



ASHFORD  
BOROUGH COUNCIL

# Statement of Accounts

2011-2012

**Ashford**  
best placed in Britain



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## Approval of the Statement of Accounts

The Audit Committee at its meeting on the 27 September 2012 approved the Statement of Accounts for the year ended 31 March 2012 in accordance with the Accounts and Audit Regulations 2003 (as Amended).

Signed:

A handwritten signature in black ink that reads "Paul Clokie". The signature is written in a cursive style with a large initial 'P' and a long horizontal stroke at the end.

Councillor Clokie  
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 is unavoidable, an explanation is provided in the Glossary (Page 112).

## The Statement of Accounts

The content and format of the Statement of Accounts is 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 Code of Practice of Local Authority Accounting (The Code). The Statement of Accounts includes the Core Financial Statements and Supplementary Financial Statements along with other statutory sections.

For this year (2011/12) there has been one change requiring the restatement of previous year balances for Heritage Assets, these include:

- Change in Classification of some Assets to Heritage Assets
- Bringing some assets onto the balance sheet.

These changes are detailed in note 20 (Heritage Assets)

The service analysis for the Comprehensive Income and Expenditure Statement has been changed to bring it in line with new disclosure requirements.

For 2011/12 the Authority has reverted to account for pension strain payments on an to an as paid basis in accordance with regulation 30 of the Local Authorities (Capital Finance and accounting) (England) regulations 2003.

The Core Financial Statements (Page 10 to 16) comprise:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

## Overview of 2011/2012 Financial Results and Activity

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

The Comprehensive Income and Expenditure Statement (page 10) 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 agree with the

statutory presentation of the Comprehensive Income and Expenditure Statement. See note 5 for reconciliation.

The financial year 2011/2012 was the first in the government's deficit reduction programme when large cuts in public spending occurred, including grants to local authorities. Our business planning and budget for the year had expected much of this and therefore the council entered 2011/2012 with priorities agreed and plans to reduce its forecast budget requirement by £1.5 million.

The Council set its Budget Requirement at £13.2m (amount to be funded by Government Grant and Council Tax) with a further £0.8m levied by Parish Councils.

The general economic climate presented challenges, with impacts

locally in various ways, including, for example, housing benefit caseload rising to its highest level for many years.

Spending overall, after income and other receipts was below budget. Some services came in over budget, these pressures are being reviewed to assess whether any have particular impacts for current and future budgets. In the main, there was continued restraint on spending.

Reserves remain healthy and have slightly increased at the year-end, despite over £1.3 million being used to support planned needs. This position provides both the flexibility and opportunity to manage pressures and risks, and to consider suitable further investment to support council priorities.

### General Fund Final Outturn 2011/12

Service	Revised Budget	Outturn to 31/03/12	Variance
	A £'000	B £'000	(B-A) £'000
<b>Net Service Expenditure</b>	<b>14,112</b>	<b>14,052</b>	<b>(60)</b>
Capital Charges and net interest	(1,425)	(1,590)	(165)
Levies, Grants and Precepts	1,148	1,124	(24)
Other non Service Grants and Levies	219	219	-
<b>Net Expenditure including Parishes</b>	<b>14,054</b>	<b>13,805</b>	<b>(249)</b>
Adjust for Support Cost	-	(55)	(55)
Impairment Allowance for Bad Debts	-	(4)	(4)
Rent Deposits Provision	-	73	73
<b>Funded By:</b>			
Government Grant	(6,859)	(6,860)	(1)
Parish Precepts	(816)	(816)	-
Council Tax	(6,379)	(6,379)	-
<b>Total Financing</b>	<b>(14,054)</b>	<b>(14,055)</b>	<b>(1)</b>
<b>Outturn Reported</b>	<b>-</b>	<b>(236)</b>	<b>(236)</b>



<b>Comparison of Budget to General Fund Final Outturn – Major Variances</b>	
	<b>£'000</b>
Planning Fee Income due to changes in legislation not coming into force	200
Public Conveniences	43
Car park income	(98)
Ground maintenance contract (includes grass cutting & general maintenance)	(70)
Bus shelter maintenance (timing of works)	(35)
Waste contracts	(96)
Ashford Future Income built into the budget but not received	155
Concessionary Fares	(160)
Increase liability for Private Sector Housing rent deposit scheme	73
Increase in industrial estates income	(38)
Interest receiving	(165)
Other	(45)
<b>Net underspend against budget</b>	<b>(236)</b>

The Comprehensive Income and Expenditure Statement, and associated notes on page 10, includes

- the general fund outturn as detailed above
- the Housing Revenue Account income and expenditure
- other notional accounting entries for capital charges, pensions and asset sales.

A reconciliation between the statutory and management accounts is included in note 5.

#### **Housing Revenue Account (HRA)**

For 2011/12, the Council planned a surplus of £81,000 on the HRA to be put into reserves to fund future projects and capital expenditure. The final outturn was in line with this plan.

## Housing Revenue Account Outturn 2011/12

	Original Budget A £'000	Outturn to 31/03/11 B £'000	Variance (B-A) £'000
Income	(21,299)	(21,436)	(137)
Supervision and Management	3,003	2,959	(44)
Repairs and Maintenance	3,407	3,094	(313)
New Development Costs	301	370	69
<b>Net Service Expenditure</b>	<b>(14,588)</b>	<b>(15,013)</b>	<b>(425)</b>
Capital Charges and Net Interest	7,716	8,356	640
HRA Subsidy	4,752	4,675	(77)
Impairment Allowance for Bad Debts	200	21	(179)
Support Costs	1,839	1,889	50
<b>(Surplus)/Deficit for year</b>	<b>(81)</b>	<b>(72)</b>	<b>9</b>

The main items of variance, in regards to service expenditure, were:

Comparison of Budget to Final Outturn	£'000
Contribution to the General Fund in respect of the sustainable energy project	30
More accurate reporting has led to a reduced contribution to the impairment allowance for bad debts	(179)
Rent income from new builds, omitted from the original budget	(138)
Increased interest charges and brokers fees, as a result of a higher average cost of borrowing than budgeted	240
Revenue contribution to capital in regard to the new build programme	368
Expenditure on voids is lower than anticipated due to an improved standard of returning properties	(312)
<b>Net under spend against budget</b>	<b>9</b>

The accumulated HRA reserve balance at 31 March 2012 was a surplus of £2,225,000. In addition, the Major Repairs Reserve stands at £3,010,000, which is available to fund the Decent Homes programme, giving a total balance for HRA Reserves of £5,235,000 (compared with £6,065,000 as at 31 March 2011). These reserves are needed to balance the HRA's longer-term business plan.

- **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 and intangible assets (such as computer software) which will be used to benefit services over a number of years.

In the financial year 2011/12 the budget and outturn for the capital programme was:

### Summary of Capital Spending and Financing

	<b>Budget</b>	<b>Actual</b>
	<b>£'000</b>	<b>£'000</b>
General Fund Capital Expenditure	2,467	3,558
HRA Capital Expenditure	11,434	11,367
<b>Total Expenditure</b>	<b>13,901</b>	<b>14,925</b>
<b>Funding</b>		
Capital Receipts		1,329
Ring-fenced capital receipts		147
Growth Area Funding		646
Homes & Communities Agency (New Build)		3,676
Repairs and Renewals reserve		309
External Grants and Contributions		887
Developer Contributions		113
GF Revenue Contributions		274
Housing Subsidy		343
Major Repairs Reserve		4,310
Prudential Borrowing		2,891
<b>Total Funding</b>		<b>14,925</b>

## Treasury Management

return of 1.703% was achieved (2010/11 1.89%).

### Borrowing

At 31 March 2012 the Council had long-term borrowing of £119.6m (£5.9m 2010/2011). This has increased due to the national reform of the Housing Revenue Account whereby Government transferred £113.7m of Housing debt to this Council, see note 11 to HRA for more information.

The Council undertakes short-term borrowing and lending (i.e. less than 365 days) on the money markets to manage its day-to-day cash flow. As at 31 March 2012 the Council's temporary borrowing stood at £1.5m.

### Investments

At 31 March 2012, the Council had investments and cash deposits of £24.3m (£35.4m 2010/2011).

As a result of the global economic climate the Council restricted investments to Government Bonds, other Local Authorities, and Government Bodies. During the year in response to the crisis in the Euro zone, the Council decided to reduce its Euro Sterling Bond portfolio from £9.0m to £2.5m.

As a consequence of this reduced investment, lower returns were achieved; however, the security of the Council's cash was maintained. For 2011/12 an average investment

### 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 behalf of all contributing member authorities.

There has been a significant actuarial adjustment in the value of scheme liabilities and assets (shown on the face of the CI&ES page 10). This is primarily due to the changes in the discount rate linked to the iBoxx corporate bond market.

For further information see note 31

### Stanhope Private Finance Initiative (PFI) Project

On 17 April 2007 the PFI agreement for the regeneration of the Stanhope Estate was signed with the Chrysalis Consortium (a consortium comprising Gleeson Homes, Dennes and Moat Housing). The aim of the contract was the refurbishment of properties on the estate and the related housing management function. Together with improvement to the properties on the estate, associated environmental and highway improvements have also been carried out in the first five years of the project.

The contract, allowed for a benchmarking exercise to assess the housing management costs on a five yearly basis. This was completed last year reducing the overall modelled contract cost for the remainder of the contract (27 years),  
At the end of the contract the properties will be handed back to the Council.

### **Ashford's Future**

In 2003, Ashford was designated as one of the sustainable community growth areas in the South East of England. After the 2010 election the Coalition Government announced it was scrapping the policy of national housing targets in favour of allowing local communities to determine suitable levels of growth.

During 2011/12 the Council worked to bring the projects relating to the Growth Agenda to an end, including working to wind-down Ashford Future Company Ltd.

In response to abolition of the area plan and previous funding of the growth agenda the Cabinet decided to clearly set out the Cabinet's expectations, strategic targets and preferred options in respect of the next 20 years. This strategic steer is contained in the Cabinets framework document Ashford 2030.

### **Housing Revenue Account Reform**

During 2011/12 the Government introduced a major reform of the Housing Revenue Account. This sought to abolish the subsidy regime and replace it with a self-financing system, where-by the national housing debt is apportioned to stock holding councils.

Ashford's share of the debt was £113.7m. The Council undertook extensive financial modelling to assess the impact of financing and carrying this debt on the Housing Revenue Account. Plans showed the debt affordable and the reform will potentially allow for greater investment in the housing stock in the long-term.

On the 28 March 2012 the Council borrowed £113.7m from the Public Works Loans Board, comprising of a number of loans, with a range of maturities from 5-25 years. Details of the loans are reported in note 11 to HRA.

### **Municipal Mutual Insurance**

In previous years the Council has carried a contingent liability for the risk associated with claw-back of the possible liabilities of the scheme. Due to a Supreme Court ruling the probability that the Council will have to pay into this scheme has changed and therefore a provision of £397,000 has been set aside for this liability.

# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

Under Law 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 Chief Financial Officer (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 Chief Financial Officer (CFO)

As CFO the Deputy Chief Executive is responsible, in law, 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'). There is a responsibility of the CFO to observe the CIPFA statement on the role of the CFO in public service organisations.

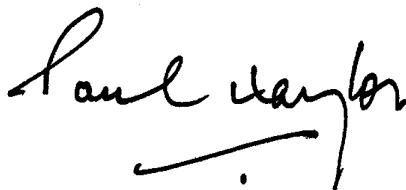
In preparing this Statement of Accounts, the CFO has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Codes of Practice.

### The CFO 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 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2012 and its income and expenditure for the year ended on that date.**



**Paul Naylor**

Deputy Chief Executive and Chief Financial Officer

27 September 2012

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/2011 (restated)				2011/2012		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
10,411	(9,515)	896	Central Services to the Public	10,663	(9,445)	1,218
3,251	(1,031)	2,220	Cultural and Related	949	(589)	360
6,525	(1,484)	5,041	Environmental & Regulatory	6,240	(1,043)	5,197
3,843	(1,851)	1,992	Planning Services	3,707	(1,742)	1,965
2,524	(2,093)	431	Highways and Transport services	1,329	(2,032)	(703)
22,668	(23,294)	(626)	Local Authority Housing (HRA)	21,926	(24,436)	(2,510)
105,290	-	105,290	Exceptional Item –HRA (see note 10 & 11 to the HRA)	128,080	-	128,080
35,444	(32,085)	3,359	Other Housing Services	36,927	(35,658)	1,269
3,549	(869)	2,680	Corporate and Democratic Core	3,290	(641)	2,649
(9,332)	-	(9,332)	Exceptional Item*	-	-	-
1,156	-	1,156	Non Distributed Costs	1,552	-	1,552
<b>185,329</b>	<b>(72,222)</b>	<b>113,107</b>	<b>Cost of Services</b>	<b>214,663</b>	<b>(75,586)</b>	<b>139,077</b>
		15,756	Other operating expenditure (note 13)			1,300
		2,427	Financing and Investment Income (note 14)			1,389
		(20,606)	Taxation and non-specific grant income (note 15)			(20,095)
		<b>110,684</b>	<b>(Surplus)/Deficit on provision of services</b>			<b>121,671</b>
		3,194	Surplus or deficit on revaluation of Property, Plant and Equipment assets (notes 17 & 28)			(3,288)
		119	Surplus or deficit on revaluation of available for sale financial assets			368
		(23,375)	Actuarial gains/losses on pension assets/liabilities (note 31)			16,235
		<b>90,622</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>134,986</b>

\*Actuarial change from RPI to CPI inflation when measuring pensions liability.

## **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase/Decrease before 'Transfers to Earmarked Reserves' shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.



	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2011</b>	<b>(3,812)</b>	<b>(3,341)</b>	<b>(2,152)</b>	<b>(3,913)</b>	<b>(1,015)</b>	<b>(14,233)</b>	<b>(182,722)</b>	<b>(196,955)</b>
Movement in reserves during 2011/12								
(Surplus) or deficit on the provision of services	(6,795)	-	128,466	-	-	121,671	-	121,671
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	13,315	13,315
<b>Total Comprehensive Income and Expenditure (as per core statement)</b>	<b>(6,795)</b>	<b>-</b>	<b>128,466</b>	<b>-</b>	<b>-</b>	<b>121,671</b>	<b>13,315</b>	<b>134,986</b>
Other items	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 16)	7,178	-	(128,539)	903	909	(119,549)	119,549	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>383</b>	<b>-</b>	<b>(73)</b>	<b>903</b>	<b>909</b>	<b>2,122</b>	<b>132,864</b>	<b>134,986</b>
Transfers to/from Earmarked Reserves (note 12)	276	(276)	-	-	-	-	-	-
<b>Increase/Decrease 2011/12</b>	<b>659</b>	<b>(276)</b>	<b>(73)</b>	<b>903</b>	<b>909</b>	<b>2,122</b>	<b>132,864</b>	<b>134,986</b>
<b>Balance at 31 March 2012</b>	<b>(3,153)</b>	<b>(3,617)</b>	<b>(2,225)</b>	<b>(3,010)</b>	<b>(106)</b>	<b>(12,111)</b>	<b>(49,858)</b>	<b>(61,969)</b>

<b>Restated</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Housing Revenue Account</b>	<b>Earmarked HRA Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2010</b>	<b>(3,420)</b>	<b>(2,876)</b>	<b>(1,670)</b>	<b>(4,753)</b>	<b>(1,088)</b>	<b>(13,807)</b>	<b>(273,770)</b>	<b>(287,577)</b>
Movement in reserves during 2010/11								
Surplus or (deficit) on the provision of services	(10,772)	-	121,456	-	-	110,684	-	110,684
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(20,062)	(20,062)
<b>Total Comprehensive Income and Expenditure</b>	<b>(10,772)</b>		<b>121,456</b>	<b>-</b>	<b>-</b>	<b>110,684</b>	<b>(20,062)</b>	<b>90,622</b>
Other Items	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 16)	9,915	-	(121,938)	840	73	(111,110)	111,110	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(857)</b>	<b>-</b>	<b>(482)</b>	<b>840</b>	<b>73</b>	<b>(426)</b>	<b>91,048</b>	<b>90,622</b>
Transfers to/from Earmarked Reserves (note 12)	465	(465)	-	-	-	-	-	-
<b>Increase/Decrease 2010/11</b>	<b>(392)</b>	<b>(465)</b>	<b>(482)</b>	<b>840</b>	<b>73</b>	<b>(426)</b>	<b>91,048</b>	<b>90,622</b>
<b>Balance at 31 March 2011</b>	<b>(3,812)</b>	<b>(3,341)</b>	<b>(2,152)</b>	<b>(3,913)</b>	<b>(1,015)</b>	<b>(14,233)</b>	<b>(182,722)</b>	<b>(196,955)</b>

## Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched to the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve, that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2010 (Restated) £'000	31 March 2011 (Restated) £'000		Notes	31 March 2012	
				£'000	£'000
368,244	247,710	Property, Plant & Equipment	17	247,374	
2,929	2,929	Heritage Assets	20	2,929	
76	69	Intangible Assets		40	
12,773	18,084	Long Term Investments	23	2,500	
1,658	1,671	Long Term Debtors		1,703	
<b>385,680</b>	<b>270,463</b>	<b>Long Term Assets</b>			<b>254,546</b>
13,342	13,313	Short Term Investments	23	18,608	
29	16	Inventories		19	
11,228	6,222	Short Term Debtors	26	4,715	
4,064	4,228	Cash and Cash Equivalents	25	3,313	
49	-	Assets Held for Sale		-	
<b>28,712</b>	<b>23,779</b>	<b>Current Assets</b>			<b>26,655</b>
(9,014)	(10,305)	Short Term Borrowing	23	(1,501)	
(23,329)	(15,416)	Short Term Creditors	27	(13,167)	
(219)	(2,487)	Capital Grants Received in Advance	11 & 27	(503)	
-	-	Bank Overdraft	25	(5,075)	
<b>(32,562)</b>	<b>(28,208)</b>	<b>Current Liabilities</b>			<b>(20,246)</b>
(179)	(195)	Provisions		(608)	
(65,835)	(34,352)	Pension Liability	31	(50,258)	
(27,698)	(28,249)	PFI Liability	30	(28,298)	
(541)	(331)	Finance Lease Liability	29 & 30	(120)	
-	(5,951)	Long Term Borrowing	23	(119,702)	
<b>(94,253)</b>	<b>(69,078)</b>	<b>Long Term Liabilities</b>			<b>(198,986)</b>
<b>287,577</b>	<b>196,956</b>	<b>Net Assets</b>			<b>61,969</b>
		<b>Financing (see MiRS)</b>			
13,807	14,234	Usable Reserves		12,111	
273,770	182,722	Unusable Reserves	28	49,858	
<b>287,577</b>	<b>196,956</b>	<b>Total Reserves</b>			<b>61,969</b>

## Cash Flow Statement

A statement of 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.

2010/2011 £'000		2011/2012	
		£'000	£'000
(112,893)	Net surplus or (deficit) on the provision of services	(121,671)	
151,556	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 37)	84,889	
(35,315)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 38)	(71,964)	
<b>3,348</b>	<b>Net cash flows from Operating Activities</b>		<b>(108,746)</b>
(8,064)	Investing Activities (Note 40)	389	
14,850	Financing Activities (Note 41)	102,367	
<b>10,134</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(5,990)</b>
(5,906)	Cash and cash equivalents at the beginning of the reporting period		4,228
<b>4,228</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 42)</b>		<b>(1,762)</b>

# Notes to the Core Financial Statements

## 1. Accounting Policies

### General Principles

The Statement of Accounts is prepared on an income and expenditure basis in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2011/12: Based on 'International Financial Reporting Standards'. The Code is based on approved accounting standards, comprising International Accounting Standards (IAS); International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board, International Public Sector Accounting Standards (IPSAS) and the Urgent Issues Task Force's (UITF) Abstracts.

### 1. Accounting Concepts and Conventions

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets.

The Going Concern basis has been selected for the preparation of these accounts based on the assumption that the council will operate for the foreseeable future.

Qualitative characteristics are the attributes that make the information provided within this statement of accounts useful to users (IASB Framework, paragraph 24). The IASB Framework sets out the four principal qualitative characteristics of financial statements, which have been adopted by the Code:

- understandability
- relevance
- reliability
- comparability

The Code also includes consideration of materiality as a qualitative characteristic, although the Framework considers it as a subsidiary concept of relevance.

### 2. 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.

### 3. **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 are used are contained in the relevant Note to the Accounts. Where a change in an estimation technique is material, an explanation is provided of the change and its effect on the results for the current period.

### 4. **Costs of Internal Support Services**

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

<b>Cost</b>	<b>Basis of Allocation</b>
Accounting and other services	Budgeted time spent by staff, as predicted by budget managers
Legal 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 accounts at the year-end remain on those accounts, and incorporated into the General Fund balances.

## **5. Council Tax and National Non-Domestic Rates**

The Council is a billing authority and as such is required to bill local residents and businesses for Council Tax and National Non-Domestic (Business) Rates. The Council collects on behalf of the major precepting authorities, Kent County Council, Kent Police Authority, and Kent Fire Authority, for Council Tax and the Government for National Non-Domestic (Business) Rates.

Therefore, the accounts only show the amount owed to/from taxpayers in respect of Council Tax. Major precepting authorities are shown as net debtors or creditors on the balance sheet. Similarly, the accounts only show the net debtor or creditor in respect of National Non-Domestic (Business) Rates received and paid over to the Government.

The amount shown in the Comprehensive Income and Expenditure Account as the demand on the Collection Fund includes the accrued amount of Council Tax collected, as well as amounts from the previous year's estimates. This adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

## **6. 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.

Capital 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.

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 do not, therefore, impact on the amounts required from local taxation.

#### **7. 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 Council Tax. These items are generally grants and expenditure on property, not owned by the Authority.

Such expenditure is charged to the Comprehensive Income and Expenditure Account in year. 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 shown in the Movement in Reserves Statement.

#### **8. Government Grants and Contributions**

Revenue grants received are accrued and credited to the Comprehensive Income and Expenditure Account in the same period as the related expenditure is incurred.

Grants specific to a particular service will be shown against the service expenditure line. General grant in the form of Revenue Support Grant and the contribution from the National Non-Domestic Rate Pool are credited and disclosed separately in the Comprehensive Income and Expenditure Account under General Government Grants.

Capital grants and capital contributions (such as Section 106 Developer Contributions) received will be credited to the Comprehensive Income and Expenditure Account in the year that the capital expenditure is incurred, or once conditions have been met. This income will subsequently be transferred to the Capital Adjustment Account or the Grants Unapplied Account if expenditure has not been incurred through the Movement in Reserves Statement. If conditions have not been met grants will be held as a creditor on the Balance Sheet until conditions are met or grants are repaid.

#### **9. 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.

**10. Heritage Assets**

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation, or where not available the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts. A de minimis level has been set at £10,000 for heritage assets based on the method of valuation above.

**11. Assets Held for Sale (Non-Current Assets)**

These assets have been declared surplus to the Council's operational requirements, are being actively marketed, and have an estimated sale date within twelve months of the balance sheet date. They will be reported on the balance sheet date at the lower of the carrying amount or the fair value (market value) of the asset less the costs to sell the asset. Assets available for sale are not subject to depreciation.

**12. 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 benefit the Council for more than one financial year.

An intangible asset shall initially be measured at cost and is not subject to revaluation. It is, however, subject to amortisation over their useful economic life. The accounting policies practiced will be the same for all fixed assets as stated below.

**13. Investment Properties**

Investment property is property (land and/or buildings) held solely to earn rental income, or for capital appreciation, or both.

Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period, losses or gains shall be recognised in the Comprehensive Income and Expenditure statement.

Depreciation will not be charged against investment property.

**14. Fixed Assets**

**14.1. Recognition**

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

## 14.2. **Property Plant and Equipment**

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services; for rental to others; or for administrative purposes, and expected to be used during more than one period.

The category is split into five sub categories.

- Land and Buildings
- Vehicles, Plant and Equipment
- Community Assets
- Infrastructure Assets
- Assets under Construction

The Accounting policy for each type of asset is detailed below:

### **Council dwellings**

These are held on the balance sheet on a market value basis but discounted to allow for the Existing Use Value – Social Housing (EUV-SH) valuations.

An annual valuation is carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institute of Chartered Surveyors (RICS) as at 1 April. Material changes will be reflected in the Accounts if they arise after the valuation.

### **Land and Buildings**

These are held on the balance sheet at cost with revaluations happening throughout a 5 year period. All property and land will be valued at least once within the 5 year cycle, therefore 20% of the assets were valued as at 1 April 2011.

The valuations are carried out by a qualified surveyor in accordance with the latest guidance issued by RICS on a market value for existing use, unless it is felt the property is of a specialist nature where depreciated replacement cost may be used. The method for the current year's valuation will be explained in notes 17-19 and HRA note 2. Items of plant that are functional to the operation of a building are included in the valuation for that building unless they of a material value and component accounting is applied (see below).

All buildings are subject to straight-line depreciation over their estimated useful life, which depends on the asset type. In accordance with recognised accounting practice land is not depreciated.

IFRS requires the consideration of componentisation for material items of property, plant and equipment, where they are of a material financial nature or have significantly differing life expectancies. The Council has set a minimum asset value of £1,000,000 and a component size of at least 10% of the value.

### **Vehicles, Plant and Equipment**

Major items of plant are included within the valuation of buildings above (unless subject to componentisation). Other items of plant are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

### **Community Assets**

These are defined as Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and allotments. These assets are held on the balance sheet at historic cost and are not subject to revaluation or depreciation.

### **Assets under Construction**

This covers assets currently not yet ready for operational purposes. The Council does not depreciate or revalue assets under construction.

## **15. Depreciation**

Depreciation on assets with a finite useful life, in line with International Financial Reporting Standards (IAS 16), is calculated on a straight-line basis 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, unless evidence exists to support a longer or shorter life.
- Newly acquired assets are depreciated in year one; assets in the course of construction are not depreciated until they are brought into use.

For Council Dwellings the Major Repairs Allowance is used as a proxy for depreciation. Council Dwellings are revalued annually. Other HRA land and property are valued as above.

### **15.1. Impairment of Fixed Assets**

A review for impairment of a fixed asset, whether carried at historical cost or valuation, should be carried out if events or changes in circumstances indicate

that the carrying amount of the fixed asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in a fixed asset's market value during the period;
- evidence of obsolescence or physical damage to the fixed asset;
- a significant adverse change in the statutory or other regulatory environment in which the authority operates;
- a commitment by the authority to undertake a significant reorganisation.

In the event that impairment is identified, the value will either be written off to the revaluation reserve, where sufficient reserve levels for that asset exist, or written off to revenue through the Comprehensive Income and Expenditure Account. Any impairment at the balance sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer making the impairment. On revaluation, accumulated depreciation will be written back to the asset using the revaluation reserve.

16. **Gains or Losses on Disposal of Fixed Assets**

When an asset is disposed of or de-commissioned, the value of the asset and the income from the sale are both charged to the Comprehensive Income and Expenditure Account, which therefore, bears a net gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The receipt is credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve via the Movement in Reserves Statement.

The loss on disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement on Reserves Statement.

17. **Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

A definition of a lease includes hire purchase arrangements.

**Finance Leases**

As lessee, the Council shall recognise finance leases as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments.

Minimum lease payments shall be apportioned between the finance charge (interest) and the reduction of the outstanding liability. The finance charge shall be calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The authority will recognise an asset under a finance lease in the balance sheet at an amount equal to the net investment of the lease.

Assets recognised under a finance lease shall be depreciated; the depreciation policy for leased assets shall be consistent with the policy for owned assets. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful economic life. After initial recognition, assets recognised under a finance lease are subject to revaluation in the same way as any other asset.

As lessor, the Council shall derecognise the asset and show this as a long term debtor. For existing leases, which would be treated as finance leases, an adjustment will be made transferring the capital receipt into the General Reserve.

### **Operating Leases**

Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by an authority.

### **Embedded Leases**

These are assets, which although not owned by the Council, are used primarily by the authority for service provision. An example of this would be vehicles used by the Council's Street Cleansing and Refuse and Recycling Collection contractor. In this case an estimated value for the vehicles has been used along with a leased term in line with the contract period. Assets will be recognised in the balance sheet at the Net Book Value and offset by a Deferred Liability. The lease charge will then form part of the contract payment on behalf of these vehicles, on a straight-line basis over the life of the asset.

## **18. Current Assets and Liabilities**

### **18.1. Debtors and Creditors**

The Revenue and Capital accounts of the Council are maintained on an accruals basis in accordance with the Code and other relevant IASs. 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.

### **18.2. Stocks**

Stocks are valued at the price paid; this is a departure from the requirements of the Code and ISA 2, 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.

### **18.3. Investments and Loans**

See the accounting Policy on Financial Instruments

### **18.4. Impairment Allowance for Bad Debts**

The figure shown in the Statement of Accounts for debtors is adjusted for bad debts. This allowance 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.

## **19. Contingent Assets and Contingent Liabilities**

Contingent assets are not recognised in the Statement of Accounts. They are 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 are not recognised in the accounting statements; they are 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, 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.

## **20. 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.

## **21. Reserves**

The Council maintains both general and earmarked reserves. The General reserve is designed to act as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies. Earmarked reserves, such as the repairs and renewals reserve, are for specific purposes. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Account;



this is then offset by a reserve appropriation within the Movement in Reserves 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.

## 22. Pension Costs

The amount charged to the Comprehensive Income and Expenditure Account for employees pensions should be in accordance with IAS19 Retirement Benefits, subject to the interpretations set out in the Code.

Employees can elect to be 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 in relation to their qualifying public service. This is accounted for in the following ways:

- Pension scheme liabilities, 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 and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% 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 six components:
  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive 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 Comprehensive 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 Comprehensive 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 Comprehensive 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 Comprehensive Income and Expenditure Statement as part of the Non Distributable costs.
- Actuarial Gains and Losses – changes in the net pension 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 Comprehensive Income and Expenditure Account.

A prerequisite of the introduction of IAS19 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 Comprehensive Income and Expenditure Account. The Balance Sheet shows 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 2010 and changes to contribution rates as a result of that valuation will take effect from 1 April 2011.

For further details see Note 31.

## 23. **Employee Benefits**

Three categories of employee benefits exist, under IAS 19 and IPSAS 25 Employee Benefits as detailed below.

### **Benefits payable during employment**

This covers:

- a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- b) Benefits earned by current employees but payable twelve months or more after the end of the reporting period such as, long-service leave or jubilee payments and long-term disability benefits.

Where considered of a material nature these are accrued.

### **Termination benefits including Exit Packages**

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. These are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred.

### **Post-employment benefits**

This not only covers pensions, but would include other benefits payable post-employment such as life insurance and medical care. These type of benefit are not offered to staff at this Council.

As part of the terms and conditions of employment of its 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 needs to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this 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 pension's liabilities with investment assets.

IAS 19 the employer recognises as an asset or liability the surplus/deficit in a pension scheme. The surplus/deficit in a pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 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 Comprehensive 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 2010 and changes to contribution rates as a result of that valuation will take effect from 1 April 2011.

## 24. **Financial Instruments**

The Code 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 23 on page 69.

### **Financial Liabilities**

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

The reconciliation of amounts charged to the Comprehensive 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 Movement in Reserves Statement.

### **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 Comprehensive 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 Comprehensive 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 Comprehensive Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive 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 Comprehensive 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 Movement in Reserves Statement. The exception is where impairment losses have been incurred –

these are debited to the Comprehensive 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 Comprehensive Income and Expenditure Account.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **Credit Risk**

The Code 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 2012. The discount rate should reflect prevailing interest rates as at 31 March 2012. Full details of this disclosure are included Note 23 on page 69.

The Code 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 Code 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 24 on page 73.

The Code’s disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note 24 on page 73 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 16.4).

## 25. **Cash and Cash Equivalents**

Cash and Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and are shown on the balance sheet at their nominal value, these include investments that can be accessed immediately without incurring a penalty, such as a call accounts.

## 26. **Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available fixed assets, needed to provide the services, passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as the ownership of the fixed assets will pass to the Council at the end of the contact at no charge, the Council carries the fixed assets used under the contract on the balance sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets.

The stock is recognised at market value less the EUV-SH factor and additions are measured at cost as per the contractor model. Lifecycle costs are accounted for when they occur.

Fixed assets recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI operators will be analysed into the following elements:

- Fair value of the services received during the year.
- Finance charge – an interest charge on the balance sheet liability.
- Payment towards the liability.

## 27. **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,

however please refer to Note 33 for the winding up of Ashford Future Company.

**28. Exceptional Items and Prior Year Adjustments**

Exceptional items are included in the cost of the service to which they relate, or on the face of the Comprehensive 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.

**29. 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.



## **2. Accounting Standards Issued, Not Adopted**

A small number of IFRSs are only expected to apply to local authorities in limited circumstances. As such, the Code does not include detailed accounting requirements for these IFRSs. Where an IFRS is relevant to a local authority, the authority shall comply with the requirements of the relevant IFRS. The standards not covered in detail in the Code are:

- IAS 12 *Income Taxes*
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- IAS 29 *Financial Reporting in Hyperinflationary Economies*
- IAS 41 *Agriculture*
- IFRS 2 *Share-based Payment*
- IFRS 4 *Insurance Contracts*
- IFRS 6 *Exploration for and Evaluation of Mineral Resources*
- IFRS 7 *Financial Instruments*; the effective date of this standard was 1 July 2011 but not required by the Code for implementation until 1 April 2012 and this authority has decided to follow the Code recommendation.

Further details of these standards and the appropriate treatment of items relating to these standards are contained in appendix A & C of the Code.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The authority is preparing for potential legal proceedings against a contractor of the Stour Centre project. No assumption has been made in the accounts for any cost recovery. For more Information see note 35

## **4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Land Searches	The Government has changed the interpretation of the regulations for setting charges for Private Search Fees. A reasonable estimate has been made of potential claims and an amount has been set aside into a reserve.	A Grant has been paid to the Council to cover the cost of this change of £34,000 which has been added to a reserve to cover potential claims. The total claims could exceed £110,000
Pensions	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>A 0.1% change in the discount rate (the iBoxx Corporate Bond Index) would result in a change in the liability of £2.1m.</p> <p>A 1 year change in the mortality assumption would result in a £2.1m change in the pension liability.</p>
Sundry Impairment Allowance for Bad Debts	The Council has an impairment allowance for bad debts of £330,000 approximately 34% of the value outstanding debt	In the current economic climate collection rates have been maintained, however any decline in collection rates for debt would result in a need to increase the allowance.

## 5. Amounts Reported for Resource Allocation Decisions

The income and expenditure of the Authority's principal Services recorded in the budget reports for the year is as follows:

2011/12	Corporate Management £'000	Audit Partnership £'000	Strategy, P'Ships & Comms £'000	Personnel & Development £'000	Legal & Democratic Services £'000	Planning & Development £'000	Financial Services £'000	Business Change & Tech £'000	Housing (General Fund) £'000	Sub Total £'000
<b>Expenditure</b>										
Employees	317	86	386	295	1,027	2,233	3,418	681	1,425	<b>9,868</b>
Premises	2	-	-	-	24	3	-	1	883	<b>913</b>
Supplies and Services	144	47	467	34	601	314	42,954	285	1,115	<b>45,961</b>
Transport	10	-	3	21	13	27	14	3	15	<b>106</b>
<b>Total Expenditure</b>	<b>473</b>	<b>133</b>	<b>856</b>	<b>350</b>	<b>1,665</b>	<b>2,577</b>	<b>46,386</b>	<b>970</b>	<b>3,438</b>	<b>56,848</b>
<b>Income</b>	<b>(20)</b>	<b>-</b>	<b>(103)</b>	<b>(3)</b>	<b>(223)</b>	<b>(1,891)</b>	<b>(43,888)</b>	<b>(28)</b>	<b>(1,898)</b>	<b>(48,054)</b>
<b>Net Controllable Expenditure</b>	<b>453</b>	<b>133</b>	<b>753</b>	<b>347</b>	<b>1,442</b>	<b>686</b>	<b>2,498</b>	<b>942</b>	<b>1,540</b>	<b>8,794</b>
<b>Non Controllable Items</b>										
Recharged from other Accounts	89	(133)	(73)	(347)	(243)	546	(662)	(809)	(1,509)	<b>(3,141)</b>
Capital Charges	-	-	10	-	10	-	-	-	525	<b>545</b>
Transfer to/from Reserves	(22)	-	-	-	(62)	(83)	61	-	104	<b>(2)</b>
<b>Total Non-Controllable Items</b>	<b>67</b>	<b>(133)</b>	<b>(63)</b>	<b>(347)</b>	<b>(295)</b>	<b>463</b>	<b>(601)</b>	<b>(809)</b>	<b>(880)</b>	<b>(2,598)</b>
<b>Net Expenditure</b>	<b>520</b>	<b>-</b>	<b>690</b>	<b>-</b>	<b>1,147</b>	<b>1,149</b>	<b>1,897</b>	<b>133</b>	<b>660</b>	<b>6,196</b>

2011/12	Sub Total	Environmental Services	Cultural Services	Capital Charges	Net Interest	Grants and Levies	Gov Grants	Council Tax	Transfers To Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>										
Employees	9,868	2,533	855	-	-	-	-	-	-	13,256
Premises	913	1,876	418	-	-	-	-	-	-	3,207
Supplies and Services	45,961	4,695	710	-	781	308	-	-	-	52,455
Transport	106	65	21	-	-	-	-	-	-	192
<b>Total Expenditure</b>	<b>56,848</b>	<b>9,169</b>	<b>2,004</b>	-	<b>781</b>	<b>308</b>	-	-	-	<b>69,110</b>
<b>Income</b>	<b>(48,054)</b>	<b>(3,890)</b>	<b>(437)</b>	-	<b>(1,465)</b>	-	<b>(6,882)</b>	<b>(6,379)</b>	-	<b>(67,107)</b>
<b>Net Controllable Expenditure</b>	<b>8,794</b>	<b>5,279</b>	<b>1,567</b>	-	<b>(684)</b>	<b>308</b>	<b>(6,882)</b>	<b>(6,379)</b>	-	<b>2,003</b>
<b>Non Controllable Items</b>										
Recharged from other Accounts	(3,141)	230	298	-	-	-	-	-	-	(2,613)
Capital Charges	545	387	1,164	(2,096)	-	-	-	-	-	-
Transfer to/from Reserves	(2)	31	236		297		21		(210)	373
<b>Total Non-Controllable Items</b>	<b>(2,598)</b>	<b>648</b>	<b>1,698</b>	<b>(2,096)</b>	<b>297</b>	-	<b>21</b>	-	<b>(210)</b>	<b>(2,240)</b>
<b>Net Expenditure</b>	<b>6,196</b>	<b>5,927</b>	<b>3,265</b>	<b>(2,096)</b>	<b>(387)</b>	<b>308</b>	<b>(6,861)</b>	<b>(6,379)</b>	<b>(210)</b>	<b>(237)</b>

2010/11	Corporate Management	Audit Partnership	Strategy, P'Ships & Comms	Personnel & Development	Legal & Democratic Services	Planning & Development	Financial Services	Business Change & Tech	Housing (General Fund)	Sub Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>										
Employees	361	85	446	319	1,069	2,413	3,434	493	1,548	<b>10,168</b>
Premises	1	-	-	-	-	6	-	1	784	<b>792</b>
Supplies and Services	209	55	152	24	491	587	35,920	306	1,016	<b>38,760</b>
Transport	15	-	1	16	28	46	19	7	19	<b>151</b>
<b>Total Expenditure</b>	<b>586</b>	<b>140</b>	<b>599</b>	<b>359</b>	<b>1,588</b>	<b>3,052</b>	<b>39,373</b>	<b>807</b>	<b>3,367</b>	<b>49,871</b>
<b>Income</b>	<b>(18)</b>	<b>(2)</b>	<b>(144)</b>	<b>(22)</b>	<b>(230)</b>	<b>(2,029)</b>	<b>(40,533)</b>	<b>(42)</b>	<b>(1,868)</b>	<b>(44,888)</b>
<b>Net Controllable Expenditure</b>	<b>568</b>	<b>138</b>	<b>455</b>	<b>337</b>	<b>1,358</b>	<b>1,023</b>	<b>(1,160)</b>	<b>765</b>	<b>1,499</b>	<b>4,983</b>
<b>Non Controllable Items</b>										
Recharged from other Accounts	3	(138)	(61)	(252)	(205)	612	(669)	(795)	(1,412)	<b>(2,917)</b>
Capital Charges	7	-	32	-	10	487	42	74	2,932	<b>3,584</b>
Transfer to/from Reserves	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total Non-Controllable Items</b>	<b>10</b>	<b>(138)</b>	<b>(29)</b>	<b>(252)</b>	<b>(195)</b>	<b>1,099</b>	<b>(627)</b>	<b>(721)</b>	<b>1,520</b>	<b>667</b>
<b>Net Expenditure</b>	<b>578</b>	<b>-</b>	<b>426</b>	<b>85</b>	<b>1,163</b>	<b>2,122</b>	<b>(1,787)</b>	<b>44</b>	<b>3,019</b>	<b>5,650</b>

2010/11	Sub Total	Environmental Services	Cultural Services	Capital Charges	Net Interest	Grants and Levies	Gov Grants	Council Tax	Transfers To Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>										
Employees	10,168	2,541	1,077	-	-	-	-	-	-	13,786
Premises	792	1,893	491	-	-	-	-	-	-	3,176
Supplies and Services	38,760	4,033	650	4,629	-	316	-	-	-	48,388
Transport	151	60	26	-	-	-	-	-	-	237
<b>Total Expenditure</b>	<b>49,871</b>	<b>8,527</b>	<b>2,244</b>	<b>4,629</b>	<b>-</b>	<b>316</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,587</b>
<b>Income</b>	<b>(44,888)</b>	<b>(3,745)</b>	<b>(320)</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>(8,437)</b>	<b>(6,347)</b>	<b>-</b>	<b>(63,753)</b>
<b>Net Controllable Expenditure</b>	<b>4,983</b>	<b>4,782</b>	<b>1,924</b>	<b>4,629</b>	<b>(16)</b>	<b>316</b>	<b>(8,437)</b>	<b>(6,347)</b>	<b>-</b>	<b>1,834</b>
<b>Non Controllable Items</b>										
Recharged from other Accounts	(2,917)	179	212	-	(5)	-	-	-	-	(2,531)
Capital Charges	3,584	589	(377)	(3,828)	(124)	-	-	-	-	(156)
Transfer to/from Reserves	-	13	(72)	-	56	-	-	-	611	608
<b>Total Non-Controllable Items</b>	<b>667</b>	<b>781</b>	<b>(237)</b>	<b>(3,828)</b>	<b>(73)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>611</b>	<b>(2,079)</b>
<b>Net Expenditure</b>	<b>5,650</b>	<b>5,563</b>	<b>1,687</b>	<b>801</b>	<b>(89)</b>	<b>316</b>	<b>(8,437)</b>	<b>(6,347)</b>	<b>611</b>	<b>(245)</b>

## Reconciliation of Service Income and Expenditure to Cost of services in the Comprehensive Income and Expenditure statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2010/2011 £'000		2011/12 £'000
(245)	Net expenditure in the Directorate Analysis	(237)
(482)	Net expenditure of services and support services not included in the Analysis	(75)
114,384	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	129,118
(23,035)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	6,180
<b>90,622</b>	<b>Cost of services in Comprehensive Income and Expenditure statement</b>	<b>134,986</b>

## Cost of Services Subjective Analysis

2010/11				2011/12		
General Fund £'000	Housing Revenue Account £'000	Total £'000		General Fund £'000	Housing Revenue Account £'000	Total £'000
3,846	2,020	5,866	<b>Expenditure</b>			
3,176	4,173	7,349	Employees	12,115	1,962	14,077
48,210	11,025	59,235	Premises	3,207	4,113	7,320
238	62	300	Supplies and Services	51,201	8,204	59,405
			Transport	193	47	240
<b>55,470</b>	<b>17,280</b>	<b>72,750</b>	<b>Total Expenditure</b>	<b>66,716</b>	<b>14,326</b>	<b>81,042</b>
<b>(48,928)</b>	<b>(23,714)</b>	<b>(72,642)</b>	<b>Income</b>	<b>(51,149)</b>	<b>(24,767)</b>	<b>(75,916)</b>
<b>6,542</b>	<b>(6,434)</b>	<b>108</b>	<b>Net Controllable Expenditure</b>	<b>15,567</b>	<b>(10,441)</b>	<b>5,126</b>
(1,751)	758	(993)	Recharged from other Accounts	(2,613)	1,888	(725)
3,793	110,340	114,133	Capital Charges	(274)	134,950	134,676
(141)	-	(141)	Transfer to/from Reserves	-	-	-
<b>1,901</b>	<b>111,098</b>	<b>112,999</b>	<b>Total Non-Controllable Items</b>	<b>(2,887)</b>	<b>136,838</b>	<b>133,951</b>
<b>8,443</b>	<b>104,664</b>	<b>113,107</b>	<b>Net Expenditure</b>	<b>12,680</b>	<b>126,397</b>	<b>139,077</b>

## 6. Trading Operations

The Council operates some trading operations, including leased shop premises, industrial sites and markets included within Cultural, Environmental and Planning Services on the face of the Comprehensive Income and Expenditure Statement page 10. The details of expenditure and income are shown below:

2010/2011 (Surplus) / Deficit £'000	Service	2011/12		
		Expenditure £'000	Income £'000	(Surplus) / Deficit £'000
45	Leased Shop Premises	137	(87)	50
(199)	Industrial Estates	182	(401)	(219)
(10)	Street Markets	33	(37)	(4)
<b>(164)</b>		<b>352</b>	<b>(525)</b>	<b>(173)</b>



## 7. Members' Allowances

Members were each paid a basic allowance of £4,292.28 and in addition some received Special Responsibility Allowance depending on the level of responsibility held, and were also paid travel allowances re attendance at meetings etc. There were Borough Elections in May 2011. With the exception of travel and subsistence allowances, the allowances are subject to tax and National Insurance Contributions.

### A. COUNCILLORS ELECTED MAY 2011

<b>Councillor</b>	<b>Basic Allowance</b>	<b>Special Responsibility Allowance</b>	<b>Travel Allowance</b>	<b>Subsistence</b>	<b>Carers' Allowance</b>	<b>Total before Tax and N. I.</b>
	£	£	£	£	£	£
Adby	3,876.90	-	-	-	-	3,876.90
Adley	3,876.90	-	-	-	-	3,876.90
Apps	-	-	552.00	-	-	552.00
Bartlett	4,292.28	-	16.20	-	-	4,308.48
Bell	4,292.28	5,938.71	-	-	-	10,230.99
Mrs Bell	4,292.28	-	603.90	-	-	4,896.18
Bennett	3,876.90	2,163.03	465.60	-	-	6,505.53
Mrs Blanford	4,292.28	5,359.54	1,346.58	-	-	10,998.40
Buchanan	3,876.90	-	-	-	-	3,876.90
Burgess	4,292.28	1,402.89	1772.55	-	-	7,467.72
Chilton	3,876.90	50.00	118.80	-	-	4,045.70
Clark	3,876.90	-	12.25	-	-	3,889.15
Clarkson	4,292.28	9,344.79	1,279.65	-	-	14,916.72
Cloughton	4,292.28	7,014.44	53.00	-	-	11,359.72
Clokie	4,292.28	5,221.60	1,104.29	-	-	10,618.17
Davey	3,876.90	-	38.25	-	-	3,915.15
Davidson	4,292.28	4,639.92	46.55	-	-	8,978.75
Davison	4,292.28	2,927.84	352.80	-	-	7,572.92
Dyer	3,876.90	-	467.54	-	-	4,344.44

<b>Councillor</b>	<b>Basic Allowance</b>	<b>Special Responsibility Allowance</b>	<b>Travel Allowance</b>	<b>Subsistence</b>	<b>Carers' Allowance</b>	<b>Total before Tax and N. I.</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Feacey	4,292.28	-	-	-	-	4,292.28
French	4,292.28	-	67.60	-	-	4,359.88
Galpin	3,876.90	50.00	184.95	-	-	4,111.85
Goddard	4,292.28	1,402.89	446.80	-	-	6,141.97
Heyes	4,292.28	7,014.44	77.50	-	-	11,384.22
Mrs Heyes	4,292.28	-	29.70	-	-	4,321.98
Mrs Hicks	4,292.28	5,359.54	195.55	-	-	9,847.37
Hodgkinson	4,292.28	-	-	-	-	4,292.28
Howard	4,292.28	5,577.77	64.25	-	-	9,934.30
Link	4,292.28	1,195.17	298.80	-	-	5,786.25
Marriott	3,876.90	-	337.75	-	-	4,214.65
Mrs Martin	4,292.28	-	75.80	-	-	4,368.08
Michael	3,876.90	-	181.95	-	-	4,058.85
Mortimer	3,876.90	-	91.80	-	-	3,968.70
Naughton	2,146.14	80.10	15.20	-	-	2,241.44
Robey	3,876.90	-	614.90	-	-	4,491.80
Rutter	1,502.30	-	81.90	-	-	1,584.20
Shorter	3,876.90	-	64.80	-	-	3,941.70
Sims	3,876.90	-	143.30	2.20	-	4,022.40
Smith	4,292.28	123.00	381.75	-	-	4,797.03
Taylor	4,292.28	6,014.01	739.42	-	-	11,045.71
Wedgbury	4,292.28	1,870.53	12.00	-	-	6,174.81
Wood	4,292.28	20,517.46	-	-	-	24,809.74
Wright	3,876.90	-	9.90	-	-	3,886.80
Yeo	3,876.90	899.41	21.60	-	-	4,797.91
<b>SUB TOTAL</b>	<b>172,570.46</b>	<b>94,167.08</b>	<b>12,367.18</b>	<b>2.20</b>	<b>-</b>	<b>279,106.92</b>

## B. Councillors Ceasing Office End of April 2011

Councillor	Basic Allowance £	Special Responsibility Allowance £	Travel Allowance £	Subsistence £	Carers' Allowance £	Total before Tax and N. I. £
Ayres	415.38	-	-	-	-	415.38
Bradberry	415.38	-	-	-	-	415.38
Cowley	415.38	-	35.90	-	-	451.28
Ellison	415.38	279.68	10.00	-	-	705.06
Mrs Hawes	415.38	1,288.99	41.60	-	-	1,745.97
Mrs Heaton	415.38	-	-	-	-	415.38
Holland	415.38	-	41.46	-	-	456.84
Honey	415.38	1,258.58	20.40	-	-	1,694.36
Mrs Hutchinson	415.38	503.44	54.40	-	-	973.22
Koowaree	415.38	-	-	-	-	415.38
Mrs Laughton	415.38	-	-	-	-	415.38
Mrs Marriott	415.38	1,006.86	56.00	-	-	1,478.24
Norris	415.38	-	9.60	-	-	424.98
Packham	415.38	-	29.60	-	-	444.98
Wallace	415.38	839.05	-	-	-	1,254.43
Wells	415.38	-	51.92	-	-	467.30
Woodford	415.38	-	63.40	-	-	478.78
<b>SUB TOTAL</b>	<b>7,061.46</b>	<b>5,176.60</b>	<b>414.28</b>	<b>-</b>	<b>-</b>	<b>12,652.34</b>
<b>TOTAL</b>	<b>179,631.92</b>	<b>99,343.68</b>	<b>12,781.46</b>	<b>2.20</b>	<b>-</b>	<b>291,759.26</b>

## 8. Officers' Remuneration

This note provides the details of Senior Officers remuneration and the numbers of employees whose remuneration falls into the categories shown. 'Remuneration' for this purpose, means taxable pay, and includes the tax value of other benefits e.g. leased cars, and termination payments. Figures within this note will exclude any payments covered by confidentiality agreements.

### Senior Employee Remuneration 2011/12

Post	Salary (Including Fees & Allow- ances) *	Bonus	Expense Allow- ances	Comp- ensation for Loss of Office	Benefits in Kind (EG Car Allow- ance)*	Total	Pension Contri- butions	Total Remuner- ation 2011/12
	£	£	£	£	£	£	£	£
Chief Executive+	115,885.57	-	450.00	-	5,213.08	121,548.65	15,528.68	137,077.33
Deputy Chief Executive+	90,449.76	-	420.00	-	4,957.69	95,827.45	12,120.24	107,947.69
Head Of Cultural & Project Services	71,013.00	-	-	-	2,885.96	73,898.96	9,515.76	83,414.72
Head of Environmental Services	74,065.74	-	-	-	-	74,065.74	9,515.76	83,581.50
Head of Housing	74,065.74	-	-	-	-	74,065.74	9,515.76	83,581.50
Head of ICT & Customer Services	74,065.74	-	-	-	-	74,065.74	9,515.76	83,581.50
Head of Legal and Democratic Services+	71,013.00	-	-	-	4,006.55	75,019.55	9,515.76	84,535.31
Head of Planning & Development	86,574.48	-	-	-	4,281.20	90,855.68	11,524.83	102,380.51
	<b>657,133.03</b>	-	<b>870.00</b>	-	<b>21,344.48</b>	<b>679,347.51</b>	<b>86,752.55</b>	<b>766,100.06</b>

\*Where an officer is entitled to a lease car, they may instead take a 'cash alternative'. Where this is the case the Cash Alternative is shown under 'Salary', but where a lease car is taken, the taxable benefit is shown under 'Benefits in Kind'. The taxable benefit is not the same value as the subsidy paid by the council to the employee.

+ Officers that also fulfil statutory roles

### Senior Employee Remuneration 2010/11 comparators

Post	Salary (Including Fees & Allow- ances) * £	Bonus £	Expense Allow- ances £	Comp- ensa- tion for Loss of Office £	Benefits in Kind (EG Car Allow- ance)* £	Total £	Pension Contrib- utions £	Total Remuner- ation 2010/11 £
Chief Executive+	104,854.91	-	-	-	2,797.24	107,652.15	27,700.64	135,352.79
Deputy Chief Executive+	90,337.56	-	-	-	4,724.45	95,062.01	24,300.78	119,362.79
Head Of Cultural & Project Services	70,924.50	-	-	-	2,716.56	73,641.06	19,927.41	93,568.47
Head of Environmental Services	74,313.42	-	-	-	-	74,313.42	19,078.65	93,392.07
Head of Housing	74,313.42	-	-	-	-	74,313.42	19,078.65	93,392.07
Head of ICT & Customer Services	74,313.42	-	-	-	-	74,313.42	19,078.65	93,392.07
Head of Legal and Democratic Services+	70,864.95	-	-	-	3,750.70	74,615.65	19,078.65	93,694.30
Head of Planning & Development	86,490.75	-	-	-	4,086.60	90,577.35	23,196.24	113,773.59
	<b>646,412.93</b>	-	-	-	<b>18,075.55</b>	<b>664,488.48</b>	<b>171,439.67</b>	<b>835,928.15</b>

\* Where an officer is entitled to a lease car, they may instead take a 'cash alternative'. Where this is the case the Cash Alternative is shown under 'Salary', but where a lease car is taken, the taxable benefit is shown under 'Benefits in Kind'. The taxable benefit is not the same value as the subsidy paid by the council to the employee.

+ Officers that also fulfil statutory roles

### Other Officer Remuneration by Band

2010/11	Remuneration Band	2011/12
5	50,000 – 54,999	5*
11	55,000 – 59,999	12*
1*	60,000 – 64,999	-
1	65,000 – 69,999	-
<b>18</b>		<b>17</b>

Figures marked with an \* indicate bands which include officers who have received redundancy payments within their remuneration for the year. The bandings only include the remuneration of senior employees and relevant officers which have not been disclosed individually above.

## 9. Termination Benefits

The Authority terminated the contracts of 5 employees in 2011/12, incurring liabilities of £47,064 (£138,119 in 2010/11).

Band	2011/12		2010/11	
	Voluntary	Compulsory	Voluntary	Compulsory
<b>0 – 19,999</b>	1	3	3	3
<b>20,000-39,999</b>	1	-	-	-
<b>80,000-99,999</b>	-	-	-	1

## 10. External Audit Costs

In 2011/12 Ashford Borough Council incurred the following fees relating to external audit and inspection:

2010/11 £'000		2011/12 £'000
138	Fees payable to the Audit Commission with regard to external Audit services carried out by the appointed Auditor	122
12	Fees Payable to the Audit Commission in respect of Statutory inspections	-
34	Fees payable to the Audit Commission for the certification of grant claims and returns	28
-	Fees payable in respect of other services provided by the Audit Commission during the year	-
<b>184</b>		<b>150</b>

## 11. Grant Income

The Authority credited the following material government grants and contributions to the Provision of Services in the Comprehensive Income and Expenditure Statement.

2010/11 £'000		2011/12 £'000
37,510	DWP: Rebates Subsidy	40,893
180	CLG: Business Rate Collection Allowance	177
232	CLG: Ashford Future's Projects	-
-	EU: Greenov Funding	32
32	CLG: Homeless Initiatives	50
107	CLG: Housing Trailblazer Program	17
729	DWP Benefit Administration	781
247	Home Office: Community Safety and Anti Social Behaviour	71
87	Future Job Fund Grants	77
477	Recycling Credits	582
169	DfT Concessionary Bus Travel	-
<b>39,770</b>		<b>42,680</b>

For details of the General Grants received see note 15 and for the Housing Revenue Account see note 7.

The Authority has received a number of capital grants, contributions that are yet to be applied. The balances at the year-end are as follows:

2010/11 Restated £'000	Capital Grants	2011/12 £'000
219	Receipts in Advance b/f	2,487
7,299	Grants Added during the year	3,373
(5,031)	Grants applied to the CI&E	(5,357)
<b>2,487</b>	<b>Total</b>	<b>503</b>

## 12. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

<b>General Fund</b>	<b>Balance at 01/04/10 £'000</b>	<b>Additions £'000</b>	<b>Payments £'000</b>	<b>Balance at 31/03/11 £'000</b>	<b>Additions £'000</b>	<b>Payments £'000</b>	<b>Balance at 31/03/12 £'000</b>
<b>General Fund</b>	<b>3,420</b>	<b>503</b>	<b>(111)</b>	<b>3,812</b>	<b>455</b>	<b>(1,114)</b>	<b>3,153</b>
<b>Earmarked Reserves</b>							
Elections	136	61	-	197	60	(109)	148
Repairs & Renewals	679	103	(36)	746	243	(308)	681
Insurance	1	-	(1)	-	-	-	-
Planning Appeals	391	-	(56)	335	-	-	335
Interest Rate Reserve	-	-	-	-	297	-	297
Stour Centre	301	73	(145)	229	72	-	301
Community Grant Fund	8	-	(2)	6	-	(1)	5
Planning Delivery Grant	534	-	(23)	511	-	(47)	464
Transport Initiatives	81	41	-	122	41	-	163
People Mover (Designer outlet)	216	4	(79)	141	2	(51)	92
Members' IT	19	10	-	29	-	(12)	17
Valuation of Assets	12	3	-	15	-	-	15
Hopewell Twinning Reserve	1	3	-	4	1	-	5
Netball Centre Reserve	18	-	-	18	10	-	28
Singleton Environment Centre	32	11	-	43	10	-	53
Section 106 Monitoring Fee	22	24	-	46	-	(20)	26
Actuarial Volatility Reserve	160	93	-	253	61	-	314
Service Pressure Reserve	238	-	(118)	120	-	(22)	98
Building Control Reserve	22	-	(5)	17	-	(17)	-
Green Transport Initiatives	-	30	-	30	-	-	30
Land Adoption Reserve	-	398	-	398	-	(17)	381
Land Searches Reserve	-	76	-	76	21	-	97
Waterside Reserve	-	-	-	-	5	-	5
New Homes Bonus	-	-	-	-	21	-	21
Footway Maintenance	-	-	-	-	36	-	36
St Mary's Church Ruin	5	-	-	5	-	-	5
<b>Total Earmarked Reserves</b>	<b>2,876</b>	<b>930</b>	<b>(465)</b>	<b>3,341</b>	<b>880</b>	<b>(604)</b>	<b>3,617</b>
<b>Total</b>	<b>5,296</b>	<b>1,433</b>	<b>(576)</b>	<b>7,153</b>	<b>1,335</b>	<b>(1,718)</b>	<b>6,770</b>



## The Purpose of the Earmarked Reserves

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

- Elections Reserve
- Valuation of Assets
- Netball Centre Reserve
- Singleton Environment Centre
- Actuarial volatility
- Members' IT Reserve
- Planning Appeals
- Hopewell Twinning Reserve
- Section 106 Monitoring fee
- Interest rate reserve

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.

**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** was established from savings within Cultural Services salaries to fund revenue grants to local community organisations.

**Planning Reserve** was 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 paid 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** was 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.

**St Mary's Church (Little Chart) Ruin Reserve;** was set up to fund maintenance costs of this ancient monument in Little Chart.

The **Land Adoption** Reserve was set up with income received for S38 adoption work which is to be held to cover the cost of land adoption.

The **Green Transport** Reserve was set up to fund Green transport initiatives from money collected from Staff parking charges.

The **Land Searches** Reserve was established to ensure that the service breaks even over a 3 year period with surpluses and deficits transferred into the reserve. In addition to this there is the potential that income collected in the past could be reclaimed and this reserve holds a grant provided by the Government to cover these claims.

HRA	Balance at 01/04/10 £'000	Additions £'000	Payments £'000	Balance at 31/03/11 £'000	Additions £'000	Payments £'000	Balance at 31/03/12 £'000
Housing Revenue Account	1,670	482	-	2,152	73	-	2,225
Major Repairs Reserve	4,753	3,540	(4,380)	3,913	3,571	(4,474)	3,010
<b>Total</b>	<b>6,423</b>	<b>4,022</b>	<b>(4,380)</b>	<b>6,065</b>	<b>3,644</b>	<b>(4,474)</b>	<b>5,235</b>

### 13. Other Operating Expenditure

2010/2011 £'000		2011/2012 £'000
756	Parish council precepts	816
239	Levies	236
296	Payments to the Government Housing Capital Receipts Pool	825
14,465	Gains/losses on the disposal of non-current assets	(577)
<b>15,756</b>	<b>Total</b>	<b>1,300</b>

#### 14. Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
60	Interest payable and similar charges	457
1,037	Interest Payable on PFI Contracts and Finance leases	954
1,906	Pensions interest cost and expected return on Pension fund assets	976
(576)	Interest receivable and similar income	(998)
-	Income and expenditure in relation to investment properties and changes in their fair value	-
-	Other investment income	-
<b>2,427</b>	<b>Total</b>	<b>1,389</b>

#### 15. Taxation and Non-Specific Grant Income

2010/11 £'000		2011/12 £'000
(7,138)	Council tax income	(7,256)
(7,287)	Non domestic rates	(4,895)
(1,150)	Non-ring fenced government grants	(2,587)
(5,031)	Capital grants and contributions	(5,357)
<b>(20,606)</b>	<b>Total</b>	<b>(20,095)</b>

## 16. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Adjustment Account:</b>								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Charges for depreciation and impairment of non current assets	(2,066)	-	(220)	-	-	(2,286)	2,286	-
Revaluation losses on Property Plant and equipment	4,405	-	(14,367)	-	-	(9,962)	9,962	-
Movement in the market value of Investment Properties	-	-	-	-	-	-	-	-
Amortisation of intangible assets	(29)	-	-	-	-	(29)	29	-
Capital grants and contributions applied	5,357	-	-	-	-	5,357	(5,357)	-
Revenue expenditure funded from capital under statute	(2,020)	-	-	-	-	(2,020)	2,020	-
HRA Reform Adjustment	-	-	(113,713)	-	-	(113,713)	113,713	-

2011/12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(13)	-	(861)	-	-	(874)	874	-
<b>Inclusion of items not debited or credited to the CIES:</b>								
Statutory provision for the financing of capital investment (MRP)	229	-	(5)	-	-	224	(224)	-
Annual Leave Accrual	-	-	-	-	-	-	-	-
Capital expenditure charged against the GF and HRA balances	583	-	343	-	-	926	(926)	-
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-
Application of grants to capital financing transferred to the CAA	-	-	-	-	-	-	-	-
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	354	-	1,097	-	(1,392)	59	(59)	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	1,476	1,476	(1,476)	-

2011/12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contributions from the Capital Receipts Reserve towards admin costs of disposal	-	-	-	-	-	-	-	-
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	(825)	-	825	-	-	-
<b>Adjustment involving the Major Repairs Reserve:</b>								
Reversal of MRA credited to the HRA	-	-	-	(3,407)	-	(3,407)	3,407	-
Use of MRR to finance new capital expenditure	-	-	-	4,310	-	4,310	(4,310)	-
<b>Adjustments involving the FIAA:</b>								
Revaluation of Available for Sale Financial Instruments	-	-	-	-	-	-	-	-
Financial Instruments Premiums W/O	-	-	-	-	-	-	-	-
<b>Adjustments involving the Pension Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,318)	-	(434)	-	-	(2,752)	2,752	-
Employer's pension contributions and direct payments to pensioners payable in the year	2,635	-	446	-	-	3,081	(3,081)	-

2011/12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the CFAA</b> Amount by which CT income credited to the CIES is different from CT income calculated for the year in accordance with statutory requirements	61	-	-	-	-	61	(61)	-
	<b>7,178</b>	-	<b>(128,539)</b>	<b>903</b>	<b>909</b>	<b>(119,549)</b>	<b>119,549</b>	-

2010/11 As restated	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
<b>Adjustments involving the Capital Adjustment Account:</b>								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-
Charges for depreciation and impairment of non current assets	(1,657)	-	(202)	-	-	(1,859)	1,859	-
Revaluation losses on Property Plant and equipment	2,157	-	(106,744)	-	-	(104,587)	104,587	-
Movement in the market value of Investment Properties	-	-	-	-	-	-	-	-
Amortisation of intangible assets	(39)	-	-	-	-	(39)	39	-
Capital grants and contributions applied	5,031	-	-	-	-	5,031	(5,031)	-
Revenue expenditure funded from capital under statute	(4,214)	-	-	-	-	(4,214)	4,214	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(59)	-	(16,754)	-	-	(16,813)	16,813	-
<b>Inclusion of items not debited or credited to the CIES:</b>								
Statutory provision for the financing of capital investment (MRP)	220	-	(56)	-	-	164	(164)	-
Annual Leave Accrual	-	-	-	-	-	-	-	-
Capital expenditure charged against the GF and HRA balances	56	-	36	-	-	92	(92)	-



2010/11 As restated	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	-	-	-
Application of grants to capital financing transferred to the CAA	-	-	-	-	-	-	-	-
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	373	-	1,975	-	(2,323)	25	(25)	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	2,100	2,100	(2,100)	-
Contributions from the Capital Receipts Reserve towards admin costs of disposal	-	-	-	-	-	-	-	-
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(296)	-	-	-	296	-	-	-
<b>Adjustment involving the Major Repairs Reserve:</b>								
Reversal of MRA credited to the HRA	-	-	-	(3,349)	-	(3,349)	3,349	-
Use of MRR to finance new capital expenditure	-	-	-	4,189	-	4,189	(4,189)	-

<b>2010/11 As restated</b>	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>Housing Revenue Account</b>	<b>Earmarked HRA Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments involving the FIAA:</b>								
Revaluation of Available for Sale Financial Instruments	-	-	-	-	-	-	-	-
Financial Instruments Premiums W/O	-	-	12	-	-	12	(12)	-
<b>Adjustments involving the Pension Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	5,630	-	(621)	-	-	5,009	(5,009)	-
Employer's pension contributions and direct payments to pensioners payable in the year	2,683	-	416	-	-	3,099	(3,099)	-
<b>Adjustments involving the CFAA</b>								
Amount by which CT income credited to the CIES is different from CT income calculated for the year in accordance with statutory requirements	30	-	-	-	-	30	(30)	-
	<b>9,915</b>	<b>-</b>	<b>(121,938)</b>	<b>840</b>	<b>73</b>	<b>(111,110)</b>	<b>111,110</b>	<b>-</b>

## 17. Property, Plant and Equipment

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
<b>Cost or valuation</b>									
At 1 April 2011	312,970	48,688	3,329	229	625	199	1,298	<b>367,338</b>	25,393
Additions	11,345	1,273	175	-	-	-	111	<b>12,904</b>	-
Depreciation W/B	(3,359)	(1,885)	(3)	-	-	-	-	<b>(5,247)</b>	(221)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	3,707	-	-	-	-	-	<b>3,707</b>	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	174	5,201	-	-	-	-	-	<b>5,375</b>	-
De-recognition – disposals	(861)	(12)	(1)	-	-	-	-	<b>(874)</b>	(414)
Reclassification	1,298	-	-	-	-	-	(1,298)	-	-
<b>At 31 March 2012</b>	<b>321,567</b>	<b>56,972</b>	<b>3,500</b>	<b>229</b>	<b>625</b>	<b>199</b>	<b>111</b>	<b>383,203</b>	<b>24,758</b>

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infra-structure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>PFI Assets Included in Property, Plant and Equipment £'000</b>
<b>Accumulated Depreciation and Impairment</b>									
As at 1 April 2011	(113,362)	(3,593)	(2,627)	(32)	(13)	(1)	-	<b>(119,628)</b>	(12,265)
Depreciation charge	(3,461)	(1,968)	(253)	(8)	(3)	(1)	-	<b>(5,694)</b>	(214)
Depreciation WB	3,359	1,885	3	-	-	-	-	<b>5,247</b>	221
Impairment (losses)/reversals recognised in the Revaluation Reserve	(368)	(50)	-	-	-	-	-	<b>(418)</b>	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	(14,566)	(771)	-	-	-	-	-	<b>(15, 337)</b>	(621)
<b>At 31 March 2012</b>	<b>(128,398)</b>	<b>(4,497)</b>	<b>(2,877)</b>	<b>(40)</b>	<b>(16)</b>	<b>(2)</b>	-	<b>(135,830)</b>	<b>(12,879)</b>
<b>Net Book value at 31 March 2011</b>	<b>199,608</b>	<b>45,096</b>	<b>702</b>	<b>197</b>	<b>612</b>	<b>198</b>	<b>1,298</b>	<b>247,711</b>	<b>13,128</b>
<b>at 31 March 2012</b>	<b>193,169</b>	<b>52,476</b>	<b>623</b>	<b>189</b>	<b>609</b>	<b>197</b>	<b>111</b>	<b>247,374</b>	<b>11,879</b>

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infra-structure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>PFI Assets Included in Property, Plant and Equipment £'000</b>
<b>Cost or valuation</b>									
At 1 April 2010	322,338	45,540	3,176	229	625	210	107	<b>372,225</b>	40,938
Additions	6,965	1,083	153	-	-	-	1,016	<b>9,217</b>	495
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	279	(104)	-	-	-	-	282	<b>457</b>	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	2,204	-	-	-	-	-	<b>2,204</b>	-
De-recognition – disposals	(154)	-	-	-	-	(11)	-	<b>(165)</b>	-
De-recognition – transfer & demolition	(16,458)	(142)	-	-	-	-	-	<b>(16,600)</b>	(16,040)
Reclassification of Assets	-	107	-	-	-	-	(107)	-	-
<b>At 31 March 2011</b>	<b>312,970</b>	<b>48,688</b>	<b>3,329</b>	<b>229</b>	<b>625</b>	<b>199</b>	<b>1,298</b>	<b>367,338</b>	<b>25,393</b>

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infra-structure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>PFI Assets Included in Property, Plant and Equipment £'000</b>
<b>Accumulated Depreciation and Impairment</b>									
at 1 April 2010	-	(1,554)	(2,393)	(24)	(10)	(1)	-	(3,982)	-
Depreciation charge	(3,360)	(1,602)	(234)	(8)	(3)	-	-	(5,207)	(221)
Depreciation written out to the CIES	-	506	-	-	-	-	-	506	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	(3,567)	(588)	-	-	-	-	-	(4,155)	(2,608)
Other movements in depreciation and impairment	(106,435)	(355)	-	-	-	-	-	(106,790)	(9,436)
<b>At 31 March 2011</b>	<b>(113,362)</b>	<b>(3,593)</b>	<b>(2,627)</b>	<b>(32)</b>	<b>(13)</b>	<b>(1)</b>	<b>-</b>	<b>(119,628)</b>	<b>(12,265)</b>
<b>Net Book value at 31 March 2010</b>	<b>322,338</b>	<b>43,986</b>	<b>783</b>	<b>205</b>	<b>615</b>	<b>209</b>	<b>107</b>	<b>368,243</b>	<b>40,938</b>
<b>at 31 March 2011</b>	<b>199,608</b>	<b>45,095</b>	<b>702</b>	<b>197</b>	<b>612</b>	<b>198</b>	<b>1,298</b>	<b>247,710</b>	<b>13,128</b>

## **Asset Valuation**

A valuation exercise and impairment review was completed by an external valuer (Wilks, Head and Eve) as at the balance sheet date. For information on the HRA stock valuation see notes to the Housing Revenue account.

## **Depreciation**

The useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – the Council uses the Major Repairs Allowance as a proxy for depreciation between 25-60 years
- Other Land and Buildings – the useful life estimated by a qualified valuer between 15-60 years
- Vehicles, Plant, Furniture & Equipment – subject to professional view on life between 5-15 years.
- Infrastructure – the useful life estimated by a qualified valuer between 15-60 years

## **18. Impairment Losses**

There was a change in the valuation of HRA Dwellings and impairment to the value. Please see the HRA supplementary statement, note 10 on page 103.

In addition to the above assets the Civic Centre, sports centres, car parks and some open space were also revalued and an impairment of £15,755,000 for 2011/12 is reported. Due to upward revaluation in previous years £418,000 reversed gains in the Revaluation Reserve and the remaining £15,337,000 was written to the CIES increasing the cost of services. Assets were valued as at 1 April 2011.

## **19. Revaluation Gains**

Gains of £9,364,000 have been reported within the Accounts. Due to previous year impairments a gain of £5,657,000 was written back to the CIES, reducing past revaluation losses. The remaining gains increased the revaluation reserve balance by £3,707,000.

## 20. Heritage Assets

Following the adoption of FRS30 Heritage assets have been identified and disclosed in these accounts, the following assets are disclosed in the balance sheet:

Heritage Asset	£'000
Windmills at Woodchurch & Willesborough	1,571
Doctor Wilkes Hall	366
Hubert Fountain (Victoria Park)	750
Mayor's regalia, including mace and badges	242
<b>Total</b>	<b>2,929</b>

	1 April £'000	Additions/ (Disposals) £'000	Revaluation Gains/(losses) £'000	31 March £'000
<b>2011/12</b>	2,929	-	-	2,929
<b>2010/11</b>	2,929	-	-	2,929
<b>2009/10</b>	2,929	-	-	2,929
<b>2008/09</b>	2,929	-	-	2,929
<b>2007/08</b>	2,929	-	-	2,929

The Council also owns a number of other assets predominately held for heritage reasons, and it has not been possible to obtain valuations for them. These assets are:

- The World War mark IV tank in the town centre
- St Mary's Church ruins, Little Chart
- Ancient Monument - Boys Hall Moat, Orbital Park
- War Memorial (shelter) WM2687, Kennington
- Martyrs Seat, Queen Mothers Park, Hythe Road
- Remains of Roman roadside settlement (Westhawk Farm)
- WWII Pill Box (Westhawk Farm)
- War Memorial, within the Memorial Gardens, Ashford Town Centre



## 21. Capital Expenditure and Capital Financing

2010/11 £'000		2011/12 £'000
32,332	Opening Capital Financing Requirement	34,440
	Capital investment:	
8,722	Property, Plant & Equipment	12,904
32	Intangible Assets	-
4,214	Revenue Expenditure Funded from Capital Under Statute	2,020
495	PFI Additional liability HRA Subsidy Buyout	- 113,713
	Sources of finance:	
(2,100)	Capital receipts	(1,475)
(4,810)	Government grants & contributions	(5,357)
(4,189)	Major repairs reserve	(4,310)
(256)	Sums set aside from revenue NB includes direct revenue financing, MRP and any Voluntary set aside	(1,152)
<b>34,440</b>	<b>Closing Capital Financing Requirement</b>	<b>150,783</b>
	<b>Explanation of movements in year</b>	
2,272	Increase in underlying need to borrow unsupported by Government financial assistance	116,603
-	Grant for previous year written to CIES	(35)
(164)	Provision for the repayment of debt	(225)
<b>2,108</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>116,343</b>

## 22. Capital Commitments

At 31 March 2012 the Authority had the following capital commitments:

	£'000
<b>General Fund Account</b>	
Stour Centre – New Fire Alarm and commissioning	34
<b>Housing Revenue Account</b>	
Heating Installation Programme (2 year contract)	1,690
Heating Maintenance Programme (2 years contract)	1,784
Kitchen installation Contract (continuation of contract)	93

2010/11 capital commitments were £9,415,000 for the Housing Revenue Account.

## 23. Financial Instruments

Long Term 31-Mar-11 £'000	Short Term 31-Mar-11 £'000	Category of Financial Instrument	Long Term 31-Mar-12 £'000	Short Term 31-Mar-12 £'000
-	4,228	<b>Total Cash and Cash Equivalents</b>	-	3,313
6,015	13,094	Loans and Receivables	-	18,563
12,069	219	Available for Sale Financial Assets	2,500	45
<b>18,084</b>	<b>13,313</b>	<b>Total Investments</b>	<b>2,500</b>	<b>18,608</b>
-	7,103	Trade Debtors	-	4,700
1,159	-	Financial Assets carried at contract amount (E.g. Finance and Embedded Leases)	1,143	-
512	-	Financial assets carried at contract amounts	560	-
<b>1,671</b>	<b>7,103</b>	<b>Total Debtors</b>	<b>1,703</b>	<b>4,700</b>
(5,951)	(10,305)	Financial Liabilities at Amortised Cost	(119,702)	(1,501)
-	(10,095)	Trade Creditors at Amortised Cost	-	(10,175)
<b>(5,951)</b>	<b>(20,400)</b>	<b>Total Borrowings</b>	<b>(119,702)</b>	<b>(11,676)</b>
(28,249)	-	PFI liabilities	(28,292)	(6)
-	-	Finance lease liabilities	-	-
<b>(28,249)</b>	<b>-</b>	<b>Total other long term liabilities</b>	<b>(28,292)</b>	<b>(6)</b>
-	-	Financial liabilities at amortised cost	-	-
(532)	-	Financial liabilities carried at contract amount (E.g. Finance and Embedded Leases)	(120)	(211)
<b>(532)</b>	<b>-</b>	<b>Total creditors</b>	<b>(120)</b>	<b>(211)</b>

### 2011/12 Income, Expense, Gains and Losses

	Financial Liabilities Liabilities measured at amortised cost £'000	Financial Assets	
		Loans and receivables £'000	Available for sale assets £'000
Interest expense	457	-	-
Losses/Gains on derecognition	-	-	-
<b>Interest payable and Similar Charges</b>	<b>457</b>	<b>-</b>	<b>-</b>
Interest Income	-	(684)	-
Losses/Gains on derecognition	-	(270)	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>(954)</b>	<b>-</b>
<b>Surplus arising from the revaluation of financial assets</b>	<b>-</b>	<b>(44)</b>	<b>-</b>
<b>Net gains/loss for the year</b>	<b>457</b>	<b>(998)</b>	<b>-</b>

### 2010/11 Income, Expense, Gains and Losses

	Financial Liabilities Liabilities measured at amortised cost £'000	Financial Assets	
		Loans and receivables £'000	Available for sale assets £'000
Interest expense	81	-	-
Losses/Gains on derecognition	-	-	-
<b>Interest payable and Similar Charges</b>	<b>81</b>	<b>-</b>	<b>-</b>
Interest Income	-	(574)	-
Losses/Gains on derecognition	-	63	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>(511)</b>	<b>-</b>
<b>Surplus arising from the revaluation of financial assets</b>	<b>-</b>	<b>(413)</b>	<b>-</b>
<b>Net gains/loss for the year</b>	<b>81</b>	<b>(924)</b>	<b>-</b>

## Fair Values of Assets and Liabilities

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 Code 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 31st March 2012.

The table below shows, for comparison, the difference between the amortised cost and fair value of the Councils cash and bond holdings.

### Fair Value of Investments carried at amortised cost:

	Amortised Cost £'000	Fair Value £'000
Less than 1 year	18,563	18,684
1 year to 2 years	-	-
2 years to 5 years	-	-
More than 5 years	-	-
<b>Fair Value of Investments held at amortised cost</b>	<b>18,563</b>	<b>18,684</b>
Unquoted Equity Investments held at Fair Value		2,545
<b>Total investments at Fair Value</b>		<b>21,229</b>

The rates used depend on the remaining life of the loan and range from 0.5% to 5.26%. 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 (e.g. debtors) is taken to be the invoiced or billed amount.

The Council had 23 loans with maturities beyond a year as at 31st March 2012 (one as at 31st March 2011). All of these loans were with the Public Works Loan Board. The principal outstanding was £ 119,664,000 and the Fair Value was calculated at £126,800,000

This increase in debt was due to the Government's introduction of Housing Revenue Account Self Financing, which has resulted in the council taking on £113.7m of debt additional to the £5.9m of debt that was held at the end of

2010/11. All of the Council's long term debt relates to the Housing stock, the loans are detailed in the table below.

<b>Loan Reference</b>	<b>Deal Date</b>	<b>Amount £</b>	<b>Rate %</b>
498502 (49 years)	01/04/2011	5,951,150	5.2600
499500 (10 Year Variable)	28/03/2012	7,000,000	0.6200
499517 (5 Years)	28/03/2012	2,000,000	1.2400
499508 (6 Years)	28/03/2012	3,000,000	1.5000
499504 (7 Years)	28/03/2012	1,000,000	1.7600
499502 (8 Years)	28/03/2012	5,000,000	1.9900
499501 (9 Years)	28/03/2012	2,000,000	2.2100
499516 (10 Years)	28/03/2012	2,000,000	2.4000
499514 (11 years)	28/03/2012	2,000,000	2.5600
499507 (12 years)	28/03/2012	3,000,000	2.7000
499503 (13 years)	28/03/2012	3,000,000	2.8200
499505 (14 years)	28/03/2012	1,000,000	2.9200
499496 (15 years)	28/03/2012	1,000,000	3.0100
499509 (16 years)	28/03/2012	2,000,000	3.0800
499497 (17 years)	28/03/2012	2,000,000	3.1500
499510 (18 years)	28/03/2012	2,000,000	3.2100
499498 (19 years)	28/03/2012	8,000,000	3.2600
499511 (20 years)	28/03/2012	9,000,000	3.3000
499499 (21 years)	28/03/2012	10,000,000	3.3400
499512 (22 years)	28/03/2012	11,000,000	3.3700
499506 (23 years)	28/03/2012	12,000,000	3.4000
499513 (24 years)	28/03/2012	9,000,000	3.4200
499515 (25 years)	28/03/2012	16,713,000	3.4400
		<b>119,664,150</b>	

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Long term debtors are carried at amortised cost.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## **24. 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
- 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 (supported by specialist external advisors) 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 31/03/12 was as follows:

<b>Counter Party</b>	<b>Maturity Date</b>	<b>Amount £</b>	<b>Credit Rating</b>
<b>Cash deposits with:</b>			
RBS London	14 May 2012	3,000,000	A
Lloyds TSB	3 September 12	3,000,000	A
Barclays Bank	15 February 2013	3,000,000	A+
Newcastle City Council	29 October 2012	2,000,000	Local Authority
Greater Manchester Police Authority	13 April 2012	4,000,000	Local Authority
Barnsley Metropolitan Borough Council	24 April 2012	1,500,000	Local Authority
Lancashire County Council	12 March 2013	2,000,000	Local Authority
The Royal Bank of Scotland - MMF	Deposit Account	2,300,000	AAA
National Westminster Bank plc	Deposit Account	999,787	A
<b>Bonds</b>			
European Investment Bank (SONIA*)	Maturity Date - 18/03/2014	2,500,000	AAA

### **Credit Risk**

The Code requires the Council to attempt to quantify the potential maximum exposure to credit risk, based on experience of defaults and collection rates 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. As discussed in the Explanatory Foreword the Council reduced its exposure to Euro Sterling Bonds to manage credit risk.

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. During the year the only institutions which were members of the Bank of England Credit Guarantee scheme or other UK Government Bodies were

used to place investments in – the Guarantee scheme closed on the 28 February 2010 but the Bank of England retains the ability to reopen this should the need arise.

The Council has not experienced any losses from default by counterparties in the past in relation to investments. The Council's investments are such that it 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.

<b>Credit Rating</b>	<b>Percentage of Portfolio 31/03/11</b>	<b>Percentage of Portfolio 31/03/12</b>	<b>Change</b>
AAA or Local Authority Bonds	31%	59%	28%
AA+ or Aa1	-	-	-
AA or Aa2	-	-	-
AA- or Aa3	69%	-	(69)%
A or A+ all Building Societies	-	41%	41%

The Council does not generally allow credit for commercial rent and trade debtors, however £0.2m of the £0.6m debtors balance is past its due date for payment. The overdue amount can be analysed by age as follows:

<b>31 March 2011 £'000</b>	<b>Overdue Debtor Amount</b>	<b>31 March 2012 £'000</b>
292	Less than 30 Days	409
48	31 days to 90 Days	35
118	91 Days to 364 days	64
155	More than 1 year	82
<b>613</b>	<b>Total Overdue Debtors</b>	<b>590</b>
301	Impairment Allowance	333



## 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 may have to re-invest a significant proportion of its investments at a time of unfavourable interest rates.

	<b>Investments £'000</b>
Cash and cash equivalents*	3,330
Less than 1 year	18,563
1 year to 2 years	-
2 years to 5 years	-
More than 5 years	-
	<b>21,893</b>

\*includes cash held on an agency basis

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 £392,000 and an increase or decrease in payments of £83,000 (calculation excludes debt incurred as part of the HRA buyout on 28<sup>th</sup> March 2012).

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.

## 25. Cash and Cash Equivalents

2010/2011 £'000		2011/2012 £'000
12	Cash held by the Authority	13
(1,173)	Bank current accounts	(5,075)
5,389	Bank Call Accounts	3,300
<b>4,228</b>	<b>Total Cash and Cash Equivalents</b>	<b>(1,762)</b>

## 26. Debtors

These amounts were due to the Council.

31 March 2011			31 March 2012	
£'000	£'000		£'000	£'000
	1,300	Government Departments		2,562
	-	Other Local Authorities		-
957		Housing Tenants	989	
(969)	(12)	Less: Impairment Allowance	(948)	41
		Sundry Debtors	3,711	
6,146	4,279	Less: Impairment Allowance	(1,775)	1,936
(1,867)		Local Taxpayers/ Ratepayers	335	
	655	Less: Impairment Allowance	(159)	176
	<b>6,222</b>			<b>4,715</b>

Movement in Debtors is mainly due to:

	£'000
Decrease in council tax debtors	(438)
Housing Benefit payment owed to us by government	1,220
Decrease in payments received in advance	(1,306)
Decrease in year end debtors	(821)

## 27. Creditors

These amounts were due to be paid by the Council at 31 March 2012

31 March 2011 £'000		31 March 2012 £'000
(4,970)	Government Departments	(2,587)
(20)	Other Local Authorities	(26)
(431)	Housing Tenants	(555)
(130)	Local Taxpayers/ Ratepayers	(168)
(6,031)	Sundry Creditors	(5,156)
(201)	Finance Leases due with one year	(211)
(3,633)	Developer Contributions	(4,464)
<b>(15,416)</b>		<b>(13,167)</b>

Movement in Creditors is mainly due to:

	£'000
Decrease in liability to NNDR pool	(3,642)
Increase in Open Space funding	(415)
Increase in Sats Contribution	(456)
Increase in year end creditors	(738)

## 28. Unusable Reserves

Reserve	Balance 1 April 2011 £'000	Net Move- ment in year £'000	Balance 31 March 2012 £'000	Further Detail of Movement	Purpose of Reserve
Revaluation Reserve	10,689	2,848	13,537	See note (a) below	Store of gains on revaluation of fixed assets not yet realised through sales
Capital Adjustment Account	205,579	(119,555)	86,024	See note (b) below	Store of capital resources set aside to meet past expenditure
Available-for - Sale Financial Instruments Reserve	413	(369)	44	See note (c) below	Store of gains on revaluation of investments not yet realised through sales
Financial Instruments Adjustment Account	-	-	-	See note (d) below	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Pensions Reserve	(34,352)	(15,906)	(50,258)	See Note 31 to the Core Financial Statements	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
Deferred Capital Receipts	494	58	552	See note (e) below	

<b>Reserve</b>	<b>Balance 1 April 2011 £'000</b>	<b>Net Move- ment in year £'000</b>	<b>Balance 31 March 2012 £'000</b>	<b>Further Detail of Movement</b>	<b>Purpose of Reserve</b>
Accumulated absences reserve	(106)	-	(106)		The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward
Collection Fund	5	61	66		
<b>Total Unusable Reserves</b>	<b>182,722</b>	<b>(132,863)</b>	<b>49,859</b>		

<b>a. Movement on Revaluation Reserve</b>		
<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
457	Revaluation Gains (Including Available for Sale Assets)	3,708
(3,648)	Revaluation Loss Reversals	(418)
(102)	Less Value of Disposals	-
(305)	Less Historic Cost Depreciation	(442)
<b>(3,598)</b>		<b>2,848</b>

<b>b. Movement on Capital Adjustment Account</b>		
<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
-	HRA Debt Reform	(113,713)
	Financing Capital Expenditure:	
2,100	Capital Receipts Reserve	1,475
4,189	Major Repairs Reserve	4,310
92	Revenue Reserves	927
(5,209)	Less Depreciation	(5,694)
(39)	Less Amortisation	(29)
(4,214)	Less Revenue Expenditure Funded From Capital Under Statute	(2,020)
5,031	Grants Applied	5,357
305	Historic cost depreciation	442
(16,813)	Less Net Book Value of disposals	(874)
102	Revaluation Reserve Write out for Disposals	-
(104,587)	Impairments	(15,619)
-	Gain (reversal of impairment to CIES)	5,658
164	Minimum Revenue Provision	225
<b>(118,879)</b>		<b>(119,555)</b>

<b>c. Movement on Available for Sale Financial Instruments Reserve</b>		
<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
(119)	Adjustment for Fair Value Bonds	(369)
<b>(119)</b>		<b>(369)</b>

<b>d. Movement on Financial Instruments Adjustment Account</b>		
<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
12	Less Write off of Premiums and Discounts	-
<b>12</b>		<b>-</b>

<b>e. Movement on Deferred Credits</b>		
<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
26	Repayments received	(10)
-	Add revaluation of assets	68
<b>26</b>		<b>58</b>

## 29. Leases

The Code requires that all leases are reviewed and it determined whether they are either finance or operating leases.

- If a finance lease is determined, the asset/liability is shown on the balance sheet with the annual leasing payments being split between repayment, interest and service elements.
- If an operating lease is determined, the income/payments are shown in the Comprehensive Income and Expenditure Statement.

### Authority as a Lessee

#### Finance Leases

The Council has leased the fourth floor of the Edinburgh Road Car Park. The following balance is included on the balance sheet.

2010/11 £'000		2011/12 £'000
120	Other Land and Buildings	120
<b>120</b>	<b>Total</b>	<b>120</b>

The Authority is committed to making the following payments for this lease, with a remaining life of 45 years.

	Lease Payment £'000	Service Cost £'000	Interest Cost £'000	Repayment of Principal £'000
Within 1 Year	16	-	16	-
2 – 5 Years	64	-	63	1
Later than 5 Years	648	5	524	119
	<b>728</b>	<b>5</b>	<b>603</b>	<b>120</b>

## Operating Leases

The authority has contracts for lease cars and has categorised these leases as operating leases. The Authority was committed as at 31 March 2012 to making lease payments as per the following table:

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
189	Within 1 Year	165
312	2-5 Years	184
-	Later than five years	-

## Authority as a Lessor

### Finance Leases

The Authority has leased the Ashford Indoor Bowls Centre to the Ashford Indoor Bowls Centre Ltd; the lease is for the majority of the assets life and therefore is to be treated as a finance lease. The remaining life of this lease is 42 years. The table below shows the income due on this lease:

	<b>Principal receivable £'000</b>	<b>Interest £'000</b>	<b>Total £'000</b>
Within 1 year	16	26	42
2 – 5 Years	88	122	210
Later than 5 Years	1,055	499	1,554
	<b>1,159</b>	<b>647</b>	<b>1,806</b>

## Operating Leases

The Authority leases out property under operating leases for the different purposes. These include sports facilities, shops, and community assets. The income from these leases, calculated at current levels, is detailed in the table below:

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
158	Within 1 Year	268
377	2 – 5 Years	569
191	Later than 5 Years	65



The Council owns, and rents out, a number of industrial units on short-term leases. The Income receivable for leases relating to industrial units is detailed below:

2010/11 £'000		2011/12 £'000
157	Within 1 Year	296
105	2 – 5 Years	286
-	Later than 5 Years	-

### 30. PFI and Similar Contracts

#### Stanhope PFI

On the 13 April 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 was £140m, which included construction costs of £27m. The contract made provision for the Council to benchmark the housing management costs and re-negotiate the payments to the contractor; as a result of this benchmarking process the value of the contract is now £127m. Details of the PFI assets held on the balance sheet are included in note 17.

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 vary by virtue of certain provisions within the contract. These primarily relate to the following:

- 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 (undertaken February 2012)

### Analysis of Forecast Unitary Charge

	Repayment of Liability £'000	Interest Cost £'000	Service Cost £'000	Total £'000
Within 1 Year	167	1,100	2,659	3,926
2-5 years	1,411	4,108	10,636	16,155
6-10 years	3,198	4,747	13,295	21,241
11-15 Years	5,164	4,014	13,295	22,474
16-20 Years	7,596	2,882	13,295	23,773
21-25 Years	10,572	1,260	13,295	25,127
26-30 Years	190	7	47	244
	<b>28,298</b>	<b>18,118</b>	<b>66,523</b>	<b>112,940</b>

The PFI contract transfers risks from the Council to the contractor, as the Council retains ownership of the assets the risk to the Council in event of a contractor default is low. The Council monitors performance of the contractor against a range of Key Performance Indicators and can deduct money from the unitary payment in the event that these measures are not achieved. A ratchet mechanism in the contract allows penalties to increase in the event of continued performance issues.

### Extra Care Housing PFI

During 2007/08 the Council entered into a partnership arrangement with Kent County Council and nine other district councils within Kent to provide new homes for vulnerable people. The overall scheme is being funded by Public Finance Initiative credits over a 30 year period. In the event of the scheme ceasing the Council will be liable for:-

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

### Other Service Contracts

The Council has entered into contracts for refuse collection and street cleansing which include elements, that under International Financial Reporting

Standards, are considered as Finance Leases. These leases, included within the contracts, for vehicles and equipment solely used on the Councils contract. Under the new Code these assets are included within the authority's balance sheet:

2010/11 £'000		2011/12 £'000
412	Property, Plant and Equipment	211
<b>412</b>	<b>Total</b>	<b>211</b>

The Authority is committed to making the following payments under the terms of the contracts:

	Lease Payment £'000	Service Cost £'000	Interest Cost £'000	Repayment of Principle £'000
Within 1 Year	3,944	3,722	11	211
2 – 5 Years	-	-	-	-
Later than 5 Years	-	-	-	-
	<b>3,944</b>	<b>3,722</b>	<b>11</b>	<b>211</b>

Both contracts are due to end in March 2013.

### 31. Defined Benefit Pension Schemes

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. This means the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

#### Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services, when employees earn these, 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 Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income

and Expenditure Statement and Movement in Reserves Statement during the year.

2010/11 £'000	Local Government Pension Scheme	2011/12 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
2,340	current service cost	1,770
(9,332)	past service costs	-
78	Curtailments and Settlements	5
-	Financing and Investment Income	
5,984	interest cost	5,365
(4,079)	expected return on scheme assets	(4,388)
<b>(5,009)</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>2,752</b>
(23,375)	Actuarial (Gains)/Losses	16,235
5,016	Actual Return on Scheme Assets	1,578

2010/11 £'000	Movement in Reserves Statement:	2011/12 £'000
5,009	Reversal of net charges made for retirement benefits in accordance with IAS 19	(2,752)
<b>3,099</b>	<b>Employer's contributions payable to scheme</b>	<b>3,081</b>

### Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2010/11 £'000	Funded liabilities: Local Government Pension Scheme	2011/12 £'000
<b>119,912</b>	<b>1 April</b>	<b>98,400</b>
2,340	Current service cost	1,770
5,984	Interest cost	5,365
649	Contributions by scheme participants	628
(16,811)	Actuarial (gains) and losses	13,425
(9,332)	Past service costs	
78	Settlements and Curtailments	5
-	Liabilities extinguished on settlement	
(257)	Unfunded Benefits Paid	(261)
(4,163)	Benefits paid	(3,882)
<b>98,400</b>	<b>Accounting Value of Liabilities as at 31 March</b>	<b>115,450</b>

Reconciliation of fair value of the scheme assets:

2010/11 £'000	Local Government Pension Scheme	2011/12 £'000
<b>54,077</b>	<b>1 April</b>	<b>64,048</b>
4,079	Expected value of return	4,388
3,099	Employer contributions	3,081
649	Contributions by scheme participants	628
6,564	Actuarial gains and losses	(2,810)
-	Unfunded Benefits Paid	-
-	Payment/(receipt) of bulk transfer values	-
(4,420)	Benefits paid	(4,143)
<b>64,048</b>	<b>Accounting value of scheme assets as at 31 March</b>	<b>65,192</b>

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.

**Balance Sheet Disclosure**

Balance Sheet as at:	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Present Value of Funded Obligation	112,438	95,401	116,484
Less Fair Value of Scheme assets (bid Value)	(65,192)	(64,048)	(54,077)
<b>Net Liability</b>	<b>47,246</b>	<b>31,353</b>	<b>62,407</b>
Present Value of Unfunded Obligation	3,012	2,999	3,428
Unrecognised Past Service Cost	-	-	-
<b>Net Liability in Balance Sheet</b>	<b>50,258</b>	<b>34,352</b>	<b>65,835</b>

## Scheme history

	2011/12 £'000,s	2010/11 £'000,s	2009/10 £'000,s	2008/09 £'000	2007/08 £'000
Fair value of assets	65,192	64,048	54,077	42,410	52,720
Present value of liabilities:	(115,450)	(98,400)	(119,912)	(80,800)	(83,220)
<b>Surplus/(deficit) in the scheme:</b>	<b>(50,258)</b>	<b>(34,352)</b>	<b>(65,835)</b>	<b>(38,390)</b>	<b>(30,500)</b>
Experience adjustments on scheme liabilities	41	4,040	605	70	1,970
Percentage of Liabilities	0.0%	4.1%	0.5%	0.1%	2.4%
Experience adjustments on scheme assets	(2,810)	6,564	11,896	(14,020)	(9,490)
Percentage of Assets	(4.3)%	10.2%	22.0%	(33.1)%	(18.0)%

The liability shows the Council's underlying long-term commitment to pay retirement benefits. Although the liability has a negative impact on the Council's equity position, statutory arrangements for the funding of the deficit mean that the financial position of the Council remains healthy.

The deficit on the Local Government Pension Scheme will be made good by increased contributions, as assessed by the scheme actuary.

### 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 Pension Fund's liabilities were assessed by Barnett Waddingham, an independent firm of actuaries; the last full valuation of the scheme was as at 31 March 2010.

The principal assumptions used by the actuary were:

2010/11	Funded liabilities: Local Government Pension Scheme	2011/12
	Long-term expected rate of return on assets in the scheme:	
7.4%	Equity Investments	6.3%
4.4%	Gilts	3.3%
5.5%	Other Bonds	4.6%
5.4%	Property	4.3%
3.0%	Cash	3.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
19.8 Years	Men	20.0
23.9 Years	Women	24.0
	Longevity at 65 for future pensioners:	
21.9 Years	Men	22.0
25.8 Years	Women	25.9
3.5%	Price Increases (RPI)	3.3%
2.7%	Price Increases (CPI)	2.5%
5.0%	Salary Increases	4.7%
2.7%	Pension Increases	2.5%
5.5%	Discount Rate	4.6%
50.0%	Proportion of employees opting to take a commuted lump sum	50.0%

The Pension Fund's assets consist of the following categories, by value of the total assets held:

31 March 2011 £'000		31 March 2012 £'000
48,677	Equity investments	48,242
640	Gilts	652
7,686	Bonds	6,519
5,764	Property	5,867
1,281	Cash	2,608
-	Target Return Portfolio	1,304
<b>64,048</b>	<b>Total</b>	<b>65,192</b>

## History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	As restated £'000	As restated £'000
Actuarial Gains/ (Losses)	(16,235)	23,375	(25,445)	(6,810)	6,260
Cumulative Actuarial Gains and (Losses)	(31,666)	(15,431)	(38,806)	(13,361)	(6,551)
Gain/Loss as a percentage of net assets/liability	32.3%	(68.0)%	38.6%	17.7%	(20.5)%

## Projected Pension Expense for the Year to 31 March 2013

	£'000
Service Cost	2,239
Interest Cost	5,288
Return on Assets	(3,740)
<b>Total</b>	<b>3,787</b>
Employer Contributions	2,627

## 32. Related Parties (information on elections)

Under the Accounting Standard IAS24 '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. All Members (including those that stood down at the election) and Senior Managers were written to requesting details of any relationships that could result in a related party transaction (For 2011/12 1 current Councillors and 12 former councillors did not submit a return).

During 2011/12, the only relationship that was declared and considered material was as a result of the Councils Governance arrangement with Ashford Future Company. Transactions totalling £1.6m have occurred, further details of the relationship with the company are included in the Explanatory forward, and notes 33 & 34.(2010/11 £nil).



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.

### **33. Interest 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. Following the ending of the Government's Growth Area Funding, the Council and its partners have taken the decision to wind down the company. All other partners resigned from the Company in June 2011 leaving the Council as the sole member of the company with the responsibility to wind down its affairs. The Leader of the Council is the sole director and the Deputy Chief Executive is acting as company secretary. Both are acting in these roles at the request of the Council and do not receive any payment for these roles.

The company's management accounts shows income of £48,300 and expenditure of £48,300 for the period April 2011 to February 2012. Due to the low value of these transactions Group accounts will not be completed.

Wind down is currently being undertaken, and was anticipated to be completed by the summer 2012. However the company is in complex discussions with HM Revenue and Customs, and as a result is taking longer than originally anticipated to wind down

The Council holds a long-standing 10% minority stake in Orbital Park Ltd with the majority share being owned by Eurotunnel Ltd. The Company managed the development of Orbital Park in Ashford, which is now largely complete and the company is currently being wound down. During the year the Council was paid its share of remaining assets; this totalled £286,000, and has been treated as a capital receipt.

### **34. Contingent Liabilities**

The Council has entered into an agreement with 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 was £350,000 but this reduces by £10k annually and currently stands at £270,000 and will reduce over the remaining 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 30 page 85 for further disclosures.

The Council is acting as a guarantor for the Pension Liabilities of Ashford Leisure Trust to permit its entry into the Kent County Council Superannuation Fund. In the event that the Trust fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. This cannot be quantified, as these 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 has entered into two agreements with Kent County Council and SEEDA (now Homes and Communities Agency (HCA)) which includes provision for the repayment of Regional Infrastructure Funding (RIF), used to pay for works to the Drovers Roundabout and the M20 junction 9 footbridge.

RIF funding has been awarded to Kent County Council for the schemes by HCA. A condition of the agreement is that, in the future, money collected from developers in respect of these works through the planning process by Ashford Borough Council will be paid to HCA. However, the Councils liability is limited to the total amount received in each case.

The Council has an exposure of upto £110,000 for claims from customers as a result of the Governments change in interpretation of the regulations for fee setting. As mentioned earlier in note 4.

### **35. 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 in regards to off street parking income, totalling £2,606,647; 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 in regards to off street parking income, covering the period April 1974-

March 1996, this totals £1,174,340. The case is currently subject to an appeal by HM Revenue and Customs.

The Council has successfully submitted claims to recover VAT paid on sports services, sports tuition and parking excess charges. Whilst the council has received the principal due and statutory interest; it has submitted a further claim for compound interest on these amounts. These claims are currently being considered by HM revenue and customs and it is currently not possible to estimate whether these claims will be successful or when they may be paid. The value of these claims is approximately £460,000 however costs will be incurred to pursue the claim.

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

### 36. Events After The Balance Sheet Date

There were no events after the balance sheet date.

### 37. Cash Flow Statement – Adjustment to Net Deficit on the Provision of Services for Non Cash Movement

2010/11 £'000		2011/12 £'000
112,224	Depeciation, Amortisation & Impairment	15,684
(6,470)	Increase/(Decrease) in Creditors	1,903
3,151	(Increase)/Decrease in Debtors	1,189
13	(Increase)/Decrease in Inventories	(3)
(2,024)	Pension Liability	(329)
16	Contribution to/from Provisions	413
16,712	Carrying Amount Non-current Assets Sold	874
(66)	Issuing of Deferred Capital Receipts	(68)
28,000	Carrying Amount of Investments Sold	65,226
<b>151,556</b>	<b>Non cash items adjustment</b>	<b>84,889</b>

**38. Cash Flow Statement - Adjustment to Net Deficit on the Provision of Services for Investing & Financing Activities**

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
(5,032)	Capital Grants	(5,357)
(28,000)	Proceeds from Sale of Investments	(65,226)
(2,283)	Proceeds from Sale of Assets	(1,381)
<b>(35,315)</b>	<b>Financing &amp; Investment adjustment</b>	<b>(71,964)</b>

**39. Cash Flow Statement - Operating Activities**

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
(1,113)	Interest paid	(2,363)
1,342	Interest received	1,261
-	Dividends received	-

**40. Cash Flow Statement - Investing Activities**

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
(12,199)	Purchase of property, plant and equipment, investment property and intangible assets	(14,473)
(33,500)	Purchase of short-term and long-term investments	(55,300)
2,323	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,391
28,000	Proceeds from short-term and long-term investments	65,226
7,312	Other receipts from investing activities	3,545
<b>(8,064)</b>	<b>Net cash flows from investing activities</b>	<b>389</b>

#### 41. Cash Flow Statement - Financing Activities

2010/11 £'000		2011/12 £'000
21,251	Cash receipts of short and long-term borrowing	126,213
7,912	Adjustments to financing activities	(2,164)
(191)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(147)
(14,000)	Repayments of short and long-term borrowing	(21,300)
(122)	Other payments for financing activities	(235)
<b>14,850</b>	<b>Net cash flows from financing activities</b>	<b>102,367</b>

#### 42. Cash Flow Statement - Makeup of Cash and Cash Equivalents

2010/11 £'000		2011/12 £'000
(12,392)	Cash and Bank Balances	13
16,620	Cash Investments - regarded as cash equivalents*	3,300
-	Bank Overdraft	(5,075)
<b>4,228</b>		<b>(1,762)</b>

\* This item includes a £3m adjustment (2010/11 £11.2m) for Growth Area funding held by the Council as an agent and therefore excluded from our accounts.

## **Supplementary Single Entity Statements**

### **Housing Revenue Account**

The Housing Revenue Account (HRA) is a record of the revenue expenditure and income relating to Ashford Borough 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; the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

2010/11 £'000	HRA Income and Expenditure Account	2011/12 £'000
	<b>Expenditure</b>	
2,972	Repairs and maintenance	3,069
4,636	Supervision and management	4,206
43	Rents, rates, taxes and other charges	44
2,970	PFI Contractor	3,210
6,998	Negative HRA Subsidy payable	7,675
5,006	Depreciation of non current assets	3,627
105,289	Exceptional Item – (Revaluation Gain)/Impairment of HRA assets	14,367
-	Exceptional Item – Settlement payment to the Secretary of State	113,713
44	Debt management costs	74
-	Movement in the impairment allowance for bad debts	21
<b>127,958</b>	<b>Total Expenditure</b>	<b>150,006</b>
	<b>Income</b>	
(18,868)	Dwelling rents	(20,042)
(526)	Non-dwelling rents	(491)
(568)	Charges for services and facilities	(571)
(333)	Contributions towards expenditure	(332)
(3,000)	PFI Subsidy receivable	(3,000)
<b>(23,295)</b>	<b>Total Income</b>	<b>(24,436)</b>
<b>104,663</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>125,570</b>
486	HRA services' share of Corporate and Democratic Core	512
289	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	315
<b>105,438</b>	<b>Net (Income)/Cost for HRA Services</b>	<b>126,397</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
14,779	(Gain)/Loss on sale of HRA non-current assets	589
1,025	Interest payable and similar charges	1,381
(65)	Interest and investment income	(55)
279	Pensions interest cost and expected return on pensions assets	154
<b>121,456</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>128,466</b>

<b>Movement on the Housing Revenue Account Statement</b>		
<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
<b>(1,670)</b>	Balance on the HRA at the end of the previous year	<b>(2,151)</b>
121,456	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	128,466
(121,937)	Adjustments between accounting basis under statute	(128,540)
(481)	Net (increase)/decrease in year on the HRA	(74)
<b>(2,151)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(2,225)</b>

<b>Note on Statement of Movement on the Housing Revenue Account Balance</b>		
<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>	
(44)	Difference between interest payable and similar charges (including amortisation of premiums and discounts)	(6)
(106,756)	Difference between any other item of income and expenditure determined in accordance with the code	(14,367)
(14,779)	(Gain) or loss on sale of HRA non-current assets	(589)
36	Capital expenditure funded by the HRA	343
(205)	HRA Share of contributions to or from the pension reserve	12
(189)	Transfer to/(from) the Major Repairs Reserve	(220)
-	Transfer to/(from) the Capital Adjustment Account	(113,713)
<b>(121,937)</b>		<b>(128,540)</b>



## 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 2011 is given in the table below:

<b>31 March 2011 Units</b>	<b>Dwellings By Type</b>	<b>31 March 2012 Units</b>
3,528	Houses/Bungalows	3,517
1,460	Flats/Bedsits/Maisonettes	1,461
20	New Development Dwellings	80
<b>5,008</b>	<b>Total Number of Dwellings</b>	<b>5,058</b>
(324)	Properties Managed under the Stanhope PFI	(323)
<b>4,684</b>	<b>Revised Total Number of Dwellings</b>	<b>4,735</b>

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

<b>1 April 2011 £'000</b>		<b>31 March 2012 £'000</b>
202,309	Operational assets - dwellings, land and buildings	196,180
303	Non-operational assets	22
<b>202,612</b>		<b>196,202</b>

### 2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2011 was £593,833,000 (£619,337,000 as at 1 April 2010); the reduction is partly due to the disposal of a number of PFI properties. 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.

This valuation exercise was completed by an external valuer (Savills).

### 3. Major Repairs Reserve

2010/11 £'000		2011/12 £'000
4,753	Balance on 1 April	3,913
3,540	Depreciation	3,627
(191)	Transfer to/(from) Major Repairs Reserve	(220)
(4,189)	Less: Use of Reserve for HRA Capital Expenditure	(4,310)
<b>3,913</b>	<b>Balance at 31 March</b>	<b>3,010</b>

### 4. Summary of Capital Expenditure and Financing

2010/11 £'000		2011/12 £'000
4,189	Expenditure on Dwellings	4,310
3,297	Expenditure on new developments	7,037
495	Expenditure on PFI	-
36	Expenditure on pilot PV panels project	20
-	Payment to Secretary of State (see note 11)	113,713
<b>8,017</b>		<b>125,080</b>
	Financed By:	
-	Capital Receipts	147
4,189	Major Repairs Reserve	4,310
1,520	External Contribution (Housing Communities Agency)	3,676
1,777	Borrowing	116,604
531	Revenue Contribution	343
<b>8,017</b>		<b>125,080</b>

### 5. Capital Receipts from Disposal of Assets

2010/11 £'000		2011/12 £'000
306	Receipts from Right to Buy Sales	1,116
1,721	Receipts from Housing Land	19
(53)	Costs of disposal	(45)
<b>1,974</b>	<b>Total Capital Receipts less deductions</b>	<b>1,090</b>

## 6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £3,627,067 (2010/2011, £3,550,847), summarised below:

2010/11 £'000		2011/12 £'000
3,349	Council Dwellings	3,408
190	Council Garages	164
11	New Development	53
1	PV Panels	2
<b>3,551</b>		<b>3,627</b>

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

## 7. HRA Subsidy

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

2010/11 £'000		2011/12 £'000
2,344	Allowance for Management	2,360
5,505	Allowance for Maintenance	5,432
3,349	Allowance for Major Repairs	3,407
73	Charges for Capital	220
(18,269)	Rent	(19,112)
(1)	Interest on Receipts	(1)
1	Adjustment for previous years	19
<b>(6,998)</b>	<b>Subsidy as per Income and Expenditure Account</b>	<b>(7,675)</b>
3,000	PFI Subsidy	3,000
<b>(3,998)</b>	<b>Negative Subsidy payable to Central Government</b>	<b>(4,675)</b>

## 8. Pensions

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.

2010/11 £'000		2011/12 £'000
	<b>Income and Expenditure Account</b>	
	<i>Net Cost of Services</i>	
343	Current Service Cost	-
-	Past Service Cost	280
	<i>Net Operating Expenditure</i>	
876	Interest cost	848
(597)	Expected return on assets	(694)
622	Net Charge to the Income and Expenditure Account	434
	<b>Statement of Movement in the Housing Revenue Account Balance</b>	
(622)	Reversal of net charges made for retirement benefits in accordance with IAS19	(434)
<b>416</b>	<b>Actual amount charged against the Housing Revenue Account for pensions in the year</b>	<b>446</b>

## 9. Rent Arrears

During the year 2011/12 arrears totalling £41,988 (£2,160 - 2010/11) were written off to the Impairment allowance for bad debts held outside the HRA as they were considered to be uncollectable. A contribution of £21,013 (no contribution was made in 2010/11) has been made to the provision in the year.

The balance on the provision at 31 March 2012 was £947,901 (£968,714 at 31 March 2011).

31 March 2011 £'000		31 March 2012 £'000
957	Gross Arrears	989
(267)	Less Pre-Payments	(318)
<b>690</b>	<b>Net Position</b>	<b>671</b>

## 10. Exceptional Item (Impairment)

In 2011/12 impairments of £14,567,620 (£105,290,000 – 2010/11) were charged to the Housing Revenue Account, this is due to a general fall in market value. However there were some gains of £199,887 reducing the charge to the Comprehensive Income and Expenditure Account to £14,366,733.

## 11. Payment to the Secretary of State

The Housing Revenue Account reform required a settlement payment to the Secretary of State of £113m on, or before, 28 March 2012. To finance this payment new debt was taken on from the Public Works Loan Board (PWLB). The payment to the Secretary of State is shown on the income and expenditure statement as a net cost of HRA services. The revenue transaction is then written out of the HRA, as it is defined by statute as capital expenditure.

The borrowing portfolio, from the PWLB, for the £113m of debt is as follows:

Loan Amount £'000	Start Date	Interest Type	Interest Rate %	Repayment Type	Redemption Date
7,000	28/03/2012	Variable	0.6200	Maturity	27/03/2022
2,000	28/03/2012	Fixed	1.2400	Maturity	27/03/2017
3,000	28/03/2012	Fixed	1.5000	Maturity	27/03/2018
1,000	28/03/2012	Fixed	1.7600	Maturity	27/03/2019
5,000	28/03/2012	Fixed	1.9900	Maturity	27/03/2020
2,000	28/03/2012	Fixed	2.2100	Maturity	27/03/2021
2,000	28/03/2012	Fixed	2.4000	Maturity	27/03/2022
2,000	28/03/2012	Fixed	2.5600	Maturity	27/03/2023
3,000	28/03/2012	Fixed	2.7000	Maturity	27/03/2024
3,000	28/03/2012	Fixed	2.8200	Maturity	27/03/2025
1,000	28/03/2012	Fixed	2.9200	Maturity	27/03/2026
1,000	28/03/2012	Fixed	3.0100	Maturity	27/03/2027
2,000	28/03/2012	Fixed	3.0800	Maturity	27/03/2028
2,000	28/03/2012	Fixed	3.1500	Maturity	27/03/2029
2,000	28/03/2012	Fixed	3.2100	Maturity	27/03/2030
8,000	28/03/2012	Fixed	3.2600	Maturity	27/03/2031
9,000	28/03/2012	Fixed	3.3000	Maturity	27/03/2032
10,000	28/03/2012	Fixed	3.3400	Maturity	27/03/2033
11,000	28/03/2012	Fixed	3.3700	Maturity	27/03/2034
12,000	28/03/2012	Fixed	3.4000	Maturity	27/03/2035
9,000	28/03/2012	Fixed	3.4200	Maturity	27/03/2036
16,713	28/03/2012	Fixed	3.4400	Maturity	27/03/2037
<b>113,713</b>					

## 12. Directions by the Secretary of State

Ashford Borough Council has agreed with the Secretary of State, under section 80B of the Local Government and Housing Act 1989, to exclude the 'New Build' schemes from the Housing Revenue Account Subsidy System. This decision does not affect the way in which the properties have been treated in the accounts, but it does impact the level of subsidy and Major Repairs Allowance paid to/by the Government.

## Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund; it shows the transactions in relation to non-domestic rates, including distribution to government; and council tax, illustrating the way this has been distributed to precepting authorities and the General Fund.

2010/11 £'000	Income and Expenditure Account	2011/12	
		£'000	£'000
	<b>Income</b>		
(40,141)	Income from Business Taxpayers	(43,610)	
(56,736)	Council Tax	(57,556)	
(7,460)	Council Tax Benefits	(7,700)	
<b>(104,337)</b>	<b>Total Income</b>		<b>(108,866)</b>
	<b>Expenditure</b>		
	<b>Precepts and Demands</b>		
47,038	Kent County Council	47,512	
6,226	Kent Police Authority	6,289	
3,050	Kent and Medway Fire Authority	3,081	
7,075	Ashford Borough Council inc Parish Precepts	7,195	64,077
	<b>Business Rates</b>		
38,770	Payment to National Pool	41,743	
172	Costs of Collection	177	41,920
	<b>Bad and Doubtful Debts</b>		
648	Write-offs	1,071	
746	Allowance for Impairment	1,190	2,261
	<b>Contributions</b>		
	Surplus Distribution/(Contributions to Deficit)		
246	- Kent County Council	-	
32	- Kent Police	-	
16	- Kent Fire	-	
32	- Ashford Borough Council	-	-
<b>104,051</b>	<b>Total Expenditure</b>		<b>108,258</b>
<b>(286)</b>	<b>Deficit / (Surplus) in Year</b>		<b>(608)</b>
237	Balance as at 1 April		(49)
<b>(49)</b>	<b>Balance as at 31 March</b>		<b>(657)</b>
	<b>Apportionment to Major Preceptors</b>		
37	- Kent County Council		494
5	- Kent Police		65
2	- Kent Fire		32
<b>(5)</b>	<b>Ashford Borough Council Share of (surplus)/deficit</b>		<b>(66)</b>

## 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 population.

<b>Total non-Domestic Rateable Value:</b>	<b>£</b>
1 April 2011	112,771,541
31 March 2012	113,176,216
<b>Increase/ decrease for year</b>	<b>404,675</b>

<b>The Uniform Rate in the pound set by Government in 2011/12 was: -</b>	
For rateable values below £18,000	42.6p
For rateable values £18,000 and above	43.3p

The increase in rateable values was mainly due to the opening of Dobbies Garden Centre.

## 2. Council Tax Base

The Council Tax Base, i.e. the number of chargeable dwellings in each valuation band (adjusted where discounts apply) converted into an equivalent number of Band D dwellings, was calculated as follows.

Band	2010/11			2011/12		
	Estimated no properties (net of discounts and reliefs) (a)	Multiplier (b)	Band D Equivalent properties (a x b)	Estimated no properties (net of discounts and reliefs) (c)	Multiplier (d)	Band D Equivalent properties (c x d)
Unbanded (Incl disabled relief)	5.76	5/9	3.20	3.24	5/9	1.80
A	2,956.95	6/9	1,971.30	2,943.60	6/9	1,962.40
B	9,996.81	7/9	7,775.30	10,116.39	7/9	7,868.30
C	10,836.00	8/9	9,632.00	10,987.82	8/9	9,766.95
D	7,304.94	1	7,304.94	7,428.39	1	7,428.39
E	5,838.22	11/9	7,135.60	5,827.99	11/9	7,123.10
F	4,666.29	13/9	6,740.20	4,709.77	13/9	6,803.00
G	2,814.78	15/9	4,691.30	2,842.62	15/9	4,737.70
H	161.15	2	322.30	172.20	2	344.40
<b>Sub Total</b>			<b>45,576.14</b>			<b>46,036.04</b>
Estimated Collection Rate			98.50%			98.50%
<b>Council Tax Base</b>			<b>44,892.50</b>			<b>45,345.50</b>

## 3. Band D Council Tax

The band D level of council tax is the average level of tax charged as prescribed in legislation. When calculating the tax base, the number of properties is converted into band D equivalents and this is used when authorities set their council tax. If a property is within a parished area an additional charge will be made for the Parish Council.

Authority	2010/11 £	2011/12 £
Ashford Borough Council	140.67	140.67
Kent County Council	1,047.78	1,047.78
Kent Police	138.68	138.68
Kent Fire and Rescue	67.95	67.95
<b>Basic amount</b>	<b>1,395.08</b>	<b>1,395.08</b>
Parish Councils (average)	27.11	28.75
<b>Total</b>	<b>1,422.19</b>	<b>1,423.83</b>



#### 4. Precepts

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

<b>Authority</b>	<b>Precept £'000</b>	<b>Distribution of prior years surplus £'000</b>	<b>Total £'000</b>
Ashford Borough Council	6,379	-	6,379
Kent County Council	47,512	-	47,512
Kent Police	6,289	-	6,289
Kent Fire and Rescue	3,081	-	3,081
<b>Sub Total</b>	<b>63,261</b>	-	<b>63,261</b>
Parish Precepts*	816	-	816
<b>Total</b>	<b>64,077</b>	-	<b>64,077</b>

\*There are 39 Parish Councils that levy precepts within the Borough, the most significant of which are:

<b>Parish</b>	<b>Precept £'000</b>
Tenterden Town Council	197
Kingsnorth	64
Charing	48
Biddenden	48
Great Chart with Singleton	44
Wye with Hinxhill	43

# **Independent Auditor's report to the Members of Ashford Borough Council**

## **Opinion on the Authority financial statements**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHFORD BOROUGH COUNCIL**

I have audited the financial statements of Ashford Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Chief Financial Officer (Deputy Chief Executive) and auditor**

As explained more fully in the Statement of the Chief Financial Officer Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer and the overall presentation of the financial statements. In addition,

I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Ashford Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

### **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Authority and the auditor**

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 to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Ashford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

### **Certification**

I certify that I have completed the audit of the accounts of Ashford Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack  
District Auditor

1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

## Glossary update

**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 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.

**Componentisation** – An accounting term that covers the practice of splitting an asset into its component parts (e.g. Walls, Roof, Lift, Boiler) to determine the appropriate value and depreciation basis for each component.

**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.

**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.

**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 unable 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 sum, calculated notionally by Government (based on income from rents, investments and notional expenditure) that results in a payment to/from the local authority.

**Impairment** – An accounting term that covers the loss in value of an asset either through consumption of its economic life or a change in its usefulness. For example, fire damage.

**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.

**International Financial Reporting Standards** – The accounting standards that have been produced and adopted to govern accounting and move to a globally similar basis.

**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.

**Partial Exemption**– a VAT term which ensures that a Local Authority does not recover VAT on Inputs that relate to the generation of exempt income more than the 5% of the total VAT recovered.

**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 and 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.

**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

**UK GAAP – United Kingdom Generally Accepted Accounting Practice** – this was the set of accounting rules that were developed for the United Kingdom. This has largely been replaced by International Financial Reporting Standards.



## Appendix Restatement of 2010/11 and 2009/10 Comparitors

The adjustments for Heritage assets and Pension strain are discussed within the Explanatory forward, see page 2. The remaining adjustments have been identified when bringing prior years balances forward.

<b>Restatement of 2010/11 Comparators</b>	Final Accounts £'000	Heritage Assets FRS 30 £'000	Revaluation of PFI Adjustment £'000	Garage Impairment Adjustment £'000	Pension Strain Adjustment £'000	Total £'000
<b>Consolidated Income &amp; Expenditure Account</b>						
Central Services to the Public	896					896
Cultural, Environmental & Planning	9,253					9,253
Highways	431					431
Local Authority Housing (HRA)	(626)					(626)
Exceptional Item - HRA stock impairment	107,637		(2,608)			105,029
Housing	3,359			261		3,620
Corporate & Democratic Core	2,680					2,680
Exceptional Item - Pension revaluation	(9,332)					(9,332)
Non-distributable	1,014				142	1,156
<b>Cost of Services</b>	<b>115,312</b>	<b>-</b>	<b>(2,608)</b>	<b>261</b>	<b>142</b>	<b>113,107</b>
Other operating expenditure	15,760					15,760
Financing & Investing Income	2,427					2,427
Taxation & non-specific grant income	(20,606)					(20,606)
<b>(Surplus)/Deficit on provision of services</b>	<b>112,893</b>	<b>-</b>	<b>(2,608)</b>	<b>261</b>	<b>142</b>	<b>110,688</b>
Surplus or deficit on revaluation of PPE assets	584		2,608			3,192
Surplus or deficit on revaluation of available for sale	119					119
Actuarial gains/losses on pension assets/liabilities	(23,375)					(23,375)
<b>Total Surplus/Deficit for year</b>	<b>90,221</b>	<b>-</b>	<b>-</b>	<b>261</b>	<b>142</b>	<b>90,624</b>
	Final Accounts £'000	Heritage Assets FRS 30 £'000	Revaluation of PFI Adjustment £'000	Garage Impairment Adjustment £'000	Pension Strain Adjustment £'000	Total £'000
<b>Statement of Movement on General Fund Balance</b>						
<b>Balance at 31 March 2010</b>	<b>(284,384)</b>	<b>(3,193)</b>				<b>(287,577)</b>
Surplus/(Deficit) on provision of services	112,893		(2,608)	261	142	110,688
Other CI&E	(22,672)		2,608			(20,064)
<b>Total CI&amp;E</b>	<b>90,221</b>	<b>-</b>	<b>-</b>	<b>261</b>	<b>142</b>	<b>90,624</b>
(Surplus)/Deficit on provision of services	-					-
Adjustments between accounting basis & funding basis under regulation	-					-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>90,221</b>	<b>-</b>	<b>-</b>	<b>261</b>	<b>142</b>	<b>90,624</b>
Transfers to/from earmarked reserves	-					-
<b>Increase/decrease 2010/11</b>	<b>90,221</b>	<b>-</b>	<b>-</b>	<b>261</b>	<b>142</b>	<b>90,624</b>
<b>Balance C/fwd</b>	<b>(194,163)</b>	<b>(3,193)</b>	<b>-</b>	<b>261</b>	<b>142</b>	<b>(196,953)</b>

<b>Restatement of 2010/11 Comparators</b>						
	Final Accounts £'000	Heritage Assets FRS 30 £'000	Revaluation of PFI Adjustment £'000	Garage Impairment Adjustment £'000	Pension Strain Adjustment £'000	Total £'000
<b>Balance Sheet as at 31 March 2011</b>						
Property Plant & Equipment	248,525	(555)		(261)		247,709
Heritage Assets	-	2,929				2,929
Investment Properties	-					-
Intangible Fixed Assets	69					69
Surplus Assets for Resale	-					-
Long-Term Investments	18,084					18,084
Long-Term Debtors	1,671					1,671
Short Term Investments	13,313					13,313
Inventories	16					16
Short Term Debtors	6,222					6,222
Cash and Cash Equivalents	4,228					4,228
Assets Held for Sale	-					-
Short Term Borrowing	(10,305)					(10,305)
Short Term Creditors	(15,215)					(15,215)
Capital Grants Received in advance	(2,487)					(2,487)
Provisions	(195)					(195)
Pension Liability	(34,352)					(34,352)
Pension Strain creditor	(679)				679	-
Long Term PFI Liability	(28,249)					(28,249)
Long Term Finance Lease Liability	(532)					(532)
Long Term Borrowing	(5,951)					(5,951)
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>194,163</b>	<b>2,374</b>	<b>-</b>	<b>(261)</b>	<b>679</b>	<b>196,955</b>
Capital Adjustment Account	203,230		2,608	(261)		205,577
Revaluation Reserve	10,924	2,374	(2,608)			10,690
Available for Sale Financial Instruments Reserve	413					413
Financial Instruments Adjustment Account	-					-
Unapplied Capital Grants	-					-
Deferred Credits	494					494
Accum Annual Leave Reserve	(106)					(106)
Collection Fund Balance	5					5
Pensions Reserve	(35,031)				679	(34,352)
General Fund Balance	3,812					3,812
Housing Revenue Account Balance	2,152					2,152
Major Repairs Reserve (HRA)	3,913					3,913
Usable Capital Receipts Reserve	1,016					1,016
Other Reserves Balances	3,341					3,341
<b>TOTAL EQUITY</b>	<b>194,163</b>	<b>2,374</b>	<b>-</b>	<b>(261)</b>	<b>679</b>	<b>196,955</b>

<b>Restatement of 2009/10 Comparators</b>	Final Accounts	Heritage Assets FRS 30	Pension Strain Adjustment	Total
<b>Balance Sheet</b>	£'000	£'000	£'000	£'000
Property Plant & Equipment	368,799	(555)		368,244
Heritage Assets	-	2,929		2,929
Investment Properties	-			-
Intangible Fixed Assets	76			76
Surplus Assets for Resale	-			-
Long-Term Investments	12,773			12,773
Long-Term Debtors	1,658			1,658
Short Term Investments	13,342			13,342
Inventories	29			29
Short Term Debtors	11,228			11,228
Cash and Cash Equivalents	4,064			4,064
Assets Held for Sale	49			49
Short Term Borrowing	(9,014)			(9,014)
Short Term Creditors	(23,147)			(23,147)
Capital Grants Received in advance	(219)			(219)
Bank Overdraft	-			-
Provisions	(179)			(179)
Pension Liability	(65,835)			(65,835)
Pension Strain creditor	(821)		821	-
Long Term PFI Liability	(27,698)			(27,698)
Long Term Finance Lease Liability	(723)			(723)
Long Term Borrowing	-			-
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>284,382</b>	<b>2,374</b>	<b>821</b>	<b>287,577</b>
Capital Adjustment Account	324,458			324,458
Revaluation Reserve	11,915	2,374		14,289
AFS Financial Instruments Reserve	532			532
Financial Instruments Adjustment Account	(12)			(12)
Unapplied Capital Grants	-			-
Deferred Credits	468			468
Accum Annual Leave Reserve	(106)			(106)
Collection Fund Balance	(24)			(24)
Pensions Reserve	(66,656)		821	(65,835)
General Fund Balance	3,420			3,420
Housing Revenue Account Balance	1,670			1,670
Major Repairs Reserve (HRA)	4,753			4,753
Usable Capital Receipts Reserve	1,088			1,088
Other Reserves Balances	2,876			2,876
<b>TOTAL EQUITY</b>	<b>284,382</b>	<b>2,374</b>	<b>821</b>	<b>287,577</b>