)
(197)	(953)	(1,150)	Other grants and contributions	(223)	(192)	(415)
(27,136)	(5,180)	(32,316)	Total Within Cost of Services	(23,998)	(5,240)	(29,238)

The table below outlines Government grants and other contributions accounted for within Taxation and Non-Specific Grant Income within the Comprehensive Income and Expenditure Statement and the Cash Flow Statement.

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
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Appendix A

£000	£000	£000		£000	£000	£000
Grants	Contribs	Total		Grants	Contribs	Total
(9,221)	0	(9,221)	Business Rate Reliefs	(6,086)	0	(6,086)
(9,221)	0	(9,221)	Business Rates Income	(6,086)	0	(6,086)
(1,606)	0	(1,606)	Covid-19 Support Grants	(44)	0	(44)
0	0	0	Cost of Living grants and contributions	(150)	0	(150)
(860)	0	(860)	New Homes Bonus	(1,146)	0	(1,146)
(291)	0	(291)	Homelessness Support	0	0	0
(527)	0	(527)	Benefits & Business Rates administration grants	(517)	0	(517)
(70)	0	(70)	Council Tax	(177)	(241)	(418)
(478)	(448)	(926)	Other grants and contributions	(301)	0	(301)
(3,832)	(448)	(4,280)	Government Grants and Contributions	(2,335)	(241)	(2,576)
(1,707)	(4,043)	(5,750)	Capital Grants and Contributions	(1,079)	(1,321)	(2,400)
(1,707)	(4,043)	(5,750)	Capital Grants and Contributions	(1,079)	(1,321)	(2,400)
0	(31)	(31)	Donated Assets	0	(183)	(183)
0	(31)	(31)	Donated Assets	0	(183)	(183)
(14,760)	(4,522)	(19,282)	Total within Taxation and Non-Specific Grant Income	(9,500)	(1,745)	(11,245)

19.2 Covid-19 Pandemic, Cost of Living Crisis and the War in Ukraine

Included in the table of grants and contributions accounted for within Cost of Services is an amount of £2,182,000 for 2021/22, which was for business and resident grants where the

Council delivered Government schemes. Within the table for 2022/23 is an amount of £556,000 for Cost of Living grants and contributions, which is made up of £182,000 for the Discretionary Energy Rebate scheme and £374,000 for Household Support Funds. The Household Support funding was received through Kent County Council. The Council deemed itself to be acting as principal for these schemes.

Included in the table of grants and contributions accounted for within Taxation and Non-Specific Grant Income is an amount of £1,606,000 for 2021/22, which was support from Government for the pandemic response, including compensation for lost sales, fees and charges and new burdens grants for administering business grant schemes. There is an amount of £44,000 included for 2022/23 which relates to new burdens grants for business rate schemes. A sum of £150,000 was also received as new burdens funding for the delivery of the Council Tax Energy schemes.

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 2022		31 March 2023
£000	Short Term Capital Grants Receipts in Advance	£000
(1,060)	Balance as at 1 April	(1,540)
(44)	Grants Received	(805)
3	Applied to revenue & capital expenditure	754
(439)	Transfer from Long Term Grants	(47)
(1,540)	Balance as at 31 March	(1,638)

31 March 2022		31 March 2023
£000	Long Term Capital Grants Receipts in Advance	£000
(3,059)	Balance as at 1 April	(4,936)
(2,528)	Grants Received	(3,256)
212	Other Transfers	939
439	Transfer to Short Term Grants	47
(4,936)	Balance as at 31 March	(7,206)

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.

2022/23	Salary	Pension	Total
	£	£	£
Chief Executive	143,017	24,998	168,015
Director of Finance, Policy & Development (s151 Officer)	113,037	19,010	132,047
Director of Change & Communities	102,612	18,016	120,628
Total	358,666	62,024	420,690

2021/22	Salary	Pension	Total
	£	£	£
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
Total	351,369	60,608	411,977

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. £8,408 was paid in 2022/23 compared to £10,395 in 2021/22.
- Similarly, the figures for the Director of Finance, Policy and Development include fees payable for elections. £1,157 was paid in 2022/23 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.

2021/22	2021/22		2022/23	2022/23
Including Severance	Excluding Severance	Remuneration Band	Including Severance	Excluding Severance
12	12	£50,000 - £54,999	16	16
6	6	£55,000 - £59,999	8	8
5	5	£60,000 - £64,999	4	3
2	2	£65,000 - £69,999	1	1
1	1	£70,000 - £74,999	0	0
0	0	£75,000 - £79,999	1	1
4	4	£80,000 - £84,999	1	1
1	1	£85,000 - £89,999	2	2
0	0	£90,000 - £94,999	1	1
1	1	£100,000 - £104,999	1	1
1	1	£105,000 - 109,999	0	0

0	0	£110,000 - £115,999	1	1
1	1	£140,000 - £144,999	1	1
34	34	Total	37	36

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:

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£000	£000	£000		£000	£000	£000
Liabilities	Assets	Net		Liabilities	Assets	Net
(183,696)	118,016	(65,680)	Asset / Liability as at 1 April	(180,503)	118,932	(61,571)
(4,915)	0	(4,915)	Current Service Cost	(3,664)	0	(3,664)
0	0	0	Curtailments	(46)	0	(46)
(3,633)	2,346	(1,287)	Interest expense and income	(4,969)	3,881	(1,088)
0	(70)	(70)	Administration expenses	0	(73)	(73)

Appendix A

(8,548)	2,276	(6,272)	Surplus/Deficit on Provision of Services	(8,679)	3,808	(4,871)
0	2,627	2,627	Employer Contributions	0	2,773	2,773
(671)	671	0	Employee Contributions	(696)	696	0
4,773	(4,773)	0	Payments to beneficiaries	5,611	(5,611)	0
4,102	(1,475)	2,627	Other Movements	4,915	(2,142)	2,773
0	115	115	Return on assets excluding interest income	0	(2,349)	(2,349)
8,092	0	8,092	Changes in financial assumptions	67,270	0	67,270
0	0	0	Changes in demographic assumptions	4,696	0	4,696
(453)	0	(453)	Experience gains and losses	(11,674)	0	(11,674)
0	0	0	Other actuarial gains/(losses)	0	635	635
7,639	115	7,754	Re-measurements	60,292	(1,714)	58,578
(180,503)	118,932	(61,571)	Asset / Liability as at 31 March	(123,975)	118,884	(5,091)

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 2022/23. 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 reduction in pension liability seen in 2022/23 is as a result of a change in financial assumptions, with the determined discount rate based on bond yields as at 31 March 2023. Bond yields have increased significantly over the year impacting the discount rate. A change in CPI inflation has also reduced the employer liabilities.

21.3 Plan Assets

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

31 March 2022	31 March 2022		31 March 2023	31 March 2023
£000	%		£000	%
76,559	64%	Equities	75,861	64%
726	1%	Gilts	651	1%
16,421	14%	Bonds	15,614	13%
13,970	12%	Property	11,866	10%
2,457	2%	Cash	2,133	2%
8,799	7%	Target Return Portfolio	8,709	7%
0	0%	Infrastructure	4,050	3%
118,932	100%	Total	118,884	100%

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:

2021/22		2022/23
	Mortality assumptions:	
21.6 years	Longevity at 65 for current pensioners: Men	21.1 years
23.7 years	Longevity at 65 for current pensioners: Women	23.5 years
23.0 years	Longevity at 65 for future pensioners: Men	22.3 years
25.1 years	Longevity at 65 for future pensioners: Women	25.0 years
	Other assumptions:	
4.20%	Rate of increase in salaries	3.95%
3.20%	Rate of increase in pensions	2.95%
2.60%	Rate for discounting scheme liabilities	4.80%

50.0%	Take-up option to convert annual pension into retirement lump sum	50.0%
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21.5 Sensitivity Analysis

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 for 2022/23:

	£000	£000	£000	£000	£000
Adjustment to Discount Rate:	+1.0%	+0.5%	0.0%	-0.5%	-1.0%
Projected value of total obligation	107,315	115,144	123,975	133,982	145,375
Projected service cost	1,281	1,532	1,829	2,183	2,607
Adjustment to Salary Increases:	+1.0%	+0.5%	0.0%	-0.5%	-1.0%
Projected value of total obligation	125,337	124,644	123,975	123,330	122,708
Projected service cost	1,842	1,836	1,829	1,823	1,817
Adjustment to Pension Increases:	+1.0%	+0.5%	0.0%	-0.5%	-1.0%
Projected value of total obligation	144,212	133,453	123,975	115,598	108,171
Projected service cost	2,614	2,181	1,829	1,534	1,274
Adjustment to Mortality Estimates:		+ 1 year	None	- 1 year	
Projected value of total obligation		129,007	123,975	119,167	
Projected service cost		1,896	1,829	1,765	

21.6 Funding Arrangements

The estimated contribution for 2023/24 is £3,055,000 compared with the actual contribution of £2,767,000 for 2022/23.

22. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below. In 2022/23 the Council paid £50,000 in exit packages to 1 former member of staff, compared to £22,000 paid to 1 former member of staff in 2021/22.

2022/23	Number of compulsory redundancies	Number of other agreed departures	Total Number of Exit Packages	Total Cost of Exit Packages
Banding				£000
£20,000 - £39,999	0	0	0	0
£40,000 - £59,999	0	1	1	50
Total	0	1	1	50

2021/22	Number of compulsory redundancies	Number of other agreed departures	Total Number of Exit Packages	Total Cost of Exit Packages
Banding				£000
£20,000 - £39,999	0	1	1	22
£40,000 - £59,999	0	0	0	0
Total	0	1	1	22

The tables above includes exit packages that have 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.

23. Members' Allowances

The total amount of Member's allowances paid in 2022/23 was £379,738 compared to £353,241 in 2021/22.

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 and Executive Support Manager, Town Hall, Royal Tunbridge Wells, Kent TN1 1RS, or email committee@tunbridgewells.gov.uk

24. External Audit Costs

The audit fees for 2022/23, payable to Grant Thornton, are set out below:

2021/22		2022/23
£000		£000
42	External Audit Services – Statutory Accounts	47
24	Audit & Statutory Certification of Grant Claims	30
9	Value for Money Audit in Respect of 2020/21	0
9	Value for Money Audit in Respect of 2021/22	0
0	Value for Money Audit in Respect of 2022/23	9
7	Additional Fees due to Impact of Covid-19 for 2019/20	0
17	Fee Variations in Respect of 2020/21	0
14	Fee Variations in Respect of 2021/22	0
0	Fee Variations in Respect of 2022/23	19
122	Sub Total	105
(8)	Rebate of Audit Fees from Public Sector Audit Appointments 2021/22	0
0	Redmond Review Implementation Grant 2022/23	(21)
114	Total	84

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 2022		31 March 2023
£000	Leases expiring:	£000
(1,464)	Within one year	(1,579)
(5,028)	Between two and five years	(5,689)
(76,463)	Later than five years	(77,823)
(82,955)	Total	(85,091)

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

In 2021/22 the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) 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. 2022/23 is the eighth year of trading the company is expected to make a small profit in the region of £23,000. The accounts will be filed at Companies House by December 2023. 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.

Councillor Matthew Sankey has a controlling interest in The Old Fishmarket Ltd, Brittany Inns Ltd, SRGM Holdings LTD and Sankey's Fishmongers Ltd. Councillor David Knight has a controlling interest in Southern Care Maintenance Ltd. Councillor Matthew Bailey has a controlling interest in Bailey & Associates Ltd and Azura Cloud Systems Ltd. Councillor David Hayward has a controlling interest in Mediterranean Agency Ltd.

Returns were received from all Councillors elected for the 2022/23 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.

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£000	£000	£000		£000	£000	£000
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(92,081)	(39,792)	(131,873)	Income Collectable	(96,618)	(47,699)	(144,317)
(92,081)	(39,792)	(131,873)	Income Receivable	(96,618)	(47,699)	(144,317)
			Apportionments of previous year surplus:			
(360)	0	(360)	Kent County Council	830	0	830
(54)	0	(54)	Kent Police Authority	129	0	129
(21)	0	(21)	Kent Fire and Rescue Service	46	0	46
(65)	0	(65)	Tunbridge Wells Borough Council	145	0	145
			Precepts and central share:			
64,371	1,539	65,910	Kent County Council	67,918	2,900	70,818
9,898	0	9,898	Kent Police Authority	10,604	0	10,604
3,667	171	3,838	Kent Fire and Rescue Service	3,828	322	4,150
11,343	6,841	18,184	Tunbridge Wells Borough Council	11,993	12,890	24,883
0	8,551	8,551	Government	0	16,113	16,113
			Transfer to General Fund:			
0	168	168	Cost of collection	0	168	168

Appendix A

			Impairments of debts:			
217	397	614	Write offs	218	243	461
507	339	846	Allowance for impairments	748	(115)	633
			Impairments resulting from appeals:			
0	1,193	1,193	Allowance for impairments	0	2,040	2,040
0	52	52	Transactional protection payments	0	339	339
0	123	123	Renewable energy schemes	0	118	118
89,503	19,374	108,877	Expenditure	96,459	35,018	131,477
(2,578)	(20,418)	(22,996)	(Increase) / Reduction in fund balance	(159)	(12,681)	(12,840)

2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£000	£000	£000		£000	£000	£000
Council Tax	Business Rates	Total	Collection Fund Balance	Council Tax	Business Rates	Total
766	35,689	36,455	Balance at 1 April	(1,812)	15,271	13,459
(2,578)	(20,418)	(22,996)	(Increase) / Reduction in fund balance	(159)	(12,681)	(12,840)
(1,812)	15,271	13,459	(Surplus) / Deficit Balance at 31 March	(1,971)	2,590	619

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:

	Multiplier	2021/22	2021/22	2022/23	2022/23
		Properties	Band D Equivalent	Properties	Band D Equivalent
A	6/9	2,052.32	1,368.34	2,210.64	1,473.88
B	7/9	3,677.56	2,860.34	3,835.73	2,983.35
C	8/9	10,852.29	9,646.46	11,129.98	9,893.30
D	9/9	9,081.06	9,081.09	9,266.48	9,266.45
E	11/9	6,250.79	7,639.84	6,345.77	7,755.92
F	13/9	4,446.18	6,422.29	4,565.66	6,594.78
G	15/9	5,036.49	8,394.14	5,135.49	8,559.14
H	18/9	561.10	1,122.20	572.30	1,144.58
	Total	41,957.79	46,534.70	43,062.05	47,671.40
	Collection Rate		0.975		0.975
	Tax Base		45,371.40		46,479.60

2. Non-Domestic Rates

The total non-domestic rateable value at 31 March 2023 was £134.971 million (£135.741 million as at 31 March 2022). The national non-domestic multiplier for the year was 51.2p, the same as 2021/22. The principle is that a revaluation should take place every 5 years to ensure that rateable values reflect changes in the property market. Government postponed the most recent valuation by one year, and the new valuations were introduced from 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 £47,699,000 for 2022/23, compared to £39,792,000 for 2021/22. 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, although the discount reduced to 66% from July 2021. Therefore the 2022/23 business rates income is higher compared to previous years. 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 a sum of £1,204,000, from Section 31 grants into reserves to fund this deficit in relation to business rates.

2.2 Business Rates Appeals

The 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 £13,498,660 (£11,458,667 at 31 March 2022).

The Audit Findings for Tunbridge Wells Borough Council

Financial Year ended 31 March 2023

Draft for Committee discussion on the 19th of September

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Appendix B

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This [DRAFT] Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Governance Committee [On the 19th September and will be finalised thereafter].

Name: Joanne E Brown

For Grant Thornton UK LLP

Date: 19 September 2023 [Final draft discussion with the Audit and Governance committee and will be signed and re-dated on finalisation of the audit]

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Appendix B

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Tunbridge Wells Borough Council Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 8 to 18. We have identified disclosure adjustments to the financial statements that are detailed in Appendix B.

Our work is complete, subject to the following outstanding matters;

- Areas with outstanding information and our testing thereon:
 - Follow up queries ITGCs;
 - Management's summary of accounting estimates;
 - Valuer's replies for land and building valuation samples;
 - Follow up queries on journal entries samples;
 - Replies from pension liabilities actuary and report from Kent County Council Pension Fund auditors;
 - Calculation of uplift on heritage assets;
 - Balance confirmations for cash and cash equivalents (one confirmation outstanding;
 - Follow up queries on certain financial statement line items, to close out outstanding testing.
- Receipt of management representation letter [We issue this on conclusion of the audit and will be our standard representations]; and
- review of the final set of financial statements [once all audit work concluded]
- Final quality review check on audit file by engagement manager and engagement leader [once all work concluded]

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 30 November 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.
We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us to enable us to get to the finalisation of the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

We are not aware of any similar ventures that the Council has entered into or planning to enter into, but we will consider any potential risks to this, in our VFM work.

2. Financial Statements

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Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with the management and will be discussed with the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion by the end of September, following the Audit and Governance Committee meeting on 19 September 2023. These outstanding items have been detailed in the page 3 of the Audit Findings Report titled 'Headlines'

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan 25 July 2023, We set out in this table our determination of materiality for Tunbridge Wells Borough Council.

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	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,460,000	This benchmark is determined as a percentage of the Council’s gross expenditure in the current year. The benchmark percentage was is 2%.
Performance materiality	1,095,000	Performance materiality is based on 75% of of the overall materiality.
Trivial matters	73,000	This balance is set as 5% of the overall materiality.



Appendix B

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of controls, in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none">• evaluated the design effectiveness of management controls over journals.• analysed the journals listing and determine the criteria for selecting high risk unusual journals.• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.• gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence.• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work to date has not identified any issues in respect of management override of controls. We will update our conclusion, if needed, after completing our work over management override of controls [as of 8 September the audit team were closing off final audit queries].</p>
<p>Valuation of land and buildings</p> <p>The Council’s operational land and buildings are revalued on a rolling five-yearly basis. The valuation of these assets represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions and market conditions.</p> <p>For assets not revalued in the year management will need to ensure the carrying value in the Council’s financial statements is not materially different from the current value or the fair value at the financial statements date.</p> <p>We therefore identified valuation of land and buildings as a significant risk, particularly focused on the valuers’ key assumptions and inputs to the valuations.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none">• Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.• Evaluated the competence, capabilities and objectivity of the valuation expert.• Wrote to the valuer to confirm the basis on which the valuation was carried out.• Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer’s report and the assumptions that underpin the valuation.• Tested revaluations made during the year to see if they had been inputted correctly into your asset register.• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>Our work to date have not identified any significant issues in respect of valuation of land and buildings. We will update our conclusion, if needed, after completing our work over valuation of land and buildings [points were are discussing with the valuer, as of 8 September 2023]</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability, noting that the impact of the Local Government Pension Scheme 2022 triennial valuation will impact the Council's 2022-23 pension fund net liability. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none">• Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls• Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work.• Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.• Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.• Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.• Assessed the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases.• Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and <p>We have yet to receive assurances from the auditor of Kent County Council Pension Fund as to surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund; and the fund assets valuation in the pension fund financial statements.</p> <p>Our work to date have not identified any significant issues in the valuation of pension fund net liability. We will update our conclusion, if needed, after completing our work over valuation of pension fund net liability.</p>

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
<p>Fraud in expenditure recognition</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk that the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p> <p>Having considered the risk factors related to this risk and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted for the Council's expenditure, because:</p> <ul style="list-style-type: none">there is little incentive to manipulate expenditure recognition;opportunities to manipulate expenditure recognition are limited; andthe culture and ethical frameworks of local authorities, including Tunbridge Wells Borough Council, mean that all forms of fraud are seen as unacceptable. <p>However, we have identified that due to the level of estimation involved in the manual accruals of expenditure and the potential volume of accruals at year end there is an increased risk of error in expenditure recognition.</p>	<p>To address this risk, we:</p> <ul style="list-style-type: none">inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. We will also compare listings of accruals to the previous year to ensure completeness of accrued items.investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. <p>Our work to date have not identified any significant issues.</p>

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Land and Building valuations – £123.5m	<p>Land and buildings (£123.5m) are required to be valued at a rolling basis across the portfolio at year end. The Council has engaged GL Hearn to complete the valuation of properties as at 31 March 2023. Land and buildings are revalued when management considers there to be a material change in the value but as a minimum every five years. Approximately 51% of the total value of land and buildings was revalued in the year.</p> <p>Management have considered the year end value of non-revalued properties and the potential valuation change in the assets revalued before 31 March 2023, applying industry average indices to determine whether there has been a material change in the total value of these properties. Management’s assessment of assets not revalued has identified no material change to the property’s value.</p>	<p>We identified a significant audit risk in respect of the valuation of land and buildings. In the course of our work, we have performed an assessment of management’s expert, checked the completeness and accuracy of the underlying information used to determine the estimate as well as considering the reasonableness of movements in the valuations and the assumptions used.</p> <p>The adequacy of disclosure of the estimate in the financial statements has also been considered and is deemed reasonable.</p> <p>We have disclosed detailed work performed regarding PPE on page 8.</p>	<p>Our work to date have not identified any significant issues.</p> <p>(awaiting completion of PPE revaluation work as described on page 8)</p>

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Light Purple] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £5.09m	<p>The Council's net pension liability at 31 March 2023 is £5.09m (PY £61.6m) comprising the Kent County Council Local Government Pension Scheme.</p> <p>The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We considered the following areas:</p> <ul style="list-style-type: none">We have assessed the Council's actuary, Barnett Waddingham LLP, to be competent, capable and objective.We have assessed the actuary's approach taken, and detailed work carried out to confirm reasonableness of approach.We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: <table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>4.80%</td><td>4.80% to 4.85%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>2.95%</td><td>2.65% to 2.95%</td><td>●</td></tr><tr><td>Salary growth</td><td>3.95%</td><td>1% above CPI, hence 3.90%</td><td>●</td></tr><tr><td>Life expectancy – Males currently aged 45/65</td><td>21.1</td><td>19.5-22.1</td><td>●</td></tr><tr><td>Life expectancy – Females currently aged 45/65</td><td>23.5</td><td>22.9-24.5</td><td>●</td></tr></table> <ul style="list-style-type: none">We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets.We confirmed adequacy of disclosure of the estimate in the financial statements. <p>Our work is substantially complete, subject to receiving an assurance letter from the pension fund auditor and queries in relation to significant year on year movements with the actuary.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.80%	4.80% to 4.85%	●	Pension increase rate	2.95%	2.65% to 2.95%	●	Salary growth	3.95%	1% above CPI, hence 3.90%	●	Life expectancy – Males currently aged 45/65	21.1	19.5-22.1	●	Life expectancy – Females currently aged 45/65	23.5	22.9-24.5	●	<p>Our work to date have not identified any significant issues.</p> <p>(awaiting completion of Net pension liability work as described on page 9)</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.80%	4.80% to 4.85%	●																								
Pension increase rate	2.95%	2.65% to 2.95%	●																								
Salary growth	3.95%	1% above CPI, hence 3.90%	●																								
Life expectancy – Males currently aged 45/65	21.1	19.5-22.1	●																								
Life expectancy – Females currently aged 45/65	23.5	22.9-24.5	●																								

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

Following is the assessment subject to outstanding work to date:

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Financials	ITGC assessment (design and implementation effectiveness only)	<div></div>	<div></div>	<div></div>	<div></div>	No issues noted

Assessment


- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted, and requests sent. We have awaiting direct confirmation for some balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entitiesfor many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">the nature of the Council and the environment in which it operatesthe Council’s financial reporting frameworkthe Council’s system of internal control for identifying events or conditions relevant to going concernmanagement’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">a material uncertainty related to going concern has not been identifiedmanagement’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No material inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix F.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. <p>We have nothing to report on these matters. Our VFM work is not yet complete and will report on it in our Auditors' Annual Report that will be issued later separately. Refer Appendix G.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold specified by the NAO.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2022/23 audit of Tunbridge Wells Borough Council in the audit report, as detailed in Appendix G.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



Our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditors' Annual Report. An audit letter explaining the reasons for the delay will be sent to you separately. We expect to issue our Auditors' Annual Report by 30 November 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditors' Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant risks to date.

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	18,400	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,400 in comparison to the total fee for the audit of £71,298 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

Appendices

- A. Communication of audit matters to those charged with governance
- B. Audit Adjustments
- C. Fees and non-audit services
- D. Auditing developments
- E. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of the prior year unadjusted misstatements

There were no adjustments identified during the 2021/22 audit that were above the trivial threshold set for 21/22 financial statements and have not been made in the final set of financial statements.

Impact of current year adjusted misstatements

No adjusted misstatements have been identified at the date of issuing our Report which is above the reportable threshold. We will provide an update to Management and the Audit and Governance Committee should any issues be identified from the remaining testing.

Impact of current year unadjusted misstatements

No unadjusted misstatements have been identified at the date of issuing our Report. We will provide an update to Management and the Audit and Governance Committee should any issues be identified from the remaining testing.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Disclosure and Presentation	Our audit identified some typographical and disclosure errors which were brought to management’s notice. These errors were all minor and have no impact on the statement of financial position or statement of comprehensive income. The were all of a minor nature.	✓
	Management response	
	Management has agreed to make the required amendments.	

C. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
Council Audit	£71,298	TBC
Total audit fees (excluding VAT)	£71,298	TBC

Details regarding the proposed fee for provision of non-audit services is as below.

Non-audit fees for other services	Proposed fee	Final fee
Audit-related services: Certification of Housing Benefit Claim	£18,400	TBC
Total non-audit fees (excluding VAT)	£18,400	TBC

C. Fees and non-audit services

Audit fees – detailed analysis

We confirm below our proposed fees charged for the audit.

Audit fees	Proposed fee
New Scale Fee	46,948
Additional work on Value for Money under new NAO Code	9,000
Increased audit requirements of revised ISA 540	2,100
Increased audit requirements of revised ISA 315	3,000
Enhanced audit procedures on journals testing	3,000
Enhanced audit procedures for Payroll – Change of circumstances	500
Enhanced audit procedures for Collection Fund- reliefs testing	750
Enhanced procedures in year of tri-annual pension valuation including IAS 19	6,000
Total proposed audit fee 2022-23 (excluding VAT)	71,298

D. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

E. Audit letter in respect of delayed VFM work



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Date: 19 September 2023

Dear William Benson

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 30 November 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Joanne E Brown
Key Audit Partner



Grant Thornton