



ASHFORD
BOROUGH COUNCIL

Statement of Accounts

2005-2006

APPROVAL OF THE ACCOUNTS

**EXTRACT FROM SELECTION AND CONSTITUTIONAL REVIEW COMMITTEE -
29TH JUNE 2006**

111 **STATEMENT OF ACCOUNTS**

The Committee considered the report of the Head of Financial Services which submitted the Statement of Accounts 2005/06 for approval. Two papers were tabled; one outlining amendments to the report following a review of the Statement of Accounts and the other advising of the comments of the Overview and Scrutiny (Resources & Best Value) Committee on the Statement of Internal Control (SIC).

The Chairman advised that a Working Group of the O&S Committee had been asked to consider the SIC and re-iterated that its report to the full Committee had stated that they had found no question of fraud or monetary mal-adjustment. He believed Members had been reasonably happy with the report of the Working Group and the conclusion that Management Team would be reporting back regularly on progress made in remedying each of the significant control weaknesses identified in the SIC report.

Recommendation 2(iv) of the O&S Committee had asked for a report in respect of bank reconciliation and its internal controls be submitted to the Committee by 30th September 2006. Due to the timetable of meetings it was agreed that this come to the meeting on 3rd October and assurances were given that the report would not be a late tabled one.

Resolved:

That:

- (i) the Committee approve the Statement of Accounts 2005/2006 subject to the addition of the following two items to the Statement of Internal Control significant internal control issues: -
 - (7) Monthly Budget Monitoring
Although budget monitoring reports are produced, there is no monthly concise summary of the total projected outturn available to Management Team. A concise summary should be produced each month and should be reviewed by Management Team on a timely basis.
 - (8) Late Reports to Members
The late submission of reports to Members significantly increases the risk of inappropriate decisions being made because the full implications could not be readily assimilated within the timescales. Management Team must introduce a process for reports to be on time or postponed to the next meeting.
- (ii) the Committee note recommendations 2(i) – 2(vi) (Minute No. 95/6/06 refers) of the Overview & Scrutiny (Resources & Best Value) Committee.
- (iii) the Chairman of this Committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003.

SIGNED:



Councillor P Clokie
Chairman Selection and Constitutional Review Committee

DATE: 20/07/06

EXPLANATORY FOREWORD

The Ashford Borough Council's Accounts for 2005/06 are set out on the following pages. This Statement of Accounts has been compiled with regard to the Code of Practice on Local Authority Accounting in Great Britain issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statements and Accounts that follow are:

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Statement of Accounting Policies – outlines the overall policies employed throughout the Accounts	6
Consolidated Revenue Account – summary of revenue expenditure and income	12
Housing Revenue Account – summary of revenue expenditure and income related to the Council's activities as a housing landlord.	19
Collection Fund – Income and Expenditure Account. The Collection Fund records the amounts due from Council Taxpayers, Business Ratepayers and the payments to Ashford Borough Council, Kent County Council, Kent Police Authority and the Kent and Medway Fire Authority.	23
Consolidated Balance Sheet – gives the financial position of the Council at 31st March 2006	25
Total Movement on Reserves	36
Cash Flow Statement – summarises the movement of funds between the Council and outside bodies	41
Statement of Responsibilities for the Statement of Accounts	44
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The various Accounts and Statements are supported by notes and explanations.

To assist you in understanding this document, a glossary of terms is included at page 49.

EXPLANATORY FOREWORD

GENERAL FUND

The Government sets a Formula Spending Share (FSS) for each Council which is used as a basis for distribution of Revenue Support Grant. Ashford's FSS for 2005/06 was £14,207,000, an increase of £311,000 from the previous year. The Council set its Budget Requirement well below FSS at £11,835,880. This resulted in a Council Tax at Band D of £112.14 an increase of £5.13 (4.8%) over the previous year.

The General Fund balance at the beginning of the year was £828,969. A minimum target figure of £828,510 representing 7% of the Budget Requirement has been set. A balance of £987,234 has been carried forward.

The original Net Expenditure approved by the Council in February 2005 was £ 11,835,880. The final outturn was £12,259,680 less parish precepts of £585,801 leaving £11,673,879 as this authority's net expenditure, a difference of £162,001 from the original budget. The major variations were as follows:

	Variance £ '000
Project Office Employees	(51)
Personnel/Payroll staff costs	53
Savings resulting from staff turnover during year	(132)
Net change in recharges	112
Increased costs in the production of Ashford Voice	160
Downturn in Land Charges income	51
Less than anticipated income from planning fees	(89)
Planning Inquiry	55
Less than anticipated Planning Delivery Grant from the Government	73
Specialist Financial Advice	79
Professional Fees	54
Retired Pension payments	(63)
Net Benefits payments after Government Subsidy	(198)
Benefits Fraud Incentives	(67)
Car Parking income	(215)
Rates refunds following revaluations of car parks	(70)
Car Park maintenance	(64)
Treasury Management Activities	(637)
Contribution To/From reserves	793
Other Items	(6)
	(162)

EXPLANATORY FOREWORD

HOUSING REVENUE ACCOUNT

The Housing Revenue Account originally budgeted for a surplus of £527,150 in the year. The outturn was a surplus of £607,172. The main items of additional expenditure / reduced income were:

- Due to underspendings and savings in the year £500,000 was transferred to the Major Projects reserve
- HRA share costs associated with the setting up of the Stanhope PFI was approximately £75,000 higher than the estimate.

The major areas of savings were:

Expenditure on maintenance of HRA properties less than estimated	£58,000
No payments were made under the cash incentive scheme	£75,000
Rental income higher than expected primarily due lower number of Right to Buy sales	£175,000
Additional interest earnings from a higher than expected HRA balance	£126,000
Capital charges lower than budgeted for	£73,000
Net spend on Supervision and Management – the main items of reduced spend were employee expenses, assisted removals, Choice Based lettings scheme, Tenant participation, computer maintenance costs and consultancy fees, offset by increased spending on gas electricity and boiler maintenance at Sheltered Housing units.	£102,000
Change in method in calculation of bad debt provision as agreed with the Audit Commission	£66,000

The HRA balance at 31 March 2006 was £1,110,410.

CAPITAL PROGRAMME

The Council's capital programme has been constructed over a three year rolling programme, which has benefited from an additional £500,000 being made available from usable resources in the financial year.

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

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

In the financial year 2005/06 the budget for the capital programme was:

	£000
Initial Budget	12,227
Repairs and Renewals Expenditure	613
Add: Housing Revenue Capital Programme	6,677
Total	19,517

Capital expenditure in the year was £12.902m (2004/05: £12.108m) of which £4.747m was on Housing Revenue Account and £8.154m on General Fund services. The major items are shown as a note to the Consolidated Balance Sheet on page 27. The primary cause of the capital underspend for the year was the delay in the Stour Centre remodelling contract.

EXPLANATORY FOREWORD

BORROWING

The Council was debt free as at 31.3.06. However to continue with its programme of general fund capital schemes it is planning to utilise the borrowing facility now afforded within the Prudential Borrowing regime and plans to borrow up to £4m over the next year. The revenue effects are reflected in the Council's three year Medium Term Financial Plan.

BEST VALUE

Councils are under a statutory obligation to achieve Best Value in service provision. The Best Value regime requires consultation with local people so that they can influence decisions about which services are provided and how they are provided.

PENSIONS LIABILITIES

As part and conditions of employment, the Council offers retirement benefits in accordance with statutory requirements. These payments, investment assets and future liabilities are held by the Kent County Pension Fund on the behalf of all contributing member authorities. Changes to Local Authority accounting require the Council's share of the pensions deficit to be shown on the Balance Sheet from 31 March 2004 onwards. The pension liability based on Financial Reporting Standard: Retirement Benefits (FRS17) is estimated at £41.1m. at 31 March 2006 compared with £38.2m at 31 March 2005. The main reason for the increase in net liabilities is a required change in the basis used by the actuaries to estimate the value of pension liabilities.

STANHOPE REDEVELOPMENT

Following the re-advertisement of the project in July 2005, there was much market interest in the Stanhope PFI. Seven prospective bidders submitted Pre Qualification Questionnaire and a shortlist of three was drawn up. The three bidders received the Invitation to Tender in November 2005 and returned bids on 9th March 2006. In parallel with this and accompanied by intensive resident consultation, the Council drew up a Development Brief for the project which was approved by the Executive in September 2005. The Outline Planning Application was approved in November 2005.

The Council is on schedule to appoint a preferred bidder by July 2006 and should be in a position to sign contracts with a new partner before the end of 2006. The Government has confirmed that the finance for the Stanhope PFI regeneration project will remain in place.

ASHFORD'S FUTURE

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

THE EURO

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

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The accounts have been prepared on an income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting 2005 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards. Where an accounting policy has not been adopted, or where it has been varied then a note to that effect has been provided.

2. ACCOUNTING CONCEPTS AND CONVENTIONS

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

2.1 Relevance

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

2.2 Reliability

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

2.3 Comparability

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

2.4 Understandability

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

2.5 Materiality

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

2.6 Accruals

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

2.7 Going Concern

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

2.8 Primacy of Legislative Requirements

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

STATEMENT OF ACCOUNTING POLICIES

3. FIXED ASSETS

3.1 Accruals

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

3.2 Valuation Methods

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

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

3.3 Revaluations

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

3.4 Operating Leases

Rental payments are charged to revenue on an accruals basis.

4. DEPRECIATION

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

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

STATEMENT OF ACCOUNTING POLICIES

5. IMPAIRMENT

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

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 plus a capital financing charge determined by applying specified notional rates of interest of 3.5% for operational assets and 4.8% for non-operational assets to the opening net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

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

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

7. DEFERRED CHARGES

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

8. CAPITAL RECEIPTS

In accordance with current accounting procedures income from the disposal of fixed assets is accounted for on an accruals basis and is included in the Consolidated Balance Sheet under the Usable Capital Receipts Reserve. Upon disposal, the net book value of the asset disposed of is written off against the Fixed Assets Restatement Account [This treatment does not comply with SSAP 6, which requires profits and losses arising from asset disposals to be charged to revenue.]

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

STATEMENT OF ACCOUNTING POLICIES

10. CURRENT ASSETS AND LIABILITIES

10.1 Debtors and Creditors

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

10.2 Stocks

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

10.3 Investments

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

10.4 Bad Debts

The figure shown in the accounts for debtors is adjusted for bad debts. This provision is recalculated annually by applying an estimate of the proportion of debt in each category that is unlikely to be collectable based on past experience. Known uncollectible debts are written off.

11. PROVISIONS

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. The purpose of the Council's major provisions is explained in a note to the Consolidated Balance Sheet on page 31.

12. RESERVES

The Council maintains certain reserves to meet general, rather than specific future expenditure. The purpose of the Council's earmarked reserves is explained in the notes to the "Statement of Total Movements in Reserves" on pages 35 to 38. This statement brings together all the reserves of the Council into one statement.

13. COSTS OF SUPPORT SERVICES (CENTRAL DEPARTMENTS EXPENSES)

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

Cost	Basis of Allocation
Support Services e.g. Accountants, Solicitors	Actual time spent by staff, as recorded on time recording systems
Administrative Buildings	Area occupied
IT support of corporate financial systems	Actual direct costs (hardware costs etc.) plus cost of estimated staff resources
Network / PC support	Per capita

STATEMENT OF ACCOUNTING POLICIES

Printing, Executive Support, Call Centre, Customer Contact Centre Call Centre	Actual use, as recorded by monitoring systems
Internal Audit	Per audit plan
Payroll and Personnel Costs	Per capita

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

14. PENSION COSTS

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

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

In 2004/05 there was a change in the basis used by the Actuaries to estimate the value of pension liabilities. Following recommended good practice, the rate used this year continues to be one based on AA Corporate Bond Rates. This discount rate reduced from 5.4% in 2005 to 4.9% in 2006. A reduction in the discount rate has the effect of increasing the total value of past service liabilities. This increase was £10.68 million in 2005/06.

14 VAT

Vat is accounted for separately and is not included in income and expenditure accounts, whether of a capital or revenue nature. Input VAT which is not recoverable from MM 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.

CONSOLIDATED REVENUE ACCOUNT

2004/05		2005/06		
£000		Expenditure £000	Income £000	Net £000
	Operating Costs			
1,649	Central Services to the Public	8,500	(7,067)	1,433
11,806	Cultural, Environmental & Planning Services	17,621	(7,060)	10,561
165	Highways and Transport Services	1,976	(2,129)	(153)
10,117	Housing Services	43,302	(36,975)	6,327
3,158	Corporate and Democratic Core	2,825	(329)	2,496
(152)	Non-distributable Costs	799	0	799
26,753	Net cost of services	75,023	(53,560)	21,463
177	Internal drainage board levies			191
511	Parish Council precepts (note 8)			586
(1,725)	Interest and investment income (note 9)			(1,767)
(9,801)	Asset Management Revenue Account (note 10)			(7,438)
704	Contribution to Housing Pooled Capital Receipts (note 11)			893
549	Pensions – Interest/Expected return on Assets (note 13)			1,177
17,158	Net operating expenditure			15,105
(1,358)	Transfer to/(from) HRA balances			607
467	Contribution to/(from) Earmarked Reserves			882
3,059	Financing Capital Expenditure			1,567
(2,139)	Deferred Charges			(1,171)
(4,908)	Contribution to/(from) Capital Financing Account			(-3,179)
170	Contribution to/(from) Pensions Reserve			(650)
(704)	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts			(893)
11,745	Amount to be met from Government Grant and Local Taxpayers			12,268
	<u>Sources of Finance</u>			
(3,881)	General Government Grants			(3,907)
(2,853)	Non-domestic rates redistribution			(3,047)
(5,003)	Demand on the Collection Fund			(5,431)
(43)	Transfer to/(from) Collection Fund in respect of surpluses/deficits			(41)0
(35)	Net General Fund (Surplus) / deficit for year			(158)
(794)	Balance on General Fund brought forward.			(829)
(829)	Balance on General Fund carried forward.			(987)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. BUILDING CONTROL

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

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

	Fee Earning Expenditure £000	Income £000	Deficit / Surplus £000
2005/06	487	(478)	9
2004/05	543	(509)	34
2003/04	361	(412)	(51)
Three Year Balance			<u>(8)</u>

2. HIGHWAYS AND TRANSPORTATION (AGENCY SERVICES)

Until 31st March 2005 the Council operated a Highways Management Unit to manage highway schemes in parts of the Borough. During 2005/06, residual items of expenditure and income were accounted for.

	2004/05 £000	2005/06 £000
Cost of Management Unit	1,060	(3)
Income- KCC reimbursement	(1,047)	(31)
Net cost included in Revenue Account	<u>13</u>	<u>(34)</u>

3. PARKING DECRIMINALISATION / ON-STREET SERVICE

The Council is responsible for the enforcement of parking controls within the Borough. Any surplus resulting from this service is transferred into an earmarked reserve for transport initiatives.

	2004/05 £000	2005/06 £000
Surplus on Scheme as at 1 st April	20	(45)
Expenditure in the year	279	3079
Income in the year	(344)	(374)
Deficit / (Surplus) as at 31 st March	<u>(45)</u>	<u>(112)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

4. EXTERNAL AUDIT FEES

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

	2004/05 £000	2005/06 £000
External Audit Services	91	116
Statutory Inspections	9	0
Certification of Grant Claims	42	25
Other Work	0	0
	142	141

Please note that the figure of £116k for the Code of Audit Practice includes £16k relating to the previous year.

5. TRADING SERVICES

The Council operate trading accounts (shops and industrial sites are shown under Planning & Development and markets are under Environmental Services). The details of expenditure and income are shown below.

Service	2005/06			2004/05
	Expenditure £000	Income £000	(Surplus) / Deficit £000	(Surplus) / Deficit £000
Shops	278	(81)	197	65
Industrial Estates	252	(369)	(117)	(58)
Street Markets	65	(76)	(11)	(23)
	595	(526)	69	(16)

6. HOUSING REVENUE ACCOUNT

The detailed Housing Revenue Account is shown on page 18. The surplus or deficit in the year is transferred to HRA balances.

7. PRIOR YEAR ADJUSTMENTS

No prior year adjustments are included in these accounts.

8. PARISH PRECEPTS

Parish precepts are regarded as the Borough Council's expenditure and included in the Consolidated Revenue Account. The amounts paid to Parishes are collected by differential additions to the council tax in the individual Parishes.

9. INTEREST INCOME

External interest received from investment of capital receipts and working balances totalled £1,767,153 for 2005/06, (2004/05 £1,725,205).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10. ASSET MANAGEMENT REVENUE ACCOUNT

The transactions on the Asset Management Revenue Account are set out below:

	2004/05 £000	2005/06 £000
Expenditure		
Interest etc. payable	117	530
Depreciation	4,908	5,004
	<u>5,025</u>	<u>5,534</u>
Less Charges to General Fund Service Revenue Accounts	(3,361)	(2,918)
Less HRA Cost of Capital charge	(11,465)	(10,054)
	<u>(9,801)</u>	<u>(7,438)</u>

11. HOUSING POOLED RECEIPTS

From 2005/06 a proportion of specified housing related capital receipts have been transferred to a central government pool for redistribution. The amount payable in to the pool is as follows:

	£000
Total Housing Receipts received	3,372
Allowable Deductions	(991)
Receipts subject to pooling	<u>2,381</u>
Pooled Amount (at 75% of receipts)	1,786
Less Transitional arrangements for Debt Free authorities	(893)
Pooling Liability	<u>893</u>

12. OPERATING LEASES

Vehicles, Plant, Furniture and Equipment - The Council operates a fleet of leased cars and photocopies under the terms of operating leases. The amount paid under these arrangements in 2005/06 was £364,491 (2004/05 £238,155)

Land and Buildings – The Council leases some units on the Ellingham Industrial Estate, which have been accounted for as operating leases. The rentals payable in 2005/06 were £545 (2004/05 £844).

The Authority was committed at 31 March 2006 to making payments of £314,754 under operating leases in 2005/06, comprising the following elements:

Year	Other Land and Buildings £000	Vehicles, Plant & Equipment £000
Lease expiring in 2006/07	-	78
Lease expiring between 2007/08 and 2011/12	-	236
Leases expiring after 2011/12	-	-

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

13. PENSION COSTS

The Council participates in the Local Government Pension Scheme administered by Kent County Council. This is a defined benefit statutory scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets. The scheme makes payments in the year to retired officers. The contributions are based on a formal actuarial valuation at 31st March 2001. Under Superannuation regulations contributions rates are set to meet 100% of the overall liabilities of the fund. The latest valuation carried out as at 31st March 2004 will affect the contribution rates with effect from 1 April 2005.

The Council's employers' contribution of £2,087,215 representing 22.1% of employees' pensionable pay, (2004/05: £2,089,867; 21.3%) are replaced by Current Service Costs of £1,580,000 (2004/05 £1,584,000) Past service costs are nil (2004/05 nil), and the impact of settlements and curtailments is £10,000 (2004/05 £93,000).

In addition, the Council is responsible for all pension payments relating to added year's benefits it has awarded, together with the related increases. In 2005/06 these amounted to £239,585 representing 2.46% of pensionable pay, (2004/05: £236,900; 2.41%).

Under Local Government Scheme Regulations 1997 relating to early payment of benefits for the period up to the age of 60, lump sum payments were made totalling £38,068.23 representing 0.39% of pensionable pay, (2004/05: £385,018; 3.92%).

In accordance with FRS 17 the analysis of the movement in the Council's element of the Kent pension fund charged to the Consolidated Revenue Account (the assessed value is Consolidated Balance Sheet) is as follows:

Movement in Pension Deficit during the year	2004/05 £000	2005/06 £000
Surplus/(Deficit) at Beginning of Year	(22,422)	(38,191)
Adjustment of Opening Balance	73	-
Current Service Cost	(1,584)	(1,580)
Employer Contributions *	2,151	2,080
Contributions in respect of unfounded benefits	245	260
Past Service costs	-	-
Impact of Settlements and Curtailments	(93)	(10)
Net Return on Assets	(549)	(1,400)
Actuarial gains/ (losses)	(16,012)	(2,229)
Surplus/ (deficit) at End of Year	<u>(38,191)</u>	<u>(41,070)</u>

*This figure is the assumption for Employers contributions made by the Actuary. This varies from the figures included in the Council's accounts by £7,215.

Further information is shown in note 19 to the Consolidated Balance Sheet, on page 32.

Further information can be found in Kent County Council's Superannuation Fund's Annual Report which is available upon request from the Investments Section, Kent County Council, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

14. THE COUNCIL'S OPERATIONS

From 01/04/2005 the Council ceased to act as agent for the Highways function and this was transferred to Kent County Council. There were no other Material changes to the Councils operations in the year 2005/06.

15. PUBLICITY – SECTION 5(1) OF THE LOCAL GOVERNMENT ACT 1986

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

	2004/05	2005/06
	£000	£000
Public Relations		
- staff costs	208	226
- other costs	229	256
Recruitment advertising	63	100
Total	500	582

16. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

This Act allows local authorities to provide goods and services to other public bodies. In 2005/06 there were no material contracts made under this Act.

17. SECTION 137 AND POWERS OF WELLBEING

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

18. OFFICERS' REMUNERATION

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

	2004/05	2005/06
£50,000 – £59,999	3	10
£60,000 –£69,999	6	6
£70,000 – £79,999	2	2
£80,000 – £89,999	2 (2)	2 (1)
£90,000 – £99,999	1 (1)	-
£100,000 – £109,999	1	-
£110,000 - £119,999	-	1

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

19. MEMBERS' ALLOWANCES

Members' Allowances for 2005/06 totalled £268,337 (2004/05, £248,119). The amounts paid to individual members have been advertised in the local paper. They can also be obtained from the Civic Offices.

20. RELATIONSHIP BETWEEN THE BOROUGH COUNCIL AND THE JULIE ROSE STADIUM COMPANY

The Company is a registered charity limited by guarantee. The Board consists of a maximum of ten directors of which three are appointed by Ashford Borough Council. The Company holds a 99 year lease of the stadium from the Borough Council.

Since 1 April 1998 Stour Leisure has managed the Julie Rose Stadium under a contract with the Julie Rose Stadium Company. The Council makes a grant to the Company equivalent to the management fee charged by Stour Leisure, (inclusive of VAT, as the Company is unable to recover this). The grant in the financial year 2005/06 was £132,987 (2004/05 - £136,429).

21. OTHER RELATED PARTY TRANSACTIONS

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

- In 2005/06 three Internal Drainage Boards levied a total of £191,206 on the Council £177,089 in 2004/05).
- Several Housing Associations are active within the Borough. New developments may require Social Housing Grant to make them viable. The Government has changed the arrangements for giving grants to Social Landlords. In 2005/06 no direct grants were made by the Council. Registered Social Landlords received direct allocations from the Housing Corporation.
- The Council makes grants to a wide variety of local organisations. The majority of these grants are small and although they are important to the recipients, they are not material to their survival. However, some grants provide the majority of the organisations funding and bring with them the right for Councillors to sit on the Management Committee. These are: -

	2004/05 Grant £000	2005/06 Grant £000
Citizens Advice Bureaux (Ashford and Tenterden)	104	111
Ashford Mediation Service	15	Nil

- During 2005/06 nine of the Borough's Councillors were also Parish Councillors. One Borough Councillor was also a County Councillor for part of the year.
- Under the Accounting Standard FRS8 (Related Party Transactions) the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives. During 2005/06, works and services to the value of £112,000 were commissioned from companies in which relations of two officers had an interest.
- There is a standing item on each Committee agenda requiring Members to declare any interest in any item to be discussed. The Administrative Services Manager keeps a record of all declarations made at meetings and a Register of Members' Interests.

HOUSING REVENUE ACCOUNT

2004/05		2005/06
	HRA OPERATING ACCOUNT	
<u>£000</u>	EXPENDITURE	<u>£000</u>
2,780	Repairs and Maintenance	2,917
5,078	Supervision and Management	4,860
25	Rents, rates, taxes and other charges	12
100 (11)	Increase in provision for bad debts	34
11,465 (7)	Cost of Capital charge	9,695
3,607 (8)	Depreciation	3,680
40	Debt Management Costs	22
106 (9)	Contribution to General Fund	78
4,466 (10)	Housing Subsidy payable (incl. MRA)	4,218
<u>27,667</u>		<u>25,516</u>
	INCOME	
16,591	Dwellings rents (gross)	16,992
426	Non dwellings rents (gross)	466
663	Charges for services and facilities	674
1	Contribution from General Fund	1
<u>17,681</u>		<u>18,133</u>
9,986	NET COST OF SERVICE	7,383
(11,057) (7)	Adjustment to Asset Management Revenue Account	(9,301)
31	Amortised Premium	25
(287)	HRA Investment Income	(360)
540 (12)	Pensions Interest	696
(452) (12)	Expected Return on Pensions Assets	(474)
<u>(1,239)</u>	NET OPERATING EXPENDITURE	<u>(2,031)</u>
	APPROPRIATIONS	
2,783	Revenue Contribution to Capital Expenditure	1,567
(169) (12)	HRA share of contributions to or from the Pension Reserve	(143)
<u>1,375</u>	(SURPLUS) / DEFICIT FOR YEAR	<u>(607)</u>
	HOUSING REVENUE ACCOUNT BALANCE	
(1,878)	Deficit/(Surplus) at beginning of year	(503)
<u>(503)</u>	Deficit/(Surplus) at end of year	<u>(1,110)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. The Local Government and Housing Act 1989 (LGHA 1989) gave the Secretary of State power to specify the accounting practices to be followed in compiling the HRA.

2. HOUSING STOCK

Right to buy sales numbered 38 in 2005/06 (58 in 2004/05). An outline of the numbers and types of HRA dwellings at 31 March 2006 is given in the table below:

Dwellings By Type	31 March 2005	31 March 2006
Traditional Houses	1,871	1,842
Non Traditional Houses	676	669
Bungalows	1,076	1,084
Flats	1,793	1,793
TOTAL NUMBER OF DWELLINGS AT 31 MARCH	5,416	5,388

3. BALANCE SHEET VALUES

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

	1 April 2005 £000	31 March 2006 £000
Operational assets - dwellings, land and buildings	320,934	273,483
Non-operational assets	-	
	<u>320,934</u>	<u>273,483</u>

4. VACANT POSSESSION VALUE

The vacant possession value of dwellings within the Council's HRA as at 1st April 2005 was £619,341,320 (£601,659,440 at 1st April 2004). 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.

5. MAJOR REPAIRS RESERVE

	2004/05 £000	2005/06 £000
Balance on 1 April	4,071	5,776
Add: MRA received in year	3,607	3,680
Less: Use of Reserve for Capital Expenditure	(1,902)	(3,180)
Balance at 31 March	<u>5,776</u>	<u>6,276</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

6. CAPITAL EXPENDITURE AND RECEIPTS

Capital expenditure for the year 2005/06 was £4,747,596, all this related to houses rather than land or other property (2004/05, £4,684,856); of this £3,180,174 was financed by the Major Repairs Reserve and £1,567,422 from Revenue.

Capital receipts from disposal of HRA assets during the year were: -

	2004/05 £000	2005/06 £000
Disposal of Land	253	11
Houses	4,059	3,417
Other Property	0	0
	<u>4,312</u>	<u>3,428</u>

7. CAPITAL CHARGES

The cost of capital charge is a notional calculation, determined at 3.5% of the value of HRA re-valued operational assets, carried out in accordance with the Guidance on Stock Valuation published by the DETR in May 2000.

The Asset Management Revenue Account adjustment converts the charge on the valuation to the interest on outstanding borrowings and reduces the impact on Council Tenants for this change in accounting procedure.

8. DEPRECIATION

The accounts for the year include charges for depreciation of £3,680,174 (2004/05, £3,607,114), for operational assets, (this all relates to dwellings).

9. TRANSFER TO GENERAL FUND

The ODPM has introduced a rent rebates transitional measure to help the General Fund absorb the net cost of benefits i.e. the incentive areas (backdated claims, overpayments, errors etc.) that previously were a cost to the HRA. The final year for the transitional measures is 2005/06.

10. HRA SUBSIDY

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

	2004/05 £000	2005/06 £000
Allowance for Management	2,148	2,148
Allowance for Maintenance	4,616	5,131
Allowance for Major Repairs	3,607	3,680
Charges for Capital	233	253
Rent	(15,077)	(15,429)
Interest on Receipts	(9)	(7)
Adjustment for previous years	16	6
	<u>(4,466)</u>	<u>(4,218)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

11. RENT ARREARS AND PROVISION FOR BAD DEBTS

During the year 2005/06 arrears totalling £80,889 were written off to the bad debts provision (held outside the HRA) because they were considered to be uncollectible. A contribution of £34,000 was made to the provision in the year. The balance on the provision at 31 March 2006 was £169,800.

The net position regarding HRA tenants changed from £59,897 overpaid, at 31 March 2005 to £66,707 overpaid at 31 March 2006. After allowing for prepayments the gross arrears figure at 31 March 2006 was £140,717. This compares with £146,253 at 31 March 2005.

12. PENSIONS

The HRA has been prepared in accordance with the accounting standard FRS17. The pension expenditure and income adjustments relating to HRA officers have been included within this account; these adjustments have no effect on the HRA balance.

Further information on pensions is shown in note 13 to the Consolidated Revenue Account on page 15 and note 19 to the Consolidated Balance Sheet on page 32.

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT

2004/05			2005/06	
£000			£000	£000
	INCOME	<i>(Note)</i>		
30,797	Income from business taxpayers	<i>(1)</i>		32,493
43,298	Council Tax	<i>(2)</i>		45,518
4,828	Council Tax Benefits	<i>(2)</i>		5,270
0	Adjustment of Previous year's Community Charge			3
78,923				83,284
	EXPENDITURE			
	Precept and Demands			
35,497	Kent County Council		37,895	
4,435	Kent Police Authority		4,791	
2,323	Kent and Medway Fire Authority		2,469	
5,003	Ashford Borough Council (inc. Parish Precepts)	<i>(3)</i>	5,431	50,586
	Business Rates			
30,326	Payment to National Pool		31,828	
168	Costs of Collection		173	32,001
	Bad and doubtful Debts			
365	Write-offs		210	
341	Provisions		595	805
	Contributions			
364	Surplus Distribution - Kent CC		513	
41	- Kent Police		64	
-	- Kent Fire		33	
43	-Ashford BC		41	651
78,906				84043
<i>(17)</i>	(SURPLUS) / DEFICIT IN YEAR			759
<i>(816)</i>	BALANCE AT START OF YEAR			<i>(833)</i>
(833)	BALANCE AT END OF YEAR			(74)

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1. NON DOMESTIC RATES

Total Non-Domestic Rateable Value at 1st April 2005 was £77,194,848 and at 31st March 2006 was £98,600,170. This is a net increase of £21,405,322 due to the cyclical five yearly revaluation of the ratebase conducted by the Valuation Office of the Inland Revenue on 1st April 2005.

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

The Uniform Rate in the pound set by Government in 2005/06 was 41.5p for rateable values below £5,000 and 42.5p for properties with rateable values above £5,000.

2. COUNCIL TAX

The calculation of Council Tax requirements uses the number of Band D Equivalents as the Tax Base. It is this figure that is usually quoted as the Council Tax in any area.

Band	No. properties (net of discounts and reliefs)	Multiplier	Band D equiv.	Tax in 2004/05	Tax in 2005/06	Yield
				£	£	£000
A	2,964	6/9	1,976.10	742.50	771.48	2,287
B	9,401	7/9	7,312.70	866.25	900.06	8,462
C	10,292	8/9	9,148.30	990.00	1,028.64	10,587
D	6,478	1	6,478.80	1,113.75	1,157.22	7,497
E	6,299	11/9	7,699.50	1,361.25	1,414.38	8,910
F	4,391	13/9	6,342.80	1,608.75	1,671.54	7,340
G	2,748	15/9	4,580.60	1,856.25	1,928.70	5,301
H	161	2	322.60	2,227.50	2,314.44	373
			43,861.40			50,757
	Adjustments for Unbanded and new properties, and uncollectible.		(654.60)			(758)
	Local Tax Base (excluding parishes) and expected yield		43,206.80			49,999

This Tax Base produces a collectable amount of approximately £50.0m. (unparished areas). The difference between this and the actual yield is due to new properties, changes in bandings and exemptions, reliefs and discounts granted during the year.

3. PARISH PRECEPTS

There are 39 parish councils for which the total precept payment is £506k. The largest of these is Tenterden Town Council at £164k.

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2006

31 March 2005		31 March 2006	
as restated			
£000		£000	£000
	Fixed Assets (note 1)		
-	Intangible Fixed Assets	66	
320,934	Operational Assets - Council Dwellings	273,241	
37,292	- Other Land and Building)	37,752	
1,875	- Vehicles, plant and equipment	1,461	
245	- Infrastructure	237	
989	- Community Assets	1,002	
2,703	Non Operational Assets - Assets under construction	7,775	
670	- Other HRA	20	
20	- Surplus Assets for Resale	621	
<hr/>		<hr/>	
364,728	TOTAL FIXED ASSETS		322,175
16,122	Long-Term Investments (note 6)	5,207	
689	Long-Term Debtors (note 7)	714	5,921
<hr/>		<hr/>	
381,539	TOTAL LONG-TERM ASSETS		328,096
	Current Assets		
32	- Stocks and Work-in-Progress (note 8)	30	
6,800	- Debtors (note 9)	6,689	
16,275	- Temporary Investments (note 10)	24,800	
15	- Cash in Hand	8	31,527
<hr/>		<hr/>	
404,661	TOTAL ASSETS		359,623
	Current Liabilities		
(3,000)	- Temporary Borrowing (note 11)	(1,000)	
(11,884)	- Creditors (note 12)	(14,319)	
(77)	- Bank Overdraft	(243)	(15,562)
<hr/>		<hr/>	
389,700	TOTAL ASSETS LESS CURRENT LIABILITIES		344,061
	Long-Term Liabilities		
(425)	Provisions (note 15)	(429)	
(38,191)	Pension Liability (note 19)	(41,070)	(41,499)
<hr/>		<hr/>	
351,084	TOTAL ASSETS LESS LIABILITIES		302,562
273,970	Fixed Asset Restatement Account		225,053
87,781	Capital Financing Account		94,215
1,009	Government Grants Deferred Account (note 13)		1,000
2,483	Capital Contributions Deferred		2,445
752	Deferred Credits (note 14)		839
12,933	Usable Capital Receipts Reserve		8,285
(283)	Deferred Premiums		(223)
(38,191)	Pensions Reserve (note 19)		(41,070)
5,776	Major Repairs Reserve (HRA)		6,276
2,689	Earmarked Reserves Balances		3,571
503	Housing Revenue Account Balance		1,110
829	General Fund Balance		987
833	Collection Fund Balance		74
<hr/>		<hr/>	
351,084	TOTAL EQUITY (note 20)		302,562

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

Movements in fixed assets during the year were:

	Balance 31.03.05	Additions	Less Disposals	Add Revaluat'n change	Less Depreciat'n	Balance 31.03.06
	£000	£000	£000	£000	£000	£000
Operational assets						
Council dwellings	320,934	4,748	(4,853)	(43,908)	(3,680)	273,241
Other land and buildings	37,292	1,290	(156)		(674)	37,752
Vehicles, plant, furniture & equip.	1,875	156			(570)	1,461
Infrastructure	245				(8)	237
Community assets	989	18			(5)	1,002
Non-operational assets						
Assets under construction	2,703	5,072				7,775
Surplus Assets for Resale	670	8			(57)	621
Other HRA	20					20
Intangible Fixed Assets	0	73			(7)	66
	364,728	11,365	(5,009)	(43,908)	(5,001)	322,175
2004/05 (for comparison)	315,488	9,210	(6,363)	51,301	(4,908)	364,728

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

For the purpose of implementing the O.D.P.M. guidance on stock valuation for resource accounting for housing, a valuation was undertaken by the FPD Savills (as at 1st April 2005), which resulted in an decrease in the valuation of £43,908,282. This is due to the reduction in the Existing Use Value For Social Housing, in the South East Region, the adjustment factor is now 45% reduced from 54%.

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. CAPITAL EXPENDITURE AND FUNDING IN 2005/06

	2004/05 £000	2005/06 £000
Opening Capital Financing Requirement	(1,275)	(2)
Capital Investment:		
Assets under construction	2,124	5,072
Council Dwellings	4,990	4,748
Other Land and Buildings	1,667	1,290
Vehicles, plant etc	378	156
Community Assets		18
Other General Fund		8
Intangible Fixed Assets		73
Deferred charges	2,899	1,537
Sources of Finance		
Capital Receipts	(3,645)	(6,880)
Reserved Capital Receipts	(305)	(392)
Government Grants	(1,551)	(365)
Reserves	(275)	(258)
Other Contributions/ Grants	(1,386)	(144)
Section 106 Contributions	(211)	(116)
Major Repairs Allowance	(1,902)	(3,180)
Revenue Contributions	(2,783)	(1,567)
Revenue provision for repayment of loans		
Conversion of PCL to a Useable Capital Receipt	1,273	
Closing Capital Financing Requirement	(2)	(2)

The rules for financing capital investment changed in line with the Prudential Code for borrowing as from 1 April 2004.

The Capital Financing Requirement reflects various items in the balance sheet, as shown below:

	2004/05 £000	2005/06 £000
Fixed Assets	364,728	322,175
Deferred Premiums	283	223
Fixed Asset Restatement Account	(273,970)	(22,053)
Capital Financing Account	(87,781)	(94,215)
Government Grants Deferred	(1,009)	(1,000)
Capital Contributions Deferred	(2,483)	(2,445)
	(232)	(315)

The difference is due to the conversion of the Provision Credit Liabilities (PCL) into a useable Capital Receipt and the movement in Deferred Charges.

NOTES TO THE CONSOLIDATED BALANCE SHEET

The main items of capital expenditure for 2005/06 are listed below:

	£000
Improvements to Council Dwellings	4,748
Stour Centre Re-modelling	4,934
Strategic Acquisitions	896
Disabled Facilities Grants	408
Traffic Management	238
Singleton Environment Centre	115
Community Projects Fund	101
PC Replacement	169
PFI Outline Design	122
Tenterden Leisure Centre Boiler Replacement	135
Other	1,036
Total	12,902

3. SUMMARY OF PHYSICAL ASSETS

	31 March 2005	31 March 2006
Council Dwellings	5,416	5,378
Civic Centre	1	1
Leisure Centre	2	2
Athletics Stadium	1	1
Community Centres / Public Halls	5	4
Cemeteries	4	4
Off Street Car Parks	17	17
Public Conveniences	13	13
Caravan Site	1	1
Industrial Units	77	75
Shops	29	29
Depots	1	1
Miscellaneous Properties	5	9

NOTES TO THE CONSOLIDATED BALANCE SHEET

4. SIGNIFICANT CAPITAL COMMITMENTS

There was one capital contract that was in progress or had been agreed to at 31st March 2006 and that had expenditure of at least £100,000 still to be incurred.

	<u>£000</u>
Stour Centre Re-development	6,588

5. DEFERRED CHARGES

Movements in deferred charges during the year were:

	Disabled Facilities Grants £000	Other Grants £000	Other £000	Total £000
Balance at 1st April 2005	-	-	-	-
Non Fixed Assets - Expenditure in Year	408	101	1028	1,537
Funded by Government Grant	(366)	-	-	(366)
Written off to Revenue in year	(42)	(101)	(1,028)	(1,171)
Balance at 31st March 2006	-	-	-	-

6. LONG TERM INVESTMENTS

Investment	Principal Invested at 31.3.05 £000	Principal Invested at 31.3.06 £000
The Council holds Euro-Sterling bonds with various maturity dates. These are AAA credit rated investments that are tradable offering good returns.	16,112	5,197
This Council holds a debenture for the purchase of London properties on behalf of the Association of District Councils.	10	10
	16,122	5,207

£10,915,000 of Euro-sterling bonds are due to mature in December 2006, and have therefore changed classification to short-term investments.

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. LONG TERM DEBTORS

These amounts fall due to the Council over periods exceeding one year.

	31 March 2005 as restated £000	31 March 2006 £000
Housing Advances - Individuals	161	130
- Housing Associations	12	-
- Staff	12	12
Royds Road Equity Loans	226	220
Car Purchase Loans (Staff)	10	7
Rent to Mortgages	261	344
	682	714

8. STOCKS AND WORK IN PROGRESS

	31 March 2005 £000	31 March 2006 £000
Print Room Stock	16	19
Elections Stationery Stock	9	10
Work in Progress (Rechargeable Works)	7	1
	32	30

9. DEBTORS

These amounts were due to the Council at 31st March 2006.

	31 March 2005		31 March 2006	
	£000	£000	£000	£000
Government Departments		646		1183
Housing Tenants	146		141	
Less: Bad Debts Provision	(130)	16	(170)	(29)
Sundry Debtors	5,049		4,574	
Less: Bad Debts Provision	(1,137)	3,912	(1,222)	3,325
Local Tax Payers / Rate Payers	3,101		3,172	
Less: Bad Debts Provision	(875)	2,226	1,261	1,911
		6,800		6,390

The increase in debt owed by Government Departments relates to the Housing Benefit Subsidy increase of £693,144.

NOTES TO THE CONSOLIDATED BALANCE SHEET

10. TEMPORARY INVESTMENTS

Surplus funds invested outside the authority for periods of less than one year.

	31 March 2005	31 March 2006
	£000	£000
Cash Deposits	12,500	10,500
Euro Sterling Bonds	-	10,915
Investment Accounts	3,725	3,335
Money Market Funds	50	50
	16,275	24,800

11. TEMPORARY BORROWING

Amounts borrowed by the Council repayable within one year of the balance sheet date. Includes amounts borrowed for a longer period, which are now within one year of their redemption date. This totalled £1,000,000 (2004/05, £3,000,000).

12. CREDITORS AND INCOME IN ADVANCE

Creditors are organisations or person to whom money is due to be paid by the Council by 31st March 2006. Income in Advance is moneys which is due in the coming financial year.

	31 March 2005	31 March 2006
	£000	£000
Government departments	3,464	2,949
Housing tenants	206	208
Local Taxpayers/Ratepayers	656	531
Sundry creditors	7,558	10,332
	11,884	14,019

The increase in sundry creditors is due to:

	£ '000
Year end accrual for Stour Centre Remodelling contract	533
Year end accrual for Superannuation payment to Kent County Council	225
Unspent Section 106 contributions	705
South Ashford Transport Study contributions set aside	712
Rental and grant income received in advance	384

13. GOVERNMENT GRANTS DEFERRED ACCOUNT

Where the acquisition of a fixed asset is financed wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the Government Grant Deferred Account and written off to the Asset Management Revenue Account over the useful life of the asset to match the depreciation of the asset to which it relates.

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. ASSET SALES AND DEFERRED CREDITS

Asset sales may result in capital receipts for the Council. Alternatively, the Council may make an agreement with the purchaser for payment of the sale price over a period. The amounts outstanding on these are deferred credits. [Councils are not permitted to charge gains or losses on asset sales to revenue accounts. Consequently, SSAP 6 is not complied with.]

PWLB debt rescheduling during 1992/1993 resulted in discounts being paid to the Council. This amount will be applied to the revenue accounts over the outstanding period of the loans replaced.

<u>Deferred Credits</u>	31 March 2005	31 March 2006
	£000	£000
Council house sales mortgages	168	215
Equity share mortgages	227	221
PWLB discounts	5	3
Euro Sterling Bond discounts	68	32
Staff purchase	23	24
Rent to mortgage	261	344
	752	839

15. PROVISIONS

	31.03.05	Additions	Payments	31.03.06
	£000	£000	£000	£000
Open Spaces	297	39	38	298
Maintenance of graves	11			11
St. Mary's Church	3			3
Lift Renewal	98	12	0	110
Street Sweeping Grants	16	0	9	7
	425	51	47	429
2004/05 for comparison	406	61	42	425

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

Maintenance Provisions hold amounts paid to the Council by developers and others to provide money to maintain areas of open space, etc. in accordance with agreements made between the parties. This includes the maintenance of graves and maintenance of the Ruins of St. Mary's Church, Little Chart.

The **Street Sweeping Grants Provision** relates to grants that Parish Councils have not yet claimed, but are still entitled to claim if they have met the terms of the grant.

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. CAPITAL RESERVES

Details of movements in the Fixed Asset Restatement Account, the Capital Financing Account and Usable Capital Receipts Reserve are shown in the Statement of Total Movement in Reserves (pages 35 to 39).

17. EARMARKED RESERVES

The purpose of, and balances on these reserves are disclosed in the note 1 to the Statement of Total Movements in Reserves, (page 36).

18. TRUST FUNDS

Doctor Wilkes Memorial Hall Trust

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

	2004/05 £000	2005/06 £000
Income for year - interest	3	3
- Museum Society rent	4	4
Less Expenditure - maintenance	(1)	(1)
Surplus for year	6	6
Balance at 1 April	52	58
Surplus for year	6	6
Balance at 31 March	58	64

Allotments for the Labouring Poor

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

19. PENSIONS FUND ASSETS/LIABILITIES

As part of the terms and conditions of employment the Council offers retirement benefits to its staff. The Council participates in the Local Government Pension Scheme administered by Kent County Council which is a defined benefit scheme based on final pensionable salary whereby the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Although pensions will not actually be payable until employees retire, the Council has a commitment to make these payments. These accounts have had to be prepared in line with the accounting standard FRS17, the objectives of which are to ensure that:

- (a) The accounts reflect at fair value the assets and liabilities arising from an employer's benefit obligations and any related funding.
- (b) The operating costs of providing retirement benefits to employees are recognised in the year in which the employee earns the benefits.
- (c) The accounts disclose the cost of providing retirement benefits, and related gains or losses, assets and liabilities.

The main assumptions used by the actuaries in their calculations are:

	31 March 2005 % per annum	31 March 2006 % per annum
Price Increases	2.9	3.1
Salary Increases	4.4	4.6
Pension Increases	2.9	3.1
Discount Rate	5.4	4.9

The Long Term Return and the value of Assets are shown below, by type of asset: -

	31 March 2005		31 March 2006	
	Long Term Return % p.a.	Assets £000	Long Term Return % p.a.	Assets £000
Equities	7.7	29,864	7.4	38,820
Bonds	4.8	5,686	4.6	6,860
Property	5.7	4,396	5.5	4,950
Cash	4.8	3,300	4.6	4,220
Total	6.9	43,246	6.6	54,850

The Net Pension Liability

	31 March 2005 £000	31 March 2006 £000
Estimated Employer Assets	43,246	54,850
Less Present Value of Scheme Liabilities	81,437	95,920
Net Pension Liability	(38,191)	(41,070)

The amount of unfunded liabilities included in the above figures is £4,060,000 in 2005/06, (£3,722,000 in 2004/05).

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Pension Fund due to be carried out as at 31st March 2007. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. ANALYSIS OF NET ASSETS EMPLOYED

	At 31/3/05 £000	At 31/3/06 £000
General Fund	125,138	127,908
Housing	263,304	215,862
Collection Fund	833	74
Pension Reserve	(38,191)	(41,070)
Total Equity	351,084	302,774

21. CONTINGENT LIABILITIES AND GAINS

- (a) The Council's insurers were Municipal Mutual Insurance Ltd. (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a clawback of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible clawback for the Council is set at £236,250. MMI's directors have stated that they still foresee a fully solvent run-off of the Company's business. No provision has been made in the accounts for any clawback of payments already made to the Council.
- (b) There is an outstanding compensation claim against the Council, relating to a planning issue. This claim is still under investigation. No entries have been made in the accounts relating to this issue as the amount of the obligation cannot be measure with sufficient reliability.
- (c) The Council has entered into an agreement with the KCC relating to the provision of a Recuperative Care Centre at Farrow Court, Ashford. If the property ceases to be used for this purpose at any time during the 35-year life of the agreement the Council will be liable to pay a proportion of the construction costs. The maximum possible liability is presently £330,000 and will reduce during the period of the agreement. There is no reason to believe that these circumstances will arise, and no provision has been made in the accounts for any future payments under this agreement.
- (d) The Council has 2 protective claims for VAT on Off Street Parking income totalling £1,008,600.

22. POST BALANCE SHEET EVENTS

There are no post balance sheet events relevant to the 2005/06 accounts.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	2005/06		2004/05
	£'000	£'000	£'000
Surplus/(deficit) for the year:			
- General Fund	(601)		52
- Housing Revenue Account	607		(1,375)
<i>Add back</i> Movements on earmarked revenue reserves	882		468
<i>Deduct</i> Appropriation from pensions reserve	260		243
Actuarial gains and losses relating to pensions	(3,139)		(16,012)
Total increase/(decrease) in revenue resources (note 1)		(1,991)	(16,624)
Increase/(decrease) in useable capital receipts	(4,648)		794
Increase/(decrease) in unapplied capital grants and contributions	(38)		(484)
Total increase/(decrease) in realised capital resources (note 2)		(4,686)	310
Gains/(losses) on revaluation of fixed assets	(43,909)		51,302
Impairment losses on fixed assets due to general changes in prices	0		0
Total increase/(decrease) in unrealised value of fixed assets (note 3)		(43,909)	51,302
Value of assets sold, disposed of or decommissioned (note 3)		(5,008)	(6,363)
Capital receipts set aside	8,020		2,727
Revenue resources set aside	4,883		4,961
Movement on Government Grants Deferred	(9)		991
Movement on Major Repairs Reserve	500		1,705
Revenue Account Appropriations	(6,469)		(5,114)
Total increase/(decrease) in amounts set aside to finance capital investment (note 4)		6,925	5,270
Increase/ (decrease in Deferred credits and premiums)		147	211
Total recognised gains and losses		(48,522)	34,106

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. MOVEMENT IN REVENUE RESOURCES

	General Fund	HRA	Earmarked Revenue reserves	Pensions Reserve	TOTAL
	£'000	£'000	£'000	£'000	£'000
Surplus/(deficit) for 2005/06	(601)	607	0	0	6
Appropriations to/from Reserves	0	0	882	260	1,142
Actuarial gains and losses relating to pensions	0	0	0	(3,139)	(3,139)
Balance B/fwd 1.4.05	1,662	503	2,689	(38,191)	(33,337)
Balance C/fwd 31.3.06	1,061	1,110	3,571	41,070	(35,328)

ANALYSIS OF EARMARKED RESERVES

	Balance B/fwd 1.4.05	Additions	Payments	Balance c/fwd 31.3.06
	£'000	£'000	£'000	£'000
Major Projects	218	134	11	341
Repairs & Renewals	535	106	122	519
Insurance	37	0	5	32
Tenterden Leisure Centre	46	0	46	0
Planning Appeals	310	42	0	352
Interest Rates	172	0	0	172
Recycling	90	0	52	38
Building Control Reserve	55	0	9	46
Stour Centre	275	449	88	636
Community Grant Fund	40	0	7	33
Planning Reserve	105	0	0	105
Transport Initiatives	45	67	0	112
People Mover	457	0	44	413
Restructuring Reserve	0	152	0	152
Service Pressures	304	321	5	620
	2,689	1,271	389	3,571

The **Major Projects Reserve** holds revenue contributions pending expenditure on major projects.

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

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

Tenterden Leisure Centre Plant Reserve is used to fund major plant replacements.

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The **Planning Appeals Reserve** was set up to provide funding associated with defending major planning decisions.

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

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

The **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.

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

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

Planning Delivery Grant in excess of in-year expenditure has been placed in the **Planning Reserve** to fund future planning related costs.

Any surplus from On-Street Parking has to be used for transport related schemes. The cumulative surplus, having covered the initial costs of parking schemes, has therefore been placed in the **Transport Initiatives Reserve**.

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

The **Restructuring Reserve** has been established to fund any future costs arising from restructuring initiatives.

The **Service Pressures Reserves** include:

IT Reserve is used to fund revenue on IT initiatives for the long-term benefit of the authority.

Scrutiny Committee Expenses Reserve allows the Scrutiny Committee to incur expenditure on such items as third party technical experts

The **Legal Pressure Reserve** has been established from excess legal fees from S106 agreements to fund future work.

The **Housing Pressure Reserve** has been established from Homelessness Initiatives Grant income unspent in the year, which is earmarked for homeless related matters in the future, including carrying out the Homeless Review Strategy, and for future costs that may be incurred in respect of private properties rented for homeless families.

Additional Benefits subsidy received in the year has been credited to the **Benefits Pressure Reserve**, to be reinvested in the Benefits service to help with managing backlogs and providing greater resilience to bring this improving service to top quartile performance levels.

The **Licensing Reserve** has been established from licensing fees income to fund future years when no fees are due.

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The **Member's IT Reserve** holds revenue contributions pending the need to replace members IT equipment or supply new equipment following any election.

A sum has been set aside in the **Valuation of Assets reserve** to equalise the expenditure over years on valuation of assets.

2. MOVEMENT IN REALISED CAPITAL RESOURCES

	Usable capital receipts £000	Unapplied capital grants & contributions £000
Amounts receivable	2,710	287
Amounts applied to finance new capital investment	(7,358)	(325)
Total increase/(decrease) in realised capital resources	(4,648)	(38)
Balance b/fwd at 1.4.05	12,933	2,483
Balance c/fwd at 31.3.06	8,285	2,445

The usable proportion of capital receipts is credited to this account and can be used to finance capital expenditure.

3. FIXED ASSETS

	Fixed Asset Restatement Account £000
1. Movements in unrealised value of Fixed Assets	
Gains/(losses on revaluation)	(43,909)
Impairment losses on fixed assets due to general changes in prices	0
Total increase/(decrease) in unrealised capital resources	(43,909)
2. Value of assets sold, disposed of or decommissioned	(5,008)
Total movement on reserve in 2005/06	(48,705)
Balance B/fwd 1.4.05	273,970
Balance C/fwd 31.3.06	225,053

This account represents the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets. The account is written down by the net book value of assets as they are disposed of:

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

4. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	Capital Financing Account £'000	Government Grants Deferred £'000	Major Repair Reserve £'000	Total £'000
Capital receipts set aside				
-Reserved receipts	-	-	-	
-Usable receipts applied	7,273	-	-	
-Grants Applied	747	-	-	
Total Capital receipts set aside	8,020	-	-	8,020
Revenue resources set aside				
- Capital expenditure financed from revenue	4,883	-	-	
- Reconciling amount for the provision for loan repayment	-	-	-	
Total revenue resources set aside	4,883	-	-	4,883
Grants applied to capital investment	-	-	-	
Amounts credited to the Asset Management Revenue Account	-	(9)	-	
Movement on Government Grants Deferred	-	(9)	-	(9)
Appropriations to revenue accounts	(6,469)	-	-	(6,469)
Government grant received	-	-	3,680	
Capital expenditure Financed	-	-	(3,180)	
Movement in Major Repairs Reserve	-	-	500	500
Total increase/(decrease) in amounts set aside to finance capital investment	-	-	-	
Total movement in reserve 2005/06	6,434	(9)	500	
Balance B/fwd 1.4.05	87,781	1,009	5,776	
Balance C/fwd 31.3.06	94,215	1,000	6,276	

The **Capital Financing Account** includes amounts set aside from other revenue resources or capital receipts for the acquisition of fixed assets and amounts in respect of other capital financing transactions.

CASH FLOW STATEMENT

2004/05 £000		2005/06 £000	£000
	REVENUE ACTIVITY		
	Cash Outflows		
17,162	Cash paid to and on behalf of employees	15,490	
14,735	Other operating cash payments	17,684	
22,261	Housing Benefit paid out	23,527	
26,891	National non-domestic rate payments to national pool	33,269	
42,659	Precepts paid	45,765	
704	Payments to Capital Receipts Pool	893	136,628
	Cash Inflows		
(18,210)	Rents (after rebates)	(19,021)	
(47,624)	Council Tax income	(50,500)	
(2,853)	National non-domestic rate receipts from national pool	(3,047)	
(31,573)	Non-domestic rates receipts	(32,736)	
(3,881)	Revenue Support Grant	(3,907)	
(22,246)	DWP grants for housing benefits	(22,418)	
1,897	Other government grants	(2,157)	
(7,379)	Cash received for goods and services	(6,899)	
(1,725)	Other operational income	(4,285)	(140,657)
(9,182)	NET OUTFLOW (INFLOW) FROM REVENUE ACTIVITIES		(4,028)
	Return on investments / deposits and servicing of finance		
72	Interest paid	43	
(1,733)	Interest received	(1,865)	
(1,661)	TOTAL SERVICING OF FINANCE		(1,822)
(10,843)	NET OUTFLOW (INFLOW) FROM REVENUE ACTIVITIES		(5,850)
	CAPITAL ACTIVITY		
	Cash Outflows		
10,919	Expenditure on fixed assets	11,543	
1,664	Other capital expenditure	-	11,543
	Cash Inflows		
(4,233)	Sale of fixed assets	(3,599)	
(3,137)	Capital grants received	(1,491)	
-	Other capital cash income	(41)	(5,131)
5,213	NET TOTAL CAPITAL ACTIVITIES		6,412
(5,630)	NET CASH OUTFLOW (INFLOW) BEFORE FINANCING		561
5,484	NET MOVEMENT IN LIQUID ASSETS		(2,390)
	FINANCING		
19,500	Repayments of amounts borrowed	21,950	
(20,250)	New loans raised	(19,950)	
(896)	NET (INCREASE) DECREASE IN CASH EQUIVALENTS		2,000
			172

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF REVENUE CASH FLOW

	£000	£000
Net Surplus 2005/06		
Consolidated Revenue Account - surplus (page 11)	158	
Collection Fund Revenue Account - surplus (page 22)	(759)	(601)
Change in Creditors	775	
Change in Debtors	(455)	
Change in Stocks & Works in Progress	2	
Change in Provisions	4	
Change in Reserves	4,820	
Change in Other Non-cash Accounts	1,305	6,451
Net Revenue Movement (inflow)		5,850

2. MOVEMENTS IN CASH

	31/03/05 as restated £000	31/03/06 £000	Movement £000
Bank Overdraft	(77)	(242)	(165)
Cash in Hand	15	8	(7)
	(62)	(234)	(172)
Temporary Loans	(3,000)	(1,000)	2,000
Long-term Investment	16,133	16,133	-
Short-term Investment	16,275	13,885	(2,390)
	29,346	28,784	(562)

3. MOVEMENT IN LIQUID ASSETS

	31/03/05 £000	31/03/06 £000	Movement £000
Long Term Investments:			
- Euro Sterling Bonds	16,112	16,112	-
- ADC Debenture	10	10	-
	16,122	16,122	-
Temporary Investments	16,275	13,885	2,390
	32,397	30,007	2,390

NOTES TO THE CASH FLOW STATEMENT

4. ANALYSIS OF OTHER GOVERNMENT REVENUE GRANTS

	2004/05	2005/06
	£000	£000
Business Rate Collection Allowance	168	173
Housing Revenue Account Subsidy	(4,483)	(4,296)
DWP Benefit Administration	768	54
SEEDA - SRB Grant	36	-
DEFRA	3	4
Planning Delivery Grant	559	488
ODPM Ashford Core Delivery Team	764	1,281
ODPM Recycling Initiatives	24	33
ODPM Beacon Status	-	31
Home Office Community Safety & Anti-social Behaviour	234	54
ODPM Homeless Initiatives	30	21
	(1,897)	(2,157)

**STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS**

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- ❖ make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive.
- ❖ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ❖ approve the statement of accounts.

The Responsibilities of the Deputy Chief Executive

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

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

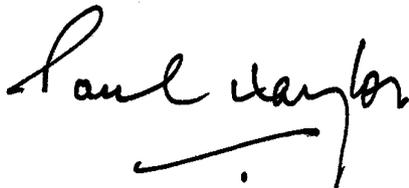
- ❖ selected suitable accounting policies and then applied them consistently;
- ❖ made judgements and estimates that were reasonable and prudent;
- ❖ complied with the Code of Practice.

The Deputy Chief Executive has also:

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

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**The Statement of Accounts presents fairly the financial position of the Ashford Borough Council at 31<sup>st</sup> March 2006 and its income and expenditure for the year ended on that date.**



**Paul Naylor  
Deputy Chief Executive**

## **STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDING 31 MARCH 2006**

### 1. Scope of Responsibility

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

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

### 2. The Purpose of the System of Internal Control

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

The system of Internal Control has been in place at Ashford Borough Council for the year ended 31<sup>st</sup> March 2006 and up to the date of the approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

### 3. The Internal Control Environment

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

- The Council has adopted a constitution, which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and that the Council is accountable to local people.
- Most major policy decisions are made by the Executive Committee in public meetings on the basis of published reports (apart from exempt items). The facilitation of policy and decision-making is through the two Policy Advisory Groups – 'Other Issues' and 'Resources & Best Value'. In addition, senior officers of the council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and officers under their delegated powers.
- The Council has in place robust arrangements to ensure probity in all its decision-making. It adopted the new model code of conduct in 2002 and has subsequently adopted a comprehensive good practice protocol for councillors dealing with planning matters which is overseen by the Council's Standards Committee, chaired by an independent member. In-house and external training has been undertaken for councillors on probity matters. The Council's Standards Committee also has in place agreed procedures for dealing with local investigation hearings in accordance with the new Regulations which allow the Standards Board for England to refer allegations of misconduct for local decisions.
- The Council has a Risk Management Strategy approved by the Executive on 23<sup>rd</sup> March 2006. A Strategic Risk Assessment, developed with the participation of Management Team and senior managers e.g. Finance, Legal and ICT had an annual refresh in December 2005. A series of Service specific risk workshops were completed during the Autumn 2005 which created Service Risk Registers and Service Risk Action Plans. There are clear linkages between objectives and the risk evaluation process that ensures that service risks are minimized and are considered as part of the Strategic Risk refresh. Each identified risk has a nominated owner.

## **STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDING 31 MARCH 2006**

- There is a comprehensive Health & Safety Policy in place and a Risk Register for the protection of staff.
- Through reviews by external auditors, external agencies, Internal Audit, Best Value and Service Development Strategies, the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.
- Services are delivered by trained and experienced people with appropriate professional qualifications. All posts have a detailed job description and person specification. Training needs are identified through Personal Development Discussions and provided by a combination of internal and external training providers.
- The Council has designated the Head of Legal & Democratic Services as Monitoring Officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the Constitution and within Financial Regulations. The Council has designated the Deputy Chief Executive as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a MTFP (Medium Term Financial Plan), updated annually, to support the medium-term aims of the Corporate Plan. Robust financial monitoring arrangements are in place and reported quarterly to the Executive.
- The Council maintains an Internal Audit Section, managed from September 2005 by a partnership arrangement with Maidstone Borough Council, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.
- The Council has an effective performance management framework. The system is driven by the Corporate Plan which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee appraisals and action plans. It provides the mechanism for targets, Performance Indicators and objectives to be reviewed by the Executive and Scrutiny Committees and for reviews of Service Objectives to be fed back into the policy and planning cycle. Quarterly review of key measures at Service specific Star Chambers enables corrective action to be taken where necessary.

#### 4. Review of Effectiveness

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

## **STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDING 31 MARCH 2006**

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

- The Head of Legal & Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council has continuously made amendments to the May 2003 Constitution but these are not yet published in a composite document. Members have requested the Constitution be made available in a CD Rom format and published on the website. Note the most up to date version at any time will be the web site version. The proposed 'publication' date is 30<sup>th</sup> June 06 but this will not include any amendments to Financial Regulations or the financial delegations as these have not yet been proposed and approved by the Executive.
- The Council has two Overview and Scrutiny Committees. They can "call in" a decision which has been made by the Executive but not yet implemented, to enable them to consider whether the decision is appropriate. They allow people to have a greater say in Council matters by holding public reviews into matters of local concern.
- The Council has delegated to the Overview & Scrutiny Committee Resources & Best Value responsibility for discharging the functions of an audit committee, including reviewing the adequacy of internal controls, and monitoring the performance of internal audit . The External Audit Plan and the Audit Letter are submitted to the Selection & Constitutional Review Committee.
- Internal Audit is responsible for monitoring the adequacy and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan, which is approved by the Overview & Scrutiny Resources and Best Value Committee, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Head of Service with a copy to the Chief Executive, the Directors and the Head of Corporate Governance. The report includes recommendations for improvements to internal controls and these are detailed within an Action Plan for agreement or rejection by Heads of Service. The process also allows for follow up work to be completed for all reports issued in order to confirm that the action proposed by the Head of Service has been implemented in practice. The results of the follow-up are reported to the Head of Service, the Chief Executive, Directors and the head of Corporate Governance.
- The Internal Audit Section is subject to regular appraisal by the Council's external auditors who review the adequacy of compliance with the Code of Practice for Internal Audit. The external auditors place reliance on the work carried out by Internal Audit subject to being satisfied with the quality and comprehensiveness of the work. They have been able to do so for the financial year 2005/06.
- The Head of Corporate Governance brings a report on Key Indicator progress against targets to Management Team and the Executive as part of the Quarterly Performance Report. Monthly updates are available on all Local and Best Value PI's on the Internet and Intranet. There have been five Service Development Strategy reviews in progress throughout 2005/06. The corporate support group meets regularly to monitor and influence progress and the results of the review are formally discussed by members at the Policy Advisory Groups. There are still two Best Value reviews that need to be concluded and these will be reported to the Overview & Scrutiny Committees.
- For management of performance indicators, a traffic light monitoring and reporting system is in place electronically – PB Views. Each indicator has a named owner who can add commentary to the results for the convenience of those viewing the data either live or as a 'snapshot in time' on the net. The quarterly performance report includes commentary for the assurance of members and intended actions to improve any poor performance.
- The Council reviewed and revised the Financial Regulations in May 2003.

**STATEMENT ON INTERNAL CONTROL  
FOR THE YEAR ENDING 31 MARCH 2006**

5. Significant Internal Control Issues

The following significant internal control issues have been identified:

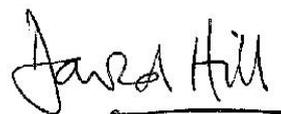
| No. | ISSUE                                                                                                                 | ACTION                                                                                                                                                                                                                                                                                                                                                                           |
|-----|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | There is no formal adoption of a Local Code of Corporate Governance.                                                  | It would be Best Practice to formally approve a Local Code of Corporate Governance in accordance with the Cipfa Solace Guidance.                                                                                                                                                                                                                                                 |
| 2   | Risk Management<br>There is a need to continue to ensure risk management is embedded into the culture of the Council. | The Service Risks must be refreshed annually and reviewed quarterly as per the Risk Management Strategy. The Strategic Risks must be refreshed annually and reviewed quarterly as per the Risk Management Strategy.                                                                                                                                                              |
| 3   | Assurance Statements from Heads of Service.                                                                           | Actions must be completed to close any gaps in governance within 3 months and will be reviewed during the Annual Service Risk Assessment Workshops.                                                                                                                                                                                                                              |
| 4   | The Constitution has not been easily accessible as a composite document.                                              | The Constitution should be reissued urgently on a CD Rom and by publication on the internet. Further updates to the electronic version on the internet should be within one month of approval.                                                                                                                                                                                   |
| 5   | Financial Regulations.                                                                                                | These have not been reviewed since May 2003 and are out of date and need to be reviewed urgently. The revised financial regulations must align with the approved Procurement Policy. The revised and approved financial regulations must be published as part of the Constitution on the website.                                                                                |
| 6   | Processing Controls for bank reconciliation.                                                                          | Consultants were employed to resolve the problems discovered in Summer 2005. A restructure of the finance section was approved by Executive in April 2006. Internal Audit will complete a review of bank reconciliation procedures and internal control by 25.9.06 and will submit its report thereon to the Overview and Scrutiny (Resources & Best Value) Committee on 3.10.06 |
| 7   | Monthly budget monitoring.                                                                                            | Although monthly budget monitoring reports are produced, there is no monthly concise summary of the total projected outturn available to Management Team. A concise summary should be produced each month and should be reviewed by Management Team on a timely basis                                                                                                            |
| 8   | Late reports to members.                                                                                              | The late submission of reports to Members significantly increases the risk of inappropriate decisions being made because the full implications could not be readily assimilated within the timescales. Management Team must introduce a process for reports to be on time or postponed to the next meeting                                                                       |

**Councillor P Clokie  
Leader of the Council**



**Date: 25<sup>th</sup> July 2006**

**David Hill  
Chief Executive**



**Date: 20<sup>th</sup> July 2006**

## **Independent auditor's report to Ashford Borough Council**

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

I have audited the financial statements of Ashford Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

### **Respective responsibilities of the Chief Financial Officer and auditors**

The Chief Financial Officer responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

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

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

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the

United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

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

### **Authority's Responsibilities**

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken our audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Ashford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except for the failure to put in place arrangements:

- to maintain sound systems of internal control; and
- for the management of its asset base.

### **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 in December 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Lindsey Mallors  
Audit Commission  
Ground Floor Front  
16 South Park  
Sevenoaks  
Kent TN13 IAN

Date: 28<sup>th</sup> September 2006

## GLOSSARY OF TERMS

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

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

**ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)** – an account a local authority is required to maintain under the capital accounting arrangements. Interest payable on, or receivable from loans appear on this account.

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

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

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

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

**CAPITAL FINANCING** – funds used to pay for capital expenditure

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

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

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

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

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

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

**CREDITORS** – money owed by the Council to others.

**DEBTORS** – money owed to the Council by others.

## GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

**OUTTURN** – actual income and expenditure in a financial year.

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

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

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

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

## **GLOSSARY OF TERM**

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

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

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

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

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

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