



ASHFORD
BOROUGH COUNCIL

Statement of Accounts

2006-2007

INDEX

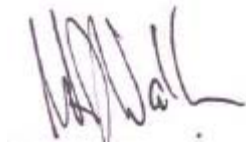
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APPROVAL OF THE ACCOUNTS

Council Approval of the Statement of Accounts for the year ended 31st March 2007

The Audit Committee at its meeting on 26th June 2007 approved the Statement of Accounts for the year ended 31st March 2007 in accordance with the Accounts and Audit Regulations 2003.

Signed:



Councillor Neil Wallace
Chairman Audit Committee
26th June 2007

Following the completion of the external audit the Audit Committee on 25th September 2007 re-approved the amended Statement of Accounts for the year ended 31st March 2007,



Councillor Neil Wallace
Chairman Audit Committee
25th September 2007

EXPLANATORY FOREWORD

Introduction

The content and format of the accounts is as prescribed in the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which has approval from the Accounting Standards Board as a Statement of Recommended Practice.

There has been a significant change to the presentation of the Statement of Accounts. The main thrust is to move local authority accounts in line with UK GAAP (Generally Accepted Accounting Principles). UK GAAP is a reference to the accounting treatment that companies in the UK would generally be expected to apply in the preparation for their financial statements.

1. FINANCIAL CONTEXT

These accounts present the results for 2006/07 that follow on from the Budget set in February 2006. The Budget proposals, made in the context of a challenging medium term financial position, were consistent with the Council's financial strategy and necessitated budget reductions of 1.3m against the original forecast.

In accordance with the Council's corporate objectives a Band D Council Tax of £117.63 was set. Thus maintaining the Council's position of the lowest Council Tax across all Kent Districts (The range of the other authorities in Kent is between 128.68 and 217.94).

In terms of capital spending the Council has attempted to maintain a buoyant programme although in 2006/07 the cost of the refurbished Stour Centre had a significant impact on capital resources. Nevertheless a number of new infrastructure projects were completed, funded from internal resources, grants and developer contributions.

2. GENERAL FUND

The General Fund is the main revenue fund of the authority covering day to day spending and related income on all services, other than the landlord expenses of maintaining a housing stock.

The Council set its Budget Requirement at £12,860,760. This resulted in a Council Tax at Band D of £117.63 an increase of £5.49 (4.9%) over the previous year.

The General Fund balance at the beginning of the year was £987,234. A minimum target figure of £900,253 representing 7% of the Budget Requirement has been set. A balance of £1,105,143 has been carried forward.

The final outturn was £12,742,851 an overall surplus of £117,909 over the budget set representing an underspend of 0.2% of the total gross revenue expenditure. The major variations were as follows: (figures in brackets were better than budgeted performance)

| Comparison Budget to Final Outturn – Major Variances | |
|---|-------------|
| | £000 |
| Planning Grant income | (485) |
| Net Interest earnings | (460) |
| Net Housing Benefits | (403) |
| Support Services recharged externally | (102) |
| Waste Reduction higher recycling credits achieved | (70) |
| On street parking additional income | (74) |
| Surplus on Private Sector Leasing Scheme | (63) |
| Waste Reduction higher DEFRA grant | (48) |
| Superannuation backfunding | 337 |
| Voluntary Minimum Revenue Provision | 200 |
| Concessionary Fares Permits | 84 |
| Malicious damage to parks buildings | 64 |
| Establishment Savings Target not achieved | 56 |
| Other Items | 27 |
| Net contribution to Reserves | 819 |
| | (118) |

3. HOUSING REVENUE ACCOUNT (HRA)

The Housing Revenue Account is a ring-fenced account covering the expenditure and income involved in the operation of running and maintaining a housing stock. The HRA is funded by specific housing grants and rents payable by the Council tenants.

The movement in Housing Revenue Account balance originally budgeted for a surplus of £29,570 in the year. The actual was a surplus of £392,464 and the main items of variance are:

| | |
|---|-------|
| | £000 |
| Increase in the transfer to Major Repairs Reserve | 45 |
| HRA share of Stanhope PFI costs | 595 |
| Increase in capital charges | 56 |
| Decrease in rental income | 26 |
| Delays in spending on repairs | (212) |
| Delays in spending on Environmental improvements | (500) |
| Cash Incentive scheme payments not required | (75) |
| Decrease in administration and special costs | (115) |
| Reduction in Housing Subsidy payable | (41) |
| Increase in interest earnings | (90) |
| Increase in service charge income | (52) |

The HRA balance at 31 March 2007 was £1,502,873. This provides future flexibility for delivery of the Housing Business Plan.

4. CAPITAL

Capital expenditure is spending on the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment which will be used or benefits services over a number of years.

The Council's capital programme has been constructed on a three year rolling programme. The programme continues to be monitored on a regular basis to ensure that project milestones have been achieved and that the programme remains within budget. Where project managers have identified problems in either project management delivery or containing the projects within budgets, changes have been made to the programme and reported to members of this Council.

The Council has made provision for all project managers to receive training from an external consultant on project management, this will continue to be developed to ensure the capital programme is effectively delivered.

In the financial year 2006/07 the budget for the capital programme was:

| | £000s |
|--|--------|
| Initial Budget | 7,950 |
| Repairs and Renewals Expenditure | 495 |
| Add: Housing Revenue Capital Programme | 5,101 |
| Total | 13,546 |

Capital expenditure in the year was £12.73m (2005/06: £12.89m) of which £3.94m was Housing and £8.79m General Fund.

Included within these figures is the Council's Expenditure on the Stour Centre Project. There have been several reports made to the Executive throughout the year updating members on the progress of the project. During the year a total of £6.05m was spent on this project. In May 2007 the total estimated cost of this project was reported to members at £17.25m against an approved budget of £16.5m (Original Budget - £11.5m). A further note on this project is contained within the note on Contingent Liabilities and Assets on page 32 .

5. BORROWING

The council was free of long term debt as at 01.04.06 however during the 2006/07 financial year £4,000,000 was borrowed (using the freedoms given under the prudential code) from the PWLB to finance capital expenditure.

The revenue effects are reflected in the Council's three year Medium Term Financial Plan and budget for 2007/08.

In addition to this the Council undertakes temporary borrowing on the Money Markets to manage its daily cash flow.

6. PENSIONS

As part of the conditions of employment, the Council offers retirement benefits in accordance with statutory requirements. These payments, investment assets and future liabilities are held by the Kent County Pension Fund on the behalf of all contributing member authorities. Changes to Local Authority accounting required the Council's share of the pensions deficit to be shown on the Balance Sheet from 31 March 2004 onwards.

The Council's share of the pension liability based on Financial Reporting Standard: Retirement Benefits (FRS17) is estimated at £36.4m. at 31 March 2007 compared with £41.0m at 31 March 2006. The main reason for the reduction in net liabilities was the performance of the Pension Funds investments.

7. STANHOPE PRIVATE FINANCE INITIATIVE (PFI) PROJECT

On 17th April 2007 the PFI agreement for the regeneration of the Stanhope estate was signed. This is for the provision of the refurbishment of properties on the estate and the housing management function. The Council can be proud of being the first District Council to sign a 30 year HRA PFI contract. The PFI scheme will transform the whole estate, change perceptions of the area and improve residents' quality of life. Together with improvement to the properties on the estate associated environmental and highways improvements will also be carried out over the first five years. The Contractor will maintain the homes and the environment to the improved standard over the remainder of the contract period, after which they are handed back to the Council.

8. "ASHFORD'S FUTURE"

The increasing rate of growth in Ashford as a result of being one of the designated growth points in the south east of England will create a variety of budget pressures over time. The Council is working hard with partners to devise ways of delivering the wide range of physical and social infrastructure needed at the right time without putting unreasonable pressures on the Council's own resources. A range of developments in the town centre and elsewhere will move from the planning stages to implementation over the next few years. A significant sum has been allocated up to 2008 by the Government to help with master-planning, some 'quick win' projects on the ground, and the purchase of strategic sites in Ashford town centre where high quality future developments can be created. 2006/07 saw the completion of the Core Delivery Strategy following a wide and extensive consultation process. This Strategy is a key plank in the planning process for the growth of Ashford.

9. THE EURO

The Council has opened a Euro bank account to facilitate payments from within the Euro zone. Suppliers have confirmed that all major financial systems will readily convert to accounting in Euros if the United Kingdom should decide to change currency.

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The accounts have been prepared on an income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting 2006 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards. Where an accounting policy has not been adopted, or where it has been varied then a note to that effect has been provided.

2. ACCOUNTING CONCEPTS AND CONVENTIONS

In general the accounts are prepared on the basis of historical cost modified by the revaluation of land, building, vehicles and plant subject to and in accordance with the fundamental accounting concepts set out below:

2.1 Relevance

The accounts are prepared so as to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds.

2.2 Reliability

The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection of an application of accounting policies and estimation techniques.

2.3 Comparability

The accounts are prepared so as to enable comparison between financial periods. To aid comparability the council has applied its accounting policies consistently both during the year and between years.

2.4 Comprehensibility

Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms.

2.5 Materiality

Materiality is described in the SORP as *"a threshold quality ensuring that information is of such significance as to justify its inclusion in the financial statements."*

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the council or to the understanding of the accounts

2.6 Accruals

With the exception of the Cash Flow Statement, the accounts are presented on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid.

2.7 Going Concern

The accounts are prepared on a going concern basis. i.e. on the assumption that the council will continue to operate for the foreseeable future.

2.8 Primacy of Legislative Requirements

Where a particular accounting treatment is prescribed by legislation, then that treatment prevails even if it conflicts with one or other of the accounting concepts outlined above. In the unlikely event of this arising, a note to that effect will be included in the accounts.

3. FIXED ASSETS

3.1 Accruals

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged directly to service revenue accounts.

3.2 Recognition

All expenditure on the acquisition, creation or enhancement of a fixed asset is capitalised on an accruals basis.

3.3 Valuation Methods

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). Fixed Assets have been included in the Balance Sheet on the following basis: -

- Land, operational properties and other operational assets are included at the lower of the net current replacement cost and net realisable value in existing use.
- Council dwellings are included on a market value basis but discounted to allow for the Existing Use Value – Social Housing (EUV-SH) valuations.
- Non-operational assets, including assets that are surplus to requirements, are included at the lower of net current replacement cost and net realisable value.
- Intangible assets (e.g. software licences), infrastructure assets and community assets are included at historical cost, net of depreciation.

3.4 Revaluations

Revaluations of fixed assets are carried out by a qualified valuer and valuations are carried out at least every five years, although material changes to asset valuations are adjusted in the interim period, as they occur. Intangible assets are not revalued.

Gains and Losses resulting from revaluations are entered against the asset on the balance sheet with the contra entry showing in the Fixed Asset Restatement Account

3.5 Operating Leases

Rental payments are charged to revenue on an accruals basis.

4. DEPRECIATION

Depreciation is accounted for on assets with a finite useful life in line with FRS 15 according to the following policy:

- All assets with a finite useful life are depreciated on a straight line basis over the asset life. The life of buildings is reviewed as part of the asset revaluation. The life of vehicles, plant and equipment is generally taken to be 5 years.
- newly acquired assets are depreciated in year two; assets in the course of construction are not depreciated until they are brought into use.

5. IMPAIRMENT

The value at which each category of asset is included in the Balance Sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period the valuation is adjusted accordingly in line with the prescribed treatment in the Accounting Code of Practice (ACOP).

In the Event of an impairment this will be charged through the Income and Expenditure Account and reversed in the Statement of Movement of General Fund Balance.

6. CAPITAL CHARGES TO REVENUE

The Accounting Code of Practice has revised the treatment of Capital Charges for the financial year 2006/07 and consequently this policy has been updated to reflect those changes.

General Fund Service Revenue Accounts, Support Services and Trading Accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation

The charges made to the Housing Revenue Account are the amounts as determined by statutory provision.

The premature repayment of the long term loans that result in either premium or a discount are to be amortised to the revenue account either in accordance with the Housing Subsidy determinations or by reference to the treasury management code of practice. External interest payable and amounts set aside from revenue for the repayment of external loans are charged to the Income and Expenditure Account, The reversal of capital charges is credited to the Statement of Movement of General Fund balance. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

7. DEFERRED CHARGES

Deferred charges represent expenditure that may be capitalised but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged to the Income and Expenditure Account so there is no impact on the level of council tax.

8. CAPITAL RECEIPTS

In accordance with current accounting practice the gains and losses on the disposal of fixed assets are credited/debited to the Income and Expenditure account. The gain or loss on disposal of a fixed asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. To comply with statutory practices on restrictions these gains or losses are reversed in the Statement on Movement in General Fund Balance.

Income from the disposal of fixed assets is accounted for on an accruals basis and is included in the Balance Sheet under the Usable Capital Receipts Reserve. Upon disposal, the net book value of the asset disposed of is written off against the Fixed Assets Restatement Account.

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government grants deferred account (see notes to balance sheet). Amounts are released to the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

Where deferred charge expenditure is financed by a Government grant, the amount of the grant is credited to the deferred charge account.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

10. CURRENT ASSETS AND LIABILITIES

10.1 Debtors and Creditors

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Accounting Code of Practice and FRS 18. That is, sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year.

10.2 Stocks

Stocks are valued at the latest price paid. This is a departure from the requirements of the Code and SSAP9, which requires stocks to be shown at actual cost or net realisable value if lower. The effect of the different treatment is immaterial given the low stock levels held.

10.3 Investments

Investments are included in the accounts at cost or realisable value whichever is lower.

10.4 Bad Debts

The figure shown in the accounts for debtors is adjusted for bad debts. This provision is recalculated annually by applying an percentage factor to the debt in each category that is unlikely to be collectable. Known uncollectible debts are written off.

11. PROVISIONS

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. The purpose of the Council's major provisions is explained in a note to the Balance Sheet on page 28.

12. RESERVES

The Council maintains certain reserves to meet general, rather than specific future expenditure. The purpose of the Council's earmarked reserves is explained in the notes to the Core Financial Statement on page 29. This statement brings together all the reserves of the Council into one statement.

Capital reserves are not available for revenue purposes and certain capital reserves (e.g. useable capital receipts) can only be used for certain statutory purposes.

The Major repairs reserve is required by statutory provision to be set up in relation to the Housing Revenue Account.

13. COSTS OF INTERNAL SUPPORT SERVICES

All costs of management and administration are fully allocated to services. The basis of allocation used for the main costs of management and administration is outlined below.

| Cost | Basis of Allocation |
|---|--|
| Support Services e.g. Accountants, Solicitors | Actual time spent by staff, as recorded on time recording systems |
| Administrative Buildings | Area occupied |
| IT support of corporate financial systems | Actual direct costs (hardware costs etc.) plus cost of estimated staff resources |
| Network / PC support | Per capita |
| Printing, Executive Support, Call Centre, Customer Contact Centre Call Centre | Actual use, as recorded by monitoring systems |
| Internal Audit | Per audit plan |
| Payroll and Personnel Costs | Per capita |
| Debtors and Creditors | Per transaction |

Any non-material balances on management or administrative holding accounts at the year-end remain on those accounts, and as such are incorporated into the General Fund balances.

14. PENSION COSTS

The 2003 Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP) required the full recognition of accounting standard FRS 17 'Retirement Benefits' from 1 April 2003. FRS 17 is based on a simple principle - that the Council should account for retirement benefits when it is committed to give them, even if the actual giving will be many years in the future.

FRS 17 requires recognition of pension assets and liabilities in the Balance Sheet and requires the operating costs of providing retirement benefits, together with changes in the value of assets and liabilities, to be reflected in the Income and Expenditure Account and the Housing Revenue Account. In order that FRS 17 requirements do not impact upon the council tax, the movement on the net assets and liabilities (net of amounts chargeable against council tax for the year, and actuarial gains and losses) is reversed out to a Pensions Reserve.

In 2004/05 there was a change in the basis used by the Actuaries to estimate the value of pension liabilities. Following recommended good practice, the rate used this year continues to be one based on AA Corporate Bond Rates. This discount rate increased to 5.4% in 2007 from 4.9% in 2006. An increase in the discount rate has the effect of decreasing the total value of past service liabilities. This decrease was £5.58 million in 2006/07.

15. VAT

VAT is accounted for separately and is not included in income and expenditure accounts, whether of a capital or revenue nature. Input VAT which is not recoverable from HM Revenue and Customs will be charged to service revenue accounts or added to capital expenditure as appropriate. The Council's partial exemption status is reviewed on an annual basis.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The authority 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 authority, that officer is the Deputy Chief Executive.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

The Responsibilities of the Deputy Chief Executive

The Deputy Chief Executive is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

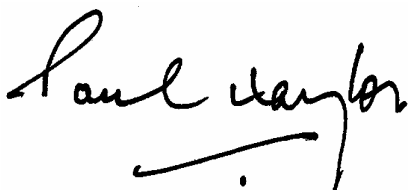
In preparing this statement of accounts, the Deputy Chief Executive has:

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

The Deputy Chief Executive has also:

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

The Statement of Accounts presents fairly the financial position of the Ashford Borough Council at 31st March 2007 and its income and expenditure for the year ended on that date.



**Paul Naylor
Deputy Chief Executive**

Following the completion of the external audit the statement has been amended to reflect the changes identified and was re-approved by the Audit Committee on 25th September 2007

Paul Naylor
Deputy Chief Executive
28th September

CORE FINANCIAL STATEMENTS

| INCOME AND EXPENDITURE ACCOUNT | | | | |
|---------------------------------------|---|----------------------------|-----------------------|--------------------------|
| 2005/06 | | 2006/07 | | |
| £000s | | Gross Expenditure £000s | Gross Income £000s | Net Expenditure £000s |
| 1,425 | Central Services to the Public | 8,565 | (7,298) | 1,267 |
| 9,453 | Cultural, Environmental & Planning | 16,693 | (7,295) | 9,398 |
| (331) | Highways | 2,244 | (2,021) | 223 |
| 6,406 | Housing | 37,255 | (38,588) | (1,333) |
| 2,305 | Corporate & Democratic Core | 3,451 | (492) | 2,959 |
| 799 | Non-distributable costs | 1,337 | 0 | 1,337 |
| 20,057 | Net cost of Services | 69,545 | (55,694) | 13,851 |
| | (Gain)/Loss on disposal of Fixed Assets | | | - |
| 586 | Parish Council Precepts | | | 599 |
| 191 | Drainage Board Levies | | | 201 |
| 890 | Interest Payable and Similar Charges | | | 565 |
| 1087 | Contribution of Housing capital receipts to the Government Pool | | | 1,703 |
| (1,767) | Interest and Investment Income | | | (1,992) |
| 1,177 | Pensions Interest cost and expected return on Pensions Assets | | | 917 |
| 22,221 | Net Operating Expenditure | | | 15,093 |
| (5,472) | Demand on Collection Fund | | | (5,780) |
| (3,907) | General Government Grants | | | (1,242) |
| (3,047) | Non-Domestic Rates redistribution | | | (6,434) |
| 9,795 | (Surplus) or Deficit for the Year | | | 2,388 |

| STATEMENT OF MOVEMENTS ON THE GENERAL FUND BALANCE | | |
|---|--|------------------|
| 2005/06 £000s | | 2006/07 £000s |
| 9,795 | Deficit for the Year on the income and Expenditure Account | 2,388 |
| (9,953) | Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year* | (2,506) |
| (158) | Increase/Decrease in General Fund Balance for the Year | (118) |
| (829) | General Fund Balance Brought Forward | (987) |
| (987) | General Fund Balance Carried Forward | (1,105) |

* For a full reconciliation of the surplus see note 14 on page 22.

| BALANCE SHEET AT 31 MARCH 2007 | | | |
|---------------------------------------|--|-----------|----------------|
| 2005/06 £000s | | 2006/07 | |
| | | £000s | £000s |
| | Fixed Assets (notes 15-24) | | |
| 66 | Intangible Fixed Assets | 120 | |
| | Operational Assets | | |
| 273,241 | - Council Dwellings | 314,688 | |
| 37,752 | - Other Land and Building | 38,232 | |
| 1,461 | - Vehicles, plant and equipment | 954 | |
| 237 | - Infrastructure | 229 | |
| 1,002 | - Community Assets | 1,029 | |
| | Non Operational Assets | | |
| 7,775 | - Assets under construction | 14,215 | |
| 20 | - Other HRA | 20 | |
| 621 | - Surplus Assets for Resale | 560 | |
| 322,175 | TOTAL FIXED ASSETS | | 370,047 |
| 5,207 | Long-Term Investments | 11,207 | |
| 714 | Long-Term Debtors | 600 | 11,807 |
| 328,096 | TOTAL LONG-TERM ASSETS | | 381,854 |
| | Current Assets | | |
| 30 | Stocks and Work-in-Progress | 34 | |
| 6,689 | Debtors (note 34) | 5,061 | |
| 24,800 | Temporary Investments | 17,305 | |
| 8 | Cash and Bank | - | 22,400 |
| 359,623 | TOTAL ASSETS | | 404,254 |
| | Current Liabilities | | |
| (1,000) | Temporary Borrowing | (1,500) | |
| (14,617) | Creditors (note 34) | (11,459) | |
| (243) | Bank Overdraft | (72) | (13,031) |
| 344,061 | TOTAL ASSETS LESS CURRENT LIABILITIES | | 391,223 |
| | Long-Term Liabilities | | |
| - | Long Term Borrowing (note 27) | (4,000) | |
| (131) | Provisions (note 28) | (138) | |
| (1,000) | Government Grants Deferred Account | (1,000) | |
| (839) | Deferred Credits | (728) | |
| 223 | Deferred Premiums | 163 | |
| (41,070) | Pension Liability (note 35) | (36,420) | (42,123) |
| 300,946 | TOTAL ASSETS LESS LIABILITIES | | 349,100 |
| 225,053 | Fixed Asset Restatement Account | | 266,113 |
| 94,215 | Capital Financing Account | | 97,298 |
| 8,285 | Usable Capital Receipts Reserve | | 6,331 |
| 2,445 | Capital Contributions Deferred | | 2,645 |
| (41,070) | Pensions Reserve (note 35) | | (36,420) |
| 987 | General Fund Balance | | 1,105 |
| 1,110 | Housing Revenue Account Balance | | 1,503 |
| 74 | Collection Fund Balance | | (478) |
| 6,276 | Major Repairs Reserve (HRA) | | 6,856 |
| 3,571 | Earmarked Reserves Balances (note 29) | | 4,147 |
| 300,946 | TOTAL EQUITY (note 26) | | 349,100 |

| STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES | | |
|---|---|-------------------|
| 2005/06 £000's | | 2006/07 £000's |
| (9,795) | (Surplus) or Deficit on the Income and Expenditure Account for the Year | (2,389) |
| (43,908) | Surplus or (Deficit) arising on revaluation of Fixed assets | 44,902 |
| (2,229) | Actuarial gains and losses on pension fund assets and liabilities | 5,430 |
| (7,272) | Any other gains and losses required to be included in the Statement of Recognised Gains & Losses | 211 |
| (48,660) | Total recognised gains and (losses) for the year | 48,154 |

| CASHFLOW STATEMENT | | | | |
|---------------------------------|--|----------------|---------------|----------------|
| 2005/06 £000's | | 2006/07 | | |
| | | £000's | £000's | £000's |
| | REVENUE ACTIVITIES | | | |
| | Cash Outflows | | | |
| 15,490 | Cash paid to and on behalf of employees | 17,059 | | |
| 21,980 | Other operating cash payments | 22,013 | | |
| 23,527 | Housing Benefit paid out | 24,626 | | |
| 33,269 | National non-domestic rate payments to national pool | 37,874 | | |
| 45,765 | Precepts paid | 48,204 | | |
| 893 | Payments to Capital Receipts Pool | 1,703 | | |
| | | | 151,479 | |
| | Cash Inflows | | | |
| (19,021) | Rents (after rebates) | (19,518) | | |
| (50,500) | Council Tax Income | (53,833) | | |
| (3,047) | National non-domestic rate receipts from national pool | (6,434) | | |
| (32,736) | Non-domestic rate receipts | (35,231) | | |
| (3,907) | Revenue Support Grant | (1,242) | | |
| (22,418) | DWP grants for benefits | (25,297) | | |
| (2,139) | Other government grants | (2,422) | | |
| (6,899) | Cash received for goods and services | (8,593) | | |
| (4,285) | Other Operational income | (1,991) | | |
| (4,028) | NET SURPLUS FROM REVENUE ACTIVITIES | | (154,561) | (3,082) |
| | Return on investments/deposits and servicing of finance | | | |
| 43 | Interest paid | | 78 | |
| (1,865) | Interest received | | (1,725) | |
| | TOTAL SERVICING OF FINANCE | | | (1,647) |
| (5,850) | NET (SURPLUS) FROM REVENUE ACTIVITIES | | | (4,729) |
| | CAPITAL ACTIVITIES | | | |
| | Cash Outflows | | | |
| 11,543 | Expenditure on fixed assets | 12,983 | | |
| 0 | Other Capital Expenditure | 1,000 | | |
| | | | 13,983 | |
| | Cash inflows | | | |
| (3,599) | Sale of fixed assets | (4,196) | | |
| (1,491) | Capital grants received | (683) | | |
| (41) | Other capital cash income | (42) | | |
| 6,412 | NET TOTAL CAPITAL ACTIVITIES | | (4,921) | 9,062 |
| 562 | NET CASH OUTFLOW BEFORE FINANCING | | | 4,333 |
| (2,390) | NET MOVEMENT IN LIQUID ASSETS | | | |
| | Net increase (decrease) in short term deposits | | 9,420 | |
| | Net increase (decrease) in other liquid resources | | (10,915) | |
| | | | | (1,495) |
| | FINANCING | | | |
| 21,950 | Repayment of amounts borrowed | | 18,500 | |
| (19,950) | New loans raised | | (23,000) | |
| | | | | (4,500) |
| 172 | NET INCREASE IN CASH AND CASH EQUIVALENTS | | | (1,662) |

NOTES TO THE CORE FINANCIAL STATEMENTS

(1) Acquired or discontinued operations

In 2006/07 there were no acquired or discontinued operations

(2) Exceptional items and prior period adjustments

For the 2006/07 accounting year there have been 3 significant changes to the Accounting code of practice which has required the comparative figures for the Income and expenditure account to be restated:

- Capital financing charges for the use of fixed assets no longer include a charge for notional interest.
- Credits for deferred grants are now posted to service revenue accounts, support services and trading accounts rather than being credited as a corporate income.
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure account.

These changes have had the following impact on the comparative figures for 2005/06.

| | Consolidated Revenue Account £000s | Removal of Capital Financing Charge £000s | Relocation of Government grant £000s | Recognition of Gains and Losses £000s | Comparative Figure £000s |
|--|---------------------------------------|--|---|--|-----------------------------|
| Central Services to the Public | 1,433 | -8 | | | 1,425 |
| Cultural, Environmental & Planning | 10,561 | -1,108 | | | 9,453 |
| Highways | -153 | -178 | | | -331 |
| Housing | 6327 | 79 | | | 6,406 |
| Corporate & Democratic Core | 2,496 | -191 | | | 2,305 |
| Non-distributable | 799 | 0 | | | 799 |
| Impact on Net cost of Services | 21,463 | -1,406 | 0 | 0 | 20,057 |
| Gain/(Loss) on disposal of Fixed Assets | - | | | - | - |
| Interest payable and similar charges 2006/07 | 2,296 | 1,406 | | | 890 |
| Impact on Net Operating Expenditure | 23,759 | 0 | 0 | 0 | 20,947 |

Changes made to the balance sheet are:

- Grants deferred, premiums and deferred credits have been moved from the Total equity section to the Long Term Liabilities section of the balance sheet. The comparators have been restated accordingly.

(3) Undischarged obligations from PFI schemes

The Council has no undischarged obligations from PFI schemes as at 31/03/07, however the Council has subsequently (17th April 2007) signed the PFI agreement for the regeneration of the Stanhope estate. This is for the provision of the refurbishment of properties on the estate and the Housing Management Function, under the terms of the contract the Council is committed to annual payments estimated at £3,719,000 once the contract is fully operational (estimated to be in 2011/12). From April 2007 until the contract becomes fully operational the annual payment will be between £1m - £3.7m depending upon the performance of the contractor. The contract expires in 2037.

(4) Significant trading operations

The Council operates some trading operations, including leased shop premises, industrial sites and markets (included within Cultural, Environmental, Planning Services on the face of the I & E account) page 13. The details of expenditure and income are shown below.

| Service | 2005/06 | 2006/07 | | |
|----------------------|--------------------------------|---------------------|----------------|--------------------------------|
| | (Surplus) / Deficit £000 | Expenditure £000 | Income £000 | (Surplus) / Deficit £000 |
| Leased Shop Premises | 197 | 224 | (119) | 105 |
| Industrial Estates | (117) | 144 | (362) | (218) |
| Street Markets | (11) | 61 | (65) | (4) |
| | 69 | 429 | (546) | (117) |

(5) S137 Expenditure

Section 137 of the Local Government act 1972 (as amended) enables the Council to spend on services for which it has no specific powers, but which benefits some or all of the Authority's taxpayers. Actual expenditure in 2006/07 was £45,033 (2005/06 £57,051). The main areas of expenditure were in support of the Create Festival, Supporting the Arts and Twinning.

(6) Publicity Expenditure

The Council is required to detail its publicity expenditure. This excludes advertising its own facilities (e.g. the Stour Centre) or statutory notices such as planning applications.

| | 2005/06 £000 | 2006/07 £000 |
|--------------------------------|-----------------|-----------------|
| Public Relations - staff costs | 226 | 314 |
| - other costs | 256 | 158 |
| Recruitment advertising | 100 | 64 |
| Total | 582 | 536 |

(7) Building Control Account

Under the Building Control Charges Regulations 1998 (SI 1998/3129) the Council must disclose the turnover and profit and loss on the fee earning element of the Building Control Service.

Details of the most recent three years of the Building Regulation Scheme are as follows:

| | Fee Earning Expenditure £000 | Income £000 | Deficit / Surplus £000 |
|---------------------------|------------------------------------|----------------|------------------------------|
| | £ | £ | £ |
| 2006/2007 | 544 | (590) | (46) |
| 2005/2006 | 487 | (478) | 9 |
| 2004/2005 | 543 | (509) | 34 |
| Cumulative 3 year balance | 1,574 | (1,577) | (3) |

(8) Goods and Services Act 1970

This Act allows local authorities to provide goods and services to other public bodies. In 2006/07 there were no material contracts made under this Act.

(9) Members Allowances

Members' Allowances for 2006/07 totalled £281,835 (2005/06, £268,337). The amounts paid to individual members have been advertised in the local paper. They can also be obtained from the Head of Legal & Democratic Services at the Civic Offices, Tannery Lane, Ashford TN23 1PL.

(10) Officers Remuneration

The Council is required to include a note giving the numbers of employees whose remuneration falls into the categories shown. 'Remuneration' for this purpose includes taxable pay, the tax value of other benefits e.g. leased cars, and termination payments.

| | 2005/06 | 2006/07 |
|---------------------|---------|---------|
| £50,000 – £59,999 | 10 | 16 |
| £60,000 –£69,999 | 6 | 3 |
| £70,000 – £79,999 | 2 | 4 |
| £80,000 – £89,999 * | 2 * | 2 |
| £90,000 – £99,999 | - | - |
| £100,000 – £109,999 | - | 1 |
| £110,000 - £119,999 | 1 | - |

- *This includes 2 employees whose remuneration includes redundancy payments.*

(11) Related Parties

Financial relationships with Precepting Bodies, the Pension Fund, the Highways Authority, Government Departments are detailed elsewhere in this Statement of Accounts.

In 2006/07 the three Internal Drainage Boards levied a total of £201,280 on the Council (£191,206 in 2005/06).

Several Housing Associations are active within the Borough. New developments may require Social Housing Grant to make them viable. The Government has changed the arrangements for giving grants to Social Landlords. In 2006/07 no direct grants were made by the Council. Registered Social Landlords received direct allocations from the Housing Corporation.

The Council makes grants to a wide variety of local organisations. The majority of these grants are small and although they are important to the recipients, they are not material to their survival. However, some grants provide the majority of the organisations funding and bring with them the right for Councillors to sit on the Management Committee.

These are: -

| | 2005/06 Grant £000 | 2006/07 Grant £000 |
|---|--------------------------|--------------------------|
| Citizens Advice Bureaux (Ashford and Tenterden) | 111 | 117 |
| Ashford Mediation Service | Nil | Nil |

During 2006/07 nine of the Borough's Councillors were also Parish Councillors.

One Borough Councillor was a County Councillor.

Under the Accounting Standard FRS8 (Related Party Transactions) the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives. During 2006/07, works and services to the value of £183,474 were commissioned from organisations in which relations of three officers had an interest.

There is a standing item on each Committee agenda requiring Members to declare any interest in any item to be discussed. The Administrative Services Manager keeps a record of all declarations made at meetings and a Register of Members' Interests.

The Council has established a number of trusts not all of whom have member representation. The largest is the Julie Rose Stadium Company. The Julie Rose Stadium Company is a registered charity limited by guarantee. The Board consists of a maximum of ten directors of which three are appointed by Ashford Borough Council. The Company holds a 99 year lease of the stadium from the Borough Council. Since 1 April 1998 Stour Leisure has managed the Julie Rose Stadium under a contract with the Julie Rose Stadium Company.

Ashford Leisure Trust has been established and is expected to become operational in 2007/08 and will take of the operation over the Stour Centre.

(12) Audit Fees

The following fees were paid to the Audit Commission, for external audit and inspection work during the year.

| | 2005/06 £000 | 2006/07 £000 |
|-------------------------------|-----------------|-----------------|
| External Audit Services | 116 | 129 |
| Certification of Grant Claims | 25 | 20 |
| | 141 | 149 |

(13) Explanation of Statement of Movement on the General Fund Balance

The Income and Expenditure account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main difference being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payments of a share of housing capital receipts to the government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to the pension fund and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

(14) Reconciling Items in the Statement of Movement on the General Fund Balances

| 2005/06 | | 2006/07 |
|----------|--|---------|
| 000s | Amounts included in the Income and Expenditure Account but required by Statute to be excluded when determining the Movement on General Fund Balance for the year. | 000s |
| (7) | Amortisation of Intangible fixed assets | (20) |
| (4,994) | Depreciation and Impairment of fixed assets | (4,973) |
| | Government Grants Deferred amortisation | |
| (6,271) | Write down of deferred charges to be financed from capital resources | (869) |
| | Net gain/(loss) on the sale of fixed assets | - |
| (2,256) | Net charges made for retirement benefits in accordance with FRS17 | (2,530) |
| (13,528) | | (8,392) |
| | Amounts not included in the Income and Expenditure Account but required to be included by Statute when determining the Movement on General Fund Balance for the year. | |
| | Minimum Revenue Provision | |
| 1,567 | Capital Expenditure charged in year to the General Fund Balance | 3,958 |
| | Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool | |
| (1,087) | Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | (1,703) |
| 1,606 | | 1,903 |
| 2,086 | | 4,158 |
| | Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year | |
| 607 | Housing Revenue Account balance | 392 |
| 0 | Voluntary revenue provision for Capital Financing | 200 |
| 882 | Net transfer to or from earmarked reserves | 1,136 |
| 1,489 | | 1,728 |
| (9,953) | Net additional amount required to be credited to the General Fund balance for the year | (2,506) |

(15) Summary of Capital Expenditure and Fixed Asset Disposals

Operational Assets

| | Council Dwellings £000s | Other Land and Buildings £000s | Vehicles Plant and Equipment £000s | Infrastructure £000s | Community Assets £000s | Total £000s |
|--|----------------------------|-----------------------------------|---------------------------------------|-------------------------|---------------------------|-----------------|
| Net Book Value at 31 March 2006 | 273,241 | 37,753 | 1,461 | 237 | 1,001 | 313,693 |
| <i>Movement in 2006/07</i> | | | | | | |
| Additions | 3,939 | 1,221 | 103 | | 34 | 5,297 |
| Disposals | (3,053) | (787) | | | | (3,840) |
| Revaluation | 44,141 | 760 | (1) | | | 44,900 |
| Depreciation | (3,580) | (715) | (609) | (8) | (6) | (4,918) |
| Impairments | | | | | | — |
| Net Book Value at 31 March 2007 | 314,688 | 38,232 | 954 | 229 | 1,029 | 355,132 |

Non Operational Assets

| | Assets Under Construction £000s | Other General Fund £000s | Surplus Assets for Resale £000s | Intangible Assets £000s | Total £000s |
|--|------------------------------------|-----------------------------|------------------------------------|----------------------------|----------------|
| Net Book Value at 31 March 2006 | 7,774 | 20 | 621 | 66 | 8,481 |
| <i>Movement in 2006/07</i> | | | | | |
| Additions | 6,441 | | (6) | 74 | 6,509 |
| Disposals | | | | | |
| Revaluation | | | | | |
| Depreciation | | | (55) | (20) | (75) |
| Impairments | | | | | |
| Net Book Value at 31 March 2007 | 14,215 | 20 | 560 | 120 | 14,915 |

| Capital Expenditure and Financing | | |
|--|------------------|------------------|
| | 2005/06 £000s | 2006/07 £000s |
| Opening Capital Financing Requirement | (282) | (282) |
| <i>Capital investment</i> | | |
| Operational assets | 6,212 | 5,297 |
| Non-operational assets | 5,153 | 6,509 |
| Deferred charges | 1,537 | 927 |
| Sources of finance | | |
| Capital receipts | (7,272) | (4,102) |
| Government grants and other contributions | (625) | (671) |
| Sums set aside from revenue (N:B includes direct revenue financing, MRP and any Voluntary set aside) | (5,005) | (4,160) |
| Closing Capital Financing Requirement | (282) | (3,518) |
| <i>Explanation of movements in year</i> | | |
| Increase in underlying need to borrow (supported by Government financial assistance) | | |
| Increase in underlying need to borrow (unsupported by Government financial assistance) | | 4,000 |
| Provision for the repayment of debt | | (200) |
| Increase/(decrease) in capital financing requirement | | 3,800 |

(16) Capital Commitments

The capital contracts that were in progress or had been agreed to at 31st March 2007 and that had expenditure of at least £100,000 still to be incurred.

| | £000 |
|------------------------------|-------|
| Stour Centre refurbishment | 2,383 |
| Singleton Environment Centre | 1,341 |

(17) Information on Assets Held

| | 31 March 2006 | 31 March 2007 |
|----------------------------------|---------------|---------------|
| Council Dwellings | 5,388 | 5,358 |
| Civic Centre | 1 | 1 |
| Leisure Centre | 2 | 2 |
| Athletics Stadium | 1 | 1 |
| Community Centres / Public Halls | 4 | 4 |
| Cemeteries | 4 | 4 |
| Off Street Car Parks | 17 | 16 |
| Public Conveniences | 13 | 13 |
| Caravan Site | 1 | 1 |
| Industrial Units | 75 | 74 |
| Shops | 29 | 29 |
| Depots | 1 | 1 |
| Miscellaneous Properties | 9 | 9 |

(18) Assets Held under Leases

Vehicles, Plant, Furniture and Equipment - The Council operates a fleet of leased cars and photocopiers under the terms of operating leases. The amount paid under these arrangements in 2006/07 was £353,615 (2005/06 £364,491)

Land and Buildings – The Council leases some units on the Ellingham Industrial Estate, which have been accounted for as operating leases. The rentals payable in 2006/07 were £545 (2005/06 £545).

The Authority was committed at 31 March 2007 to making payments of £267,608 under operating leases in 2006/07, comprising the following elements:

| Year | Other Land and Buildings £000 | Vehicles, Plant & Equipment £000 |
|--|----------------------------------|-------------------------------------|
| Lease expiring in 2007/08 | - | 75 |
| Lease expiring between 2008/09 and 2012/13 | - | 193 |
| Leases expiring after 2012/13 | - | - |

(19) Assets Recognised under a PFI Arrangement

As at 31/03/07 the Council had no PFI contracts in operation and therefore no assets on the balance sheet relating to PFI arrangements.

Since this date the contract for the regeneration of the Stanhope estate has been signed, the treatment of this contract has been deemed off balance sheet and therefore no asset will be recognised on the Councils Balance Sheet.

(20) Valuation Information

General Fund fixed assets were valued (as at 1st April 2004) by Taylor Riley, a local firm of Chartered Surveyors, in accordance with guidance issued by RICS and CIPFA. Five yearly revaluations are recommended unless values change significantly and the next revaluation is due in 2009.

Assets are revalued at disposal.

For the purpose of implementing the Department of Committees & Local Government guidance on stock valuation for resource accounting for housing, a valuation was undertaken by FPD Savills (as at 1st April 2006), which resulted in an increase in the valuation of £45,430,978. This allows for an adjustment factor of 45% for Existing Use Value For Social Housing, in the South East Region.

Discounts of £1,289,400 were granted to Tenants exercising their right to buy within year.

The valuation was undertaken on the basis of Existing Use Value (EUV), except in the case of housing stock where Existing Use Value for Social Housing is appropriate (EUV-SH). EUV-SH assumes the property is let for its existing use as social housing provision.

(21) Depreciation Methodologies

Depreciation is calculated on a straight line over the anticipated useful life of the asset. For example plant and equipment is generally depreciated over five years and infrastructure over forty years. Depreciation is not charged in respect of land.

For Council Dwellings the Major Repairs Allowance is used as a proxy for depreciation. Council Dwellings are revalued annually.

The next full review of asset values and the remaining life of assets is due in 2009 as part of the revaluation of the council's assets under FRS15.

(22) Changes in Depreciation Methods

In 2006/07 there were no changes in the method of depreciation.

(23) Intangible Fixed Assets

The only asset in this category is "Ashford's Brand – Best Placed in Ashford"

| | Ashford's Brand £000s |
|--------------------------------|-----------------------------|
| Original Cost | 73 |
| Amortisations to 1 April 2006 | (7) |
| Balance as at 1 April 2006 | 66 |
| Expenditure in Year | 74 |
| Written off to Revenue in Year | (20) |
| Balance 31 March 2007 | 120 |

(24) Changes in Amortisation Method for Intangible Fixed Assets

In 2006/07 there were no changes in the method of amortisation for Intangible Fixed Assets.

(25) Deferred Charges

Movements in deferred charges during the year were:

| | Disabled Facilities Grants £000 | Other Grants £000 | Other £000 | Total £000 |
|--|--|-------------------------|---------------|---------------|
| Balance at 1st April 2006 | | | | |
| Non Fixed Assets - Expenditure in Year | 343 | 75 | 509 | 927 |
| Written off to Revenue in year | (343) | (75) | (509) | (927) |
| Other Write Offs | - | - | - | - |
| Balance at 31st March 2007 | - | - | - | - |

(26) Analysis of Net Assets Employed (Total Equity)

| | As at 31 March 2006 £000s | As at 31 March 2007 £000s |
|---------------------|---------------------------------|---------------------------------|
| General Fund | 126,292 | 128,287 |
| Housing | 215,650 | 257,711 |
| Collection Fund | 74 | (478) |
| Pension Reserve | (41,070) | (36,420) |
| Total Equity | 300,946 | 349,100 |

(27) Long-term Borrowing

Borrowing for more than one year:

| | As at 31 March 2006 £000s | As at 31 March 2007 £000s |
|--------------------------------------|---------------------------------|---------------------------------|
| <i>Analysis of loans by type</i> | | |
| Public Works Loans Board | | 4,000 |
| European Investment Bank | | - |
| Instalment Loans | | - |
| Local Bonds | | - |
| Total outstanding | - | 4,000 |
| <i>Analysis of Loans by Maturity</i> | | |
| Between 1-2 years | | - |
| Between 2-7 years | | - |
| Between 7-15 years | | - |
| More than 15 years | | 4,000 |
| | - | 4,000 |

(28) Provisions

The Council set up the following provisions: (Provisions are required for any liabilities of uncertain timing or amount that have been incurred, ie there is an obligation for future expenditure.)

| | Balance 01.04.06 £000 | Additions £000 | Payments £000 | Balance 31.03.07 £000 |
|------------------------|-----------------------------|-------------------|------------------|-----------------------------|
| Maintenance of graves | 11 | | | 11 |
| St. Mary's Church | 3 | 1 | | 4 |
| Lift Renewal | 110 | 13 | | 123 |
| Street Sweeping Grants | 7 | | (7) | 0 |
| | 131 | 14 | (7) | 138 |

The **Lift Renewal Provision** provides for the Council's share of the cost of replacing passenger lifts at Edinburgh Road multi-storey car park.

Maintenance Provisions includes the maintenance of graves and maintenance of the Ruins of St. Mary's Church, Little Chart.

Committed sums from developers for the future maintenance of open space has previously been shown as a provision this has now been reclassified as a Creditor.

The Street Sweeping Grants Provision relates to grants that Parish Councils have not yet claimed, but are still entitled to claim if they have met the terms of the grant. The purpose of this provision has been re-examined and has been reclassified as a reserve

(29) Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

| Reserve | Balance 1 April 2006 £000s | Net Movement in year £000s | Balance 31 March 2007 £000s | Further Detail of Movement | Purpose of Reserve |
|---------------------------------|-------------------------------|-------------------------------|--------------------------------|---|--|
| Fixed Asset Restatement Account | 225,053 | 41,060 | 266,113 | See note (a) below | Store of gains on revaluation of fixed assets |
| Capital Financing Account | 94,215 | 3,083 | 97,298 | See note (b) below | Store or capital resources set aside to meet past expenditure |
| Usable Capital Receipts | 8,285 | (1,954) | 6,331 | See note (c) below | Proceeds of fixed asset sales available to meet future capital investment |
| Government Grants Deferred | 2,445 | 200 | 2,645 | See note (d) below | Capital Contribution that are applied over the life of the assets |
| Pensions Reserve | (41,070) | 4,650 | (36,420) | See Note 35 to the Core Financial Statements, page 35 See Statement of Movement on the General Fund Balance, page 13 | Balancing account to allow inclusion of Pensions Liability in the Balance Sheet |
| General Fund | 987 | 118 | 1,105 | See HRA Statements, page 40 | Resources available to meet future running costs for non-housing services |
| Housing Revenue Account | 1,110 | 393 | 1,503 | See Collection Fund Income and Expenditure Account, page 45 | Recording of all Council Tax and Community Charge income due and distributed to Preceptors |
| Collection Fund | 74 | (552) | (478) | See HRA Statements, page 41 | |
| Major Repairs Reserve | 6,276 | 580 | 6,856 | See note (e) below | See (f) below |
| Other Reserves | 3,571 | 576 | 4,147 | | |
| TOTAL | 300,946 | 48,154 | 349,100 | | |

| (a) Movement on Fixed Asset Restatement Reserve | |
|---|---------|
| | £000s |
| Revaluation of Assets | 44,900 |
| Value of Disposals | (3,840) |
| | 41,060 |

| (b) Movement on Capital Financing Account | |
|---|---------|
| | £000s |
| Financing Capital Expenditure | 8,730 |
| Mortgages written out | 12 |
| Voluntary Minimum Revenue Provision | 200 |
| Less Depreciation and Deferred Charges charged to revenue | (5,859) |
| | 3,083 |

| (c) Movement on Usable Capital Receipts | |
|---|---------|
| | £000s |
| Capital Receipts received | 4,196 |
| Less Costs of Disposal | (345) |
| Less Housing Pooling Liability | (1,703) |
| Less Financing of Capital Expenditure | (4,102) |
| | (1,954) |

| (d) Movement on Capital Contributions | |
|---------------------------------------|-------|
| | £000s |
| Grants received | 590 |
| Less Financing of Capital Expenditure | (143) |
| Less Grants written out | (247) |
| | 200 |

| (e) Movement on Earmarked Reserves | | | | |
|------------------------------------|-------------------------------------|--------------------|-------------------|--------------------------------------|
| RESERVE | Balance B/fwd 1.4.06 £'000 | Additions £'000 | Payments £'000 | Balance c/fwd 31.3.07 £'000 |
| Elections | 342 | 58 | (256) | 144 |
| Repairs & Renewals | 520 | 25 | (19) | 526 |
| Insurance | 32 | | (6) | 26 |
| Tenterden Leisure Centre | 0 | | | — |
| Planning Appeals | 352 | 60 | | 412 |
| Interest Rates | 172 | | | 172 |
| Recycling | 38 | | (38) | — |
| Building Control Reserve | 46 | 46 | (25) | 67 |
| Stour Centre | 636 | 244 | (128) | 752 |
| Community Grant Fund | 33 | | (9) | 24 |
| Planning Delivery Grant | 105 | 237 | | 342 |
| Transport Initiatives | 112 | 87 | (50) | 149 |
| People Mover | 413 | | (30) | 383 |
| Restructuring Reserve | 152 | | (152) | — |
| Legal Pressure Reserve | 132 | | (32) | 100 |
| Housing PSL Reserve | 147 | 64 | (73) | 138 |
| Licensing Reserve | 55 | 26 | (14) | 67 |
| Members IT | 12 | 10 | | 22 |
| Valuation of Assets | 4 | 4 | | 8 |
| Street Cleaning Grants | 0 | 8 | | 8 |
| Service Pressures | 270 | 539 | | 807 |
| TOTAL | 3,571 | 1,408 | (832) | 4,147 |

(f) The Purpose of the Earmarked Reserves

The following Reserves have been established to equalise expenditure for future years:

- Elections Reserve
- Members IT Reserve
- Valuation of Assets
- Legal Pressure Reserve
- Housing PSL Reserve
- Licencing Reserve
- Planning Appeals

The purposes of other Reserves are as follows:

Repairs and Renewals Reserve is used to finance the purchase of vehicles, plant, furniture, and equipment.

Insurance Reserve is used to pay claims, which are not covered by external insurance (e.g. amounts below the excess), and to provide unbudgeted security improvements.

Interest Rate Reserve was set up to provide resources when interest rates are low.

Recycling Reserve is used to fund recycling initiatives, including the implementation of the Council's Green Waste Strategy.

Building Control Reserve was established to hold the surpluses earned on building control fee earning work to fund any future deficits, as this service is required by legislation to break-even on a 3-year rolling basis.

Stour Centre Reserve was set up to fund any repairs required to keep the Stour Centre operational until such time as the major capital refurbishment scheme is completed.

Community Grants Reserve has been established from savings within Cultural Services salaries to fund revenue grants to local community organisations.

Planning Reserve has been set up to fund future planning related costs in years when Planning Delivery Grant is insufficient to meet expenditure.

Transport Initiatives Reserve was established to hold the surpluses earned from On-Street Parking. As there is a legislative requirement that this be used for transport related schemes.

The **People Mover Reserve** was created in 1999/2000 using money given to the Council by the developer of the Designer Village to pay for the shuttle bus service to Ashford Town Centre as required by the planning agreement.

Service Pressure Reserve has been established to fund one off items of expenditure such as spend to save initiatives to help deliver future budget savings.

(30) Contingent Liabilities and Contingent Assets

Contingent Assets

- A number of Councils are in the process of legal action against HM Revenue and Customs to recover VAT on car parking income. The Council has 2 protective claims for VAT on Off Street Parking income totalling £1,008,600. The case is currently out to appeal.
- The Council is investigating its legal position in relation to cost overruns on the Stour Centre project. There is the possibility that the Council will be entering into recovery action to seek compensation for these overruns. At this stage it is not possible to quantify the value of any action.

Contingent Liabilities

- The Council's insurers were Municipal Mutual Insurance Ltd. (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a clawback of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible clawback for the Council is set at £286,250. MMI's directors have stated that they still foresee a fully solvent run-off of the Company's business. No provision has been made in the accounts for any clawback of payments already made to the Council.
- The Council has entered into an agreement with the KCC relating to the provision of a Recuperative Care Centre at Farrow Court, Ashford. If the property ceases to be used for this purpose at any time during the 35-year life of the agreement the Council will be liable to pay a proportion of the construction costs. The maximum possible liability is presently £320,000 and will reduce during the period of the agreement. There is no reason to believe that these circumstances will arise, and no provision has been made in the accounts for any future payments under this agreement.
- The Council is accepting the risk for the Sheltered Housing PFI jointly procured with KCC. The risk to the Council in the event of early termination of the contract is circa £4m.
- The Council has accepted a planning obligation for the provision of 500 parking spaces for the County Square extension. Failure to meet this obligation may result in planning enforcement action and subsequently in a legal claim against the Council. The Council is working to provide a park and ride car park to meet this obligation on a permanent basis and has developed a contingency plan for the delivery of an interim solution on the Dover Place site.
- The Council is acting as a guarantor for the Pension Liabilities of Ashford Leisure Trust to permit their entry into the Superannuation fund. In the event that the Trust fail to meet their obligations to the fund the Council will be called upon to cover these liabilities. This cannot be quantified as they will depend on the strength of the fund at the time and the actuarial assumptions for the valuation of future liabilities.

(31) Authorisation of Accounts for Issue

The Accounts were Authorised for issue on the 26th June 2007 by the Audit Committee. No events after this date have been taken into account in this statement.

(32) Events after the Balance Sheet

On 17th April 2007 the PFI agreement for the regeneration of the Stanhope estate was signed.

For further details see note 3 page 18.

This is viewed as a non adjusting event.

(33) Trust Funds

Doctor Wilkes Memorial Hall Trust

The Council is the custodian trustee of the Doctor Wilkes Memorial Hall (registered charity number 221788). The purpose of the trust is the maintenance of the Hall, which is currently let to the Ashford Museum Society.

| | 2005/06 £000 | 2006/07 £000 |
|--------------------------------|-----------------|-----------------|
| Income for year - interest | 3 | 3 |
| - Museum Society rent | 4 | 4 |
| Less Expenditure - maintenance | (1) | (1) |
| Surplus for year | 6 | 6 |
| Balance at 1 April | 58 | 64 |
| Surplus for year | 6 | 6 |
| Balance at 31 March | 64 | 70 |

Allotments for the Labouring Poor

The Council also acts as the sole trustee of a charity "Allotments for the labouring poor (No. AAA 155778) – land held for recreational purposes". The land forms part of the Kennington Recreation Ground and is maintained as such. No expenditure is separately identified.

(34) Analysis of debtors and creditors

These amounts were due to the Council at 31st March 2007

| | 31 March 2006 | | 31 March 2007 | |
|-------------------------------|---------------|--------|---------------|--------|
| | £'000s | £'000s | £'000s | £'000s |
| Government Departments | | 1,258 | | 1,454 |
| Other Local Authorities | | 45 | | 45 |
| Housing Tenants | 141 | | 306 | |
| Less: Provision for Bad Debts | (170) | (29) | (213) | 93 |
| Sundry Debtors | 4,727 | | 4,110 | |
| Less: Provision for Bad Debts | (1,222) | 3,505 | (1,417) | 2,693 |
| Local Taxpayers/ Ratepayers | 3,172 | | 2,355 | |
| Less: Provision for Bad Debts | (1,262) | 1,910 | (1,579) | 776 |
| | | 6,689 | | 5,061 |

Decrease in Debtors is due to:

| | £000 |
|-----------------------------------|--------|
| Owing from NNDR pool | 1,054 |
| HB Subsidy | (735) |
| Business Rates Debts | (638) |
| Sundry Debt (improved collection) | (472) |
| Inc Provision for Bad Debts | (555) |
| Year end Accruals | (289) |

These amounts were due to be paid by the Council at 31st March 2007

| | 31 March 2006 | 31 March 2007 |
|-----------------------------|---------------|---------------|
| | £'000s | £'000s |
| Government Departments | 412 | 407 |
| Other Local Authorities | 263 | 297 |
| Housing Tenants | 208 | 261 |
| Local Taxpayers/ Ratepayers | 3,063 | 741 |
| Sundry Creditors | 10,373 | 9,753 |
| | 14,319 | 11,459 |

Decrease in Creditors is due to:

| | £000 |
|-----------------------------------|---------|
| Paid to NNDR pool | (2,532) |
| Year end accruals | (505) |
| Change to payment terms | 549 |
| Income in Advance and prepayments | 805 |

(35) Information on Pensions Scheme

As part of the terms and conditions of employment of its Employees, the authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge we are required to make against the council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance.

| | 2005/06 £000s | 2006/07 £000s |
|--|------------------|------------------|
| Income and Expenditure Account | | |
| <i>Net cost of services</i> | | |
| Current service cost | 1,329 | 1,777 |
| Past service cost | 10 | 100 |
| Unfunded benefits | (260) | (240) |
| <i>Net Operating Expenditure</i> | | |
| Interest cost | 3,683 | 3,921 |
| Expected return on assets | (2,506) | (3,028) |
| <i>Net Charge to the Income and Expenditure Account</i> | 2,256 | 2,530 |
| Statement of Movement in the General Fund Balance | | |
| Reversal of net charges made for retirement benefits in accordance with FRS17 | (2,256) | (2,530) |
| Actual amount charge against the General Fund for pensions in the year. | 1,749 | 1,902 |

Assets and Liabilities in Relation to Retirement Benefits

| | 31 March 2006 £000s | 31 March 2007 £000s |
|---------------------------------|---------------------------|---------------------------|
| Estimated Liabilities in Scheme | (95,920) | (94,680) |
| Estimated Assets in Scheme | 54,850 | 58,260 |
| Net Asset/(Liability) | (41,070) | (36,420) |

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £36.4m has a substantial impact on the net worth of the Authority as recorded on the balance sheet.

However the statutory arrangements for funding the deficit means that the financial position of the Authority remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of pensions that will be payable in future years dependant on assumptions on mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1 April 2004.

| Assumptions as at | 31 March 2006 | 31 March 2007 |
|-----------------------------|---------------|---------------|
| Price Increases (Inflation) | 3.1% | 3.2% |
| Salary Increases | 4.6% | 4.7% |
| Pension increases | 3.1% | 3.2% |
| Discount Rate | 4.9% | 5.4% |

The fund's assets consist of the following categories, by proportion of the total assets held by the fund.

| | 31 March 2006 | 31 March 2007 |
|----------|---------------|---------------|
| Equities | 71% | 70% |
| Bonds | 13% | 13% |
| Property | 9% | 10% |
| Cash | 7% | 7% |

Actuarial Gains and Losses

The actuarial gains identified as movements on the pension reserve in 2006/07 can be analysed in the following categories and measured as absolute amounts.

| | 31 March 2006 | 31 March 2007 |
|---|----------------|----------------|
| Difference between the expected and actual return on assets | 8,620 | (370) |
| Value of assets | 54,850 | 58,260 |
| Percentage of assets | 15.7% | (0.6)% |
| Experience gains/(losses) on liabilities | (169) | 220 |
| Total present value of liabilities | 95,920 | 94,680 |
| Percentage of the total present value of liabilities | (0.2)% | 0.2% |
| Actuarial gains/losses recognised in Statement of Total Recognised Gains and Losses | (2,229) | 5,430 |
| Total present value of liabilities | 95,920 | 94,680 |
| Percentage of the total present value of liabilities | (2.3)% | 5.7% |

(36) Reconciliation of Surplus on I&E Account and Cash Flow Statement

| | £000s | £000s |
|---|----------|----------|
| Deficit on Income and Expenditure Account | 4,637 | |
| Less: Net Additional amounts required by Statute and non-statutory practices to be debited or credited to the General Fund Balance for the year | (4,755) | |
| Net Change in General Fund Balance | (118) | |
| Net Change in Housing Revenue Account Balance | (392) | |
| Net Change in Collection Fund Balance | 552 | |
| | | 42 |
| Change in Creditors | 359 | |
| Change in Debtors | (1,533) | |
| Change in Stocks & Works in Progress | 4 | |
| Change in Provisions | 42 | |
| Change in Reserves | (4,156) | |
| Change in other non-cash accounts | 513 | (4,771) |
| Net Revenue Movement (inflow) | | (4,729) |

(37) Reconciliation of Movement in Cash to Movement in Net Debt

| | 31.3.06 £000s | 31.3.07 £000s | Movement £000s |
|---------------------------|------------------|------------------|-------------------|
| General Account | 478 | 3,101 | 2,623 |
| Payments Account | (721) | (1,691) | (970) |
| Business Reserve | | 6 | 6 |
| Business Reserve | | 1 | 1 |
| Petty Cash | 8 | 10 | 2 |
| Movement in Cash | (235) | 1,427 | 1,662 |
| Net Revenue cash Inflow | | | (4,729) |
| Net Capital Outflow | | | 9,062 |
| Increase in Liquid Assets | | | (1,495) |
| Movement in Debt | | | 4,500 |

(38) Reconciliation of Financing and Management of Liquid Resources to Balance Sheet

| | Balance Sheet 31.3.06 | Balance Sheet 31.3.07 | Movement |
|-----------------------|--------------------------|--------------------------|----------|
| | £000s | £000s | £000s |
| Liquid Assets | | | |
| Euro Sterling Bonds | 5,197 | 5,197 | — |
| ADC Debenture | 10 | 10 | — |
| Temporary Investments | 24,800 | 23,305 | 1,495 |
| | 30,007 | 28,512 | 1,495 |
| Financing | | | |
| Temporary Borrowing | 1,000 | 1,500 | (500) |
| Long Term Borrowing | — | 4,000 | (4,000) |
| | 1,000 | 5,500 | (4,500) |

(39) Explanation of Liquid Resources and Changes in Policy

There have been no changes in investment policy for 2006/07. The Council has maintained its Euro-sterling Bond portfolio and manages its daily cash flow with cash deposits.

(40) Analysis of Government Grants

| | 2005/06 | 2006/07 |
|---|---------|---------|
| | £000 | £000 |
| Business Rate Collection Allowance | 173 | 173 |
| Europe Direct Funding | — | 34 |
| DWP Benefit Administration | 54 | 721 |
| SEEDA: SRB Grant | — | (34) |
| DEFRA | 4 | |
| CLG: Planning Delivery Grant | 488 | 503 |
| CLG: Ashford Core Delivery Team | 1,281 | 540 |
| CLG: Ashford Future's projects | | 184 |
| CLG: Recycling Initiatives | 33 | 82 |
| CLG: Beacon Status | 31 | 15 |
| Home Office: Registration Services | — | 18 |
| Home Office: Community Safety and Anti-Social Behaviour | 54 | 154 |
| CLG: Homeless Initiatives | 21 | 31 |
| | 2,139 | 2,421 |

(41) Group Accounts

As part of the closedown process, the Council has examined its relationship with outside bodies in accordance with the tests outlined in the Statement of Recommended Accounting Practice and no group relations were identified.

SUPPLEMENTARY SINGLE ENTITY STATEMENTS

HOUSING REVENUE ACCOUNT

| 2005/2006 £ 000's | HRA INCOME AND EXPENDITURE ACCOUNT | 2006/2007 £000's |
|----------------------|---|---------------------|
| | <u>Income</u> | |
| (16,992) | Dwelling Rents (net) | (17,446) |
| (466) | Non-dwelling rents (net) | (466) |
| (299) | Charges for services and facilities | (348) |
| (1) | Miscellaneous land sales (below £10,000) | (14) |
| (376) | Contributions towards expenditure - supporting people | (387) |
| (19) | Contributions towards expenditure – leaseholders | (16) |
| (1) | Gen. Fund Contributions | (1) |
| (18,154) | Total Income | (18,678) |
| | <u>Expenditure</u> | |
| 2,936 | Repairs and Maintenance | 3,117 |
| 4,032 | Supervision and Management | 4,698 |
| 12 | Rents, rates, taxes and other charges | 17 |
| 4,218 | Negative HRA subsidy payable (incl. MRA) | 4,870 |
| 34 | Increase in Provision for Bad Debts | 95 |
| 3,680 | Depreciation and impairment of fixed assets | 3,580 |
| 23 | Debt Management Costs | 25 |
| 78 | Contribution to Gen. Fund | - |
| 15,013 | Total Expenditure | 16,402 |
| (3,141) | Net cost of HRA Services as included in the whole authority Income and Expenditure Account | (2,276) |
| 531 | HRA services share of Corporate and Democratic Core | 544 |
| 297 | HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services | 305 |
| (2,313) | Net Cost of HRA services | (1,427) |
| 25 | Amortisation of premiums and discounts | 25 |
| (360) | Interest and Investment income | (376) |
| 395 | Loan interest | 421 |
| 222 | Pensions interest cost and expected return on pension assets | 177 |
| (2,032) | (Surplus) or deficit for the year on HRA services | (1,180) |

| STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE | | |
|---|---|--------------------|
| 2005/2006 £000s | | 2006/2007 £000s |
| (2,032) | Increase or decrease in the HRA balance comprising: Surplus or deficit for year on the HRA Income and Expenditure Account | (1,180) |
| 1,425 | Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (see below) | 787 |
| (607) | (Increase) or decrease in the Housing Revenue Account Balance | (393) |
| (503) | Housing Revenue Account balance brought forward | (1,110) |
| (1,110) | Housing Revenue Account balance carried forward | (1,503) |

| NOTE ON STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE | | |
|---|---|--------------------|
| 2005/2006 £000s | | 2006/2007 £000s |
| (3,680) | Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year Depreciation and impairment of fixed assets | (3,580) |
| (473) | Net changes made for retirement benefits in accordance with FRS17 | (530) |
| | Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year | |
| 331 | Employers contributions payable to the KCC Pensions Fund | 378 |
| 4,747 | Capital expenditure funded by the HRA | 3,939 |
| 500 | Transfer to/from Major Repairs Reserve | 580 |
| 1,425 | Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year | 787 |

NOTES TO THE HOUSING REVENUE ACCOUNT

(1) Number and type of Housing Stock, Balance Sheet Opening and Closing Values

Right to buy sales numbered 34 in 2006/07 (38 in 2005/06). During 2006/07 6 dwellings were purchased and 2 dwellings were removed from stock due to conversions. The breakdown of the numbers and types of HRA dwellings at 31 March 2007 is given in the table below:

| Dwellings By Type | 31 March 2006 | 31 March 2007 |
|--|---------------|---------------|
| Traditional Houses | 1,842 | 1,819 |
| Non Traditional Houses | 669 | 660 |
| Bungalows | 1,084 | 1,088 |
| Flats | 1,793 | 1,791 |
| TOTAL NUMBER OF DWELLINGS AT 31 MARCH | 5,388 | 5,358 |

The opening and closing balance sheet values of HRA assets are shown below:

| | 1 April 2006 | 31 March 2007 |
|--|--------------|---------------|
| | £000s | £000s |
| Operational assets - dwellings, land and buildings | 273,241 | 314,688 |
| Non-operational assets | - | - |
| | 273,241 | 314,688 |

(2) Vacant possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1st April 2006 was £704,052,560 (£619,341.320 at 1st April 2005). The difference between this and the Balance Sheet value shows the economic cost to Government of providing council housing at less than open market rents.

(3) Major Repairs Reserve

| | 2005/06 | 2006/07 |
|--|----------|----------|
| | £000 | £000 |
| Balance on 1 April | 5,776 | 6,276 |
| Add: MRA received in year | 3,680 | 3,580 |
| Less: Use of Reserve for HRA Capital Expenditure | (3,180) | (3,000) |
| Balance at 31 March | 6,276 | 6,856 |

(4) Summary of Capital Expenditure and Financing

| | 2005/06 £000s | 2006/07 £000s |
|--------------------------|-------------------------|-------------------------|
| Expenditure on Dwellings | 4,748 | 3,939 |
| <i>Financing</i> | | |
| Major Repairs Allowance | 3,180 | 3,000 |
| Revenue Contribution | 1,568 | 939 |
| | 4,748 | 3,939 |

(5) Depreciation

The accounts for the year include charges for depreciation of £3,580,164 (2005/06, £3,680,174), for operational assets, (this all relates to dwellings).

The Council uses the Major Repairs Allowance as a proxy for depreciation.

(6) Impairment

In 2006/07 there were no impairments made to the Assets of the Housing Revenue Account.

(7) Deferred Charges

In 2006/07 no deferred charges were charged to the Housing Revenue Account.

(8) HRA Subsidy

The HRA subsidy for the year is made up as follows:

| | 2005/06 £000 | 2006/07 £000 |
|---|------------------------|------------------------|
| Allowance for Management | 2,148 | 2,219 |
| Allowance for Maintenance | 5,131 | 5,313 |
| Allowance for Major Repairs | 3,680 | 3,580 |
| Charges for Capital | 253 | 291 |
| Rent | (15,429) | (16,262) |
| Interest on Receipts | (7) | (8) |
| Adjustment for previous years | 6 | (3) |
| Negative Subsidy (payable to Central Government) | (4,218) | (4,870) |

(9) Pensions

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge we are required to make against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the Housing Revenue Account Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the Housing Revenue Account Balance.

| | 2005/06 £000s | 2006/07 £000s |
|---|--------------------------------|--------------------------------|
| Income and Expenditure Account | | |
| <i>Net Cost of Services</i> | | |
| Current Service Cost | 251 | 353 |
| Past Service Cost | — | — |
| <i>Net Operating Expenditure</i> | | |
| Interest cost | 696 | 779 |
| Expected return on assets | (474) | (602) |
| <i>Net Charge to the Income and Expenditure Account</i> | 473 | 530 |
| Statement of Movement in the Housing Revenue Account Balance | | |
| Reversal of net charges made for retirement benefits in accordance with FRS17 | (473) | (530) |
| Actual amount charged against the Housing Revenue Account for pensions in the year. | 331 | 378 |

(10) Rent Arrears

During the year 2006/07 arrears totalling £38,532 were written off to the bad debts provision (held outside the HRA) because they were considered to be uncollectable. A contribution of £95,000 was made to the provision in the year. The balance on the provision at 31 March 2007 was £212,970.

| | 31 March 2006 | 31 March 2007 |
|-------------------|----------------------|----------------------|
| Gross Arrears | 140,717 | 305,707 |
| Less Pre-Payments | (207,424) | (260,994) |
| Net Position | (66,707) | 44,713 |

(11) Secretary of State Directions

There were no Secretary of State Directions in 2006/07.

(12) Exceptional or Prior Year Items

| | Housing Revenue Account 2005/06 £000s | Removal of capital financing charge £000s | Restated Housing Revenue Account 2005/06 £000s |
|--|--|--|---|
| Income | (18,154) | 0 | (18,154) |
| Expenditure | 24,707 | (9,695) | 15,012 |
| Net cost of HRA Services as included in the whole authority Income and Expenditure Account | 6,553 | (9,695) | (3,142) |
| HRA services share of Corporate and Democratic Core | 531 | | 531 |
| HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services | 297 | | 297 |
| Net Cost of HRA services | 7,381 | (9,695) | (2,314) |
| Amortisation of premiums and discounts | 25 | | 25 |
| Interest and Investment income | (360) | | (360) |
| Loan interest | (9,300) | 9,695 | 395 |
| Pensions interest cost and expected return on pension assets | 222 | | 222 |
| Surplus or deficit for the year on HRA services | (2,032) | 0 | (2,032) |

| COLLECTION FUND | | | |
|------------------------|--|--------------|---------------|
| 2005/06 £'000 | INCOME AND EXPENDITURE ACCOUNT | 2006/07 | |
| | | £'000 | £'000 |
| | INCOME | | |
| 32,493 | Income from Business Taxpayers | | 35,876 |
| 45,518 | Council Tax | | 48,302 |
| 5,270 | Council Tax Benefits | | 5,506 |
| 3 | Adjustment of Previous year's Community Charge | | — |
| 83,284 | | | <u>89,684</u> |
| | EXPENDITURE | | |
| | Precepts and Demands | | |
| 37,895 | Kent County Council | 40,181 | |
| 4,791 | Kent Police Authority | 5,090 | |
| 2,469 | Kent and Medway Fire Authority | 2,598 | |
| 5,431 | Ashford Borough Council (inc Parish Precepts) | <u>5,744</u> | 53,613 |
| | Business Rates | | |
| 31,828 | Payment to National Pool | 35,298 | |
| 173 | Costs of Collection | <u>173</u> | 35,471 |
| | Bad and Doubtful Debts | | |
| 210 | Write-offs | 236 | |
| 595 | Provisions | <u>544</u> | 780 |
| | Contributions | | |
| | Surplus Distribution | | |
| 513 | - Kent County Council | 282 | |
| 64 | - Kent Police | 36 | |
| 33 | - Kent Fire | 18 | |
| 41 | - Ashford Borough Council | <u>36</u> | 372 |
| 84,043 | | | <u>90,236</u> |
| 759 | Deficit/ (Surplus) in Year | | 552 |
| (833) | Balance at 1st April 2005 | | <u>(74)</u> |
| (74) | Balance at 31st March 2006 | | 478 |

NOTES TO THE COLLECTION FUND

(1) NNDR Rateable Value

Under the arrangements for Uniform Business Rates, the Council collects Non-Domestic Rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to Authorities their share of the pool, based on a standard amount per head of local adult population.

| | |
|------------------------------------|------------|
| Total non-Domestic Rateable Value: | £ |
| 01 April 2006 | 98,600,170 |
| 31 March 2007 | 98,233,795 |
| Increase/ (decrease) for year | (366,375) |

| | |
|---|-------|
| The Uniform Rate in the pound set by Government in 2006/07 was: - | |
| For rateable values below £15,000 | 42.6p |
| For rateable values £15,000 and above | 43.3p |

(2) Council Tax Base

The calculation of Council Tax requirements uses the number of Band D equivalents as the tax base. It is a figure that is usually quoted as the Council Tax in any area.

| Band | No properties (net of discounts and relief's) | Multiplier | Band D Equivalent | Tax in 2005/06 | Tax in 2006/07 | Yield |
|--|---|------------|-------------------|----------------|----------------|--------|
| | | | | | | £'000 |
| A | 2,887.950 | 6/09 | 1,925.3 | 771.48 | 808.08 | 2,334 |
| B | 9,584.871 | 7/09 | 7,454.9 | 900.06 | 942.76 | 9,036 |
| C | 10,401.980 | 8/9 | 9,246.2 | 1,028.64 | 1,077.44 | 11,208 |
| D | 6,684.500 | 1 | 6,684.5 | 1,157.22 | 1,212.12 | 8,102 |
| E | 6,054.955 | 11/09 | 7,400.5 | 1,414.38 | 1,481.48 | 8,970 |
| F | 4,488.231 | 13/09 | 6,483.0 | 1,671.54 | 1,750.84 | 7,858 |
| G | 2,782.380 | 15/09 | 4,637.3 | 1,928.70 | 2,020.20 | 5,621 |
| H | 172.050 | 2 | 344.1 | 2,314.44 | 2,424.24 | 417 |
| | | | 44,175.8 | | | 53,546 |
| Adjustments for unbanded and new properties and uncollectables | | | (439.8) | | | (533) |
| Local tax base (including parishes) and expected yield | | | 43,736 | | | 53,013 |

The tax base produces a collectable amount of approximately £53.0m. However changes to the banding of properties, number of new properties, exemptions/reliefs and discounts granted altered the amount during the year to £53.5m.

(3) Precepts

The following authorities made a significant precept or demand on the collection fund

| Authority | Precept £000 | Distribution of prior years surplus £000 | Total £000 |
|--------------------------|-----------------|--|---------------|
| Ashford Borough Council* | 5,744 | 36 | 5,780 |
| Kent County Council | 40,181 | 282 | 40,463 |
| Kent Police | 5,090 | 36 | 5,126 |
| Kent Fire and Rescue | 2,598 | 18 | 2,616 |
| Total | 53,613 | 372 | 53,985 |

*This includes parish precepts

39 Parish councils precept on Ashford Borough Council. The most significant of which are: -

| Parish | Precept £0,000s |
|------------------------|--------------------|
| Tenterden Town Council | 164,196 |
| Biddenden | 50,000 |
| Kingsnorth | 39,927 |
| Wye with Hinxhill | 36,500 |
| Charing | 29,700 |

STATEMENT OF INTERNAL CONTROL

Part 1 Scope of Responsibility

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

In discharging this overall responsibility, Ashford Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Ashford Borough Council functions and which includes arrangements for the management of risk.

Part 2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Ashford Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized and to manage them efficiently, effectively and economically.

The system of Internal Control has been in place at Ashford Borough Council for the year ended 31st March 2007 and up to the date of the approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

Part 3 The Internal Control Environment

The key elements of Ashford Borough Council's internal control environment are as follows:

- The Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that the Council is accountable to local people.
- Most major policy decisions are made by the Executive Committee in public meetings on the basis of published reports. The facilitation of policy and decision-making is through the two Policy Advisory Groups – 'Other Issues' and Resources & Best Value'. The Overview and Scrutiny Committees provide a scrutiny function over the decisions made by the Executive as well as providing public reviews of issues or council services that effect local people. In addition senior officers of the council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and officers under their delegated powers.
- The Council has in place robust arrangements to ensure probity in all its decision-making. It adopted the new model code of conduct in 2002 and it will adopt a new model code of conduct during 2007. In addition it has adopted a comprehensive good practice protocol for councillors dealing with planning matters. The Council's Standards Committee, chaired by an independent member of the public oversees conduct issues. The Standards Committee has in place agreed procedures for

dealing with local investigation hearings in accordance with the regulations which allow the Standards Board for England to refer allegations of misconduct for local decisions. In-house and external training has been undertaken for councillors on probity matters.

- The Council's Risk Management Strategy was approved by the Executive on 23rd March 2006. The annual Service and Strategic Risk assessments for the Council were conducted in December 2006. From the assessments Service and Strategic Risk Registers and Service and Strategic Risk Action Plans were created and these are reviewed on a quarterly basis. During 2006-2007 Risk assessments were expanded to include Business Continuity. Risk management is becoming firmly embedded throughout the Council and the Deputy Leader of the Council's Portfolio of responsibilities now include Risk and Business Continuity. There are clear linkages between objectives and the risk evaluation process that ensures that service risks are minimized and aligned to delivery of the Council's Corporate Plan.
- The Council has a comprehensive Health & Safety Policy in place and a Risk Register for the protection of staff. Operational issues are overseen by an officer working group which from May 2006 introduced an on-going and comprehensive audit and assessment of Health & Safety throughout all services,
- Through reviews by external auditors, external agencies, Internal Audit and internal groups, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- Services are delivered by trained and experienced people with appropriate professional qualifications. All posts have a detailed job description and person specifications. Training needs are identified through Personal Development Discussions and needs are fulfilled by a combination of internal and external training providers.
- The Council has designated the Head of Legal & Democratic Services as Monitoring Officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the Constitution and within Financial Regulations. The Council has designated the Deputy Chief Executive as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Chief Financial Officer has statutory responsibilities to determine, monitor and report on the Council's financial arrangements including reporting on any unlawful or potentially unlawful decisions. The Council has in place a MTFP (Medium Term Financial Plan), updated annually, to support the medium-term aims of the Corporate Plan. Financial monitoring arrangements are in place and reported quarterly to the Executive.
- The Council maintains an Internal Audit Section, managed from September 2005 by a partnership arrangement with Maidstone Borough Council, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local

Government in the UK'.

- The Council has an objective and professional relationship with external auditors and statutory inspectors as evidenced by the Annual Audit Letter.
- The Council has an effective performance management framework. The system is driven by the Corporate Plan which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee appraisals and action plans. It provides the mechanism for targets, Performance Indicators and objectives to be reviewed by the Executive and Scrutiny Committees and for reviews of Service Objectives to be fed back into the policy and planning cycle.
- As part of the performance management framework the Council conducts quarterly performance management meetings for all services. These meetings review the services performance in relation to performance indicators, budget monitoring, service plan delivery and during 2006-2007 the meetings were expanded to include Health & Safety and Risk updates and reports.
- During 2006-2007 the Council drafted a new Corporate Plan to cover the period 2007-2010. The Corporate Plan will be formally submitted to Members for approval during 2007-2008 and following the local elections in May 2007. All services have developed new Service Plans which will enable the Council to implement and deliver the plan.

Part 4 Review of Effectiveness

Ashford Borough Council has responsibility for conducting, at least annually, a review of the system of internal control. The review of the effectiveness of internal control is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

The Head of Legal & Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council's constitution was refreshed and updated during the course of 2006-2007 and has been published on the Council's web site and is available on CD ROM.

The Monitoring Officer presents an annual report to the Council and the Standards Committee regarding probity and code of conduct issues. His annual report for 2006-2007 will be presented to the Council in July 2007 and it will show that no complaints about code of conduct breaches by borough Councillors were investigated during the year.

The Council has two Overview and Scrutiny Committees. They can "call in" a decision which has been made by the Executive but not yet implemented, to enable them to consider whether the decision is appropriate. They allow matters of wide ranging interest to the Council to be publicly reviewed and scrutinised.

In 2006-2007 the Council formed an Audit Committee. The Audit Committee has responsibility for reviewing the adequacy of internal controls and monitoring the performance of internal audit. It also reviews the External Audit Plan, reviews the Annual Audit Commission Letter, reviews the adequacy of arrangements for Risk Management within the Council and approves the Councils financial accounts.

Internal Audit is responsible for monitoring the adequacy and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan, which is approved by the Audit Committee, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Head of Service with a copy to the Chief Executive, the Directors and the Head of Corporate Governance. The report includes recommendations for improvements to internal controls and these are detailed within an Action Plan for agreement or rejection by Heads of Service. The process also allows for follow up work to be completed for all reports issued in order to confirm that the action proposed by the Head of Service has been implemented in practice. The results of the follow-up are reported to the Head of Service, the Chief Executive, Directors and the Head of Corporate Governance and reported to the Audit Committee on a six monthly basis.

As part of the monitoring of the Internal Control processes within the Council, Internal Audit issue an Annual Report that considers the work of Internal Audit over the financial year and the Opinion of the Head of Internal Audit (the Audit partnership Manager) in relation to the Council's control environment. Due consideration is given to this report and the reports conclusions are used to inform the judgment on the Statement on Internal Control. For 2006-2007 the Head of Internal Audit concluded that generally, a substantial level of internal control exists within the Council's systems and procedures.

The Internal Audit Section is subject to regular appraisal by the Council's external auditors who review the adequacy of compliance with the Code of Practice for Internal Audit. The external auditors place reliance on the work carried out by Internal Audit subject to being satisfied with the quality and comprehensiveness of the work. They have been able to do so for the financial year 2006-2007.

The Head of Corporate Governance and the Head of Financial Services bring a report on Key Indicator progress against targets and budget monitoring to Management Team and the Executive as part of the Quarterly Performance Report. Monthly updates are available on all Local and Best Value PI's on the Internet and Intranet. Monthly monitoring reports on budgets are prepared and are posted on the intranet.

The Council uses performance management software (PBViews) to provide an easy to follow visual indication of the Council's performance against its targets for Best Value Performance Indicators and Local performance Indicators. This is available both internally and externally on the Council's web site.

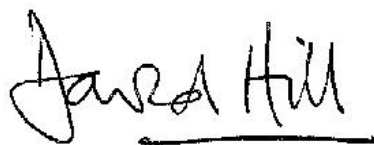
The Council reviewed and revised material elements of its Financial Regulations during 2006-2007 with the revised regulations being approved in February 2007.

For 2006-2007 the Council introduced improvements to the way it reviews the effectiveness of its internal controls. The Heads of Service Assurance Statements which each Head of Service is required to complete will be audited by Internal Audit for the first time. The Corporate Assurance Statement has been compiled electronically and is available for scrutiny by Members. Both statements follow CIPFA/SOLACE guidance. Any major exceptions which are identified will be reported upon quarterly to the Audit Committee until the exceptions are rectified and these exceptions are detailed below. Any other weaknesses that are identified will be dealt with via an action plan to remedy the weaknesses and will be reported upon quarterly to Management Team.

Part 5 Significant Internal Control Issues

The following significant internal control issues have been identified during the period 2006-2007: These exceptions and the actions being taken to rectify them will be reported upon to the Audit Committee on a quarterly basis within a Statement on Internal Control Quarterly Progress Report.

| No. | ISSUE | Action |
|-----|--|--|
| 1 | There is no formal adoption of a Local Code of Corporate Governance. | A draft Local Code of Corporate Governance has been written and will be submitted to Management Team in June 2007 for consideration before being submitted to Members. |
| 2 | Financial Regulations | Material amendments to the Financial Procedure Rules were approved by The Executive in February 2007. However, a general update and review of the regulations is still outstanding. This is now scheduled to occur during the first half of 2007-2008 and updates on this process will be provided to the Audit Committee. |
| 3 | Internal Control of bank reconciliations. | An Internal Audit review of bank reconciliation in August 2006 identified major areas of concern with regards to bank reconciliation. A follow-up audit was carried out in December 2006 and although action has been taken to deal with the weaknesses, not all recommendations had been implemented and timely reconciliation is not yet embedded within Financial Services. Monthly reports to the Chairman of the Audit Committee are currently being provided by the Head of Financial Services and quarterly updates will be provided on the progress in remedying the weaknesses identified previously. |
| 4 | Financial Authorisation levels (creditor payments system) | Following an Internal Audit review of Financial Authorisation Levels across services in March 2007 (reported issued in April 2007) weaknesses were identified. Due to the increased financial risk this potentially exposes the Council to this has been deemed as a weakness and has therefore been included as an exception. The work to correct this has been put in hand and will be completed soon; progress will be reported upon to the Audit Committee. |



Chief Executive



Leader of the Council

Dated..... 6 June, 2007

Independent auditor's report to the Members of Ashford Borough Council

Opinion on the financial statements

I have audited the financial statements of Ashford Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Ashford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the authority as at 31 March 2007 and its income and expenditure for the year then ended.

Signature Lindsey Mallors (Lindsey Mallors, District Auditor)

Date 28/9/07

Address: Audit Commission, 16 South Park, Sevenoaks, Kent TN13 1AN

GLOSSARY

AGENCY SERVICES – services which are performed for another authority or public body, where the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) for the cost of the work carried out.

APPOINTED AUDITORS – external auditors of local authorities appointed by the Audit Commission. In Ashford's case, this function is carried out by the Commission's own audit staff.

AUDIT COMMISSION – an independent body, established under the *Local Government Finance Act 1982*. The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors, carrying out national studies to promote economy, efficiency and effectiveness in the provision of local authority services and defining comparative indicators of local authority performance that are published annually.

BUDGET – a statement defining the council's policies for a year in terms of finance

BUDGET REQUIREMENT – the estimated revenue expenditure on general fund services that needs to be financed from the council tax after deducting income from fees and charges, certain specific grants and any funding reserves.

CAPITAL EXPENDITURE – spending on the acquisition, construction, enhancement or replacement of tangible assets (such as land, buildings or major items of equipment), which will be used or benefit providing services for a number of years.

CAPITAL FINANCING – funds used to pay for capital expenditure

CAPITAL RECEIPTS – the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within the rules set down by the government, but they cannot be used to finance revenue expenditure.

CIPFA – The Chartered Institute of Public Finance and Accountancy is the leading professional accountancy body for public services in the UK. CIPFA has responsibility for setting good practice accounting standards for local government.

COLLECTION FUND – a statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.

CONTINGENT LIABILITY – a potential liability at the Balance Sheet date. If the liability cannot be estimated reasonably accurately, it must be disclosed as a note to the accounts.

COUNCIL TAX – the main source of local taxation to local authorities, Council tax is levied on all domestic households within the Council's area.

COUNCIL TAX BENEFIT – assistance provided to adults on low incomes to help them pay their council tax bill. The cost of council tax benefit is wholly met by government grant.

CREDITORS – money owed by the Council to others.

DEBTORS – money owed to the Council by others.

DEFERRED CHARGES – Expenditure that does not result in the creation of a fixed asset but is classified as capital expenditure for Capital Control purposes.

FORMULA SPENDING SHARES (FSSs) – The Government's base used to calculate the authority's revenue support grant. Replaces former SSAs (Standard Spending Assessment) which was the Government's assessment of the appropriate level of budget requirement for each authority for a given year.

GENERAL FUND – the main revenue fund of the authority. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

GROSS EXPENDITURE – the total cost of providing the council's services before taking into account income from government grants and fees and charges for services.

HOUSING BENEFIT – the allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit paid to the authority's own tenant is known as **rent rebate** and that paid to private sector tenants as **rent allowance**.

HOUSING REVENUE ACCOUNT (HRA) – account which sets out the expenditure and income arising from the provision of housing. The HRA is funded by specific housing grants and rents payable by the Council's tenants.

HRA SUBSIDY – a government grant paid to some housing authorities towards the cost of providing, managing and maintaining dwellings and paying housing benefits to tenants.

INTERNAL AUDIT – a specialist section of the Council that examines, evaluates and reports on the adequacy of internal control systems and the proper, economic, efficient and effective use of resources.

NATIONAL NON-DOMESTIC RATE (NNDR) – a levy on businesses, based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by billing authorities on behalf of central government and then redistributed among all local authorities and police authorities on the basis of population.

NET EXPENDITURE – gross expenditure minus specific service income, (but before deduction of revenue support grant).

OUTTURN – actual income and expenditure in a financial year.

PENSION FUND – an employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income. Ashford participates in a pension fund that covers all Kent authorities.

PRECEPT – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf. County councils, police authorities, fire & rescue authorities and parish councils are precepting authorities.

PRIVATE FINANCE INITIATIVE (PFI) – a central government initiative which aims to increase the levels of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage authorities' participation.

PROVISIONS - amounts set aside for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the Provision must be the best estimate of the likely liability or loss.

RESERVES - amounts set aside to meet general, rather than specific future expenditure. These include "earmarked reserves" (to be spent on specific services or functions) and "general reserves" (or 'balances') which every authority must maintain as a matter of prudence. Sums may be put into or taken from reserves at the Council's discretion.

REVENUE EXPENDITURE – the day-to-day running costs of providing services.

REVENUE SUPPORT GRANT (RSG) – a grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

SECTION 137 EXPENDITURE – Section 137 of the Local Government act 1972 (as amended) enables the Council to spend on services for which it has no specific powers, but which benefits some or all of the Authority's residents. Actual expenditure in 2005/06 was £1,688 (2004/05 £5,000). This was spent on financial assistance for shopmobility

SPECIFIC GRANTS – grants from central government which may only be used for a specific purpose.

TREASURY MANAGEMENT – management of the Council's cash balances on a daily basis, to obtain the best return while maintaining an acceptable level of risk.