ASHFORD
BOROUGH COUNCIL

Statement of Accounts

2008-2009

Ashford
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APPROVAL OF THE STATEMENT OF ACCOUNTS

Council Approval of the Statement of Accounts for the year ended 31st March 2009

The Audit Committee at its meeting on the 23 June 2009 approved the Statement of Accounts for the year ended 31 March 2009 in accordance with the Accounts and Audit Regulations 2003.

Signed:

Councillor Hugh Ellison
Deputy Chair Audit Committee
23 June 2009

Councillor Neil Wallace
Chairman Audit Committee

EXPLANATORY FOREWORD

INTRODUCTION

This foreword explains the key components of the Statement of Accounts.

Local Authority accounts are subject to a number of regulatory requirements and accounting standards. This results in a complex format which requires the reader to have a reasonable knowledge of accounting terms and presentation. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms (Page 90).

THE STATEMENT OF ACCOUNTS

The content and format of the Statement of 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 (SORP). The Statement of Accounts includes the Core Financial Statements and Supplementary Financial Statements along with other statutory sections.

In recent years both central government and the Accounting Standards Board have sought to bring Local Authority accounts in line with UK GAAP (Generally Accepted Accounting Principles). UK GAAP is the framework of accounting standards, conventions and legal requirements for the preparation of financial statement in the UK.

a) The Core Financial Statements (Page 23)

The Core Financial Statements comprise:

The Consolidated Income and Expenditure Account (Page 23) – the Council's main revenue account for the year ended 31 March 2009, covering income and expenditure for all services. The Income and Expenditure Account is fundamental to the understanding of the Local Authority's activities. It reports the gross and net cost for the year of all of the functions for which the Authority is responsible, and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.

The Account shows a deficit of £71.1m for 2008/09 increased from £11.6m for 2007/08. The net cost of services increased by £60.6m which is primarily due to pensions accounting adjustments required to meet financial reporting standards and revenue expenditure funding from capital and the exceptional item of the HRA stock revaluation of £63m. The pooling liability for council housing sales decreased by £0.6m as a result of fewer tenants exercising their right to buy.

The Statement of Movement on the General Fund Balance (Page 23) – a statement showing the accumulated surpluses and deficits adjusted for accounting entries not funded by taxpayers.

The transfers from other reserves increased by £2.3m as a result of a reserves consolidation policy; whereby reserves were transferred to the General Reserve to provide for future budget pressures. Capital expenditure charged to the revenue account increased due to the Housing Revenue Account electing to fund more repairs expenditure from revenue resources; this is in accordance with the Business Plan.

The Balance Sheet (Page 24) – this sets out the financial position of the Council as at the 31 March 2009. It shows the balances and reserves, its long term indebtedness, the net fixed and current assets employed in its operations, and summarised information on fixed assets.

The Balance Sheet shows that net worth of the Authority decreased by £74.3m (as detailed on the Statement of total Recognised Gains and Losses on page 25) which was due to many factors, but primarily because of the revaluation of the Housing stock reducing the value by £63m, the Pensions liability increased by £7.9m (mainly due to the reduction in the value of the schemes assets). The level of fixed assets remained the same but long term investments increased by £9.8m as a result of the Council purchasing bonds. The value of debtors decreased by £1.3m as a result of £3.2m less grant money being owed to the Council by Government an an increase in Sundry and Council Tax debt (See note (40)). The increase in creditors of £13.5m is due to the Council holding the balance of Growth Area Funding on the Balance Sheet. The Council re-scheduled its debt portfolio, repaying £4m of long term borrowing and replacing with short term borrowing.

The Statement of Total Recognised Gains and Losses (Page 25) – this brings together all the recognised 'gains and losses' of the Authority during the period and identifies those which have not been recognised in the Income and Expenditure Account.

The changes on this statement reflect the movement on the Balance Sheet as explained above.

The Cash Flow Statement (Page 26) – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement summarises in simple terms where the money came from and how it was spent.

The statement shows that the Council increased its cash holdings by £0.3m.

b) The Supplementary Single Entity Financial Statements (Page 65)

The Housing Revenue Account (HRA) (Page 65) – this is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the Council fund, so that rents cannot be subsidised from Council Tax (or vice versa).

Activity within the Housing Revenue Account was broadly consistent with the previous year. However a post Balance Sheet reducing the value of the HRA stock was made charging £63m to the HRA

The Collection Fund (Page 71) – this reflects the statutory requirement for billing authorities (borough and district councils) to maintain a separate Collection Fund. It shows the transactions in relation to business rates and Council Tax, and illustrates how the demands on the Fund from Kent County Council, Kent Police Authority, Kent and Medway Towns Fire Authority and the Borough Council General Fund have been satisfied. The Collection Fund is consolidated with the other accounts of the billing authority within the Balance Sheet.

The deficit on the Collection Fund has reduced from £1.2m to £0.8m due to prior year's deficits being allocated to all precepting bodies in line with legislation. The current year deficit will be recovered in 2009/10.

c) Summary of Accounting Changes

Some changes have been made to the presentation of the Statement of Accounts. These are as follows:

a. Pensions – This disclosure has been brought into alignment with FRS 17 to prepare for the transition to International Reporting Standards in 2010/11. This has increased the level of disclosure within the pensions note and has changed the method of valuation of assets and liabilities within the fund.

b. Revenue expenditure funded from capital under statute – this was previously referred to as Deferred Charges. Legislation allows for some items of expenditure to be treated as capital where it does not result in a fixed asset. Under the SORP 2008 these costs will be charged directly to revenue expenditure within the Income and Expenditure Account and reversed out in the Statement of Movement in the General Fund balance to the Capital Adjustment Account.

c. Gain or loss on Disposal of Assets – previously assets were revalued at disposal so that there is no gain or loss on disposal – this is now prohibited by the SORP 2008.

d. Authorisation for issue date – at each stage in the reporting process the Statement of Accounts needs to be authorised for issue and post balance sheet events declared as at that date. Previously the authorisation date was fixed at the date the Accounts were adopted by the Council (see note (38)).

If any of these changes have resulted in changes to prior year comparative figures these are detailed within note 2 of the Core Financial Statement on page 27.

CONTEXT FOR 2008/2009 ACCOUNTS

a) Corporate Aims and Objectives

In 2006 the Council reviewed its corporate objectives and agreed revised aims and objectives for the period 2006/2010. The Council is committed to the delivery of its Corporate Plan. The main headings of the plan are shown in detail on page 88. This plan is integrated into the Council's budget, which allocates the resources available to meet these objectives.

b) Financial Context

Sitting alongside the Corporate Plan is the Council's Medium Term Financial Plan (MTFP). This forecasts the Council's resources (income) and spending commitments over a rolling three-year period, taking account of external factors (government grants, new legislation, cost inflation, and contractual commitments). Importantly the MTFP is based on the Council's aim to avoid unreasonable increases in Council Tax. Each year the budget evolves from the Council's Corporate Plan and the MTFP.

The core principles of the MTFP are:

- The Council will aim to achieve value for money to its taxpayers by seeking to avoid unreasonable increases in Council Tax, and aiming to maintain the Borough Council's Council Tax among the lowest in Kent.

- That net revenue spending over the life of the MTFP should be balanced with the aim of limiting Council Tax increases to no more than 5% annually to reflect increases in costs and the effects of constraints in Government Grant.

- The Council should aim to maintain its General Fund un-earmarked balances at least at 7% of net revenue expenditure.

- The Council will aim to ensure that current Council Taxpayers should not contribute materially to the costs of implementing the Ashford Future growth plans.

These accounts present the results for 2008/09 that follow on from the Budget set in February 2008. In 2008/09 the total council tax charged to a Band D property excluding Parish Council precepts was £1,323.05. Of this total Ashford Borough Council received £129.20, which maintained the Council's position as the lowest Council Tax Band D in Kent. The average Council Tax Band D for Kent was £166.24 (the highest being £228.18).

The Council has maintained a significant programme of Capital Expenditure in 2008/09. A number of new infrastructure projects were completed, funded from internal resources, grants and developer contributions. These are reported in more detail on page 38.

OVERVIEW OF 2008/2009 FINANCIAL RESULTS AND ACTIVITY

a) General Fund (i.e. excluding the Housing Revenue Account)

The Consolidated Income and Expenditure Account (page 23) includes the General Fund, upon which the Council Tax is set, and the Housing Revenue Account. The General Fund outturn detailed overleaf excludes the Housing Revenue Account and for this reason does not reconcile with the statutory presentation of the Income and Expenditure Account.

The General Fund is the main revenue fund of the Authority and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £13,680,400 (amount to be funded by Government Grant and Council Tax). This has resulted in an increase of £5.86 (4.75%) to the Band D rate over the previous year.

The General Fund Balance at the beginning of the year was a surplus of £1,105,143. The Council's reserves strategy was to maintain a minimum balance of 7% of the Budget Requirement which for 2008/09 would be £957,628. The Council approved a new reserves strategy in December 2008 consolidating a number of other reserves into the General Reserve. As a result of this consolidation the General Fund Balance as at 31/03/09 was £2,951,225.

GENERAL FUND FINAL OUTTURN 2008/09		
Service	**Original Budget £**	**Final Outturn £**
Corporate Core	925,460	982,362
Legal & Democratic Services	1,310,630	1,238,518
Planning & Development	1,167,840	1,439,223
Financial Services	3,847,380	3,257,752
ICT & Customer Services	–	6,072
Housing (General Fund)	599,620	1,749,904
Environmental Services	5,810,000	6,988,773
Cultural Services	2,335,670	2,486,769
Capital Charges	(1,733,050)	(3,893,713)
Net Service Expenditure	**14,263,550**	**14,255,660**
Interest Received	(1,235,530)	(1,188,792)
Interest Paid	451,530	204,068
Drainage Board Levies	212,500	216,942
Concurrent Functions Grants	75,400	75,400
Contributions to/ from reserves	(87,050)	–
Net Expenditure	**13,680,400**	**13,563,278**
Area Based Grant	–	(48,971)
Government Grant	(7,996,830)	(7,996,834)
Council Tax Income	(5,683,570)	(5,683,738)
Surplus for year transferred to the General Fund Reserve	**–**	**(166,265)**
Consolidation of Other Reserves as per the Reserves Strategy		(1,679,815)
Total Transfers to General Fund Reserve (As per the Statement of Movement in General Fund Balance see page 23)	**–**	**(1,846,080)**

The table above should be read in conjunction with the Consolidated Income and Expenditure Account and the Statement of Movement in General Fund Balance on page 23. The Consolidated Income and Expenditure Account deficit of £71,130,000 is before the statutory adjustments contained within the Statement of Movement in General Fund Balance of £(72,976,000) (detailed further in Notes 17 and 18 on Pages 36 and 37) giving a net movement on the General Fund of £1,846,000.

Comparison of Budget to General Fund Final Outturn – Major Variances	
	£000's
Land Charges Income – downturn in demand for searches	337
Procurement Savings Target not delivered	146
Car Parking Income – downturn in demand	138
Planning Fee Income – reduced planning applications for major sites	100
Maintenance and Malicious Damage to council assets	76
Payments to contractors – various contacts including refuse, dog warden and pest control.	52
Private Sector Leasing costs	40
Area Based Grant – additional government grant	(49)
Environmental Heath Income	(61)
Income from Ashford's Future – services charged to the growth area agenda.	(138)
Housing Benefits Overpayments – additional debts raised.	(142)
Employee Savings/ Turnover	(147)
Interest paid and received – primarily due to debt restructuring and lower borrowing costs.	(200)
Moratorium Savings	(351)
Other variances	33
Surplus for the year	**(166)**

b) 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 the housing stock. The HRA is funded by specific housing grants and rents payable by the Council tenants.

For 2008/09 a planned deficit of £275,920 on the HRA was budgeted for which was to be financed from HRA reserves. Actual performance however was better than planned resulting in a small deficit for the year of £1,229.

HOUSING REVENUE ACCOUNT OUTTURN 2008/09		
SERVICE	**BUDGET £**	**FINAL OUTTURN £**
Income	(20,344,310)	(21,115,647)
Supervision and Management - Admin	3,988,420	3,894,346
Supervision and Management - Special	774,740	886,952
Repairs	7,320,000	7,871,525
Other Expenditure	8,537,070	8,464,053
(SURPLUS)/DEFICIT FOR YEAR	**275,920**	**1,229**

The main items of variance are:

Comparison of Budget to Final Outturn – Major Variances	
	£000's
Reduction in support costs	(109)
Increase in employee costs	63
Increase in administration and special costs	52
Replacement Housing Management system	187
HRA share of Stanhope PFI costs	(121)
Buyback of ex HRA properties	(108)
Reduction in capital charges	(106)
Increase in spending on repairs	551
Increase in spending on Community Planning	77
Increase in provision for Bad Debts	461
Increase in rental income	(774)
Reduction in garage income	50
Increase in service charge income	(125)
Reduction in interest received	98
Increase in Housing Subsidy payable	46
Increased use of Major Repairs Reserve	(517)
	(275)

The accumulated HRA reserve balance at 31 March 2009 was a surplus of by £1,232,999. The balance provides flexibility for delivery of the Housing Business Plan, a copy which is available on the Council's website.

c) **Capital Expenditure**

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 to benefit services over a number of years.

In the financial year 2008/09 the budget and outturn for the capital programme was:

	Budget £000's	Outturn £000's
Budgeted Capital Expenditure and Repairs and Renewals Programme	7,343	5,532
Housing Revenue Account Capital Programme	4,818	5,370
Total	12,161	10,902

The material differences between budgeted and actual expenditure relate to timing. Included within these figures is the Council's Expenditure of:

- £1,000,000 Contribution to the Public Realm at the County Square development.
- £934,078 Contribution of land values realised from the Stanhope Estate used to fund the redevelopment of the Estate as part of the PFI contract.
- £670,000 on the refurbishment of the Chilmington Caravan Park primarily funded by Government grant.
- £360,000 expenditure on the Singleton Environment Centre.

For sources of finance please see note (19) page 38

d) **Treasury Management**

Borrowing

At 1 April 2008 the Council had long term borrowing (i.e. for more than 365 days) of £4,000,000 from the PWLB to finance capital expenditure. During the year the Council took the opportunity arising from favourable interest rates to restructure its borrowing by repaying the long-term debt and taking out new short term loans at a variable interest rate. This allowed the Council to generate a discount of £180,000 and reduce the level of interest paid.

No additional long-term borrowing was undertaken during the year.

In addition to this the Council undertakes short term borrowing (i.e. less than 365 days) on the Money Markets to manage its temporary overdrafts. As at 31 March 2009 the Council had no temporary borrowing.

Investments

The Council's Balance Sheet had at 31 March 2009 investments and cash of £29.6m.

The year saw increased uncertainty within the financial markets with a weakening of the banking sector. The Council had no deposits in Icelandic banks.

As a result of the economic situation the Council has adjusted its investment portfolio by limiting investments to Government Bonds, other Local Authorities and Government Bodies, and banks backed by the Bank of England. The consequence of this policy may be lower investment returns but should maintain the security of the Council's cash. For 2008/09 the Council earned an average investment return of 4.70%.

In accordance with Central Government requirements the Council has 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.

See Notes (31)to (34) for more details (pages 43 - 45).

e) Collection Fund

The Collection Fund is showing a deficit of £750,440. The deficit has arisen because the growth in the number of properties within the Borough is slower than was forecast in the financial strategy. The budgeted forecast deficit of £354,440 will be recovered from the Precepting bodies in 2009/10 leaving a balance of £396,000 to be recovered in 2010/11. Ashford Borough Council's liability is approximately 10% of this total.

f) Pensions

As part of the Conditions of Employment, the Council is required to offer retirement benefits in accordance with statutory requirements. Payments into the pension scheme, investment assets and future liabilities are held and managed by the Kent County Council Pension Fund on the behalf of all contributing member authorities.

The Council's share of the pension liability based on as the Financial Reporting Standard: Retirement Benefits (FRS17) is estimated at £38.4m at 31 March 2009 (£30.5m at 31 March 2008). The main reason for the increase in net liabilities was a change in method for the valuation of the funds assets, which coupled with the economic downturn reduced the overall value of its assets.

g) Stanhope Private Finance Initiative (PFI) Project

On 17 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 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 highway, improvements will also be carried out over the first five years. The Contractor, the Chrysalis Consortium (a consortium comprising Gleeson Homes, Dennes and Moat Housing), will remodel much of the estate and maintain the homes and the environment to the improved standard over the remainder of the contract period (28 years), after which the properties are handed back to the Council.

h) Ashford's Future

The increasing rate of growth in Ashford, as a result of being one of the designated sustainable community growth areas in the South East of England, will create a variety of budget pressures over time.

The Council is working with partners to deliver the wide range of physical and social infrastructure needed without putting unreasonable pressures on the Council's own resources. The principal source of funding is the Government's Growth Area Fund allocation.

During the year the Ashford's Future Company was established by the four partner organisations (Ashford Borough Council, Kent County Council, SEEDA and the Homes and Communities Agency). The Company is responsible for overseeing the practical delivery of a large development programme.

STATEMENT OF ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts has been prepared on an income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting 2008 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.

1. ACCOUNTING CONCEPTS AND CONVENTIONS

In general, the Statement of Accounts is 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:

1.1 Relevance

The Statement of Accounts is 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.

1.2 Reliability

The Statement of Accounts is prepared on the basis that the financial information contained within it is reliable, i.e. it is free from material error, deliberate or systematic bias, complete within the bounds of materiality and represents faithfully what it intends 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.

1.3 Comparability

The Statement of Accounts is 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.

1.4 Understandability

Every effort has been made to make the Statement of 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 (page 90).

1.5 Materiality

Materiality is described in the Statement of Recommended Practice (SORP 2008) 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 Statement of 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 Statement of Accounts.

1.6 Accruals of Income and Expenditure

With the exception of the Cash Flow Statement, the Statement of Accounts is presented on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of Accounts for the year in which those effects are experienced, and not in the year in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet; where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.7 Going Concern

The Statement of Accounts is prepared on a going concern basis i.e. on the assumption that the Council will continue to operate for the foreseeable future.

1.8 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 Statement of Accounts.

2. ESTIMATION TECHNIQUES

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant Note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

3. 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
Accounting, Legal and other services	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
Executive Support, Call Centre, Customer Contact Centre and Printing	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.

4. CAPITAL CHARGES TO REVENUE

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 a 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. The SORP 2007 specified transitional arrangements for full compliance with FRS 25, FRS 26 and FRS 29 in the 2008/09 Accounts.

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.

5. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Fixed Asset. The purpose of this is to enable it to be funded from Capital Resources rather than being charged to the General Fund and impact upon the Council Tax. These items are generally grants and expenditure on property not owned by the Authority.

Such expenditure should be charged to the Income and Expenditure Account in accordance with the General provisions in the SORP. A Statutory Provision allows that capital resources that meet the expenditure be debited to the Capital Adjustment account, credited to the General Fund Balance and show as a reconciling item on the Statement of Movement on the General Fund Balance.

6. 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. 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 Government Grants Deferred 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.

A non-ring fenced grant (for example Area Based Grant) shall be included in the Income and Expenditure Account with other general income sources such as the collection fund And National Domestic Rates (NDR) distribution.

7. VAT

VAT is accounted for separately and is not included in the Income and Expenditure Account, 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.

8. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. The accounting policies practiced will be the same for all fixed assets as stated below.

9. FIXED ASSETS

9.1 Accruals

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the Statement of 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.

9.2 Recognition

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

9.3 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.

9.4 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 were previously entered against the asset on the Balance Sheet with the contra entry showing in the Fixed Asset Restatement Account. Under the provisions of the SORP 2007 this account was replaced by the Revaluation Reserve. Since this Reserve was established with a "nil" balance at 1/4/2007, it will only reflect revaluations after this date.

9.5 Operating Leases

Rental payments are charged to revenue on an accruals basis.

10. DEPRECIATION

Depreciation is accounted for on assets with a finite useful life in line with Financial Reporting Standard (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 five years.

- Newly acquired assets are depreciated in year one; assets in the course of construction are not depreciated until they are brought into use.

11. 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).

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted as follows:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

12. CURRENT ASSETS AND LIABILITIES

12.1 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.

12.2 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.

12.3 Investments

Under the provisions of the SORP 2008 the fair value of investments is to be reflected in the Balance Sheet. This is defined as the amortised cost of the investment, which includes the initial valuation at cost (including transaction costs), any cash flows (principal, interest, and any premium payments), as well as any impairment adjustments which may be required.

12.4 Bad Debts

The figure shown in the Statement of Accounts for debtors is adjusted for bad debts. This provision is recalculated annually by applying a percentage factor to the debt in each age category that is unlikely to be collectable. Known un-collectable debts are written off.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets should not be recognised in the Statement of Accounts. They should be disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures should indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities should not be recognised in the accounting statements; they should be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability the Authority should disclose the nature of the contingency, a brief description, and where possible an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

14. 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 note (35) on page 49.

15. RESERVES

The Council maintains certain reserves to meet general, rather than specific future expenditure. The purpose of the Council's other reserves is explained in note (36) to the Core Financial Statement on page 50. 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. Usable 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.

16. 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 these gains or losses are reversed in the Statement of Movement in the 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 Revaluation Reserve/ Capital Adjustment Account.

17. PENSION COSTS

The amount charged to the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses for employees pensions should be in accordance with FRS17 Retirement Benefits, subject to the interpretations set out in the SORP.

Employees are members of the Local Government Pension Scheme administered by Kent County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees of the Council. This is accounted for in the following ways:

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

- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% based on the indicative rate of return.

- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:

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

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

    - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of which the employees worked.

    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Income and Expenditure Account as part of the Non Distributable costs.

    - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. Debited to the Income and

Expenditure Account under net operating expenditure.

- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the average expected long term return – credited to the Income and Expenditure Account under net operating expenditure.

- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Income and Expenditure Account as part of the Non Distributable costs.

- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated. Debited to the Statement of Total Recognised Gains and Losses.

A prerequisite of the introduction of FRS17 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Authority's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. Actuarial gains/losses are shown as movements on the pensions asset/liability account and pensions reserve. There is no impact on the Income and Expenditure Account. The Balance Sheet is to show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Council Pension Fund for funding purposes was at 31 March 2007 and changes to contribution rates as a result of that valuation will take effect from 1 April 2008.

For further details see Note (41) on page 58.

18. FINANCIAL INSTRUMENTS

The SORP has significant disclosure requirements relating to Financial Instruments (e.g. loans and investments). They relate to the identification of the various types of Financial Instruments, gains and losses arising from transactions during the year, comparative valuation statements, and the assessment of risks associated with holding Financial Instruments.

Detailed disclosure of the Council's holding of Financial Instruments is included in note 30 on page 43 and relevant gains and losses in notes (31), (32) and (33) on pages 44 - 45.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and,
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value.

Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and,
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Credit Risk

The SORP 2008 requires Authorities to estimate the “Fair Value” of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Council’s Financial Instruments as at 31 March 2009. The discount rate should reflect prevailing interest rates as at 31 March 2009. Full details of this disclosure are included in note (34) to the Core Financial Statements on page 45.

The SORP identifies the following three types of risk associated with Financial Instruments:

(a) Credit risk relates to the possibility of counterparties defaulting on their financial obligations.

(b) Liquidity risk relates to the possibility of funds being unavailable to meet financial commitments.

(c) Market risk relates to possible exposure to adverse interest rate movements, or changes in other market conditions e.g. foreign exchange rates.

The SORP requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 33 to the Core Financial Statements.

The SORP’s disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note (33) includes an age analysis of overdue debtors at the balance sheet date. In addition to this a provision for bad debts is also included in the Statement of Accounts (Statement of Accounting Policies 12.4).

19. PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

Prepayments

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the Authority at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on Council Tax or rents.

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

Reversionary Interests

The Council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the Council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (unenhanced) and a reversionary interest is recorded at current prices when the interests revert to the Council.

As the asset is stated initially at net present value, over the life of the scheme the discount will need to be unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the Council.

Residual Interests

Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value (including nil) (residual interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

PFI Credits

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward in a reserve to fund future contract expenditure.

20. GROUP ACCOUNTS

Local Authorities are required to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the Authority's control over other entities.

This Council has undertaken an exercise examining all its partnership arrangements and workings with other undertakings, and has determined that it has no interests in subsidiaries, associated companies or joint ventures.

21. EXCEPTIONAL ITEMS

Exceptional items should be included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item should be given within the notes to the accounts.

22. EVENTS AFTER THE BALANCE SHEET DATE

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts in the Statement of Accounts and any affected disclosures should be adjusted.

Where an event occurs after the Balance Sheet date and is indicative of conditions that arose after the Balance Sheet date the amounts recognised in the Statement of Accounts should not be adjusted but a disclosure made including:

- The nature of the event

- An estimate of the financial effect

Events after the Balance Sheet date should be reflected up to the date when the Statement of Accounts is Authorised for issue.

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 31 March 2009 and its income and expenditure for the year ended on that date.

Paul Naylor
Deputy Chief Executive

CORE FINANCIAL STATEMENTS

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT				
2007/08		**2008/09**		
£000's	**Continuing Operations**	**Gross Expenditure £000's**	**Gross Income £000's**	**Net Expenditure £000's**
1,599	Central Services to the Public	9,176	(7,801)	1,375
11,334	Cultural, Environmental & Planning	18,362	(7,220)	11,142
502	Highways	2,288	(2,208)	80
3,766	Local Authority Housing (HRA)	23,820	(20,816)	3,004
	Exceptional item – impairment of HRA stock	63,013	0	63,013
3,197	Other Housing Services	25,427	(23,633)	1,794
2,575	Corporate & Democratic Core	3,250	(600)	2,650
1,318	Non-distributable costs	1,883	-	1,883
24,291	**Net cost of Services**	**147,219**	**(62,278)**	**84,941**
(14)	(Gain)/Loss on disposal of Fixed Assets			(478)
630	Parish Council Precepts			680
209	Drainage Board Levies			217
353	Interest Payable and Similar Charges			104
906	Contribution of Housing capital receipts to the Government Pool (Note (8))			353
(1,479)	Interest and Investment Income (note 31)			(1,185
990	Pensions Interest cost and expected return on Pensions Assets (Note (41))			2,000
25,886	**Net Operating Expenditure**			**86,632**
(6,123)	Demand on Collection Fund			(6,364)
(1,383)	General Government Grants (Note (11))			(1,118)
(6,711)	Non-Domestic Rates redistribution			(7,020)
11,669	**(Surplus) or Deficit for the Year**			**72,130**

STATEMENT OF MOVEMENTS ON THE GENERAL FUND BALANCE (note 17 on page 37)		
2007/08 £000's		**2008/09 £000's**
11,669	Deficit for the Year on the Income and Expenditure Account	72,130
(11,669)	Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note (17) and (18))	(73,976)
0	**Increase/Decrease in General Fund Balance for the Year**	**(1,846)**
(1,105)	General Fund Balance Brought Forward	(1,105)
(1,105)	**General Fund Balance Carried Forward**	**(2,951)**

BALANCE SHEET AT 31 MARCH 2009				
2007/08 As Restated £000's			**2008/09**	
			£000's	**£000's**
	Fixed Assets	**(notes (19)-(28))**		
100	Intangible Fixed Assets		80	
	Operational Assets			
325,086	- Council Dwellings		261,298	
56,412	- Other Land and Buildings		57,235	
384	- Vehicles, plant and equipment		75	
220	- Infrastructure		212	
1,069	- Community Assets		1,177	
	Non Operational Assets			
250	- Assets under construction		0	
20	- Other		20	
1,910	- Surplus Assets for Resale		1,910	
385,451	**TOTAL FIXED ASSETS**			322,007
6,066	Long-Term Investments	(note (31)-(34))	15,899	
556	Long-Term Debtors		486	
33,923	PFI Deferred Consideration		32,753	
1,170	PFI Residual Value of Asset		2,340	51,478
427,166	**TOTAL LONG-TERM ASSETS**			373,485
	Current Assets			
13,068	Debtors	(note (40))	12,499	
(2,949)	Less Provision for Bad Debts	(note (40))	(3,653)	
			8,846	
25	Stocks and Work-in-Progress		25	
15,630	Short-term Investments (note (31)-(34))		13,461	
6	Cash and Bank		214	22,546
452,946	**TOTAL ASSETS**			396,031
	Current Liabilities			
(4,514)	Short-term Borrowing	(note (31)-(34))	(4,158)	
(13,594)	Creditors	(note (40))	(27,124)	
(127)	Bank Overdraft		-	(31,282)
434,711	**TOTAL ASSETS LESS CURRENT LIABILITIES**			364,749
	Long-Term Liabilities			
(4,000)	Long Term Borrowing	(note (31))	-	
(153)	Provisions	(note (35))	(169)	
(3,621)	Government Grants Deferred Account		(3,423)	
(3,405)	Capital Contributions Deferred		(4,083)	
(30,500)	Pension Liability	(note (41))	(38,390)	(46,065)
393,032	**TOTAL ASSETS LESS LIABILITIES**			**318,684**

BALANCE SHEET AT 31 MARCH 2009			
2007/08 As Restated £000's		**2008/09**	
		£000's	**£000's**
373,489	Capital Adjustment Account		342,640
37,045	Revaluation Reserve		1,940
27	Available for Sale Financial Instruments Reserve		449
(45)	Financial Instruments Adjustment Account (note (31)-(34))		(28)
619	Usable Capital Receipts Reserve		100
550	Deferred Credits		478
(30,500)	Pensions Reserve (note (36))		(38,390)
1,105	General Fund Balance		2,951
1,234	Housing Revenue Account Balance		1,233
(1,241)	Collection Fund Balance		(750)
6,415	Major Repairs Reserve (HRA)		5,847
4,334	Other Reserves Balances (note 36g)		2,214
393,032	**TOTAL EQUITY (note (29))**		**318,684**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
2007/08 As Restated £000's		**2008/09 £000's**
(11,669)	Surplus or (Deficit) on the Income and Expenditure Account for the Year	**(72,130)**
(19)	Surplus or (Deficit) arising on revaluation of available for sale assets	439
52,076	Surplus or (Deficit) arising on revaluation of fixed assets	3,139
6,461	Actuarial gains and (losses) on Pension Fund assets and liabilities	(6,560)
(804)	Any other gains and losses required to be included in the Statement of Recognised Gains & Losses	764
46,045	**Total recognised gains and (losses) for the year**	**(74,348)**

CASHFLOW STATEMENT				
2007/08		**2008/09**		
£000's		**£000's**	**£000's**	**£000's**
	REVENUE ACTIVITIES			
	Cash Outflows			
17,695	Cash paid to and on behalf of employees	17,187		
23,819	Other operating cash payments	27,449		
26,279	Housing Benefit paid out	28,939		
33,775	National non-domestic rate payments to national pool	36,567		
51,756	Precepts paid	53,195		
906	Payments to Capital Receipts Pool	218	163,555	
	Cash Inflows			
(19,992)	Rents (after rebates)	(20,748)		
(56,659)	Council Tax Income	(59,565)		
(6,711)	National non-domestic rate receipts from national pool	(7,020)		
(32,555)	Non-domestic rate receipts	(39,641)		
(1,126)	Revenue Support Grant	(977)		
(26,551)	DWP grants for benefits	(27,099)		
(3,114)	Other government grants (note (46))	(4,225)		
(6,481)	Cash received for goods and services	(5,174)		
(1,401)	Other operational income	(4,046)	(168,495)	
(390)	**Net Revenue (Surplus) before financing (Note (42))**			**(4,940)**
	Return on investments/deposits and servicing of finance			
329	Interest paid		803	
(1,163)	Interest received		(3,216)	
	TOTAL SERVICING OF FINANCE			**(2,413)**
(1,224)	**NET (SURPLUS) FROM REVENUE ACTIVITIES**			**(7,353)**
	CAPITAL ACTIVITIES			
	Cash Outflows			
15,011	Expenditure on fixed assets	7,258		
3,285	Other Capital Expenditure	3,295	10,553	
	Cash inflows			
(5,739)	Sale of fixed assets	(1,052)		
(299)	Capital grants received	(14,983)		
(6)	Other capital cash income	(4)	(16,039)	
12,252	**NET TOTAL CAPITAL ACTIVITIES**			**(5,486)**
11,028	**NET CASH OUTFLOW BEFORE FINANCING (note 42)**			**(12,839)**
	NET MOVEMENT IN LIQUID ASSETS (note (43))			
(7,987)	Net increase (decrease) in short term deposits		(2,795)	
8	Net increase (decrease) in other liquid resources		10,800	
	FINANCING (note (44))			8,005
33,300	Repayment of amounts borrowed		8,500	
(36,300)	New loans raised		(4,000)	
				4,500
49	**NET INCREASE IN CASH AND CASH EQUIVALENTS**			**(334)**

NOTES TO THE CORE FINANCIAL STATEMENTS

(1) Acquired or discontinued operations

In 2008/09 the Sure Start function was transferred to Kent County Council – the change in service provision was not material and therefore further disclosure is not required.

(2) Exceptional items, prior period adjustments and other adjustments to prior year figures

Under the SORP 2008 the Council has adopted the amendment to FRS 17, retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme liabilities at 31 March 2008 has been restated from £30,270,000 to £30,500,000, a increase of £230,000. Current and prior year surplus/deficits have been unaffected by this change.

The Singleton Environmental Centre fund has been reclassified from a creditor to a reserve. The balance as at 31/03/08 was £14,500. The Balance Sheet has been restated to reflect this movement.

Under the SORP 2008 deferred charges have been replaced by Revenue Expenditure Funded From Capital under statute. The comparative figures have been restated to reflect the change in this item.

There has been substantial revision to the HRA rental income, rent arrears and HRA bad debts provision. For further explanation please see note (12) to the Housing Revenue Account on page 70.

(3) Post Balance Sheet Events

On 1 April 2009 the Julie Rose Stadium Company declared its intention to surrender the lease of the Julie Rose Stadium; the terms of this agreement are currently being negotiated. This is a non-adjusting event.

The Council has commissioned its Valuer, Savills, to complete a revaluation of its Housing Stock. The Valuer has reported a value as at 01/04/09 £63,013,080 lower than the balance sheet value as at 31/03/09. Due to the material nature of this reduction in value the accounts have been amended as the updated valuation provides additional evidence of conditions in existence as at the balance sheet date.

(4) The Amounts of any outstanding un-discharged obligations arising from long term contracts such as PFI transactions

Stanhope PFI

On the 13/04/2007 the Council entered into a design, build, finance and operate contract with the Chrysalis Consortium (the Contractor) for the provision of the regeneration of the Stanhope Estate and housing management services for the duration of the contract. The contract is for 30 years.

The total value of the contract is £120m, which includes a construction cost of £27m.

Contract Year	Unitary Charge £000's	Capital Contribution £000's
3	3,425	429
4	4,020	2,368
5	4,029	–
6	4,086	–
7	4,145	–
10	4,329	–
20	5,052	–
30	5,977	–

Under the terms of the Contract the Council is required to make the following payments to the Contractor:

- An annual Unitary Charge (net of deductions for performance).
- Capital contributions to Infrastructure costs.
- Pass Through Costs (e.g. Disabled Facilities Grants).

These payments will be met from:

- The Council's existing revenue budget for the services, rental income and housing subsidy.

- PFI Special Grant from Central Government.

The payments to the Provider will be subject to indexation (RPIX), and may also vary by virtue of certain provisions within the contract. These primarily relate to:

- Performance and availability deductions
- changes in law which affect the costs of the service
- variations to the contract which are approved by the Council
- benchmarking of non-property related costs at agreed intervals.

The Contract has been assessed under FRS5. The Council has determined that there is no need to recognise the assets provided, under this contract, in the Balance Sheet of the Authority during the term of the Contract.

Extra Care Housing PFI

Ashford Borough Council, together with nine other Kent Borough, District and City Councils and Kent County Council (KCC), is participating in a Private Finance Initiative (PFI) called "Better Homes Active Lives".

The PFI contract with Kent Community Partnerships (KCP), a Special Purpose Vehicle wholly owned by Housing 21 (a registered housing association), is held by KCC, and the participation of the Borough, District and City Councils is controlled through a "back-to-back" agreement with KCC. The contract and agreements were signed on the 5 October 2007.

The PFI will generate up to 352 units of social housing across Kent, including 65 apartments for people with learning difficulties, 7 apartments for people with mental health problems and 280 units of sheltered housing for frail, older people. It is anticipated that there will be around 36 Extra Care Sheltered Housing homes and 9 Learning Disability Homes in the Ashford Borough Council area.

Ashford Borough Council's main contribution towards the scheme is through the provision of land at Hopkins Field, which will be leased to KCC for 99 years at a nominal annual rent. In exchange, Ashford Borough Council will receive nomination rights over the new units to be built on the site. The nomination rights will be for the first 30 years of the project. The site, valued at £6,000, has been removed from the Council's accounts.

Under the "back to back" agreement, the County and District Councils have agreed to share any profit from the operation of the 352 units, and to make up any shortfall that is suffered. However the agreement was signed on the basis that it is "affordable", and that no shortfall is expected. If a shortfall does arise, Ashford Borough Council's share will be 7.5%. This is based on the Council's share of the project.

In the event of early termination of the agreement, indicative figures are shown below for the Council's potential liability based on the assumption that all partners would take the units back:-

- Contractor default, £4.275m in year 10, £4.125m in year 20
- Force Majeure, £4.950m in year 10, £3.675m in year 20.

If partners do not buy back these units cost will be reduced by 40%.

It should be noted that Kent County Council have ensured that the risks of termination are very low. The figures shown above are based on the best available estimates.

Other Contracts

In 2008/09 the Authority was committed to making payments under the following contracts:

- £2.8m per annum for waste collection expiring March 2013, the removal of the green waste element of the contract in 09/10 will reduce the cost by approximately £0.2m.

- £1.0m per annum for maintenance for parks and open space expiring January 2014.

- £1.0m per annum for street cleansing contract expiring March 2013.

- £0.6m per annum for insurance contract expiring October 2010.

(5) Significant trading operations

Under accounting definitions 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 Consolidated Income and Expenditure Account page 23.) The details of expenditure and income are shown below:

Service	2007/08	2008/09		
	(Surplus) / Deficit £000's	Expenditure £000's	Income £000's	(Surplus) / Deficit £000's
Leased Shop Premises	78	186	(181)	5
Industrial Estates	(207)	180	(376)	(196)
Street Markets	3	67	(39)	28
	(126)	**433**	**(596)**	**(163)**

(6) Discretionary Expenditure

Section 137 of the Local Government Act 1972 (as amended) enables the Council to spend on services for which it has no other specific powers, but which would benefit some or all of the Authority's taxpayers. Actual expenditure in 2008/09 was £37,462 (2007/08 £27,549). The main areas of expenditure were in support of the Create Festival, Arts projects, and Twinning.

(7) 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.

	2007/08 As Restated £000's	2008/09 £000's
Recruitment advertising	72	56
Other Advertising	108	100
Ashford's Voice	75	48
Other Publicity	302	293
Total	**557**	**497**

(8) Housing Capital Receipts – Government Pooling Liability

	2008/09 £000's
Receipts from Right to Buy Sales	664
Receipts from Housing Land	560
Costs of disposal	(53)
Deduction for enhancements	–
Deduction for Capital Allowance	(557)
Buy back of Dwellings	(143)
Total Capital Receipts less deductions	**472**
Pooling Liability at 75%	353

(9) 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:

	Non-Fee Earning	Fee Earning	Total Building Control
	£000's	£000's	£000's
Expenditure			
Employees expenses	95	378	473
Premises	–	–	–
Transport	5	20	25
Supplies and Services	6	34	40
Central & Support Service Charges	(27)	55	28
TOTAL EXPENDITURE	**79**	**487**	**566**
Income			
Building Regulation Charges		(396)	(396)
Other Income		(73)	(73)
TOTAL INCOME	**–**	**(469)**	**(469)**
Surplus/Deficit for 2008/09	**79**	**18**	**97**

Comparatives

	Fee Earning Expenditure	Income	Deficit / (Surplus)
	£000's	£000's	£000's
2008/09	487	(469)	18
2007/2008	506	(455)	51
2006/2007	544	(590)	(46)
Cumulative 3 year balance			**23**

(10) Goods and Services Act 1970

This Act allows Local Authorities to provide goods and services to other public bodies. In 2008/09 there were no material contracts made under this Act.

(11) General Government Grant

	2007/08 £000's	2008/09 £000's
Revenue Support Grant	(1,126)	(977)
Local Authority Business Growth Incentive Scheme	(257)	(24)
Area Based Grant	–	(49)
Performance Reward Grant	–	(68)
Total	**(1,383)**	**(1,118)**

(12) Members' Allowances

Members' Allowances for 2008/09 totalled £288,574 (2007/08 £284,047). 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 Centre, Tannery Lane, Ashford, Kent TN23 1PL.

(13) 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.

Remuneration Band	2007/08	2008/09
£50,000 – £59,999	16	15
£60,000 – £69,999	1	1
£70,000 – £79,999	6	6
£80,000 – £89,999	3	3*
£90,000 – £99,999	–	2
£100,000 – £109,999	–	1*
£110,000 - £119,999	1	
£120,000 - £129,999		1
£190,000 - £199,999		1*

Figures marked with an * indicate bands which include officers who have received redundancy payments.

(14) Related Parties

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

In 2008/09 the three Internal Drainage Boards levied a total of £216,942 on the Council (£209,448 in 2007/08).

Several Housing Associations are active within the Borough. New developments may require Social Housing Grants to make them viable. In 2008/09 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 but important to the recipients. However, some grants provide the majority of the organisations funding and in most cases a Councillor(s) sits on the Management Committee.

These are:

	2007/08 Grant £000's	**2008/09 Grant £000's**
Citizens Advice Bureaux (Ashford and Tenterden)	118	118
Ashford Mediation Service	12	10

During 2008/09 nine of the Borough's Councillors were also Parish Councillors and 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 2008/09, works and services to the value of £95,001 (2007/08 £125,979) were commissioned from organisations in which relations of three officers had an interest, which have been declared under the Code of Conduct.

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

The Council has established a number of trusts not all of which have Member representation. The two material trusts are the Julie Rose Stadium Company and Ashford Leisure Trust Ltd.

The Julie Rose Stadium Company is a registered charity limited by guarantee. The Board consists of a maximum of ten trustees of whom three are appointed by Ashford Borough Council. The Company holds a 99 year lease of the stadium from the Borough Council. Since the 1st April 1998 Ashford Leisure Trust Ltd (or its predecessor Stour Leisure) has managed the Julie Rose Stadium under a contract with the Julie Rose Stadium Company.

Ashford Leisure Trust Ltd is a company limited by guarantee and is a registered charity. The Board has a maximum of 12 trustees of whom 1 can be appointed by the Council, but when there are more than 8 trustees the Council may appoint a second trustee. The Company holds a 15 year lease on the Stour Centre.

During 2008/09 the Council and its partners established the Ashford Future Company to facilitate the delivery of the Growth agenda for which Ashford Borough Council is the accountable body. Ashford Borough Council owns 25% of the Company and appoints 1 of the 8 members of the board of directors.

(15) Audit Fees

In 2008/09 Ashford Borough Council incurred the following fees relating to external Audit and inspection

	2007/08 As Restated £000	2008/09 £000
Fees payable to the Audit Commission with regard to external Audit services carried out by the appointed Auditor	134	134
Fees payable to the Audit Commission for the certification of grant claims and returns	11	25
	145	159

(16) Local Area Agreements

The Purpose of the LAA is:

- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Ashford by pooling and aligning funding streams.
- The Kent Local Area Agreement represents a new way of doing business. The Kent Local Authorities welcomed the opportunity to participate in the national pilot, in the belief that this will improve the delivery of public services for people and communities within the county. This submission was based on the eighteen outcomes and associated potential freedoms and flexibilities.

The LAA Partners are:

- Kent County Council on behalf of the Kent Partnership;
- All 12 District, City and Borough Councils (including Ashford Borough Council) on behalf of their respective LSPs and Crime and Disorder Partnerships; and
- The Government Office for the South East.

Kent County Council is the accountable body for this agreement.

The Kent Agreement 2 (LAA) was signed in June 2008 and runs for three years. The Agreement includes 35 of the national indicator set with baselines and targets over three years for the Kent Partners as agreed with the Government Office for the South East. As some of the data was not available last summer a refresh was completed in March 2009 to “lock down” targets for the remaining two years of the agreement. However, due to the severity of the economic recession some targets may now be subject to renegotiation over the next two years.

Performance on delivering the targets will be monitored by the Kent Public Service Board. The first six monthly performance review was considered by the Board in January and showed the following results for the period April-Sept 2008:

Green	12
Amber	8
Red	2
Unable to assess	13 (targets were not set)

The two "red" indicators were NI 154 Net Additional Homes and NI 15 Serious Violent Crime. Both of these will be discussed with GOSE as part of the refresh process, which should resolve any underlying issues.

(17) 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 12 months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences 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 is treated 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.

(18) Reconciling Items in the Statement of Movement on the General Fund Balance

2007/08		2008/09	
£000's As restated	**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.**	**£000's**	
(20)	Amortisation of Intangible fixed assets (note (27))	(20)	
(8,074)	Depreciation and Impairment of fixed assets (note (19))	(70,673)	
460	Government Grants and other contributions Deferred amortisation	1,149	
(3,062)	Revenue Expenditure Funded from Capital under Statute	(3,138)	
14	Net gain/(loss) on the sale of fixed assets	478	
(330)	Amount by which pension cost calculated in accordance with the SORP (ie, in accordance with FRS17) are different from contributions due under the pension scheme regulations (note (41))	(1,330)	
(11,012)			**(73,534)**
	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.		
345	Capital Expenditure charged in year to the General Fund Balance (note (19))	2,032	
(906)	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	(353)	
(561)			**1,679**
	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		
(269)	Housing Revenue Account balance	(1)	
–	Voluntary revenue provision for Capital Financing		
173	Net transfer to or from other reserves	(2,120)	
(96)			(2,121)
(11,669)	**Net additional amount required to be credited to the General Fund balance for the year**		**(73,976)**

(19) Summary of Capital Expenditure and Fixed Asset Disposals

Operational Assets

	Council Dwellings £000's	Other Land and Buildings £000's	Vehicles Plant and Equipment £000's	Infra-structure £000's	Community Assets £000's	Total £000's
Net Book Value at 31 March 2008	325,086	56,412	384	220	1,069	383,171
Movements in 2008/09:						
Transfers		146			114	260
Additions	5,514	2,238	2	–		7,754
Disposals	(448)					(448)
Revaluation	3,139					3,139
Stock Reval 01/04/09	(63,013)					(63,013)
Depreciation	(3,206)	(1,561)	(311)	(8)	(6)	(5,092)
Impairments	(5,774)					(5,774)
Net Book Value at 31 March 2009	**261,298**	**57,235**	**75**	**212**	**1,177**	**319,997**

Non Operational Assets

	Assets Under Construction £000's	Other General Fund £000's	Surplus Assets for Resale £000's	Total £000's
Net Book Value at 31 March 2008	250	20	1,910	2,180
Movement in 2008/09				
Transfers	(260)			**(260)**
Additions	10			10
Disposals				
Revaluation				
Depreciation				
Impairments				
Net Book Value at 31 March 2009	**0**	**20**	**1,910**	**1,930**

Capital Expenditure and Financing		
	2007/08 As restated £000's	**2008/09 £000's**
Opening Capital Financing Requirement	3,518	3,518
Capital investment:		
Operational assets	8,531	7,754
Non-operational assets	5,986	10
Revenue Expenditure Funded from Capital Under Statute	3,277	3,138
Sources of finance:		
Capital receipts	(9,729)	(1,445)
Government grants and other contributions	(4,045)	(5,797)
Sums set aside from revenue (NB includes direct revenue financing, MRP and any Voluntary set aside	(4,020)	(2,032)
Closing Capital Financing Requirement	3,518	5,146
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)		
Increase in underlying need to borrow (unsupported by Government financial assistance)	–	(1,628)
Provision for the repayment of debt	–	–
Increase/(decrease) in capital financing requirement	–	(1,628)

(20) Capital Commitments

The capital contracts that were in progress or had been agreed at 31 March 2009 and that had expenditure of at least £100,000 still to be incurred were:

	£000's
Stour Centre Retention	150
Bybrook flats cladding	700

(21) Information on Assets Held

	31 March 2008 Numbers	31 March 2009 Numbers
Council Dwellings	4,594*	4,589
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	14	14
Public Conveniences	13	13
Caravan Site	1	1
Industrial Units	74	74
Shops	13	13
Depots	–	–
Miscellaneous Properties	8	8

* During the year 641 properties on the Stanhope Estate were transferred to the PFI contractor

(22) Assets Held under Leases

The Council has granted the following, which are accounted for as operational leases:-

1. To Ashford Bowling Club – Indoor Bowling Centre, Jemmett Road, Ashford at £42,000 per annum plus RPI to be reviewed every 4 years, currently paying an annual rent of £43,974. The lease is for a term of 50 years from 29 September 2004.

2. To various Industrial unit tenants – Ellingham Industrial Estate, Ashford, amounting to £388,000 in total reviewed every 3 years, with varying start dates. They are not contracted out of the Landlord and Tenants Act 1954 so the tenants have right of renewal.

Vehicles, Plant, Furniture and Equipment – the Council operates a fleet of leased cars and photocopiers under the terms of Operating Leases. The amounts paid under these arrangements in 2008/09 was £227,573 (2007/08 £285,012).

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 2008/09 were £545 (2007/08 £545).

The Authority was committed at 31 March 2009 to making payments of £193,543 under operating leases in 2008/09, comprising the following elements:

Year	Other Land and Buildings £000's	Vehicles, Plant & Equipment £000's
Leases expiring in 2009/10		38
Leases expiring between 2010/11 and 2014/15		156
Leases expiring after 2014/15		

(23) Assets Recognised under a PFI Arrangement

The Council has two current PFI schemes:

a) The Regeneration of the Stanhope Estate and the provision of Housing Management Services to the estate for 30 years. This was signed on the 14/04/07. Under FRS5 this has been determined as being off Balance Sheet and, therefore, these assets have been transferred to the contractor and the revenue costs of the contract are recognised within the Housing Revenue Account. See also Note 3 on page 27.

b) Ashford Borough Council, together with nine other Kent Borough, District and City Councils and Kent County Council (KCC), is participating in a Private Finance Initiative (PFI) called "Better Homes Active Lives". The contract and agreements were signed on 5 October 2007. Under FRS5 this has been determined as being off balance sheet. The Council has contributed land to this scheme which has been written out of the balance sheet. See also Note 3 on page 27.

(24) Valuation Information

General Fund fixed assets were valued (as at 1 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.

For the purpose of implementing the Department of Communities and Local Government guidance on stock valuation for resource accounting for housing, a valuation was undertaken by FPD Savills (as at 1 April 2008), which resulted in an increase in the valuation of £3,138,717 (£50,074,126 at 1 April 07).

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 (EUV-SH) is appropriate. EUV-SH assumes the property is let for its existing use as social housing provision. Overall values are reduced by 45% to allow for Existing Use Value for Social Housing, in the South East Region.

Discounts of £228,000 (£684,000 2007/08) were granted to tenants exercising their right to buy within the year.

The Stock valuation as at 01/04/09 resulted in a stock market value of £575,431,940 and an EUV-SH of £261,106,665 a reduction of £63,013,080. This was an adjusting post balance sheet event and is reflected in the accounts.

(25) Depreciation Methodologies

Depreciation is calculated on a straight line basis 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.

(26) Changes in Depreciation Methods

In 2008/09 there were no changes in the method of depreciation.

(27) Intangible Fixed Assets

The only assets in this category are Ashford's Brand – "Best Placed in Britain" and a Software licence for the Internet Content Management System.

	Intangible Fixed Assets £000's
Original Cost	147
Amortisation to 1 April 2008	(47)
Balance as at 1 April 2008	**100**
Expenditure in Year	–
Written off to Revenue in Year	(20)
Balance 31 March 2009	**80**

(28) Changes in Amortisation Method for Intangible Fixed Assets

In 2008/09 there were no changes in the method of amortisation for Intangible Fixed Assets.

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

	As at 31 March 2008 As restated £000's	**As at 31 March 2009 £000's**
General Fund	122,753	120,313
Housing	302,020	237,511
Collection Fund	(1,241)	(750)
Pension Reserve	(30,500)	(38,390)
Total Equity	**393,032**	**318,684**

(30) Interests in Companies

The Council is a 25% founding partner in the Ashford Future Company. This Company limited by guarantee has been established to deliver the Government's growth agenda for Ashford. As at 31/03/09 the Company had not started trading.

(31) Financial Instruments Balances

The Investments and Borrowings disclosed in the Balance Sheet make up approximately 7.69% of the Council's total net assets and are made up of the following categories of Financial Instruments:

Long Term 31-03-08 £000's	Short Term 31-03-08 £000's	Category of Financial Instrument	Long Term 31-03-09 £000's	Short Term 31-03-09 £000's
4,753	11,549	Loans and Receivables	6,011	12,128
1,313	4,071	Available for Sale Financial Assets	9,888	1,333
	10	Unquoted Equity Investments at Cost	–	–
–	–	Fair Value Through Profit and Loss Financial Assets	–	–
6,066	**15,630**	**Total Investments**	**15,899**	**13,461**
(4,000)	(4,514)	Financial Liabilities at Amortised Cost	–	(4,158)
(4,000)	**(4,514)**	**Total Borrowings**	**–**	**(4,158)**

(32) Financial Instruments Gains and Losses

The gains and losses in the Income and Expenditure Account and STRGL in relation to Financial Instruments are made up as follows:

	Financial Liabilities	**Financial Assets**		
	Liabilities measured at amortised cost £000's	**Loans and receivables £000's**	**Available for sale assets £000's**	**Total £000's**
Interest expense	162			162
Losses/(Gains) on derecognition	(31)			(31)
Interest payable and Similar Charges	**131**			**131**
Interest Income		(899)	(319)	(1,218)
Losses/(Gains) on derecognition			33	33
Interest and Investment Income		**(899)**	**(286)**	**(1,185)**
Surplus arising from the revaluation of financial assets	**(150)**		**(449)**	**(599)**
Net gains/loss for the year	**(19)**	**(899)**	**(735)**	**(1,653)**

(33) Fair Value of Assets and Liabilities Carried at Amortised Cost

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Not all of the Financial Instruments are carried in the Balance Sheet at fair value. In particular, long term loans, receivables and financial liabilities are not carried at Fair Value.

The SORP requires that the Council calculates the Fair Value of these instruments and includes a comparison with the carrying amount. The Fair Value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the Instruments using the prevailing interest rates (as at the 31st March 2009).

The rates used depend on the remaining life of the loan and range from 1.0% to 4.0%. No early repayments or impairments are assumed. For Instruments that will mature within 1 year of the Balance Sheet date the carrying amount is assumed to approximate to Fair Value. The Fair Value of trade and other receivables (debtors) is taken to be the invoiced or billed amount.

Fair Value of Investments carried at amortised cost:

	Amortised Cost £000's	Fair Value £000's
Less than 1 year	12,124	12,124
1 year to 2 years	6,011	6,279
2 years to 5 years		
More than 5 years		
Fair Value of Investments held at amortised cost	**18,135**	**18,403**
Unquoted Equity Investments held at Fair Value		11,221
Total investments at Fair Value		**29,624**

The Council had no loans with maturities beyond a year as at the 31st March 2009 (£4.0m as at the 31st March 2008).

(34) Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. These include credit risk (the possibility that other parties might fail to pay amounts due to the Council), liquidity risk (the possibility that the Council might not have funds available to meet its commitments) and market risk (the possibility that losses may arise due to changes in interest rates and market prices).

The Council's risk management on Financial Instruments focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

Risk management in this area is carried out by a central treasury team under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for risk management, has adopted the CIPFA Treasury Management Code of Practice and has set Treasury Management indicators to control key Financial Instrument risks in accordance with CIPFA's Prudential Code.

The Council's Investment portfolio as at 31/03/09 was as follows:

Counter Party	Maturity Date	Principal invested	Credit Rating
Nationwide Building Society	16/06/2009	2,500,000	AA- (Part of UK Govt Credit Guarantee Scheme)
Barnsley Metropolitan Borough Council	At Call	1,000,000	Another Local Authority - No Credit Rating
Royal Bank of Scotland	12/11/2009	3,000,000	AA- (Part of UK Govt Credit Guarantee Scheme)
Royal Bank of Scotland	18/05/2009	1,000,000	AA- (Part of UK Govt Credit Guarantee Scheme)
Abbey National plc	Deposit Account (Instant Access)	507,000	AA- (Part of UK Govt Credit Guarantee Scheme)
Bank of Scotland	Deposit Account (Instant Access)	857,000	AA- (Part of UK Govt Credit Guarantee Scheme)
The Royal Bank of Scotland - Money Market Fund	Deposit Account (Instant Access)	50,000	AAA
National Westminster Bank plc	Deposit Account (Instant Access)	3,150,570	AA- (Part of UK Govt Credit Guarantee Scheme)
European Investment Bank	12/07/2009	1,275,000	AAA
Barclays Bank Plc	03/02/2011	3,000,000	AA- (Part of UK Govt Credit Guarantee Scheme)
Clydesdale Bank	30/03/2011	3,000,000	AA- (Part of UK Govt Credit Guarantee Scheme)
European Investment Bank	06/06/2012	2,000,000	AAA
European Investment Bank	14/01/2013	5,000,000	AAA
European Investment Bank	15/04/2014	2,000,000	AAA

Credit Risk

The SORP 2008 requires the Council to attempt to quantify the potential maximum exposure to credit risk, based on experience of defaults and uncollectability over recent years. However, due to the lack of empirical evidence on defaults for investments, the Council is unable to quantify its exposure with any degree of accuracy.

Credit risk arises from investments and some of the Council's customers (commercial rent and trade debtors) excluding Council Tax and Business Rate debts.

Deposits are not made with banks and financial institutions unless they are rated independently with a minimum rating score of AA. The Council had no exposure to the Icelandic Banking system and has adjusted the criteria for lending money according to the changing circumstances in the Banking Sector. Currently the only institutions allowable for investments are Government Bodies and bonds, and banks which have support from the Bank of England.

The Council has not experienced any losses from default by Counterparties in the past in relation to investments. The Council's investments are with Government bodies and bonds and banks who are part of the Government's Credit Guarantee Scheme, and therefore does not expect any losses from non-performance by any of its counterparties in relation to investments.

The table below compares the percentage of the Council's investment portfolio that was invested at each credit level at the beginning and at the end of the year.

Credit Rating	**Percentage of Portfolio 31/03/08**	**Percentage of Portfolio 31/03/09**	**Change**
AAA or Local Authority Bonds	25%	40%	15%
AA+ or Aa1	2%	0%	(2)%
AA or Aa2	22%	0%	(22)%
AA- or Aa3	0%	60%	60%
A or A+ (all Building Societies)	51%	0%	(51)%

The Council does not generally allow credit for commercial rent and trade debtors, however £0.7m of the £1.5m debtors balance is past its due date for payment. The overdue amount can be analysed by age as follows:

Overdue Debtor Amount	
	31 March 2008 £000's
Less than 3 months	314
3 months to 6 months	97
6 months to 1 year	78
More than 1 year	224
Total Overdue Debtors	**713**
Provision for Bad Debts	(317)

A new debtors system was implemented on 01/04/2008 and this produces an aged debt on a different basis therefore it is not possible to provide direct comparative figures.

Overdue Debtor Amount	
	31 March 2009 £000's
Less than 30 Days	370
31 days to 90 Days	103
91 Days to 364 days	77
More than 1 year	205
Total Overdue Debtors	755
Provision for Bad Debts	(337)

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise funds to meet its commitments. Instead the risk is that the Council will have to re-invest a significant proportion of its investments at a time of unfavourable interest rates.

	Investments £000's
Less than 1 year	13,340
1 year to 2 years	6,000
2 years to 5 years	7,000
More than 5 years	2,000
Total Investments	**28,340**

All trade and other payables (creditors) are due to be paid in less than one year.

Market Risk (interest rates/prices/exchange rates)

The Council is not exposed to significant risk in terms of its exposure to interest rate movements because the Council has a policy to have at least 60% of its investments in fixed rate instruments.

If interest rates had been 1% higher or lower during the year, this would have resulted in an increase or decrease in interest income of £344,000 and an increase or decrease in payments of £45,000.

The Council has a policy of holding all investments to maturity and is, therefore, insulated from temporary changes in the prices of those investments.

The Council has no Financial Instruments denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

(35) Provisions

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

	Balance 01.04.08 £000's	Additions £000's	Payments £000's	Balance 31.03.09 £000's
Maintenance of graves	11	–	–	11
St. Mary's Church	4	1	–	5
Lift Renewal	138	15	–	153
	153	**16**	**–**	**169**

- Lift Renewal – Provision for the replacement of lifts in Edinburgh Road multi storey car park as per the lease agreement
- Maintenance of graves for the maintenance of graves in perpetuity.
- St Mary's Church Little Chart – for the maintenance of the scheduled ancient monument.

(36) Reserves

Reserves are generally maintained for statutory purposes or accounting purposes. The Council also maintains some reserves for specific purposes. The details of these latter reserves are detailed in sections g and h of this note.

Reserve	Balance 1 April 2008 As restated £000's	Net Move-ment in year £000's	Balance 31 March 2009 £000's	Further Detail of Movement	Purpose of Reserve
Revaluation Reserve	37,045	(35,105)	1,940	See note (a) below	Store of gains on revaluation of fixed assets not yet realised through sales
Capital Adjustment Account	373,489	(30,849)	342,640	See note (b) below	Store of capital resources set aside to meet past expenditure
Available-for - Sale Financial Instruments Reserve	27	422	449	See note (c) below	Store of gains on revaluation of investments not yet realised through sales
Financial Instruments Adjustment Account	(45)	17	(28)	See note (d) below	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Pensions Reserve	(30,500)	(7,890)	(38,390)	See Note 41 to the Core Financial Statements, page 58	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet

Reserve	Balance 1 April 2008 As restated £000's	Net Move-ment in year £000's	Balance 31 March 2009 £000's	Further Detail of Movement	Purpose of Reserve
Deferred Credits	550	(72)	478	See note (f) below	Proceeds of sales of assets due to be received over agreed periods of time, principally as mortgages
Usable Capital Receipts	619	(519)	100	See note (e) below	Proceeds of fixed asset sales available to meet future capital investment
General Fund Balance	1,105	1,846	2,951	See Statement of Movement on the General Fund Balance, page 23	Resources available to meet future running costs for non-housing services
Housing Revenue Account	1,234	(1)	1,233	See HRA Statements, page 65	Resources available to meet future running costs for council houses.
Collection Fund	(1,241)	491	(750)	See Collection Fund Income and Expenditure Account, page 71	Recording of all Council Tax income due and distributed to Preceptors
Major Repairs Reserve	6,415	(568)	5,847	See HRA Statements, page 65	
Other Reserves	4,334	(2,120)	2,214	See note (g) below	
TOTAL	**393,032**	**(74,348)**	**318,684**		

(a) Movement on Revaluation Reserve	
	£000's
Revaluation of Assets	3,139
Less Value of Disposals	(73)
Less Depreciation	(595)
Less Impairments	(4,368)
Housing stock Revaluation 01/04/09	(33,208)
	(35,105)

(b) Movement on Capital Adjustment Account	
	£000's
Financing Capital Expenditure	7,250
Less PFI Deferred consideration for year	(1,169)
PFI Residual Value	1,169
Less Depreciation	(4,517)
Less Revenue Expenditure Funded From Capital Under Statue	(3,138)
Amortisation of Deferred Grants	1,149
Less Historic cost of disposals	(375)
Less Impairments	(1,406)
Less Mortgages written out	(7)
Housing stock Revaluation 01/04/09	(29,805)
	(30,849)

(c) Movement on Available-for -Sale Financial Instruments Reserve	
	£000's
Adjustment for Fair Value Bonds	422
	422

(d) Movement on Financial Instruments Adjustment Account	
	£000's
Less Write off of Premiums and Discounts	17
	17

(e) Movement on Usable Capital Receipts	
	£000's
Capital Receipts received	1,059
Overpayment of pooling liability (prior years)	220
Less Housing Pooling Liability	(353)
Less Financing of Capital Expenditure	(1,445)
	(519)

(f) Movement on Deferred Credits	
	£000's
Repayments received	(100)
Less revaluation of assets	28
	(72)

(g) Movement on Other Reserves				
RESERVE	Balance b/fwd 1.4.08 As restated £000's	Additions £000's	Payments £000's	Balance c/fwd 31.3.09 £000's
Elections	36	40		76
Repairs & Renewals	764	259	(393)	630
Insurance	39		(38)	1
Planning Appeals	412	268	(289)	391
Interest Rates	72		(72)	–
Building Control Reserve	16		(16)	–
Stour Centre	496	70	(320)	246
Community Grant Fund	20	7	(14)	13
Planning Delivery Grant	165			165
Transport Initiatives	155		(22)	133
People Mover	331	14	(63)	282
Legal Pressure Reserve	100		(100)	–
Housing PSL Reserve	146		(146)	–
Licensing Reserve	43		(43)	–
Members' IT	5	6		11
Valuation of Assets	12	4		16
Street Cleaning Grants	9		(9)	–
Hopewell Twinning Reserve	1			1
Netball Centre Reserve	15	18	(15)	18
Singleton Environment Centre	14	12		26
Section 106 Monitoring Fee		43		43
Actuarial Volatility Reserve		70		70
Service Pressure Reserve	747	406	(1,061)	92
Severance Reserve	736		(736)	–
TOTAL	**4,334**	**1,217**	**(3,337)**	**2,214**

(h) The Purpose of the Other Reserves

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

- Elections Reserve
- Valuation of Assets
- Housing PSL Reserve
- Planning Appeals
- Netball Centre Reserve
- Singleton Environment Centre
- Members' IT Reserve
- Legal Pressure Reserve
- Licensing Reserve
- Hopewell Twinning Reserve
- Section 106 Monitoring fee
- Actuarial volatility

The purposes of other Reserves are as follows:

Repairs and Renewals Reserve is used to finance the maintenance and renewal of operational costs including buildings, 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 a short-term resource cushion for when interest rates fall below expected levels.

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 fluctuations in transitional operating costs of the Stour Centre until such time as the major capital refurbishment scheme is completed and the centre, therefore, is fully functional. This reserve is now set aside for the future replacement of equipment

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 pressures on the Planning Service should the Planning Delivery Grant fall below anticipated levels.

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, and to assist in relieving the budget of short-term one-off service pressures.

Severance Reserve has been set up for funding any staff severance costs, such as redundancy payments, required to achieve future savings.

(37) 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 two protective claims for VAT on Off Street Parking income totalling £1,008,600. The case is currently subject to an appeal by HM Revenue and Customs.

- The Council has submitted a further claim to HM Revenue and Customs for VAT on Off Street Parking income covering the period April 1974-March1996. This totals £1,174,340. The case is currently subject to an appeal by HM Revenue and Customs.

- The Council has submitted a claim to HM Revenue and Customs for overpaid output VAT declared on income in respect of sporting services supplied to individuals for the period January 1990 to March 1994. The total of this claim is £396,166.99.

- The Council will seek to recover certain elements of additional costs incurred on the Stour Centre refurbishment project but it is not possible to estimate the likely outcome at this stage.

Contingent Liabilities

- The Council's insurers were Municipal Mutual Insurance Limited (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 claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible claw back 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 Statement of Accounts for any claw back 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 Statement of 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. (See Note 3 page 27 for further disclosures).

- The Council has accepted a contractual obligation to ensure compliance with a planning condition for the provision of parking 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 delivered an interim solution on the Dover Place site as well as other extra parking capacity in the town.

- 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 fails 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.

- The Council has agreed to indemnify Ashford Leisure Trust for any statutory redundancy costs from the cessation of the current temporary operational arrangements for the management of the Julie Rose Stadium. The amounts cannot currently be quantified.

- The Council is acting as a guarantor for the Pension Liabilities of Ashford's Future Company to enable entry into the Superannuation fund. In the event that the Company fails 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. The Council has the benefit of indemnities from 3 other parties for sharing this risk.

- The Council is acting as a guarantor for redundancy payments for Staff employed by Ashford's Future Company in the event that the company cannot meet its obligations in this respect. The Council has the benefit of indemnities from 3 parties for sharing the risk. This cannot be quantified as this will depend on a number of factors including staffing levels, and solvency of the company.

(38) Authorisation of Accounts for Issue

Under the Accounts and Audit regulations there are 3 stages when the Accounts can be regarded as issued:

	Date
Certification by the responsible Finance Officer	23 June 2009
Statement is approved for Publication	23 June 2009
When the audit of the Statement is certified closed	

No events after the latest date has been taken into account in this Statement.

(39) 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.

		2007/08 £000's	**2008/09 £000's**
Income for year	- interest	4	3
	- Museum Society rent	4	4
Less Expenditure	- maintenance	(4)	–
Surplus for year		**4**	**7**
Balance at 1 April		69	73
Balance at 31 March		**73**	**80**

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.

(40) Analysis of debtors and creditors

These amounts were due to the Council.

	31 March 2008		31 March 2009	
	£000's	£000's	£000's	£000's
Government Departments		5,956		2,587
Other Local Authorities		47		47
Housing Tenants	262		1,155	
Less: Provision for Bad Debts	(221)	41	(756)	399
Sundry Debtors	4,171		4,687	
Less: Provision for Bad Debts	(1,392)	2,779	(1,459)	3,228
Local Taxpayers/ Ratepayers	2,632		4,023	
Less: Provision for Bad Debts	(1,336)	1,296	(1,438)	2,585
		10,119		**8,846**

Included within the debt above is a sum of £830,420 relating to Housing Benefit Overpayments. Due to a major systems change this balance has had to be estimated using the best information available taken from the quarter 4 report generated by the system.

Decrease in Debtors is mainly due to:

	£000's
Funding for Ashford's Future projects	-2,510
Housing Benefit Subsidy	1,497
Owing from NNDR pool	-2,252
Council Tax payers	640
VAT	191
Business Rates	756
Net tenant arrears	358

These amounts were due to be paid by the Council at 31 March 2009

	31 March 2008 As restated £000's	31 March 2009 £000's
Government Departments	843	13,278
Other Local Authorities	511	293
Housing Tenants	308	293
Local Taxpayers/ Ratepayers	1,411	1,904
Sundry Creditors	6,665	7,073
Developer Contributions	3,856	4,283
	13,594	**27,124**

Increase in Creditors is mainly due to:

	£000's
Government grant for the Ashford Growth Fund	10,817
Owing to the NNDR pool	2,252
Increases in contributions from developers	427

(41) Information on Pensions Scheme

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

The Local Government Pension Scheme administered locally by Kent County Council is a funded defined benefit final salary 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.

Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17, retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme liabilities at 31 March 2008 has been restated from £30,270,000 to £30,500,000, an increase of £230,000. Current and prior year surplus have been unaffected by this change.

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 the benefits are eventually paid as pensions. However, the charge we are required to make against 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 during the year.

	Local Government Pension Scheme £000's	
	2007/08 As restated	**2008/09**
Income and Expenditure Account		
Net Cost of Services:		
• current service cost	1,950	1,290
• past service costs	90	670
• Curtailments and Settlements	(70)	
Net Operating Expenditure		
• interest cost	5,090	5,710
• expected return on scheme assets	(4,100)	(3,710)
Net Charge to the Income and Expenditure Account	**2,960**	**3,960**

Statement of Movement on the General Fund Balance:	**2007/08 As restated £000's**	**2008/09 £000's**
Reversal of net charges made for retirement benefits in accordance with FRS 17	(2,960)	(3,960)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	**2,630**	**2,630**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £(6,810) (£6,260 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities: Local Government Pension Scheme £000's	
	2007/08 As restated	**2008/09**
1 April	**94,680**	**83,220**
Current service cost	1,950	**1,290**
Interest cost	5,090	**5,710**
Contributions by scheme participants	630	**680**
Actuarial gains and losses	(15,750)	**(7,210)**
Past service costs	90	**670**
Curtailments	(70)	
Unfunded Benefits Paid	(250)	**(250)**
Benefits paid	(3,150)	**(3,310)**
31 March	**83,220**	**80,800**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme £000's	
	2007/08 As restated	**2008/09**
1 April	**58,000**	**52,720**
Expected rate of return	4,100	3,710
Employer contributions	2,630	2,630
Contributions by scheme participants	630	680
Contribution in respect of unfunded benefits	250	250
Actuarial gains and losses	(9,490)	(14,020)
Unfunded Benefits Paid	(250)	(250)
Benefits paid	(3,150)	(3,310)
31 March	**52,720**	**42,410**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme history

	2004/05* £000's	**2005/06* £000's**	**2006/07 As restated £000's**	**2007/08 As restated £000's**	**2008/09 £000's**
Fair value of assets	43,050	54,600	58,000	52,720	42,410
Present value of liabilities:	(81,438)	(95,920)	(94,680)	(83,220)	(80,800)
Surplus/(deficit) in the scheme:	**(38,388)**	**(41,320)**	**(36,680)**	**(30,500)**	**(38,390)**
Experience Gains/ (Losses) on Assets	1,688	8,581	(370)	(9,490)	(14,020)
Experience Gains/ (Losses) on Liabilities	(4,438)	(169)	220	1,970	70

* The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

The liability shows the underlying commitment that the Authority has in the long run to pay retirement benefits. Although the liability has a negative impact on the Authorities' equity position, statutory arrangements for the funding of the deficit mean 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, as assessed by the scheme actuary.
- The actuarial estimate for employer contributions into the scheme in 2009/10 are £2,720,000

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	Funded liabilities: Local Government Pension Scheme	
	2007/08	**2008/09**
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.7%	7.0%
Bonds	5.7%	5.4%
Property	5.7%	4.9%
Cash	4.8%	4.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	N/a	21.5 Years
Women	N/a	24.4 Years
Longevity at 65 for future pensioners:		
Men	N/a	22.6 Years
Women	N/a	25.5 Years
Price Increases	3.6%	3.1%
Salary Increases	5.1%	4.6%
Pension Increases	3.6%	6.3%
Discount Rate	6.9%	6.9%
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2008 £000's	**31 March 2009 £000's**
Equity investments	36,610	27,990
Bonds	7,400	7,210
Property	5,700	3,820
Cash	3,010	3,390
Total	**52,720**	**42,410**

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05 £000's	2005/06 £000's	2006/07 As restated £000's	2007/08 As restated £000's	2008/09 £000's
Actuarial Gains/(Losses)	(16,012)	(2,229)	5,430	6,260	(6,810)
Cumulative Actuarial Gains and (Losses)	(16,012)	(18,241)	(12,811)	(6,551)	(13,361)

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

	£000's	£000's
Deficit on Income and Expenditure Account	72,130	
Less: Net Additional amounts required by Statute and non-statutory practices to be debited or credited to the General Fund Balance for the year	(73,976)	
Net Change in General Fund Balance	(1,846)	
Net Change in Housing Revenue Account Balance	1	
Net Change in Collection Fund Balance	(490)	
		(2,335)
Servicing of finance		2,412
Change in Creditors	(2,139)	
Change in Debtors	1,408	
Change in Stocks & Works in Progress	–	
Change in Provisions	(16)	
Change in Reserves	(1,086)	
Change in other non-cash accounts	(3,184)	
		(5,017)
Net Revenue Movement (inflow)		**(4,940)**

(43) Reconciliation of Movement in Cash to Movement in Net Funds

	31 March 2008 £000's	31 March 2009 £000's	Movement £000's
General Account	1,072	805	267
Payments Account	(1,914)	(606)	(1,308)
Business Reserve (47)	7	7	–
Business Reserve (30)	1	1	–
PFI Joint Account	708	2	706
Petty Cash	6	5	1
Movement in Cash	**(120)**	**214**	**(334)**
Increase/(decrease) in liquid assets			8,005
(Increase)/decrease in borrowing			4,500
Movement in net debt			**12,505**
Movement in net funds			**12,171**

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

	31 March 2008 £000's	31 March 2009 £000's	Movement £000's
LIQUID ASSETS			
Euro Sterling Bonds	5,383	11,220	5,837
ADC Debenture	10	0	(10)
Long Term Investments	4,753	6,011	1,258
Short Term Investments	11,549	12,129	580
	21,695	**29,360**	**7,665**
Less Financial Instruments Adjustment			(422)
Accrued Interest			762
Movement in Liquid Assets			**8,005**
FINANCING			
Short Term Borrowing	4,514	4,158	356
Long Term Borrowing	4,000	0	4,000
	8,514	**4,158**	**4,356**
Less Accrued Interest			144
Movement in Financing			**4,500**

(45) Explanation of Liquid Resources and Changes in Policy

There have been no changes in investment policy for 2008/09. The Council has maintained its Euro-sterling Bond portfolio and manages its daily cash flow with cash deposits.

(46) Cash Flow Analysis of Other Government Grants

	2007/08 £000's	2008/09 £000's
CLG: Business Rate Collection Allowance	174	185
CLG: Area Based Grant	–	49
CLG: Performance Reward Grant	–	67
CLG: Local Authorities Business Growth Incentive Scheme	257	24
CLG: Planning Delivery Grant	474	680
CLG: Ashford Core Delivery Team	583	613
CLG: Ashford Future's projects	582	866
CLG: Recycling Initiatives	87	–
CLG: Beacon Status	5	25
CLG: Homeless Initiatives	31	31
CLG: Smoke Free Legislation	33	23
CLG: Efficiency Information	–	10
CLG: Housing Trailblazer Programme	–	20
DWP: Benefit Administration	738	725
Home Office: Community Safety and Anti-Social Behaviour	136	196
Home Office: Electoral Registration	–	4
Channel Corridor Partnership	–	139
Environment Agency: Contaminated Land	–	5
DfT: Concessionary Bus Travel	–	348
English Partnership	–	215
Europe Direct Funding	12	–
Other	32	–
	3,144	**4,225**

(47) 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

2007/2008 £ 000's	HRA INCOME AND EXPENDITURE ACCOUNT	2008/2009 £000's
	Income	
(17,953)	Dwelling Rents (net)	(19,360)
(576)	Non-dwelling rents (net)	(578)
(309)	Charges for services and facilities	(425)
(2)	Miscellaneous land sales (below £10,000)	(10)
(392)	Contributions towards expenditure - supporting people	(406)
(14)	Contributions towards expenditure – leaseholders	(36)
(1)	General Fund Contributions	(1)
(19,247)	**Total Income**	**(20,816)**
	Expenditure	
3,594	Repairs and Maintenance	3,264
6,260	Supervision and Management	4,604
(1,024)	Payment to PFI contractor net of Gov't PFI subsidy	(363)
14	Rents, rates, taxes and other charges	15
5,901	Negative HRA subsidy payable (incl. MRA and excl PFI)	6,725
60	Increase in Provision for Bad Debts	562
8,185	Depreciation and impairment of fixed assets	8,980
23	Debt Management Costs	33
–	Contribution to General Fund	–
	Exceptional item – impairment of HRA stock	63,013
23,013	**Total Expenditure**	**86,833**
3,766	**Net cost of HRA Services as included in the whole Authority Income and Expenditure Account**	**66,017**
515	HRA services share of Corporate and Democratic Core	543
340	HRA share of other amounts included in the whole Authority Net Cost of Services but not allocated to specific services	302
4,621	**Net Cost of HRA services**	**66,862**
25	Amortisation of premiums and discounts	17
(387)	Interest and Investment income	(345)
510	Loan interest	370
162	Pensions interest cost and expected return on pension assets	365
4,931	**(Surplus) or deficit for the year on HRA services**	**67,269**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE		
2007/2008 £000's		**2008/2009 £000's**
	Increase or decrease in the HRA balance comprising:	
4,931	(Surplus) or deficit for year on the HRA Income and Expenditure Account	67,269
(4,662)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (see below)	(67,268)
269	(Increase) or decrease in the Housing Revenue Account balance	1
(1,503)	Housing Revenue Account balance brought forward	(1,234)
(1,234)	**Housing Revenue Account balance carried forward (Page 50)**	**(1,233)**

NOTE ON STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE		
2007/2008 £000's		**2008/2009 £000's**
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
(4,950)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirement (if any)	(68,787)
(482)	Net changes made for retirement benefits in accordance with FRS17	(600)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
431	Employers contributions payable to the KCC Pensions Fund	480
339	Capital expenditure funded by the HRA	1,639
0	Transfer to/from Major Repairs Reserve	–
(4,662)	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**(67,268)**

NOTES TO THE HOUSING REVENUE ACCOUNT

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

The breakdown of the numbers and types of HRA dwellings at 31 March 2009 is given in the table below:

Dwellings By Type	31 March 2008	31 March 2009
Traditional Houses	1,812	1,809
Non Traditional Houses	656	655
Bungalows	1,088	1,088
Flats	1,679	1,664
TOTAL NUMBER OF DWELLINGS	**5,235**	**5,216**
Properties Managed under the Stanhope PFI	(517)	(503)
REVISED TOTAL NUMBER OF DWELLINGS	**4,718**	**4,713**

The opening and closing Balance Sheet values of HRA assets are shown below:

	1 April 2008 £000's	31 March 2009 £000's
Operational assets - dwellings, land and buildings	325,086	261,298
Non-operational assets	–	–
	325,086	**261,298**

(2) Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2008 was £787,580,490 (£798,860,820 as at the 1 April 2007) less Stanhope stock of £62,761,350, leaving a value of £724,819,140. 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.

The large reduction in this figure is mainly due to the transfer of the Stanhope Stock to the PFI contract signed 13/04/07. The Stock on the Estate was transferred to the Operator Chrysalis. For more information See note 3.

(3) Major Repairs Reserve

	2007/08 £000's	2008/09 £000's
Balance on 1 April	6,856	6,415
Add: MRA received in year	3,235	3,206
Less: Use of Reserve for HRA Capital Expenditure	(3,676)	(3,774)
Balance at 31 March	**6,415**	**5,847**

(4) Summary of Capital Expenditure and Financing

	2007/08 £000's	2008/09 £000's
Expenditure on Dwellings	4,788	5,370
Financing		
Capital Receipts	891	
Major Repairs Allowance	3,676	3,774
Revenue Contribution	221	1,596
	4,788	**5,370**

(5) Capital Receipts from Disposal of Assets

	2008/09 £000's
Receipts from Right to Buy Sales	664
Receipts from Housing Land	734
Costs of disposal	(53)
Total Capital Receipts less deductions	**1,345**

(6) Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £3,206,403 (2007/08, £3,234,639) for operational assets (this all relates to dwellings). The Council uses the Major Repairs Allowance as a proxy for depreciation.

(7) Impairment

In 2008/09 Impairments of £5,773,450 (£4,949,734 – 2007/08) were charged to the Housing Revenue Account. This relates to the refurbishment of properties conducted in the year where items are replaced within dwellings.

See note 12 for details of the post balance sheet event revaluing the housing stock value.

(8) HRA Subsidy

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

	2007/08 £000's	2008/09 £000's
Allowance for Management	2,228	2,260
Allowance for Maintenance	5,464	5,377
Allowance for Major Repairs	3,235	3,206
Charges for Capital	356	282
Rent	(17,187)	(17,847)
Interest on Receipts	(6)	(5)
Adjustment for previous years	9	2
Subsidy as per Income and Expenditure Account	**(5,901)**	**(6,725)**
PFI Subsidy (incl in cost of PFI in I & E Account)	2,868	3,000
Negative Subsidy (payable to Central Government)	**(3,033)**	**(3,725)**

(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.

	2007/08 £000's	2008/09 £000's
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	320	236
Past Service Cost		
Net Operating Expenditure		
Interest cost	834	1,043
Expected return on assets	(672)	(677)
Net Charge to the Income and Expenditure Account	482	602
Statement of Movement in the Housing Revenue Account Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(482)	(602)
Actual amount charged against the Housing Revenue Account for pensions in the year.	**431**	**480**

(10) Rent Arrears

During the year 2008/09 arrears totalling £23,676 (£52,307 - 2007/08) were written off to the bad debts provision (held outside the HRA) because they were considered to be uncollectable. A contribution of £561,893 (£60,292 - 2007/08) was made to the provision in the year. The balance on the provision at 31 March 2009 was £755,614 (£220,995 at 31 March 2008).

	31 March 2008	31 March 2009
Gross Arrears	180,034	1,041,238
Less Pre-Payments	(307,995)	(292,826)
Net Position	**(127,961)**	**748,412**

(11) Secretary of State Directions

There were no Secretary of State Directions in 2008/2009.

(12) Exceptional or Prior Year Items

The Housing Management system was changed during 2008/09. The new system has allowed an accurate and quantifiable figure to be calculated for written-off Housing Benefits for current tenants. This has caused substantial revision to the figures for Dwellings rents (HRA Income and Expenditure Account), Rent Arrears and the Bad Debts Provision (note (10) to the HRA).

The Council has commissioned its Valuer, Savills, to complete a revaluation of its Housing Stock. The Valuer has reported a value as at 01/04/09 £63,013,080 lower than the balance sheet value as at 31/03/09. Due to the material nature of this reduction in value the accounts have been amended.

COLLECTION FUND

2007/08 £000's	INCOME AND EXPENDITURE ACCOUNT	2008/09 £000's	2008/09 £000's
	INCOME		
34,790	Income from Business Taxpayers		40,736
51,125	Council Tax		53,421
5,740	Council Tax Benefits		6,180
91,655			100,337
	EXPENDITURE		
	Precepts and Demands		
42,937	Kent County Council	44,635	
5,441	Kent Police Authority	5,714	
2,746	Kent and Medway Fire Authority	2,843	
6,122	Ashford Borough Council (inc Parish Precepts)	6,437	59,629
	Business Rates		
34,311	Payment to National Pool	40,388	
175	Costs of Collection	176	40,564
	Bad and Doubtful Debts		
464	Write-offs	148	
220	Provisions	255	403
	Contributions		
	Surplus Distribution		
2	- Kent County Council	(569)	
–	- Kent Police	(72)	
–	- Kent Fire	(36)	
–	- Ashford Borough Council	(73)	(750)
92,418			99,845
763	Deficit/ (Surplus) in Year		(491)
478	Balance at 1st April 2008		1,241
1,241	**Balance at 31st March 2009**		**750**

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 is 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 2008	96,098,200
31 March 2009	99,570,205
Increase/ (decrease) for year	**3,472,005**

The Uniform Rate in the pound set by Government in 2008/09 was: -	
For rateable values below £15,000	45.8p
For rateable values £15,000 and above	46.2p

The increase in rateable values was mainly due to the opening of the County Square Development.

(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 reliefs	Multiplier	Band D Equivalent	Tax in 2007/08	Tax in 2008/09	Yield
						£000's
A	2,945	6/9	1,963	847.56	882.03	2,597
B	9,806	7/9	7,627	988.82	1,029.04	10,091
C	10,496	8/9	9,330	1,130.08	1,176.04	12,344
D	6,930	1	6,930	1,271.34	1,323.05	9,169
E	5,742	11/9	7,018	1,553.86	1,617.06	9,284
F	4,557	13/9	6,582	1,836.38	1,911.07	8,708
G	2,799	15/9	4,666	2,118.90	2,205.08	6,173
H	161	2	323	2,542.68	2,646.10	427
Adjustments for unbanded and new properties and uncollectables			600			155
Local tax base (including parishes) and expected yield			**45,038**			**58,948**

The Council Tax Base produces a collectible amount of approximately £58.9m. However, changes to the banding of properties, numbers of new properties, exemptions/reliefs and discounts granted altered the amount during the year to £59.4m.

(3) Precepts

The following Authorities made a significant precept or demand on the Collection Fund

Authority	Precept £000's	Distribution of prior years surplus £000's	Total £000's
Ashford Borough Council*	6,437	(73)	6,364
Kent County Council	44,635	(569)	44,066
Kent Police	5,714	(72)	5,642
Kent Fire and Rescue	2,843	(36)	2,807
Total	**59,629**	**(750)**	**58,879**

*This includes parish precepts

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

Parish	Precept £000's
Tenterden Town Council	173
Biddenden	44
Kingsnorth	43
Wye with Hinxhill	40
Charing	34
Great Chart with Singleton	31

ANNUAL GOVERNANCE STATEMENT

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 responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

Ashford Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this code is available on our web site or from Ashford Borough Council's council offices'. The statement explains how Ashford Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework and System of Internal Control

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 governance framework has been in place at Ashford Borough Council for the year ended 31 March 2009 and up to the date of the approval of the statement of accounts.

The Governance Framework

The key elements of Ashford Borough Council's corporate governance and internal control environment are as follows. Some of the elements can be placed in multiple categories however, for simplicity, the elements are only included once below.

Community Focus

1. The Council's long term, medium term and short-term vision and objectives are set out in its Corporate Plan, Sustainable Community Strategy and Local Development Framework. Monitoring against the objectives of these visions and objectives is undertaken by the Executive, Overview & Scrutiny and ultimately the full Council.

2. In May 2007 the Council formally adopted a new Corporate Plan for the period 2007-2010. All services develop Service Plans that are updated annually and which enable the Council to implement and deliver the Corporate Plan. During 2008-2009 the Council refreshed and updated both its Corporate Plan and its Sustainable Community Strategy.

3. Due to the increasing importance of partnerships the Council formed the Community Partnership Group during 2007. This Group operates in a similar manner to a Policy Advisory Group with the ability to make recommendations to the Executive in relation to Council partnerships.

4. All legally binding partnerships have formal terms of reference agreed and adopted by the partners. During 2008-2009 the Council adopted a new Partnership Framework which outlines the way in which the Council will approach forming partnerships. The new framework advocates taking a risk based approach to forming partnerships and the governance arrangements that should be implemented for each partnership.

Performance Management

5. 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.

6. Services are delivered by trained and experienced people with appropriate professional qualifications. In 2007-2008 the Council successfully renewed its Investors in People accreditation. 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.

7. During 2008-2009 the Council began rolling out its new Talent Management process. Talent Management aims to identity the skills that the Council requires in the future and to develop its staff in order to match these requirements where possible.

8. All new Members are provided with an induction programme which provides training, information and assistance in those areas that members will deal with on a regular basis. The Monitoring Officer manages the Annual Training Plan for members which provides additional training as identified by Members or Officers. Briefing sessions are provided to Members when necessary to provide members with more information on various topics and comprehensive training is provided to Members on the Licensing and Planning Committees.

9. Senior Officer training requirements are identified, as with other officers, through the Council's PDD process. The Council also runs tailored Leadership programmes aimed at providing training and guidance to senior Officers of the Council to enable them to perform their roles more efficiently and effectively.

10. 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.

11. 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, health & safety and service risk updates and reports. During 2008-2009 the performance management meetings were expanded to include work each service area is conducting in relation to equalities.

Structures and Processes

12. 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.

13. Most major policy issues are considered by the Executive Committee in public meetings on the basis of published reports. Where necessary, recommendations to the full Council are then made based upon these considerations. The facilitation of policy and decision-making is through the Policy Advisory Group. The Overview and Scrutiny Committee provides 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 within the parameters set out in a published Scheme of Delegation. 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.

14. Members of the public have the right to attend meetings of the Council and its Committees to listen to the debate. To enhance the publics ability to contribute to the democratic process the Council maintains a comprehensive Scheme of Public Participation. The Scheme provides members of the public with the ability to submit petitions and speak at all meetings of the Council and its Committees (other than the Planning Committee and Overview and Scrutiny Committee, which have their own arrangements for consulting the public).

Risk Management & Internal Control

15. The Council's Risk Management Strategy was approved by the Executive on 23 March 2006. Annual Service and Strategic Risk assessments are undertaken and from the assessments Service and Strategic Risk Registers and Service and Strategic Risk Action Plans are created. These are reviewed on a quarterly basis (half yearly for Strategic Risk). Risk management is becoming firmly embedded throughout the Council and the Deputy Leader of the Council's Portfolio of responsibilities now includes 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.

16. The Council has a comprehensive Health and Safety Policy in place and a Risk Register for the protection of staff. Operational issues are overseen by an officer working group which conducts on-going and comprehensive audit and assessment of Health and Safety throughout all services.

17. The Council has designated the Head of Legal and Democratic Services as Monitoring Officer. It is the function of the Monitoring officer to monitor 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 Executive or the Council if he considers that any proposal, decision or omission has given rise to or would give rise to a contravention of any enactment or rule of law or maladministration following an Ombudsman investigation. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

18. 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 Finance 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 at least quarterly to the Executive.

19. The Council's Audit Committee provides independent assurance on the adequacy of the risk management framework and associated control environment. It also provides independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

20. 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'. During 2008/09 the Audit Commission conducted its triennial review of the adequacy of internal audit within the Council and concluded that it fully met the statutory standards set out in the CIPFA Code of practice for Internal Audit in Local Government.

21. The Council has an objective and professional relationship with external auditors and statutory inspectors as evidenced by the Annual Audit Letter.

Standards of Conduct

22. The Council has in place robust arrangements to ensure probity in all its decision-making. It adopted the model code of conduct in 2002 and it adopted the revised model code of conduct during 2007.

23. The Council 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 fully documented procedures for making local filtering decisions on complaints made about borough or parish councillor conduct. Where these result in local investigations, hearings will be held by sub committees in accordance with statutory requirements. In-house and external training has been undertaken for councillors on probity matters.

24. The Council has adopted a Whistleblowing Policy which is incorporated within the conditions of service for officers and is reviewed on an annual basis. The Whistleblowing Policy allows any officer within the Council to raise legitimate concerns relating to any unlawful conduct, fraud, corruption or dangers to the public or the environment that they believe exist without fear of retribution or reprisal of any kind.

25. The Council has a comprehensive complaints procedure which allows anyone to make a complaint about the Council and the services it provides. The Council is committed to providing a full and fair investigation on any complaint received.

Review of Corporate Governance

26. The Council has a local code of Corporate Governance which constitutes the governance framework for the Council. Following revised guidance issued by CIPFA/SOLACE during 2007 the Council revised the Local Code of Corporate Governance and this revised version was approved during 2008-2009.

27. The Local Code of Corporate Governance is reviewed on an annual basis and the report into the Local Code will be produced annually as the Council's Annual Governance Statement. Following the review of the Local Code of Corporate Governance for 2008-2009 no changes have been proposed.

Review of Effectiveness

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

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

30. During 2007-2008, in light of the new governance framework published by CIPFA/SOLACE, the Council reconsidered its arrangements for reviewing governance issues and in its approach to formulating and considering the Council's Annual Governance Statement. A governance management board was formed consisting of the Chairs of the Audit, Standards, Overview and Scrutiny and Selection and Constitutional Review committees as well as the Chief Executive, Deputy Chief Executive, Director for Community Engagement, Head of Legal and Democratic Services and the Head of Internal Audit. This board is responsible for considering the Annual Governance Statement and recommending its adoption to the Selection and Constitutional Review Committee.

31. As part of the review of the Council's governance arrangements the Council has decided to continue to publish a Statement on Internal Control. The Statement will focus on financial and risk management issues and will continue to be considered by the Audit Committee. Any exceptions identified within the Statement on Internal Control will be included within the Annual Governance Statement.

32. 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 2007-2008.

33. 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 2008-2009 will be presented to the Council in July 2009 and it will show that the incidence of formal complaints about Parish Councillors is low, whilst there have been no formal complaints against Borough Councillors during 2008-2009.

34. The Council has an Executive Committee which carries out the functions of the Council which are not exercised by the Council itself or delegated by the Council to a Committee or to an Officer. The Executive is responsible for executive functions which involve a recommendation to the Council including budget and policy proposals. The Executive is also responsible for making key decisions on any matter determined in the forward plan and included in the budget. The Executive is also responsible for receiving and responding to reports from the Overview and Scrutiny Committees, the Monitoring officer, the Chief Finance (Section 151) officer and recommendations from the Council.

35. The Council has appointed a Standards Committee to promote and maintain high standards of conduct by Members and to assist Members in observing the Members' Code of Conduct. The Standards Committee also advises the Council on all matters relating to the Code of Conduct including revisions to the Code, monitoring of the operation of the Code and training and arranging for training of Members on matters relating to the Code. The Standards Committee now also has a duty to consider locally all complaints of code of conduct breaches against parish or borough councillors. The Standards Committee has the power to censure, suspend or partially suspend a Member in accordance with the provisions of the Local Government Act 2000 or other relevant statute or regulation.

36. The Council has an Overview and Scrutiny Committee. It 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. It allows matters of wide ranging interest to the Council to be publicly reviewed and scrutinised. During 2008-2009 the Overview and Scrutiny Committee called in one decision made by the Executive Committee in relation to relocation of the town's market.

37. The Community Partnership Group reviews the progress on the Local Strategic Partnership as well as the operation and effectiveness of the Crime and Disorder Reduction Partnership and Community Safety Strategy. It also considers proposals and outcomes of the Ashford Future Partnership and considers the implications for Ashford of the Kent Partnership, Kent Public Service Board and the Kent Local Area Agreement.

38. During 2007-2008 the Council reviewed the operation and effectiveness of the Ashford's Future Partnership. As a result of this review the Council and its partners drew up and signed a more formal Partnership Agreement and subsequently (in November 2008) established a Special Purpose Vehicle (the Ashford's Future Company Ltd) to help ensure the more effective delivery of the desired outcomes of the partners and the public. The members of the company (Ashford Borough Council, Kent County Council, the South East England Development Agency and English Partnerships, now the Homes and Communities Agency) agreed the Memorandum and Articles of Association for the Company and entered into a Members' Agreement to govern their approach to the business of the company. These arrangements fully protect the interests of the Council in respect of the operation of the Company. The four Founding Partners have also entered into a formal Service Level Agreement with the Company in respect of the overall programme management function it carries out on behalf of the Partnership Board. The Company Business Plan has to be approved by the Partnership Board. The Council remains the statutory planning authority for the whole Borough Council area, and is the Accountable Body for the bulk of the capital funding available to the Partnership although it has formally delegated much of the day to day administration to the Company.

39. The Crime and Disorder Reduction (CDRP) Partnership holds weekly liaison meetings of the partner groups to assess issues surrounding anti-social behaviour. The Community Safety Unit reports on a quarterly basis to the Community Safety Partnership providing an overview of the activity of the CDRP.

40. Extensive governance arrangements have been put in place to in relation to the Kent Local Area Agreement (KLAA). The Governance Framework sets out the roles, accountabilities and responsibilities of those involved with the KLAA and how performance, risk and finance will be managed. The Kent Public Service Board, on behalf of the Kent Partnership, oversees the implementation of the Governance Framework for the KLAA.

41. During 2007 a review of the Council's Overview and Scrutiny (O&S) function and Policy Advisory Groups (PAGs) was carried out. This review looked at the lack of clarity about the respective roles of the O&S and PAGs in relation to policy development and uncertainty about how best O&S should carry out its scrutiny function. The results of this review recommended that there be one Overview and Scrutiny Committee and one Policy Advisory Group with more focused and specific roles. These changes were implemented during 2008-2009.

42. The Council holds an annual State of the Borough Debate. This meeting allows for the widest possible public involvement and provides a further opportunity for public questioning and scrutiny of the Council and its activities. The results of the debate are disseminated as widely as possible within the community and to agencies and organisations in the area. The results are also considered by the Executive when proposing the budget and policy framework to the Council for the forthcoming year.

43. The Council has an Audit Committee that undertakes the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical guidance for Local Authorities*. 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 Council's financial accounts.

44. 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 and the Directors. 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 and Directors and reported to the Audit Committee on a six monthly basis.

45. To further strengthen the governance of the Council for 2008-2009, all internal audits that returned an assurance control level of minimal or limited during this period (and where a follow-up audit has not been undertaken by the 31 March 2009 to confirm that the control weaknesses have been rectified) will be included within the Annual Governance Statement where the control issues have strategic or material implications to the Council. Internal audits with a minimal or limited assurance that are not considered strategic or material to the Council but to impact only locally on a service/function will continue to be reported upon to the Audit Committee by the Head of Internal Audit.

46. 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 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 Annual Governance Statement. For 2008-2009 the Head of Internal Audit's report entitled Internal Audit Annual Report 2008-2009 concluded that generally, a substantial level of internal control exists within the Council's systems and procedures subject to the qualifications recorded within the report.

47. 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. For the financial year 2008-2009 they were able so to do. During 2008 the Audit Commission carried out their triennial review of the adequacy of Internal Audit within the Council. The Audit Commission's auditors concluded that the service fully meets the statutory standards which are contained within the CIPFA Code of Practice for Internal Audit in Local Government.

48. Apart from forming a view on the effectiveness of the Council's Internal Audit arrangements the Council's External Auditor provides a check on the overall effectiveness of the Council's governance arrangements including separate service based audits through to the approval of the Council's Statement of Accounts.

49. A report on progress against National Indicator and Local targets and budget monitoring is brought to Management Team and the Executive as part of the Quarterly Budget and Performance Monitoring Report. Monthly updates are available on all National and Local Indicators on the Internet and Intranet. Monthly monitoring reports on budgets are prepared and are posted on the intranet.

50. Following the publication of the framework *'Delivering Good Governance in Local Government'* by CIPFA/SOLACE in 2007 the Council undertook a review of its Local Code of Corporate Governance. Following this review a revised Code was approved and adopted in 2008-2009. In line with the revised framework and the Council's revised Local Code of Corporate Governance the Council will now publish an Annual Governance Statement (this document) on an annual basis. Any major exceptions which are identified will be reported upon on a quarterly basis to the Audit Committee or Selection and Constitutional review Committee dependant upon the nature of the exception.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, Selection & Constitutional Review Committee, Management Team and other senior officers of the Council and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

The following significant governance issues have been identified during the period 2008-2009. These exceptions and the actions being taken to rectify them will be reported upon to the Audit Committee or Selection & Constitutional Review Committee (as indicated) on a quarterly basis within a governance issues report.

Exception	Description/Action
Partnership Framework (S&CR)	During 2008-2009 the Council adopted a new Partnership Framework. As part of the framework Management Team must review the Council's partnerships and identify those partnerships that should be considered as key partnerships. This review is still outstanding and will be undertaken during 2009-2010.
Race Equality Scheme and Gender Equality Scheme (S&CR)	The Council's Race Equality Scheme was due to be reviewed in 2005 and this review is still outstanding and needs to be urgently undertaken. Although identified as an exception during 2007-2008 further work on this was delayed. Additionally the Council's Gender Equality Scheme went out for consultation during 2007-2008 and further progress needs to be made so the Council can adopt the scheme. (Overview and Scrutiny have been asked to review the Council's current position in relation to equality work).
ICT Physical and Environmental Controls (AC)	An internal audit into ICT physical and environmental controls highlighted a number of control weaknesses. A follow-up audit will be conducted during 2009-2010 to monitor improvements that have been made as a result of the audit's recommendations.
Scheme of Public Participation. (S&CR)	The Council's Scheme of Public Participation (contained within the Constitution) needs to be reviewed to see whether more public engagement can be achieved particularly in relation to e-petitioning. Work on this was deferred during 2008-2009 as the Government introduced the Local Democracy, Economic Development and Construction Bill into the House of Lords. The Bill covers various aspects of public participation and it is prudent to await the final legislation and then review the Council's procedures in light of the legislation.
Recruitment (S&CR)	Following an audit of recruitment, various control weaknesses were indentified in relation to statutory requirements relating to equalities and other issues. A follow-up audit will take place during 2009-2010 to ensure the necessary improvements have been made.

Exception	Description/Action
Debtors (AC)	Some recommendations from a previous debtors audit had not been carried out during a follow-up audit in November 2008. The Head of Financial Services has compiled a comprehensive action plan setting out a schedule to implement all of the audit recommendations and a follow-up audit will be conducted during early 2009-2010 to review progress.
Grounds Maintenance (AC)	The initial audit concluded that control assurance was substantial. However, this opinion gave some consideration to the expectation that the audit recommendations would be implemented. The follow-up in May 2008 found that the majority of the recommendations had not been implemented. A second follow-up audit will take place in 2009 and this will be reported upon to the Audit Committee at its June 2009 meeting.
Financial reporting (AC)	The Audit Commission undertake an annual Use of Resources review of the Council. For the past four years the Council has received a score of 1 (out of 4) for Financial Reporting even though improving our result for this element of the Use of Resources has been considered a priority. It is proposed to maintain Financial Reporting as an exception until the Council's Statement of Accounts are approved by the Audit Commission with no material errors being identified.
Corporate Complaints (S&CR)	An internal audit into the Council's Corporate Complaints procedures returned a control assurance of 'limited'. A comprehensive response has been received to the audit and a follow-up audit will take place in early 2009-2010 to check if the audit report's recommendations have been implemented.
Housing Contracts (AC)	An internal audit of Housing Contracts identified a number of occurrences where Council Contract procedure rules had not been adhered to. A follow-up audit will take place during 2009-2010 to confirm that recommendations contained within the audit have been implemented.
Management of utility provision and purchasing arrangements	Work during 2008-2009 identified a number of weaknesses with regards to the management of the supply, use and purchasing of utilities (specifically electricity and gas). A review of the Council's contractual and management arrangements for the supply of electricity and gas will take place during 2009-2010.

We propose over the coming year to take steps to address the above matters and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified on our review of effectiveness and will monitor their implementation and operation at our next annual review.

Chief Executive

Leader of the Council

Dated………………………………………………………………………………

AUDIT OPINION

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

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Ashford Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of 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 Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Ashford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditor

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

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

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

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

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

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion 1 also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

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

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

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

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Andy Mack
District Auditor

Audit Commission, 16 South Park, Sevenoaks, Kent TN13 IAN

30..... September 2009

CORPORATE AIMS AND OBJECTIVES

In 2006 the Council reviewed its corporate objectives and agreed revised themes and aims for the period 2006/2010. The Council is committed to the delivery of its Corporate Plan which is summarised below. This plan is integrated into the Council's budget allocating the resources available to meet these objectives.

Good quality services giving best value for money

By 2010 we will:

- Provide excellent services and good value for money.
- Provide top quality customer service and maintain high customer satisfaction levels.
- Protect the health of the community and address key health issues.
- Maintain the level of Council Tax as amongst the lowest in Kent.

Local leadership and strong partnership working

By 2010 we will:

- Develop a new Sustainable Community Strategy to promote the economic, social and environmental wellbeing of the area.
- Tackle crime and antisocial behaviour.
- Provide more integrated and efficient services through effective partnership working.
- Improve the efficiency and speed for managing planning applications for major development sites.
- Engage young people to ensure services provided meet their needs and aspirations.

Customer/Citizen focus

By 2010 we will:

- Improve communication with residents.
- Achieve and maintain accessibility standards for the Council's website.
- Improve opportunities for residents to influence the provision of Council services.
- Finalise and implement a Social Inclusion Strategy with guidance on how to liaise with 'hard to reach' groups.
- Answer 88% of customer enquiries at first point of contact.
- Consult and gain feedback from those interested in helping to shape future planning and development issues in the Borough.

Our Environment

By 2010 we will:

- Develop a new County-wide waste strategy and achieve national targets for the recycling/composting of municipal waste.
- Open a new Environment Centre adjacent to the Community Woodland at Singleton by 2008.
- Manage Ashford's network of green open spaces.
- Require that all new homes built in the Borough meet challenging standards in environmental sustainability.
- Ensure the management of water supply and waste water treatment meets the needs of the Borough's growing population.

Ashford's Future

By 2010 we will:

- Adopt (by 2008) a Local Development Framework "Core Strategy" to govern the Borough's growth in the period to 2021.
- Maintain local democratic control over the nature, pace and quality of Ashford's growth.
- Transform Ashford town centre.
- Support a new Learning Campus in Ashford town centre.
- Implement the first stages of the Ashford Parking Strategy.
- Work with partners to bring forward a high quality and comprehensively planned area of shopping, offices, homes and leisure space along the Elwick Road corridor.

Housing

By 2010 we will:

- Work with partners to provide 968 homes of excellent quality at an affordable cost to meet the range of housing needs within the community.
- Complete 75% of the regeneration works at Stanhope.
- Provide a tenant lead housing service to improve choice and satisfaction levels, deliver new services, retain decent homes standards and regenerate existing Council housing areas.
- Promote an effective housing service to reduce homelessness and temporary accommodation.

Prosperity

By 2010 we will:

- Work with partners to attract good jobs and businesses to the area.
- Work with partners to bring forward the high speed train services to and from London.
- Improve private sector commercial development investment opportunities.
- Improve business productivity and sustainable business.
- Protect the character and viability of the rural areas of the Borough.
- Improve Ashford's streets and public spaces.

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.

AMORTISED – the deduction of capital expenses over a specific period of time. Similar to depreciation, it is a method of measuring the consumption of the value of long-term assets like equipment or buildings.

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 to provide 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 Statement of 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. The SORP 2008 has replaced these with Revenue Expenditure Funded from Capital Under Statute.

FORCE MAJEURE – is a common clause in contracts which essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as war, strike, riot, crime, act of nature (e.g. flooding, earthquake, volcano), prevents one or both parties from fulfilling their obligations under the contract.

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.

LABGI – Local Area Business Growth Incentive Scheme. This grant is awarded by Government to councils who grow Rateable value of the businesses in their area.

MRP – Minimum Revenue Provision. This is the calculation that Councils make for the repayment of debt.

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 “other 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 EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE – expenditure that does not result in the creation of a fixed asset but is classified as capital expenditure for Capital Control purposes.

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.

SORP – Statement of Recommended Practice. This is the accounting framework issued by CIPFA within which the Statement of Accounts is produced.

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.