



ASHFORD  
BOROUGH COUNCIL

# Statement of Accounts

2009-2010

**Ashford**  
best placed in Britain



# Table of Contents

<b>Approval of the Statement of Accounts .....</b>	<b>1</b>
<b>Explanatory Foreword .....</b>	<b>2</b>
Introduction.....	2
The Statement of Accounts .....	2
Overview of 2009/2010 Financial Results and Activity .....	3
<b>Statement of Accounting Policies .....</b>	<b>9</b>
<b>Statement of Responsibilities for the Statement of Accounts .....</b>	<b>21</b>
<b>Core Financial Statements .....</b>	<b>22</b>
Consolidated Income and Expenditure Account .....	22
Statement of Movements on the General Fund Balance .....	22
Balance Sheet at 31 March 2010 .....	23
Statement of Total Recognised Gains and Losses.....	24
Cashflow Statement .....	24
<b>Notes to the Core Financial Statements.....</b>	<b>26</b>
(1) Exceptional items, prior period adjustments and other adjustments to prior year figures.....	26
(2) Post Balance Sheet Events .....	28
(3) The amounts of any outstanding un-discharged obligations arising from long term contracts such as PFI transactions.....	28
(4) Significant trading operations .....	30
(5) Housing Capital Receipts – Government Pooling Liability.....	30
(6) General Government Grant .....	31
(7) Members' Allowances.....	32
(8) Officers Remuneration.....	34
(9) Related Parties.....	36
(10) Audit Fees .....	36
(11) Explanation of Statement of Movement on the General Fund Balance ..	37
(12) Reconciling Items in the Statement of Movement on the General Fund Balance .....	38
(13) Summary of Capital Expenditure and Fixed Asset Disposals.....	39
(14) Capital Commitments .....	41
(15) Information on Assets Held .....	41
(16) Assets Held under Leases.....	41
(17) Assets Recognised under a PFI Arrangement .....	42
(18) Valuation Information.....	42
(19) Analysis of Net Assets Employed - Total Equity.....	43
(20) Interests in Companies.....	43
(21) Financial Instruments Balances.....	44

(22)	Financial Instruments Gains and Losses.....	44
(23)	Fair Value of Assets and Liabilities Carried at Amortised Cost.....	45
(24)	Nature and Extent of Risks Arising from Financial Instruments.....	45
(25)	Reserves .....	49
(26)	Contingent Liabilities and Contingent Assets .....	53
(27)	Authorisation of Accounts for Issue .....	55
(28)	Trust Funds .....	55
(29)	Analysis of debtors and creditors .....	56
(30)	Information on Pensions Scheme.....	57
(31)	Reconciliation of Surplus on I&E Account and Cash Flow Statement ....	61
(32)	Reconciliation of Movement in Cash to Movement in Net Funds .....	61
(33)	Reconciliation of Financing and Management of Liquid Resources to Balance Sheet .....	62
(34)	Explanation of Liquid Resources and Changes in Policy.....	62
(35)	Cash Flow Analysis of Other Government Grants.....	63
	<b>Supplementary Single Entity Statements .....</b>	<b>64</b>
	Housing Revenue Account .....	64
	Statement of Movement on the Housing Revenue Account Balance .....	65
	Note on Statement of Movement on the Housing Revenue Account Balance .....	65
	Notes to the Housing Revenue Account.....	66
(1)	Number and type of Housing Stock, Balance Sheet Opening and Closing Values .....	66
(2)	Vacant Possession Value of Dwellings.....	66
(3)	Major Repairs Reserve.....	66
(4)	Summary of Capital Expenditure and Financing .....	67
(5)	Capital Receipts from Disposal of Assets.....	67
(6)	Depreciation .....	67
(7)	Impairment .....	67
(8)	HRA Subsidy .....	68
(9)	Pensions.....	68
(10)	Rent Arrears .....	69
(11)	Exceptional Item (Revaluation Gain) .....	69
	Collection Fund.....	70
	Notes to the Collection Fund .....	71
(1)	NNDR Rateable Value.....	71
(2)	Council Tax Base .....	71
(3)	Precepts .....	72
	<b>Annual Governance Statement .....</b>	<b>73</b>
	<b>Audit Opinion .....</b>	<b>83</b>
	Independent auditor's report to the Members of Ashford Borough Council .....	83
	Respective responsibilities of the Deputy Chief Executive and auditor .....	83

Basis of audit opinion .....	84
Opinion .....	84
<b>Glossary.....</b>	<b>86</b>

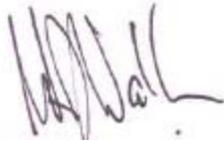
|

# Approval of the Statement of Accounts

## Council Approval of the Statement of Accounts for the year ended 31<sup>st</sup> March 2010

The Audit Committee at its meeting on the 29 June 2010 approved the Statement of Accounts for the year ended 31 March 2010 in accordance with the Accounts and Audit Regulations 2003.

Signed:

A handwritten signature in black ink, appearing to read 'Neil Wallace', is written over a faint, illegible stamp or watermark.

Councillor Neil Wallace  
Chairman Audit Committee

# Explanatory Foreword

## Introduction

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

Local Authority accounts are subject to a number of regulatory requirements and accounting standards. This results in a complex format which requires the reader to have a reasonable knowledge of accounting terms and presentation. Where the use of technical terms is unavoidable, an explanation is provided in the Glossary (Page 86).

## The Statement of Accounts

The content and format of the Statement of Accounts is prescribed in the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which has approval from the Accounting Standards Board as a Statement of Recommended Practice (SORP). The Statement of Accounts includes the Core Financial Statements and Supplementary Financial Statements along with other statutory sections.

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

## The Core Financial Statements (Page 22)

The Core Financial Statements comprise:

**The Consolidated Income and Expenditure Account (Page 22)** – the Council’s main revenue account for the year ended 31 March 2010, covering income and expenditure for all services. The Income and Expenditure Account is fundamental to the understanding of the Local Authority’s activities. It reports the gross and net cost for the year of all of the functions for which the Authority is responsible, and demonstrates how that cost was financed from general Government grants and income from local taxpayers.

**The Statement of Movement on the General Fund Balance (Page 22)** – a statement showing the accumulated surpluses and deficits adjusted for accounting entries not funded by taxpayers.

**The Balance Sheet (Page 23)** – a summary of the assets and liabilities of the Council.

**The Statement of Total Recognised Gains and Losses (Page 24)** – a statement bringing together all the recognised ‘gains and losses’ of the Authority during the period and identifies those which are not recognised in the Income and Expenditure Account.

**The Cash Flow Statement (Page 24)** – a statement of the inflows and outflows of cash arising from

transactions with third parties for revenue and capital purposes. The statement summarises in simple terms where the money came from and how it was spent.

### **The Supplementary Single Entity Financial Statements (Page 64)**

**The Housing Revenue Account (HRA) (Page 64)** – this is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents are not subsidised from Council Tax (or vice versa).

**The Collection Fund (Page 70)** – this reflects the statutory requirement for billing authorities (borough and district councils) to maintain a separate Collection Fund. It shows the transactions in relation to business rates and Council Tax, and shows how the demands on the Fund from Kent County Council, Kent Police Authority, Kent and Medway Towns Fire Authority and the Borough Council General Fund were paid. The Collection Fund is consolidated with the other accounts of the billing authority within the Balance Sheet.

- **Summary of Accounting Changes**

Since last year some changes have been made to the presentation of the Statement of Accounts. These are :

- a. Private Finance Initiative (PFI) brought onto Balance sheet.

Further explanation is included within the Accounting Policies.

- b. Collection Fund – only this Council's share of the collection fund is included within the statements.

If any of these changes result in changes to prior-year comparative figures these are detailed within Note (1) of the Core Financial Statement on page 26.

## **Overview of 2009/2010 Financial Results and Activity**

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

The Consolidated Income and Expenditure Account (page 22) includes the General Fund, upon which the Council Tax is set, and the Housing Revenue Account. The General Fund outturn detailed overleaf excludes the Housing Revenue Account and for this reason does not reconcile with the statutory presentation of the Income and Expenditure Account.

The General Fund is the main revenue fund of the Authority and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £14,154,520 (amount to be funded by Government Grant and Council Tax). This has resulted in an increase of £6.07 (4.70%) to the Band D rate over the previous year.

The General Fund (un-earmarked) Balance at the beginning of the year was a surplus of £ 2,951,225. The Council's reserves strategy is to maintain at least a minimum balance of 7% of the Budget Requirement, which for 2009/10 would be £990,816.

<b>General Fund Final Outturn 2009/10</b>		
<b>Service</b>	<b>Original Budget</b>	<b>Final Outturn</b>
	<b>£000's</b>	<b>£000's</b>
<b>Net Service Expenditure</b>	<b>16,156</b>	<b>15,938</b>
Capital Charges and net interest	(2,119)	(2,130)
Levies, Grants and Precepts	1,020	1,045
ABG/ LABGI	(75)	(71)
Other Grants and Levies	(106)	(106)
<b>Net Expenditure</b>	<b>14,876</b>	<b>14,676</b>
Govt Grant	(8,142)	(8,142)
Collection Fund Deficit	35	35
Parish Precepts	(721)	(721)
Council Tax	(6,048)	(6,048)
<b>Net Position</b>	<b>-</b>	<b>(200)</b>
VAT Claim - monies recovered by ABC from HM Revenue and Customs		(576)
Discount on debt restructuring transferred to reserves		(151)
Use of General Reserve to fund specific items of expenditure		458
<b>Total Transfers (to)/from General Fund Reserve (As per the Statement of Movement in General Fund Balance see page 22)</b>		<b>(469)</b>

The table above should be read in conjunction with the Consolidated Income and Expenditure Account and the Statement of Movement in General Fund Balance on page 22. The Consolidated Income and Expenditure Account surplus of £(3,777) is before

the statutory adjustments contained within the Statement of Movement in General Fund Balance of £3,308,000 (detailed further in Notes (11) and (12) on Pages 37 and 38) giving a net movement on the General Fund of £(469,000).

<b>Comparison of Budget to General Fund Final Outturn – Major Variances</b>	
	<b>£000's</b>
Vacancy Management, Moratorium and Extra Income	(1,910)
Unforeseen Demands	954
Emerging Pressures effect of Recession	410
Savings not Delivered	493
Recovery of benefits payments higher than previously allowed for from DWP	(273)
Transfer to Provision - Rent Deposit Bonds	126
<b>Total</b>	<b>(200)</b>

## Housing Revenue Account (HRA)

For 2009/10 a planned deficit of £40,950 on the HRA was budgeted, which was to be financed from HRA

reserves. Actual performance however was a surplus of £437,328, a positive variance of £478,278 as summarised in the table below

<b>Housing Revenue Account Outturn 2009/10</b>		
<b>Service</b>	<b>Budget £000's</b>	<b>Final Outturn £000's</b>
Income	(20,810)	(20,303)
Supervision and Management	4,911	4,742
Repairs	7,401	7,457
Other Expenditure	8,539	7,667
<b>(Surplus)/Deficit For Year</b>	<b>41</b>	<b>(437)</b>

The main items of variance are:

<b>Comparison of Budget to Final Outturn – Major Variances</b>	
	<b>£000's</b>
Capital expenditure was fully funded through the Major Repairs Reserve, as opposed to the revenue account as budgeted	(253)
Lower interest rates led to a net decrease in interest payable and associated debt management costs	(163)
The completion of the Orchard Housing Management computer system was originally scheduled for 2009/10 but will now be completed in 2010/11, therefore the budget has been carried forward	(117)
An amending subsidy determination at the start of the financial year led to a net increase between the amount of subsidy paid to government and dwelling rent income	307
Savings were made on repairs and maintenance within the revenue account. Capital works to dwellings was made however this was financed from Capital sources.	(412)
Support costs increased in year compared to budget	151
Other	9
	<b>(478)</b>

The accumulated HRA reserve balance at 31 March 2010 was a surplus of £1,670,327 in addition to this the Major Repairs Reserve holds £4,752,847, which can be used to fund HRA repairs and maintenance expenditure, giving a total balance for HRA Reserves of

£6,423,174 (compared to £7,079,757 as at 31 March 2009)

## Capital Expenditure

Capital expenditure is spending on the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment and intangible assets

(such as computer software) which will be used to benefit services over a number of years.

In the financial year 2009/10 the budget and outturn for the capital programme was:

	<b>Budget £000's</b>	<b>Outturn £000's</b>
Budgeted Capital Expenditure, including the Repairs and Renewals Programme	4,724	4,000
Housing Revenue Account Capital Programme	4,823	4,400
<b>Total</b>	<b>9,547</b>	<b>8,400</b>

The material differences between budgeted and actual expenditure relate to timing.

For sources of finance please see Note (13)

During 2009/10 the five yearly re-valuation of the Council's General Fund assets was completed. For more information see Note (18). This exercise resulted in a number of Impairments, see note (13), that were charged to the income and expenditure account which distort year on year comparisons. This has no impact on the bottom line.

### a) Treasury Management

#### Borrowing

At 31 March 2010 the Council had no long term borrowing (i.e. for more than 365 days).

In addition to this the Council undertakes short term borrowing (i.e. less than 365 days) on the Money Markets to manage its temporary overdrafts. As at 31

March 2010 the Council had temporary borrowing of £9m.

#### Investments

The Council's Balance Sheet had at 31 March 2010 investments and cash of £30.2m.

As a result of the global economic climate the Council restricted investments to Government Bonds, other Local Authorities, Government Bodies and banks backed by the Bank of England.

The consequence of this policy was lower investment returns however maintaining the security of the Council's cash. For 2009/10 the Council earned an average investment return of 2.84% (2008/09 4.70%).

In accordance with Central Government requirements the Council has a Euro bank account to facilitate payments from within the Euro zone. Suppliers have confirmed that all major financial systems will readily convert to accounting in Euros if the United

Kingdom should decide to change currency.

See Notes (21) to (24) for more details (pages 44 - 45).

## **b) Pensions**

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

The increase in pension deficit during the year was principally due to a technical increase in the valuation of the liabilities.

Accounting standard FRS17 requires pension liabilities to be valued using assumptions based on gilt and corporate bond yields. The yield (above the expected level of inflation) from corporate bonds reduced from 3.7% to 1.5% during the year. In part this was due to the impact of quantitative easing, other technical factors on bond and gilt markets, and the uncertainty in the wider economy. The assets of the Kent County Council Fund are invested for the longer term with only a small percentage invested in corporate bonds. The return earned by the Fund during the year was in the order of 36% (2008/09 a loss of 19.8%).

FRS17 does not have any impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on

corporate bond yields). A triennial valuation is being carried out as at 31 March 2010.

For further information see Note (30)

## **c) Stanhope Private Finance Initiative (PFI) Project**

On 17 April 2007 the PFI agreement for the regeneration of the Stanhope Estate was signed. This is for the provision of the refurbishment of properties on the estate and the related housing management function. The PFI scheme will transform the whole estate, change perceptions of the area and improve residents' quality of life. Together with improvement to the properties on the estate, associated environmental and highway improvements will also be carried out over the first five years. The Contractor, the Chrysalis Consortium (a consortium comprising Gleeson Homes, Dennes and Moat Housing), will remodel much of the estate and maintain the homes and the environment to the improved standard over the remainder of the contract period (28 years), after which the properties are handed back to the Council.

Changes in Local Authority Accounting have required that the PFI is accounted for on a different basis to previous years, the changes are explained in the Statement of Accounting Policies and Note (3).

## **d) Ashford's Future**

The increasing rate of growth in Ashford, as a result of being one of the designated sustainable community growth areas in the South East of England, will create a

variety of budget pressures over time.

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

# Statement of Accounting Policies

## General Principles

The Statement of Accounts is prepared on an income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting 2009 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards. Where an accounting policy has not been adopted, or where it has been varied, then a note to that effect has been provided.

### 1. **Accounting Concepts and Conventions**

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year end of 31 March 2010. It is prepared in accordance with *the code of practice on local authority accounting 2009: a statement of recommended practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 2. **Accruals of Income and Expenditure**

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

in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet; where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3. **Estimation Techniques**

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

4. **Costs of Internal Support Services**

All costs of management and administration are fully allocated

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

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

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

5. **Capital Charges to Revenue**

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

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

The premature repayment of the long term loans that result in either a premium or a discount are to be amortised to the Revenue Account either in accordance with the Housing Subsidy determinations or by

reference to the Treasury Management Code of Practice.

External interest payable and amounts set aside from revenue for the repayment of external loans are charged to the Income and Expenditure Account. The reversal of capital charges is credited to the Statement of Movement of General Fund balance. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

6. **Revenue Expenditure Funded from Capital Under Statute**

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

generally grants and expenditure on property not owned by the Authority.

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

#### 7. **Government Grants and Contributions**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

Where deferred charge expenditure is financed by a government grant, the amount of the grant is credited to the Government Grants Deferred Account.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with, and there is reasonable assurance that the

grant or contribution will be received.

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

#### 8. **VAT**

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

#### 9. **Intangible Fixed Assets**

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

## 10. Fixed Assets

### 10.1. Recognition

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

### 10.2. 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 are included in the Balance Sheet on the following basis: -

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

## 10.3. 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.

Gains and Losses resulting from revaluations are credited to the Revaluation Reserve. Since this Reserve was established with a “nil” balance at 1/4/2007, it will only reflect revaluations after this date.

## 10.4. Capital Receipts

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

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

## 10.5. Depreciation

on assets with a finite useful life in line with Financial Reporting Standard (FRS 15) on a straight line basis according to the following policy:

- All assets with a finite useful life are depreciated on a straight line basis over the asset life. The life of buildings is reviewed as part of the asset revaluation. The life of vehicles, plant and equipment is generally taken to be five years, unless evidence exists to support a longer or shorter life.
- Newly acquired assets are depreciated in year one; assets in the course of construction are not depreciated until they are brought into use.

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

## 10.6. Impairment

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

Where impairment is identified as part of this review or as a

result of a valuation exercise, this is accounted as follows:

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

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

## 11. Operating Leases

Rental payments are charged to revenue on an accruals basis.

## 12. Current Assets and Liabilities

### 12.1. Debtors and Creditors

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

## 12.2. **Stocks**

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

## 12.3. **Investments**

See the accounting Policy on Financial Instruments

## 12.4. **Bad Debts**

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

## 13. **Contingent Assets and Contingent Liabilities**

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

Contingent liabilities should not be recognised in the accounting statements; they should be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent

liability the Authority should disclose the nature of the contingency, a brief description, and where possible an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

## 14. **Provisions**

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

## 15. **Reserves**

The Council maintains certain reserves to meet general, rather than specific future expenditure. The purpose of the Council's other reserves is explained in Note (25) to the Core Financial Statement on page 49. This statement brings together all the reserves of the Council into one statement.

Capital Reserves are not available for revenue purposes and certain Capital Reserves (e.g. Usable Capital Receipts) can only be used for certain statutory purposes.

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

## 16. **Pension Costs**

The amount charged to the Income and Expenditure

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

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

- Liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
  - Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return.
  - The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
- Unitised securities – current bid price
  - Property – market value
- The change in net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Income and Expenditure Account as part of the Non Distributable costs.
    - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. Debited to the Income and Expenditure Account under net operating expenditure.
    - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the average expected long term return – credited to the Income and Expenditure Account under net operating expenditure.

- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Income and Expenditure Account as part of the Non Distributable costs.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated. Debited to the Statement of Total Recognised Gains and Losses.

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

net pension asset or liability and an equivalent pension reserve balance.

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

For further details see Note (30).

## 17. **Financial Instruments**

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

Detailed disclosure of the Council's holding of Financial Instruments is included in Note (21) on page 44 and relevant gains and losses in Notes (22) on page 44.

### **Financial Liabilities**

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

effective rate of interest for the instrument.

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

### **Financial Assets**

Financial assets are classified into two types:

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

### **Loans and Receivables**

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

receivable for the year in the loan agreement.

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

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

### **Available-for-sale Assets**

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

Values are based on the following principles:

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

appraisal of company valuations.

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

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

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

## Credit Risk

The SORP requires Authorities to estimate the “Fair Value” of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Council’s Financial Instruments as at 31 March 2010. The discount rate should reflect prevailing interest rates as at 31 March 2010. Full details of this disclosure are included in Note (23) to the Core Financial Statements on page **Error! Bookmark not defined..**

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

- (a) Credit risk relates to the possibility of counterparties defaulting on their financial obligations.
- (b) Liquidity risk relates to the possibility of funds being unavailable to meet financial commitments.
- (c) Market risk relates to possible exposure to adverse interest rate movements, or changes in other market conditions e.g. foreign exchange rates.

The SORP requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note (24) to the Core Financial Statements.

The SORP's disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note (24) includes an age analysis of overdue debtors at the balance sheet date. In addition to this a provision for bad debts is also included in the Statement of Accounts (Statement of Accounting Policies 12.4).

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

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

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

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

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

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

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

See Note (1) for details of restatement due to this accounting policy

#### 19. **Group Accounts**

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

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

#### 20. **Exceptional Items**

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

given within the notes to the accounts.

### **Events after the Balance Sheet Date**

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

Where an event occurs after the Balance Sheet date and is

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

- The nature of the event
- An estimate of the financial effect

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

# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of those affairs. In this authority, that Officer is the Deputy Chief Executive.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## The Responsibilities of the Deputy Chief Executive

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

In preparing this Statement of Accounts, the Deputy Chief Executive has:

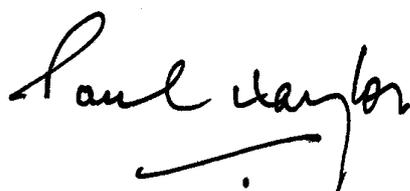
- Selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

## The Deputy Chief Executive has also:

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

---

**The Statement of Accounts present a true and fair view of the financial position of Ashford Borough Council at 31 March 2010 and its income and expenditure for the year ended on that date.**



**Paul Naylor**  
Deputy Chief Executive

## Core Financial Statements

Consolidated Income and Expenditure Account				
2008/09		2009/10		
As Restated £000's	Continuing Operations	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
1,375	Central Services to the Public	10,048	(9,439)	609
11,142	Cultural, Environmental and Planning	31,158	(4,682)	26,476
80	Highways	3,273	(2,146)	1,127
3,004	Local Authority Housing (HRA)	19,691	(20,303)	(612)
87,145	Exceptional item – impairment/(gain) of HRA stock	(26,374)	-	(26,374)
1,794	Other Housing Services	31,563	(29,176)	2,384
2,650	Corporate and Democratic Core	3,233	(834)	2,399
1,883	Non-distributable costs	1,981	-	1,981
<b>109,073</b> (478)	<b>Net cost of Services</b> (Gain)/Loss on disposal of Fixed Assets	<b>74,573</b>	<b>(66,580)</b>	<b>7,993</b> 470
680	Parish Council Precepts			721
217	Drainage Board Levies			247
104	Interest Payable and Similar Charges			(113)
353	Contribution of Housing capital receipts to the Government Pool (Note (5))			673
(1,185)	Interest and Investment Income (Note (22))			(579)
2,000	Pensions Interest cost and expected return on Pensions Assets (Note (30))			2,837
<b>110,764</b> (6,364)	<b>Net Operating Expenditure</b> Demand on Collection Fund			<b>12,249</b> (6,734)
(47)	Accrued share of Council Tax			(50)
(1,118)	General Government Grants (Note (6))			(2,627)
(7,020)	Non-Domestic Rates redistribution			(6,615)
<b>96,215</b>	<b>(Surplus) or Deficit for the Year</b>			<b>(3,777)</b>

For information regarding how impairment of fixed assets have affected the Net Cost of Service refer to Note (18)

Statement of Movements on the General Fund Balance		
(Note (12) on page 38)		
2008/09 £000's		2009/10 £000's
96,215	Deficit/(Surplus) for the Year on the Income and Expenditure Account	(3,777)
(98,061)	Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note (11) and (12))	3,308
<b>(1,846)</b>	<b>(Increase)/Decrease in General Fund Balance for the Year</b>	<b>(469)</b>
(1,105)	General Fund Balance Brought Forward	(2,951)
<b>(2,951)</b>	<b>General Fund Balance Carried Forward</b>	<b>(3,420)</b>

## Balance Sheet at 31 March 2010

2008/09 As Restated £000's		2009/10	
		£000's	£000's
	<b>Fixed Assets (Notes (13)-(18))</b>		
80	Intangible Fixed Assets	76	
	Operational Assets		
287,844	- Council Dwellings	322,337	
3,910	- Council Garages	3,649	
57,235	- Other Land and Buildings	40,841	
75	- Vehicles, plant and equipment	180	
212	- Infrastructure	204	
1,177	- Community Assets	1,125	
	Non Operational Assets		
0	- Assets under construction	107	
20	- Other	2	
1,910	- Surplus Assets for Resale	210	
352,463	<b>Total Fixed Assets</b>		368,731
15,899	Long-Term Investments (Note (21)-(24))	12,773	
486	Long-Term Debtors	498	13,271
368,848	<b>Total Long-Term Assets</b>		382,002
	<b>Current Assets</b>		
8,883	Debtors (Note (29))	13,861	
(2,320)	Less Provision for Bad Debts (Note (29))	(2,648)	
		11,213	
25	Stocks and Work-in-Progress	29	
13,461	Short-term Investments (Note (21)-(24))	16,765	
214	Cash and Bank	641	28,648
389,111	<b>Total Assets</b>		410,650
	<b>Current Liabilities</b>		
(4,158)	Short-term Borrowing (Note (21)-(24))	(9,014)	
(24,165)	Creditors (Note (29))	(23,041)	
0	Bank Overdraft	0	(32,055)
360,788	<b>Total Assets Less Current Liabilities</b>		378,595
	<b>Long-Term Liabilities</b>		
0	Long Term Borrowing (Note (21)-(24))	0	
(19,494)	PFI Long Term Liability (Note (3))	(27,698)	
(169)	Provisions	(179)	
(3,423)	Government Grants Deferred Account	(798)	
(4,083)	Capital Contributions Deferred	(2,658)	
(38,390)	Pension Liability (Note (30))	(65,835)	(97,168)
<b>295,229</b>	<b>Total Assets Less Liabilities</b>		<b>281,427</b>

<b>Balance Sheet at 31 March 2010</b>			
<b>2008/09 As Restated £000's</b>			<b>2009/10 £000's</b>
315,901	Capital Adjustment Account	(Note (25))	320,576
4,548	Revaluation Reserve	(Note (25))	11,915
449	Available for Sale Financial Instruments Reserve		532
(28)	Financial Instruments Adjustment Account	(Note (25))	(12)
100	Usable Capital Receipts Reserve	(Note (25))	1,088
478	Deferred Credits		468
(38,390)	Pensions Reserve	(Note (30))	(65,835)
2,951	General Fund Balance		3,420
1,233	Housing Revenue Account Balance		1,670
(74)	Collection Fund Balance		(24)
5,847	Major Repairs Reserve (HRA)		4,753
2,214	Other Reserves Balances	(Note (25))	2,876
<b>295,229</b>	<b>Total Equity</b>	<b>(Note (19))</b>	<b>281,427</b>

<b>Statement of Total Recognised Gains and Losses</b>			
<b>2008/09 As Restated £000's</b>			<b>2009/10 £000's</b>
(96,215)	Surplus or (Deficit) on the Income and Expenditure Account for the Year (details on page 22)		3,777
439	Surplus or (Deficit) arising on revaluation of available for sale assets (Note (25)c and d)		99
3,139	Surplus or (Deficit) arising on revaluation of fixed assets (Note (25)a)		7,844
(6,560)	Actuarial gains and (losses) on Pension Fund assets and liabilities (Note (30))		(25,445)
1,394	Any other gains and (losses) required to be included in the Statement of Recognised Gains and Losses		(77)
(97,803)	<b>Total recognised gains and (losses) for the year</b>		<b>(13,802)</b>

<b>Cashflow Statement</b>				
<b>2008/09 As Restated £000's</b>		<b>2009/10</b>		
		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
	<b>Revenue Activities</b>			
	<b>Cash Outflows</b>			
17,187	Cash paid to and on behalf of employees	16,001		
27,449	Other operating cash payments	29,017		
28,939	Housing Benefit paid out	35,164		
0	National non-domestic rate payments to national pool	0		
680	Precepts paid	721		
218	Payments to Capital Receipts Pool	588		

<b>Cashflow Statement</b>				
<b>2008/09</b> <b>As Restated</b> <b>£000's</b>		<b>2009/10</b>		
		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
74,473	<b>Total Cash Outflows</b>		81,491	
	<b>Cash Inflows</b>			
(20,748)	Rents (after rebates)	(21,164)		
(5,817)	Council Tax Income	(6,248)		
(7,020)	National non-domestic rate receipts from national pool	(6,615)		
0	Non-domestic rate receipts	0		
(977)	Revenue Support Grant	(1,527)		
(27,099)	DWP grants for benefits	(34,590)		
(4,225)	Other government grants (Note (35))	(6,732)		
(5,174)	Cash received for goods and services	(5,411)		
(4,222)	Other operational income	(2,340)		
<b>(809)</b>	<b>Net Revenue (Surplus) before financing (Note(31))</b>		(84,627)	<b>(3,136)</b>
	<b>Return on investments/deposits and servicing of finance</b>			
803	Interest paid		719	
(3,216)	Interest received		(841)	
	<b>Total Servicing of Finance</b>			<b>(122)</b>
<b>(3,222)</b>	<b>Net (Surplus) from Revenue Activities</b>			<b>(3,258)</b>
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
7,258	Expenditure on fixed assets	6,808		
3,295	Other Capital Expenditure	2,529		
	<b>Cash inflows</b>		9,337	
(1,052)	Sale of fixed assets	(3,396)		
(14,983)	Capital grants received	(1,476)		
(4)	Other capital cash income	(8)		
	<b>Net Total Capital Activities</b>		(4,880)	<b>4,457</b>
<b>(8,708)</b>	<b>Net Cash Outflow Before Financing</b>			<b>1,199</b>
	<b>Net Movement In Liquid Assets (Note (33))</b>			
(2,795)	Net increase (decrease) in short term deposits		4,603	
6,669	Net increase (decrease) in other liquid resources		(1,229)	
	<b>Financing (Note (33))</b>			<b>3,374</b>
8,500	Repayment of amounts borrowed		7,000	
(4,000)	New loans raised		(12,000)	
				(5,000)
<b>(334)</b>	<b>Net Increase in Cash and Cash Equivalents</b>			<b>(427)</b>

## Notes to the Core Financial Statements

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

The PFI asset is being brought back onto the balance sheet and a liability reflecting the capital investment in the properties to be amortised over the life of the project. The unitary charge will be allocated between service concessions, interest payments and loan repayments, due to the continued refurbishment of the stock until 2010/11 there are no repayments to debt and interest is capitalised so there is no impact on the HRA Income and Expenditure Account.

Collection Fund - change in accounting treatment will result in a prior period adjustment, previously the total amount of Council Tax and NNDR collected was included in the Council's accounts with the precepts paid to Kent County Council, Kent Police and Kent Fire and Rescue Service also included. The changes to the regulations require only this Council's share of Council Tax and NNDR to be included in the Statements.

#### Extract from the Income and Expenditure Account

	Published Balance 31/03/09 £000's	PFI Adjustment £000's	Collection Fund Adjustment £000's	Adjusted Balance 31/03/09 £000's
<b>I&amp;E</b>				
Exceptional Item - HRA stock impairment	63,013	24,132	-	87,145
<b>Net Cost of Services</b>	<b>84,941</b>	<b>24,132</b>	-	<b>109,073</b>
Demand on Collection Fund	(6,364)	-	(47)	(6,411)
<b>Surplus/Deficit for year</b>	<b>72,130</b>	<b>24,132</b>	<b>(47)</b>	<b>96,215</b>

#### Extract from the note on reconciling items in the Statement of Movement of General Fund Balance Note (12)

	Published Balance 31/03/09 £000's	PFI Adjustment £000's	Collection Fund Adjustment £000's	Adjusted Balance 31/03/09 £000's
Depreciation etc	(70,673)	(24,132)	-	(94,805)
Transfer to Collection Fund Adjustment	-	-	47	47
<b>Net additional amount required to be credited to the General Fund Balance</b>	<b>(73,976)</b>	<b>(24,132)</b>	<b>47</b>	<b>(98,061)</b>

### Extract from Balance Sheet

	Published Balance 31/03/09 £000's	PFI Adjustment £000's	Collection Fund Adjustment £000's	Adjusted Balance 31/03/09 £000's
Council Dwellings	257,388	30,456	-	287,844
PFI Deferred Consideration	32,753	(32,753)	-	-
PFI Residual Asset Value	2,340	(2,340)	-	-
Debtors	12,499	-	(3,616)	8,883
Provision for bad debts	(3,653)	-	1,333	(2,320)
Creditors	(27,124)	-	2,959	(24,165)
Long Term PFI Liability	-	(19,494)	-	(19,494)
<b>Total Assets Less Liabilities</b>	<b>318,684</b>	<b>(24,131)</b>	<b>676</b>	<b>295,229</b>
Capital Adjustment Account	342,640	(26,739)	-	315,901
Revaluation Reserve	1,940	2,608	-	4,548
Collection Fund Balance	(750)	-	676	(74)
<b>Total Equity</b>	<b>318,684</b>	<b>(24,131)</b>	<b>676</b>	<b>295,229</b>

### Extract from STRGL

	Published STRGL 31/03/09 £000's	PFI Adjustment £000's	Collection Fund Adjustment £000's	Adjusted STRGL 31/03/09 £000's
Surplus or (Deficit) on the Income and Expenditure Account for the Year	(72,130)	(24,132)	47	(96,215)
Revaluation of Available For Sale Assets	439	-	-	439
Revaluation of fixed assets	3,139	-	-	3,139
Actuarial gains and (losses)	(6,560)	-	-	(6,560)
Any other gains and (losses)	764	-	630	1,394
<b>Total recognised gains and (losses) for the year</b>	<b>(74,348)</b>	<b>(24,132)</b>	<b>677</b>	<b>(97,803)</b>

### Extract from Cash Flow Statement

	Published Cash Flow 31/03/09 £000's	PFI Adjustment £000's	Collection Fund Adjustment £000's	Adjusted Cash Flow 31/03/09 £000's
NNDR Pool	36,567	-	(36,567)	0
Precepts Paid	53,195	-	(52,515)	680
Council Tax Income	(59,565)	-	53,748	(5,817)
NNDR Receipts	(39,641)	-	39,641	0
Other Income	(4,046)	-	(176)	(4,222)
<b>Net Revenue Surplus before Financing</b>	<b>(4,940)</b>	<b>-</b>	<b>4,131</b>	<b>(809)</b>
Other Liquid Resources	10,800	-	(4,131)	6,669
<b>Net Increase</b>	<b>(334)</b>	<b>-</b>	<b>-</b>	<b>(334)</b>

## (2) Post Balance Sheet Events

On 3 May 2010 the Council entered into an agreement with its Ashford Future partners for a Regional Infrastructure Funding Agreement for the provision of improvements to Junction 9 of the M20. The Council has an obligation to collect Strategic Tariff income and pay the designated amount to SEEDA reimbursing the funding advanced for the transport scheme. Ashford Borough Council's liabilities are limited to the amount of Tariff collected and held within the Council's accounts. As at 31 March 2010 no Strategic Tariff payments had been triggered by developers.

In the Emergency budget on the 22 June 2010 the Chancellor of the Exchequer announced that there would be a comprehensive review of Public Sector Pensions including the Local Government Pension Scheme chaired by [Lord] Hutton. This review is to report back by April 2011 with proposals for the future shape of public sector pension schemes and proposals to make them more affordable. Any changes to the Kent scheme will be included in the triennial valuations of the scheme and the annual actuarial reviews completed for the final accounts process. In his emergency budget announcement on 22 June 2010 the Chancellor of the Exchequer stated that as from April 2011 public sector pension increases will be based on the Consumer Price Index (CPI) instead of the Retail Price Index (RPI). This change is deemed to be a non-adjusting post balance sheet event in accordance with FRS21, which will have the effect of reducing the value of the Council's pension liabilities. The Council estimates that the impact will be a reduction in the region of 5% (£3.3m) to 10% (£6.6m) of total pension liabilities

## (3) The amounts of any outstanding un-discharged obligations arising from long term contracts such as PFI transactions

### Stanhope PFI

For 2009/10 in accordance with changes to the accounting code of practice this contract has been brought on to the balance sheet.

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

The total value of the contract is £140m, which includes a construction cost of £27m.

	£000's
Balance B/F	30,456
Additions	8,204
Depreciation	(436)
Restatement of depreciation due to revaluation gain.	436
Revaluation gain	2,741
<b>Closing Balance</b>	<b>41,401</b>

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

- An annual unitary charge net of deductions for performance.
- Capital contributions to Infrastructure costs.
- Pass through costs e.g. Disabled Facilities Grants.

These payments will be met from:

- The Council's existing revenue budget for the services, rental income and housing subsidy.
- PFI Special Grant from Central Government.

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

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

### Analysis of Forecast Unitary Charge

	Repayment of Liability £000's	Interest Cost £000's	Service Cost £000's	Total £000's
Within 1 Year	(56)	991	3,085	4,020
2-5 years	150	3,975	12,340	16,465
6-10 years	1,704	4,846	15,425	20,271
11-15 Years	3,889	4,401	15,425	19,826
16-20 Years	6,729	3,528	15,425	25,682
21-25 Years	10,381	2,102	15,425	27,908
26-30 Years	5,393	288	6,952	12,633
	<b>28,190</b>	<b>20,131</b>	<b>84,077</b>	<b>126,805</b>

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

### Extra Care Housing PFI

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

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

## Other Contracts

In 2009/10 the Authority was committed to making payments under the following contracts:

- £2.8m per annum for waste collection expiring March 2013, the removal of the green waste element of the contract in 09/10 will reduce the cost by approximately £0.2m.
- £1.2m per annum for maintenance for parks and open space expiring January 2014.
- £1.0m per annum for street cleansing contract expiring March 2013.
- £0.6m per annum for insurance contract expiring October 2012.

## (4) Significant trading operations

The Council operates some trading operations, including leased shop premises, industrial sites and markets included within Cultural, Environmental and Planning Services on the face of the Consolidated Income and Expenditure Account page 22. The details of expenditure and income are shown below:

Service	2008/09	2009/10		
	(Surplus) / Deficit	Expenditure	Income	(Surplus) / Deficit
	£000's	£000's	£000's	£000's
Leased Shop Premises	(5)	*757	(97)	660
Industrial Estates	196	**497	(328)	169
Street Markets	(28)	66	(36)	30
	<b>163</b>	<b>1,320</b>	<b>(461)</b>	<b>859</b>

\* Includes impairments £608,000

\*\* Includes impairments of £323,000

## (5) Housing Capital Receipts – Government Pooling Liability

	2008/09 £000's	2009/10 £000's
Receipts from Right to Buy Sales	664	996
Receipts from Housing Land	734	1,446
Costs of disposal	(53)	(53)
Deduction for enhancements	0	0
Deduction for Capital Allowance	(731)	(1,403)
Buy back of Dwellings	(437)	(89)
<b>Total Capital Receipts less deductions</b>	<b>177</b>	<b>897</b>
Pooling Liability at 75%	133	673

**(6) General Government Grant**

	<b>2008/09 £000's</b>	<b>2009/10 £000's</b>
Revenue Support Grant	977	1,527
Housing and Planning Delivery Grant	*	868
Local Authority Business Growth Incentive Scheme	24	74
Area Based Grant	49	71
Performance Reward Grant	68	87
<b>Total</b>	<b>1,118</b>	<b>2,627</b>

\* in 2008/09 £680,000 of Housing and Planning Delivery Grant was included within service income

## (7) Members' Allowances

Members are each paid a basic allowance of £4,228.56 and in addition some receive Special Responsibility Allowance depending on the level of responsibility held, and are also paid travel allowances re attendance at meetings etc. With the exception of travel and subsistence allowances, the allowances are subject to tax and National Insurance Contributions.

<b>Councillor</b>	<b>Basic Allowance</b>	<b>Special Responsibility Allowance</b>	<b>Travel Allowance</b>	<b>Subsistence</b>	<b>Carers' Allowance</b>	<b>Total before Tax and N. I.*</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ayres	4,228.56	0.00	38.00	0.00	0.00	4,266.56
Bartlett	4,228.56	9,129.43	48.00	0.00	0.00	13,405.99
Mrs Bell	4,228.56	0.00	162.00	0.00	0.00	4,390.56
Bell	4,228.56	6,869.94	0.00	0.00	0.00	11,098.50
Mrs Blanford	4,228.56	0.00	773.87	5.00	0.00	5,007.43
Bradberry	4,228.56	0.00	14.40	0.00	0.00	4,242.96
Burgess	4,228.56	1,383.25	908.00	0.00	0.00	6,519.81
Clarkson	4,228.56	6,869.94	527.80	6.75	0.00	11,633.05
Cloughton	4,228.56	6,869.94	52.80	0.00	0.00	11,151.30
Clokie	4,228.56	19,904.15	2,071.11	0.00	0.00	26,203.82
Cowley	4,228.56	0.00	97.40	0.00	0.00	4,325.96
Davidson	4,228.56	7,267.74	0.00	0.00	0.00	11,496.30
Davison	4,228.56	2,491.78	487.20	0.00	0.00	7,207.54
Ellison	4,228.56	1,586.93	363.60	0.00	0.00	6,179.09
Feacey	4,228.56	0.00	0.00	0.00	0.00	4,228.56
French	4,228.56	0.00	20.80	0.00	0.00	4,249.36
Goddard	4,228.56	1,197.68	507.20	0.00	0.00	5,933.44
Mrs Hawes	4,228.56	50.00	124.80	0.00	0.00	4,403.36
Mrs Heaton	4,228.56	0.00	238.10	0.00	0.00	4,466.66
Heyes	4,228.56	2,766.39	73.30	0.00	0.00	7,068.25
Mrs Heyes	4,228.56	0.00	31.20	0.00	0.00	4,259.76
Mrs Hicks	4,228.56	0.00	223.20	0.00	0.00	4,451.76
Hodgkinson	4,228.56	0.00	9.50	0.00	0.00	4,238.06

<b>Councillor</b>	<b>Basic Allowance</b>	<b>Special Responsibility Allowance</b>	<b>Travel Allowance</b>	<b>Subsistence</b>	<b>Carers' Allowance</b>	<b>Total before Tax and N. I.*</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Holland	4,228.56	0.00	253.02	0.00	0.00	4,481.58
Honey	4,228.56	1,024.62	163.20	0.00	0.00	5,416.38
Howard	4,228.56	0.00	105.60	0.00	0.00	4,334.16
Mrs Hutchinson	4,228.56	0.00	557.60	0.00	0.00	4,786.16
Kemp	4,228.56	6,869.94	102.00	0.00	0.00	11,200.50
Koowaree	4,228.56	0.00	0.00	0.00	0.00	4,228.56
Mrs Laughton	4,228.56	0.00	38.40	0.00	0.00	4,266.96
Link	4,228.56	0.00	354.40	0.00	0.00	4,582.96
Mrs Marriott	4,228.56	5,532.94	754.25	0.00	0.00	10,515.75
Mrs Martin	4,228.56	0.00	79.60	0.00	0.00	4,308.16
Naughton	4,228.56	252.98	211.60	0.00	0.00	4,693.14
Norris	4,228.56	0.00	35.20	0.00	0.00	4,263.76
Packham	4,228.56	0.00	185.60	0.00	0.00	4,414.16
Smith	4,228.56	483.70	321.20	0.00	0.00	5,033.46
Taylor	4,228.56	2,766.39	551.30	0.00	0.00	7,546.25
Wallace	4,228.56	4,610.78	0.00	0.00	0.00	8,839.34
Wedgbury	4,228.56	1,841.23	0.00	0.00	0.00	6,069.79
Wells	4,228.56	180.72	184.80	0.00	0.00	4,594.08
Wood	4,228.56	6,869.94	1,025.92	0.00	0.00	12,124.42
Woodford	4,228.56	0.00	261.60	0.00	0.00	4,490.16
<b>TOTAL</b>	<b>181,828.08</b>	<b>96,820.41</b>	<b>11,957.57</b>	<b>11.75</b>	<b>0.00</b>	<b>290,617.81</b>

## (8) 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.

### Senior Employee Remuneration 2008/09 comparators

Post	Salary (Including Fees & Allow- ances) *	Bonus	Expense Allow- ances	Comp- ensation for Loss of Office	Benefits in Kind (eg Car Allow- ance)*	Total	Pension Contrib- utions	Total Remuner- ation 2008/09
	£	£	£	£	£	£	£	£
Chief Executive +	115,261.89	-	-	-	5,026.34	<b>120,288.23</b>	28,895.22	<b>149,183.45</b>
Deputy Chief Executive +	89,387.97	-	-	-	5,041.59	<b>94,429.56</b>	22,436.37	<b>116,865.93</b>
Strategic Director **	85,324.85	-	-	-	4,830.91	<b>90,155.76</b>	22,610.06	<b>112,765.82</b>
Head Of Cultural & Project Services	70,178.25	-	-	-	2,927.53	<b>73,105.78</b>	18,405.78	<b>91,511.56</b>
Head of Environmental Services	73,492.36	-	-	-	308.06	<b>73,800.42</b>	17,614.74	<b>91,415.16</b>
Head of Financial Services	70,178.25	-	-	-	2,939.95	<b>73,118.20</b>	17,614.74	<b>90,732.94</b>
Head of Housing	73,567.17	-	-	-		<b>73,567.17</b>	17,614.74	<b>91,181.91</b>
Head of ICT & Customer Services	73,567.17	-	-	-		<b>73,567.17</b>	17,614.74	<b>91,181.91</b>
Head of Legal and Democratic Services +	70,178.25	-	-	-	6,640.11	<b>76,818.36</b>	17,614.74	<b>94,433.10</b>
Head of Planning & Development	85,770.60	-	-	-	4,585.24	<b>90,355.84</b>	21,416.55	<b>111,772.39</b>
	<b>806,906.76</b>	-	-	-	<b>32,299.73</b>	<b>839,206.49</b>	<b>201,837.68</b>	<b>1,041,044.17</b>

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

\*\* The post of Strategic Director was made redundant as of 31st March 2009 and hence only appears in the list for 2008/09

+ Officers that also fulfil statutory roles

### Senior Employee Remuneration 2009/10

Post	Salary (Including Fees & Allow- ances) * £	Bonus £	Expense Allow- ances £	Comp- ensation for Loss of Office £	Benefits in Kind (EG Car Allow- ance)* £	Total £	Pension Contrib- utions £	Total Remuner- ation 2009/10 £
Chief Executive (01/04/09 - 19/07/09)**	44,745.75	-	-	-	765.40	<b>45,511.15</b>	11,633.90	<b>57,145.05</b>
Chief Executive (28/09/09 onwards)**	50,382.41	-	-	-	-	<b>50,382.41</b>	12,533.79	<b>62,916.20</b>
Deputy Chief Executive	90,000.96	-	-	-	4,882.82	<b>94,883.78</b>	23,400.24	<b>118,284.02</b>
Head Of Cultural & Project Services	70,659.00	-	-	-	2,736.82	<b>73,395.82</b>	19,252.56	<b>92,648.38</b>
Head of Environmental Services	74,047.92	-	-	-	-	<b>74,047.92</b>	18,371.40	<b>92,419.32</b>
Head of Financial Services***	53,125.95	-	-	-	2,094.17	<b>55,220.12</b>	13,778.55	<b>68,998.67</b>
Head of Housing	74,047.92	-	-	-	-	<b>74,047.92</b>	18,371.40	<b>92,419.32</b>
Head of ICT & Customer Services	74,047.92	-	-	-	-	<b>74,047.92</b>	18,371.40	<b>92,419.32</b>
Head of Legal and Democratic Services	70,864.95	-	-	-	4,839.12	<b>75,704.07</b>	18,371.40	<b>94,075.47</b>
Head of Planning & Development	86,490.75	-	-	-	4,199.68	<b>90,690.43</b>	22,336.56	<b>113,026.99</b>
	<b>688,413.53</b>	-	-	-	<b>19,518.01</b>	<b>707,931.54</b>	<b>176,421.20</b>	<b>884,352.74</b>

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

\*\*The Chief Executive resigned on 19th July 2009, on an annualised Salary of £94,833. A new Chief Executive was appointed from 28th September 2009 on an annualised salary of £94,833

\*\*\*The post of Head of Financial Services was made redundant as of 31st December 2009, on an annualised salary of £70,659

+ Officers that also fulfil statutory roles

### Other Officer Remuneration by Band

Remuneration Band	2008/9	2009/10
50,000 – 54,999	5	3
55,000 – 59,999	10	10
60,000 – 64,999	1	4
80,000 – 84,999	*1	-
85,000 – 89,999	*1	-
90,000 – 94,999	1	-
105,000 – 109,999	*1	-
	<b>20</b>	<b>17</b>

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

The bandings only include the remuneration of senior employees and relevant police officers which have not been disclosed individually above.

### (9) Related Parties

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 2009/10, there were no such works or services (2008/09 £95,001).

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

### (10) Audit Fees

In 2009/10 Ashford Borough Council incurred the following fees relating to external Audit and inspection:

	2008/09 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external Audit services carried out by the appointed Auditor	134	148
Fees payable to the Audit Commission for the certification of grant claims and returns	25	32
	<b>159</b>	<b>180</b>

## **(11) Explanation of Statement of Movement on the General Fund Balance**

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences being:

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

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

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

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

2008/09		2009/10
<b>£000's</b>	<b>Amounts included in the Income and Expenditure Account but required by Statute to be excluded when determining the Movement on General Fund Balance for the year.</b>	<b>£000's</b>
(20)	Amortisation of Intangible fixed assets (Note (13))	(28)
(94,805)	Depreciation and Impairment of fixed assets (Note (13))	1,583
1,149	Government Grants and other contributions Deferred amortisation	6,191
(3,138)	Revenue Expenditure Funded from Capital under Statute	(2,545)
478	Net gain/(loss) on the sale of fixed assets	(470)
(1,330)	Amount by which pension cost calculated in accordance with the SORP ie, in accordance with FRS17 are different from contributions due under the pension scheme regulations (Note (30))	(2,000)
<b>(97,666)</b>		<b>2,731</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by Statute when determining the Movement on General Fund Balance for the year.</b>	
2,032	Capital Expenditure charged in year to the General Fund Balance (Note (13))	56
(353)	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool (Note (5))	(673)
<b>(95,987)</b>		<b>(617)</b>
	<b>Transfers (to) or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year</b>	
(1)	Housing Revenue Account balance	437
47	Transfer to the Collection Fund Adjustment Account	50
	Voluntary revenue provision for Capital Financing	45
(2,120)	Net transfer to/(from) other reserves (Note (25)g)	662
		<b>1,194</b>
<b>(98,061)</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>3,308</b>

### (13) Summary of Capital Expenditure and Fixed Asset Disposals

The brought forward Council Dwelling figure has been increased to include the PFI housing coming back onto the balance sheet (see Note 1).

<b>Operational Assets</b>								
	<b>Council Dwellings</b>	<b>Garages</b>	<b>Other Land and Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>Infra-structure</b>	<b>Community Assets</b>	<b>Intangible Assets</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Gross Book Value at 1 April 2009</b>	287,844	3,910	60,184	1,068	228	1,189	120	354,543
Movement in 2009/10								
Reclassified Assets	-	-	39	-	-	(39)	-	-
Additions PFI (Note (3))	8,204	-	-	-	-	-	-	8,204
Additions	4,400	-	1,179	144	-	-	25	5,748
Disposals	(675)	-	(1,804)	-	-	(15)	-	(2,494)
Revaluation	22,629	-	7,132	-	-	-	-	29,761
Impairment	(65)	-	(24,595)	-	-	-	-	(24,660)
<b>As at 31 March 2010</b>	<b>322,337</b>	<b>3,910</b>	<b>42,135</b>	<b>1,212</b>	<b>228</b>	<b>1,135</b>	<b>145</b>	<b>371,102</b>
<b>Depreciation</b>								
As at 1 April 2009	-	-	(2,949)	(993)	(16)	(12)	(40)	(4,010)
Reclassified Assets	-	-	(5)	-	-	5	-	-
Current year depreciation	(3,742)	(261)	(1,003)	(39)	(8)	(3)	(29)	(5,085)
Restatement	3742	-	2,663	-	-	-	-	6,405
<b>Net Book Value as at 31 March 2010</b>	<b>322,337</b>	<b>3,649</b>	<b>40,841</b>	<b>180</b>	<b>204</b>	<b>1,125</b>	<b>76</b>	<b>368,412</b>
Net Book Value as at 31 March 2009	287,844	3,910	57,235	75	212	1,177	80	350,533

The Gross Book Value as at 1st April 2009 has been adjusted to include the dwellings from the Stanhope PFI, this is due to the change in accounting requirements bringing the PFI back onto the balance sheet.

<b>Non Operational Assets</b>				
	<b>Assets Under Construction</b>	<b>Other Non-Operational Assets</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Gross Book Value at 1 April 2009</b>	-	20	1,910	1,930
Movement in 2009/10				
Additions	107	-	-	107
Disposals	-	-	(1,460)	(1,460)
Revaluation	-	-	185	185
Impairment	-	(18)	(424)	(442)
<b>As at 31 March 2010</b>	<b>107</b>	<b>2</b>	<b>211</b>	<b>320</b>
<b>Depreciation</b>				
As at 1 April 2009	-	-	-	-
Current year depreciation	-	-	(1)	(1)
<b>Net Book Value as at 31 March 2010</b>	<b>107</b>	<b>2</b>	<b>210</b>	<b>319</b>
Net Book Value as at 31 March 2009	-	20	1,910	1,930

### Capital Expenditure and Financing

	<b>2008/09 £000's</b>	<b>2009/10 £000's</b>
Opening Capital Financing Requirement	3,518	5,146
Adjustment to 2008/09 Capital Financing	-	101
Capital investment:	-	-
Operational assets	7,754	5,747
Non-operational assets	10	107
Revenue Expenditure Funded from Capital Under Statute	3,138	2,546
Sources of finance:	-	-
Capital receipts	(1,445)	(1,689)
Government grants and other contributions	(5,797)	(6,655)
Sums set aside from revenue NB includes direct revenue financing, MRP and any Voluntary set aside	(2,032)	(101)
Closing Capital Financing Requirement	5,146	5,202
<b><i>Explanation of movements in year</i></b>		
Increase in underlying need to borrow supported by Government financial assistance	-	-
Increase in underlying need to borrow unsupported by Government financial assistance	1,628	101
Provision for the repayment of debt	-	(45)
<b>Increase/(decrease) in capital financing requirement</b>	<b>1,628</b>	<b>56</b>

## (14) Capital Commitments

The capital contracts that were in progress or had been agreed at 31 March 2010 and that had expenditure of at least £100,000 still to be incurred were:

	£000's
<b>General Fund</b>	
Waterside Youth Centre at Bushy Royds, South Willesborough	420
<b>Housing Revenue Account</b>	
Heating Installation Programme (2 year contract)	900
PVC Windows Contract (per annum, 8 years)	100
<b>Other HRA commitments to ensure housing is maintained at Decent Homes Standards</b>	
Heating maintenance contract (2 year contract)	700
Responsive repairs programme (8 year contract)	1,000 pa
Void repairs (8 year contract)	700 pa

## (15) Information on Assets Held

	31 March 2009	31 March 2010
	Numbers	Numbers
Council Dwellings	4,589	5,223
Civic Centre	1	1
Leisure Centre	2	2
Athletics Stadium	1	1
Community Centres / Public Halls	4	4
Cemeteries	4	4
Off Street Car Parks	14	14
Public Conveniences	13	13
Caravan Site	1	1
Industrial Units	74	74
Shops	13	13
Depots	–	–
Miscellaneous Properties	8	–

## (16) Assets Held under Leases

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

1. To Ashford Bowling Club – Indoor Bowling Centre, Jemmett Road, Ashford (net book value of £531,264) at £42,000 per annum plus RPI to be reviewed every 4 years, currently paying an annual rent of £43,974. The lease is for a term of 50 years from 29 September 2004.
2. To various Industrial unit tenants – Ellingham Industrial Estate, Ashford (net book value of £2,916,170), amounting to £388,000 in total reviewed every 3 years, with varying start dates. They are not

contracted out of the Landlord and Tenants Act 1954 so the tenants have right of renewal.

Vehicles, Plant, Furniture and Equipment – the Council operates a fleet of leased cars and photocopiers under the terms of Operating Leases. The amounts paid under these arrangements in 2009/10 was £161,028 (2008/09 £227,573).

The Authority was committed at 31 March 2010 to making payments of £236,380 under operating leases in 2009/10, comprising the following elements:

Year	Vehicles, Plant and Equipment  £000's
Leases expiring in 2010/11	34
Leases expiring between 2011/12 and 2015/16	202
Leases expiring after 2015/16	-

### (17) Assets Recognised under a PFI Arrangement

The Regeneration of the Stanhope Estate and the provision of Housing Management Services to the estate for 30 years. This was signed on the 14 April 07. Under IFRIC12 the PFI is a service concession and therefore is on balance sheet. See also Note (3) on page 28 for further details of the accounting treatment.

### (18) Valuation Information

General Fund fixed assets were valued as at 1 April 2009 by Wilkes Head & Eve, a firm of Chartered Surveyors, in accordance with guidance issued by RICS and CIPFA. Five yearly revaluations are recommended unless values change significantly; and the next revaluation is due in 2014. Basis of Valuation: properties regarded by the authority as operational were valued on the basis of Existing Use Value, or, where this could not be assessed because there was no market for the subject asset, the Depreciated Replacement Cost. Properties regarded by the authority as non-operational (mainly land and buildings for commercial lettings) have been valued on the basis of Open Market Value.

The Revaluation exercise resulted in impairments totalling £22,976,543 being charged to the income and expenditure account. The most significant items were:

Asset	Impairment £000's
Stour Centre	13,713
Julie Rose Stadium	1,041
Singleton Environment Centre	1,852
Tenterden Leisure Centre	919

Included within the Service Income and Expenditure, shown on page 22, is the £22,976,543 of impairments. This is a one off item and therefore makes it difficult to make comparisons between financial years. The table below shows the value of impairment included in these figures.

<b>Continuing Operations (Consolidated I&amp;E Account)</b>	<b>Impairment £000's</b>
Cultural, Environmental and Planning	21,525
Highways	921
Other Housing Services	530

These impairments do not impact upon the cost charged to the Council Tax payers or the level of service provided.

For the purpose of implementing the Department of Communities and Local Government guidance on stock valuation for resource accounting for housing, a valuation was undertaken by FPD Savills as at 1 April 2009, this valuation was reflected in the 2008/09 accounts which amounted to an impairment of £67,650,655. An opinion on changes in stock valuation as at 31 March 2010 has been received from FPD Savills, which resulted in an improvement against the previous valuation of £25,937,612. This gain was written back to the Income and Expenditure account to reverse part of the impairment from 2008/09.

The valuation was undertaken on the basis of Existing Use Value EUV, except in the case of housing stock where Existing Use Value for Social Housing EUV-SH is appropriate. EUV-SH assumes the property is let for its existing use as social housing provision. Overall values are reduced by 45% to allow for Existing Use Value for Social Housing in the South East Region.

Discounts of £380,000 (£228,000 in 2008/09) were granted to tenants exercising their right to buy within the year.

## **(19) Analysis of Net Assets Employed - Total Equity**

	<b>As at 31 March 2009 £000's</b>	<b>As at 31 March 2010 £000's</b>
General Fund	120,313	108,536
Housing	213,380	238,750
Collection Fund	(74)	(24)
Pension Reserve	(38,390)	(65,835)
<b>Total Equity</b>	<b>295,229</b>	<b>281,427</b>

## **(20) Interests in Companies**

The Council is a 25% founding partner in the Ashford Future Company. This Company, limited by guarantee, has been established to deliver the Government's growth agenda for Ashford.

The Council holds a 10% minority share in Orbital Park Ltd

## (21) Financial Instruments Balances

The Investments and Borrowings disclosed in the Balance Sheet make up approximately 10.8% of the Council's total net assets and are made up of the following categories of Financial Instruments:

Long Term 31 March 2009 £000's	Short Term 31 March 2009 £000's	Category of Financial Instrument	Long Term 31 March 2010 £000's	Short Term 31 March 2010 £000's
6,497	18,232	Loans and Receivables*	3,520	24,292
9,888	1,333	Available for Sale Financial Assets	9,751	225
–	–	Unquoted Equity Investments at Cost	–	–
–	–	Fair Value Through Profit and Loss Financial Assets	–	–
<b>16,385</b>	<b>19,565</b>	<b>Total Investments</b>	<b>13,271</b>	<b>24,517</b>
–	4,158	Financial Liabilities at Amortised Cost	–	9,014
	8,299	Trade Creditors at Amortised Cost		11,555
–	<b>12,457</b>	<b>Total Borrowings</b>	–	<b>20,569</b>

\* This includes Investments, cash and trade debtors and creditors

## (22) Financial Instruments Gains and Losses

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

	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000's	Loans and receivables £000's	Available for sale assets £000's
Interest expense	38	-	-
Losses/Gains on derecognition	(151)	-	-
<b>Interest payable and Similar Charges</b>	<b>(113)</b>	-	-
Interest Income	-	(612)	-
Losses/Gains on derecognition	-	33	-
<b>Interest and Investment Income</b>	-	<b>(579)</b>	-
<b>Surplus arising from the revaluation of financial assets</b>	-	<b>(532)</b>	-
<b>Net gains/loss for the year</b>	<b>(113)</b>	<b>(1,111)</b>	-

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

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

The SORP requires that the Council calculates the Fair Value of these instruments and includes a comparison with the carrying amount. The Fair Value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the Instruments using the prevailing interest rates as at 31st March 2010.

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

Fair Value of Investments carried at amortised cost:

	<b>Amortised Cost £000's</b>	<b>Fair Value £000's</b>
Less than 1 year	16,541	16,541
1 year to 2 years	3,022	3,086
2 years to 5 years	-	-
More than 5 years	-	-
<b>Fair Value of Investments held at amortised cost</b>	<b>19,563</b>	<b>19,627</b>
Unquoted Equity		-
Investments held at Fair Value		9,976
<b>Total investments at Fair Value</b>		<b>29,603</b>

The Council had no loans with maturities beyond a year as at 31st March 2010 (nil as at 31st March 2009).

## (24) Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. These include

- credit risk, the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk, the possibility that the Council might not have funds available to meet its commitments
- market risk, the possibility that losses may arise due to changes in interest rates and market prices.

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

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

The Council's Investment portfolio as at 31/03/10 was as follows:

Counter Party	Maturity Date	Principal invested	Credit Rating
RBS London	12/05/2011	3,000,000	AA-
Barclays Bank	03/02/2011	3,000,000	AA-
Clydesdale Bank	30/03/2011	3,000,000	AA-
Nationwide	27/05/2010	2,500,000	AA-
RBS London	03/06/2010	2,500,000	AA-
Bank of Scotland	22/06/2010	2,000,000	AA-
The Royal Bank of Scotland - Money Market Fund	Deposit Account (Instant Access)	50,000	AAA
Abbey National	Deposit Account (Instant Access)	894,000	AA-
Bank of Scotland	Deposit Account (Instant Access)	944,001	AA-
Natwest	Deposit Account (Instant Access)	1,494,221	AA-
European Investment Bank	06/06/2012	2,000,000	AAA
European Investment Bank	14/01/2013	5,000,000	AAA
European Investment Bank	15/04/2014	2,000,000	AAA

### Credit Risk

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

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

Deposits are not made with banks and financial institutions unless they are rated independently with a minimum rating score of AA-. The Council had no exposure to the Icelandic Banking system and has adjusted the criteria for lending money according to the changing circumstances in the Banking Sector. During the year the only institutions allowable for investments are Government Bodies and bonds, and banks which have support from the Bank of England – this scheme closed on the 28 February 2010 but the Bank of England retains the ability to reopen this should the need arise.

The Council has not experienced any losses from default by counterparties in the past in relation to investments. The Council's investments are such that it does not expect any losses from non-performance by any of its counterparties in relation to investments.

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

<b>Credit Rating</b>	<b>Percentage of Portfolio 31/03/09</b>	<b>Percentage of Portfolio 31/03/10</b>	<b>Change</b>
AAA or Local Authority Bonds	40%	32%	(8)%
AA+ or Aa1	0%	0%	-
AA or Aa2	0%	0%	-
AA- or Aa3	60%	68%	8%
A or A+ all Building Societies	0%	0%	-

The Council does not generally allow credit for commercial rent and trade debtors, however £0.4m of the £1.9m debtors balance is past its due date for payment. The overdue amount can be analysed by age as follows:

<b>Overdue Debtor Amount</b>		
	<b>31 March 2009 £000's</b>	<b>31 March 2010 £000's</b>
Less than 30 Days	370	213
31 days to 90 Days	103	14
91 Days to 364 days	77	67
More than 1 year	205	141
<b>Total Overdue Debtors</b>	<b>755</b>	<b>435</b>
Provision for Bad Debts	337	337

### **Liquidity Risk**

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

	<b>Investments £000's</b>
Less than 1 year	16,382
1 year to 2 years	3,000
2 years to 5 years	9,000
More than 5 years	-
<b>Total Investments</b>	<b>28,382</b>

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

### **Market Risk interest rates/prices/exchange rates**

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

If interest rates had been 1% higher or lower during the year, this would have resulted in an increase or decrease in interest income of £291,000 and an increase or decrease in payments of £68,000.

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

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

## (25) Reserves

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

Reserve	Balance 1 April 2009	Net Move- ment in year	Balance 31 March 2010	Further Detail of Movement	Purpose of Reserve
	£000's	£000's	£000's		
Revaluation Reserve	4,548	7,367	11,915	See note (a) below	Store of gains on revaluation of fixed assets not yet realised through sales
Capital Adjustment Account	315,901	4,675	320,576	See note (b) below	Store of capital resources set aside to meet past expenditure
Available-for-Sale Financial Instruments Reserve	449	83	532	See note (c) below	Store of gains on revaluation of investments not yet realised through sales
Financial Instruments Adjustment Account	(28)	16	(12)	See note (d) below	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Pensions Reserve	(38,390)	(27,445)	(65,835)	See Note (30) to the Core Financial Statements	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
Deferred Credits	478	(10)	468	See note (f) below	Proceeds of sales of assets due to be received over agreed periods of time, principally as mortgages
Usable Capital Receipts	100	988	1,088	See note (e) below	Proceeds of fixed asset sales available to meet future capital investment
General Fund Balance	2,951	469	3,420	See Statement of Movement on the General Fund	Resources available to meet future running costs for non-housing services

<b>Reserve</b>	<b>Balance 1 April 2009</b>	<b>Net Move- ment in year</b>	<b>Balance 31 March 2010</b>	<b>Further Detail of Movement</b>	<b>Purpose of Reserve</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>		
				Balance, page 22	
Housing Revenue Account	1,233	437	1,670	See HRA Statements, page 64	Resources available to meet future running costs for council houses.
Collection Fund	(74)	50	(24)	See Collection Fund Income and Expenditure Account, page 70	Recording of all Council Tax income due and distributed to Preceptors
Major Repairs Reserve	5,847	(1,094)	4,753	See HRA Statements, page 66	Reserve to provide repairs and maintenance on Housing stock
Other Reserves	2,214	662	2,876	See note (g) below	
<b>TOTAL</b>	<b>295,229</b>	<b>(13,802)</b>	<b>281,427</b>		

<b>a. Movement on Revaluation Reserve</b>	
Revaluation of Assets	£000's 7,844
Adjustment of Council Dwelling Disposals 08/09	(223)
Less Value of Disposals	(4)
Less Depreciation	(250)
	<b>7,367</b>

<b>b. Movement on Capital Adjustment Account</b>	
	£000's
Adjustment of Opening CH Balance	222
Financing Capital Expenditure	6,145
Less Depreciation	(4,399)
Less Revenue Expenditure Funded From Capital Under Statute	(2,545)
Amortisation of Deferred Grants	6,191
Less Historic cost of disposals	(3,877)
Impairments	2,897
Less Mortgages written out	(4)
Minimum Revenue Provision	45
	<b>4,675</b>

<b>c. Movement on Available for Sale Financial Instruments Reserve</b>	
	£000's
Adjustment for Fair Value Bonds	83
	<b>83</b>

<b>d. Movement on Financial Instruments Adjustment Account</b>	
	£000's
Less Write off of Premiums and Discounts	16
	<b>16</b>

<b>e. Movement on Usable Capital Receipts</b>	
	£000's
Capital Receipts received	3,411
Overpayment of pooling liability prior years	(61)
Less Housing Pooling Liability	(673)
Less Financing of Capital Expenditure	(1,689)
	<b>988</b>

<b>f. Movement on Deferred Credits</b>	
	£000's
Repayments received	(14)
Less revaluation of assets	4
	<b>(10)</b>

<b>g. Movement on Other Reserves</b>				
<b>RESERVE</b>	<b>Balance b/fwd 1.4.09 £000's</b>	<b>Additions £000's</b>	<b>Payments £000's</b>	<b>Balance c/fwd 31.3.10 £000's</b>
Elections	76	60	-	136
Repairs & Renewals	630	105	(56)	679
Insurance	1	-	-	1
Planning Appeals	391	-	-	391
Stour Centre	246	72	(17)	301
Community Grant Fund	13	-	(5)	8
Planning Delivery Grant	165	369	-	534
Transport Initiatives	133	-	(52)	81
People Mover	282	7	(73)	216
Members' IT	11	8	-	19
Valuation of Assets	16	-	(4)	12
Hopewell Twinning Reserve	1	-	-	1
Netball Centre Reserve	18	-	-	18
Singleton Environment Centre	26	6	-	32
Section 106 Monitoring Fee	43	-	(21)	22
Actuarial Volatility Reserve	70	90	-	160
Service Pressure Reserve	92	161	(15)	238
Building Control Reserve	-	22	-	22
St Mary's Church Ruin	-	5	-	5
<b>Total</b>	<b>2,214</b>	<b>905</b>	<b>(243)</b>	<b>2,876</b>

#### **h. The Purpose of the Other Reserves**

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

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

The purposes of other Reserves are as follows:

**Repairs and Renewals Reserve** is used to finance the maintenance and renewal of operational costs including buildings, plant, furniture and equipment.

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

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

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

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

**Planning Reserve** was set up to fund pressures on the Planning Service should the Planning Delivery Grant fall below anticipated levels.

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

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

**Service Pressure Reserve** was established to fund one-off items of expenditure such as spend to save initiatives to help deliver future budget savings, and to assist in relieving the budget of short-term one-off service pressures.

**St Mary’s Church Ruin** to fund maintenance costs of this ancient monument in Little Chart.

## **(26) Contingent Liabilities and Contingent Assets**

### **Contingent Assets**

- A number of Councils are in the process of legal action against HM Revenue and Customs to recover VAT on car parking income. The Council has two protective claims for VAT on Off Street Parking income totalling £1,008,600. The case is currently subject to an appeal by HM Revenue and Customs.
- The Council has submitted a further claim to HM Revenue and Customs for VAT on Off Street Parking income covering the period April 1974-March 1996. This totals £1,174,340. The case is currently subject to an appeal by HM Revenue and Customs.
- The Council is seeking to recover certain elements of additional costs incurred on the Stour Centre refurbishment project but it is not possible to estimate the likely outcome at this stage.

## Contingent Liabilities

- The Council's insurers were Municipal Mutual Insurance Limited (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangement was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible claw back for the Council is set at £286,250. MMI's Directors have stated that they still foresee a fully solvent run-off of the Company's business. No provision has been made in the Statement of Accounts for any claw back of payments already made to the Council.
- The Council has entered into an agreement with KCC relating to the provision of a Recuperative Care Centre at Farrow Court, Ashford. If the property ceases to be used for this purpose at any time during the 35-year life of the Agreement the Council will be liable to pay a proportion of the construction costs. The maximum possible liability is presently £320,000 and will reduce during the period of the Agreement. There is no reason to believe that these circumstances will arise, and no provision has been made in the Statement of Accounts for any future payments under this Agreement.
- The Council is accepting the risk for the Sheltered Housing PFI jointly procured with KCC. The risk to the Council in the event of early termination of the contract is circa £4m. See Note (3) page 28 for further disclosures.
- The Council has accepted a contractual obligation to ensure compliance with a planning condition for the provision of parking for the County Square extension. Failure to meet this obligation may result in planning enforcement action and subsequently in a legal claim against the Council. The Council is working to provide a park and ride car park to meet this obligation on a permanent basis and delivered an interim solution on the Dover Place site as well as other extra parking capacity in the town.
- The Council is acting as a guarantor for the Pension Liabilities of Ashford Leisure Trust to permit its entry into the Kent County Council Superannuation Fund. In the event that the Trust fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. This cannot be quantified, as these will depend on the strength of the Fund at the time and the actuarial assumptions for the valuation of future liabilities.
- The Council has agreed to indemnify Ashford Leisure Trust for any statutory redundancy costs from the cessation of the current temporary operational arrangements for the management of the Julie Rose Stadium. The amounts cannot currently be quantified.
- The Council is acting as a guarantor for the Pension Liabilities of Ashford's Future Company to enable entry into the Kent County Council Superannuation Fund. In the event that the Company fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. This cannot be quantified, as these will depend on the strength

of the Fund at the time and the actuarial assumptions for the valuation of future liabilities. The Council has the benefit of indemnities from three other parties for sharing this risk.

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

## (27) Authorisation of Accounts for Issue

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

	Date
Certification by the responsible Finance Officer	21 June 2010
Statement is approved for Publication	29 June 2010
When the audit of the Statement is certified closed	

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

## (28) 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.

	2008/09 £000's	2009/10 £000's
Income for year - interest	3	2
- Museum Society rent	4	4
Less Expenditure - maintenance	-	-
<b>Surplus for year</b>	<b>7</b>	<b>6</b>
Balance at 1 April	73	80
<b>Balance at 31 March</b>	<b>80</b>	<b>86</b>

### 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.

## (29) Analysis of debtors and creditors

These amounts were due to the Council.

	31 March 2009		31 March 2010	
	£000's	£000's	£000's	£000's
Government Departments		2,721		5,371
Other Local Authorities		47		715
Housing Tenants	1,155		1,180	
Less: Provision for Bad Debts	(756)	399	(971)	209
Sundry Debtors	4,687		6,304	
Less: Provision for Bad Debts	(1,459)	3,228	(1,560)	4,744
Local Taxpayers/ Ratepayers	273		291	
Less: Provision for Bad Debts	(105)	168	(117)	174
		<b>6,563</b>		<b>11,213</b>

Movement in Debtors is mainly due to:

	£000's
Increase in year end accruals	680
Change to amount due from other LA for collection Fund	(520)
Owing to NNDR pool	2,426
Increase in Sundry Debtors outstanding	763

These amounts were due to be paid by the Council at 31 March 2010

	31 March 2009	31 March 2010
	£000's	£000's
Government Departments	12,522	10,214
Other Local Authorities	293	444
Housing Tenants	293	566
Local Taxpayers/ Ratepayers	(299)	128
Sundry Creditors	7,073	7,767
Developer Contributions	4,283	3,922
	<b>24,165</b>	<b>23,041</b>

Movement in Creditors is mainly due to:

	£000's
Reduced balance on Ashford Area Growth Funding	(847)
Reduced amount owing to the NNDR pool	(1,746)
Decrease in contributions from developers	(361)
Local taxpayers/Rent payers	427
Increase in year end accruals	185
Increase in balance due to suppliers	998

### (30) Information on Pensions Scheme

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

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

#### Transactions relating to retirement benefits

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

	Local Government Pension Scheme £000's	
	2008/09	2009/10
<b>Income and Expenditure Account</b>		
Net Cost of Services:		
• current service cost	1,290	1,006
• past service costs	670	-
• Curtailments and Settlements	-	1,029
Net Operating Expenditure		
• interest cost	5,710	5,481
• expected return on scheme assets	(3,710)	(2,644)
<b>Net Charge to the Income and Expenditure Account</b>	<b>3,960</b>	<b>4,872</b>

Statement of Movement on the General Fund Balance:	2008/09	2009/10
	£000's	£000's
Reversal of net charges made for retirement benefits in accordance with FRS 17	(3,960)	(4,872)
Actual amount charged against the General Fund Balance for pensions in the year:	-	-
<b>Employers' contributions payable to scheme</b>	<b>2,630</b>	<b>2,872</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and (losses) of £(25,445) (£(6,560) 2008/09) were included in the Statement of Total Recognised Gains and Losses.

## Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	<b>Funded liabilities: Local Government Pension Scheme £000's</b>	
	<b>2008/09</b>	<b>2009/10</b>
<b>1 April</b>	<b>83,220</b>	<b>80,800</b>
Current service cost	1,290	1,006
Interest cost	5,710	5,481
Contributions by scheme participants	680	651
Actuarial gains and losses	(7,210)	37,341
Past service costs	670	-
Settlements and Curtailments	-	(944)
Unfunded Benefits Paid	(250)	(261)
Benefits paid	(3,310)	(4,162)
<b>31 March</b>	<b>80,800</b>	<b>119,912</b>

Reconciliation of fair value of the scheme assets:

	<b>Local Government Pension Scheme £000's</b>	
	<b>2008/09</b>	<b>2009/10</b>
<b>1 April</b>	<b>52,720</b>	<b>42,410</b>
Expected rate of return	3,710	2,644
Employer contributions	2,880	2,872
Contributions by scheme participants	680	651
Actuarial gains and losses	(14,020)	11,896
Unfunded Benefits Paid	(250)	-
Payment/(receipt) of bulk transfer values	-	(1,973)
Benefits paid	(3,310)	(4,423)
<b>31 March</b>	<b>42,410</b>	<b>54,077</b>

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

## Scheme history

	2005/06*	2006/07	2007/08	2008/09	2009/10
	£000's	£000's	£000's	£000's	£000,s
Fair value of assets	54,600	58,000	52,720	42,410	54,077
Present value of liabilities:	(95,920)	(94,680)	(83,220)	(80,800)	(119,912)
<b>Surplus/(deficit) in the scheme:</b>	<b>(41,320)</b>	<b>(36,680)</b>	<b>(30,500)</b>	<b>(38,390)</b>	<b>(65,835)</b>
Experience Gains/(Losses) on Assets	8,581	(370)	(9,490)	(14,020)	11,896
Experience Gains/(Losses) on Liabilities	(169)	220	1,970	70	605

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

The liability shows the underlying commitment that the Authority has in the long run to pay retirement benefits. Although the liability has a negative impact on the Authorities equity position, statutory arrangements for the funding of the deficit mean that the financial position of the Authority remains healthy.

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Pension Fund's liabilities were assessed by Hymans Robertson LLP, an independent firm of actuaries; the last full valuation of the scheme was as at 31 March 2007.

The principal assumptions used by the actuary were:

	<b>Funded liabilities: Local Government Pension Scheme</b>	
	<b>2008/09</b>	<b>2009/10</b>
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.0%	7.5%
Gilts	n/a	4.5%
Other Bonds	5.4%	5.5%
Property	4.9%	5.5%
Cash	4.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5 Years	21.5 Years
Women	24.4 Years	24.4 Years
Longevity at 65 for future pensioners:		
Men	22.6 Years	22.6 Years
Women	25.5 Years	25.5 Years
Price Increases	3.1%	3.9%
Salary Increases	4.6%	5.4%
Pension Increases	6.3%	3.9%
Discount Rate	6.9%	5.5%
Proportion of employees opting to take a commuted lump sum	50.0%	50.0%

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

	<b>31 March 2009 £000's</b>	<b>31 March 2010 £000's</b>
Equity investments	27,990	40,017
Gilts	-	541
Bonds	7,210	7,571
Property	3,820	3,785
Cash	3,390	2,163
<b>Total</b>	<b>42,410</b>	<b>54,077</b>

### History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	<b>2005/06 £000's</b>	<b>2006/07 As restated £000's</b>	<b>2007/08 As restated £000's</b>	<b>2008/09 £000's</b>	<b>2009/10 £000's</b>
Actuarial Gains/ (Losses)	(2,229)	5,430	6,260	(6,810)	(25,445)
Cumulative Actuarial Gains and (Losses)	(18,241)	(12,811)	(6,551)	(13,361)	(38,806)

## Projected Pension Expense for the Year to 31 March 2011

	£000's
Service Cost	2,270
Interest Cost	6,561
Return on Assets	(3,685)
Total	5,146
Employer Contributions	2,742

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

	£000's	£000's
(Surplus)/Deficit on Income and Expenditure Account	(3,777)	
Less: Net Additional amounts required by Statute and non-statutory practices to be debited or credited to the General Fund Balance for the year	3,308	
Net Change in General Fund Balance	(469)	
Net Change in Housing Revenue Account Balance	(437)	
Net Change in Collection Fund Balance	(50)	
		(956)
Servicing of finance		122
Change in Creditors	(2,293)	
Change in Debtors	3,480	
Change in Stocks and Works in Progress	4	
Change in Provisions	(10)	
Change in Reserves	(3,972)	
Change in other non-cash accounts	489	
		(2,302)
<b>Net Revenue Movement inflow</b>		<b>(3,136)</b>

### (32) Reconciliation of Movement in Cash to Movement in Net Funds

	31 March 2009	31 March 2010	Movement
	£000's	£000's	£000's
General Account	805	855	(50)
Payments Account	(606)	(227)	(379)
Business Reserve 47	7	-	7
Business Reserve 30	1	-	1
PFI Joint Account	2	-	2
Petty Cash	5	13	(8)
<b>Movement in Cash</b>	<b>214</b>	<b>641</b>	<b>(427)</b>
Increase/(decrease) in liquid assets			3,374
(Increase)/decrease in borrowing			(5,000)
<b>Movement in net debt</b>			<b>(1,626)</b>
<b>Movement in net funds</b>			<b>(2,053)</b>

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

	31 March 2009	31 March 2010	Movement
	£000's	£000's	£000's
<b>Liquid Assets</b>			
Euro Sterling Bonds	11,220	9,975	(1,245)
Long Term Investments	6,011	2,797	(3,214)
Short Term Investments	12,129	16,765	4,636
	<b>29,360</b>	<b>29,537</b>	<b>177</b>
Less Financial Instruments Adjustment			(51)
NNDR adjustment			4,565
Council Tax adjustment			(1,517)
Accrued Interest			200
<b>Movement in Liquid Assets</b>			<b>3,374</b>
<b>Financing</b>			
Short Term Borrowing	4,158	9,014	(4,856)
Long Term Borrowing	-	-	-
	<b>4,158</b>	<b>9,014</b>	<b>(4,856)</b>
Less Accrued Interest			(144)
<b>Movement in Financing</b>			<b>(5,000)</b>

**(34) Explanation of Liquid Resources and Changes in Policy**

There have been no changes in investment policy for 2009/10. The Council has maintained its Euro-sterling Bond portfolio and manages its daily cash flow with cash deposits.

**(35) Cash Flow Analysis of Other Government Grants**

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000's</b>	<b>£000's</b>
CLG: Business Rate Collection Allowance	185	196
CLG: Area Based Grant	49	71
CLG: Performance Reward Grant	67	87
CLG: Local Authorities Business Growth Incentive Scheme	24	74
CLG: Planning Delivery Grant	680	868
CLG: Ashford Core Delivery Team	613	–
CLG: Ashford Future's projects	866	168
CLG: Beacon Status	25	145
CLG: Homeless Initiatives	31	140
CLG: Smoke Free Legislation	23	–
CLG: Efficiency Information	10	–
CLG: Housing Trailblazer Programme	20	94
DWP: Benefit Administration	725	811
Home Office: Community Safety and Anti-Social Behaviour	196	126
Home Office: Electoral Registration	4	–
Channel Corridor Partnership	139	60
Environment Agency: Contaminated Land	5	–
Primary Care Trust: Contributions to sport	–	126
DfT: Concessionary Bus Travel	348	356
English Partnership	215	–
Interreg European Funding	–	277
Private Finance Initiative funding	–	3,000
Other	–	133
	<b>4,225</b>	<b>6,732</b>

# Supplementary Single Entity Statements

## Housing Revenue Account

2008/2009 As Restated £ 000's	HRA Income and Expenditure Account	2009/2010 £000's
	<b>Income</b>	
(19,360)	Dwelling Rents	(18,798)
(578)	Non-dwelling rents	(556)
(425)	Charges for services and facilities	(555)
	PFI Subsidy	(3,000)
(10)	Miscellaneous land sales below £10,000	-
(406)	Contributions towards expenditure - supporting people	(347)
(36)	Contributions towards expenditure - leaseholders	(47)
(1)	General Fund Contributions	-
<b>(20,816)</b>	<b>Total Income</b>	<b>(23,303)</b>
	<b>Expenditure</b>	
3,264	Repairs and Maintenance	3,057
4,604	Supervision and Management	4,742
(363)	Payment to PFI contractor net of Gov't PFI subsidy	3,691
15	Rents, rates, taxes and other charges	45
6,725	Negative HRA subsidy payable incl. MRA and excl PFI	6,857
562	Increase in Provision for Bad Debts	210
8,980	Depreciation and impairment of fixed assets	4,068
33	Debt Management Costs	21
87,145	Exceptional item – impairment/(Revaluation gain) of HRA stock	(26,374)
<b>110,965</b>	<b>Total Expenditure</b>	<b>(3,683)</b>
	<b>Net cost of HRA Services as included in the whole Authority Income and Expenditure Account</b>	
<b>90,149</b>		<b>(26,986)</b>
543	HRA services share of Corporate and Democratic Core	521
302	HRA share of other amounts included in the whole Authority	251
	Net Cost of Services but not allocated to specific services	
<b>90,994</b>	<b>Net Cost of HRA services</b>	<b>(26,214)</b>
17	Amortisation of premiums and discounts	16
	Gain/Loss on Sale of HRA Fixed Assets	(226)
(345)	Interest and Investment income	(138)
370	Loan interest	51
365	Pensions interest cost and expected return on pension assets	416
<b>91,401</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>(26,095)</b>

<b>Statement of Movement on the Housing Revenue Account Balance</b>		
<b>2008/2009 As Restated £000's</b>		<b>2009/2010 £000's</b>
91,401	<b>Increase or decrease in the HRA balance comprising:</b> (Surplus) or deficit for year on the HRA Income and Expenditure Account	(26,095)
(91,400)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (see below)	25,658
1	(Increase) or decrease in the Housing Revenue Account balance	(437)
(1,234)	Housing Revenue Account balance brought forward	(1,233)
<b>(1,233)</b>	<b>Housing Revenue Account balance carried forward (Note (25))</b>	<b>(1,670)</b>

<b>Note on Statement of Movement on the Housing Revenue Account Balance</b>		
<b>2008/2009 As Restated £000's</b>		<b>2009/2010 £000's</b>
(92,991)	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b> Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirement if any	25,612
-	Gain or loss on the disposal of HRA fixed assets	226
(600)	Net changes made for retirement benefits in accordance with FRS17	(563)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>	
480	Employers contributions payable to the KCC Pensions Fund	383
1,639	Capital expenditure funded by the HRA	-
<b>(91,400)</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>25,658</b>

## Notes to the Housing Revenue Account

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

The breakdown of the numbers and types of HRA dwellings at 31 March 2010 is given in the table below:

Dwellings By Type	31 March 2009 Units	31 March 2010 Units
Houses/Bungalows	3,552	3,540
Flats/Bedsits/Maisonettes	1,664	1,474
<b>Total Number of Dwellings</b>	<b>5,216</b>	<b>5,014</b>
Properties Managed under the Stanhope PFI	(503)	(337)
<b>Revised Total Number of Dwellings</b>	<b>4,713</b>	<b>4,677</b>

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

	1 April 2009 £000's	31 March 2010 £000's
Operational assets - dwellings, land and buildings	291,754	325,986
Non-operational assets	—	—
	<b>291,754</b>	<b>325,986</b>

The 2009 values have been increased to include the PFI dwellings, which have been brought back onto the balance sheet.

### (2) Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2009 was £631,568,940 (£787,580,490 as at the 1 April 2008 less Stanhope stock of £62,761,350, leaving a value of £724,819,140). The difference between this and the Balance Sheet value shows the economic cost to Government of providing council housing at less than open market rents.

### (3) Major Repairs Reserve

	2008/09 £000's	2009/10 £000's
Balance on 1 April	6,415	5,847
Depreciation	3,206	4,003
Transfer to/from Major Repairs Reserve	-	(697)
Less: Use of Reserve for HRA Capital Expenditure	(3,774)	(4,400)
<b>Balance at 31 March</b>	<b>5,847</b>	<b>4,753</b>

#### (4) Summary of Capital Expenditure and Financing

	2008/09 £000's	2009/10 £000's
Expenditure on Dwellings	5,370	4,400
Financed By:		
Capital Receipts	-	-
Major Repairs Reserve	3,774	4,400
Revenue Contribution	1,596	-
	<b>5,370</b>	<b>4,400</b>

#### (5) Capital Receipts from Disposal of Assets

	2008/09 £000's	2009/10 £000's
Receipts from Right to Buy Sales	664	996
Receipts from Housing Land	734	1,439
Costs of disposal	(53)	(62)
<b>Total Capital Receipts less deductions</b>	<b>1,345</b>	<b>2,373</b>

#### (6) Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £3,566,956 (2008/09, £3,206,403), summarised below,

	2008/09 £000's	2009/10 £000's
Council Dwellings	3,206	3,742
Council Garages	-	261
	<b>3,206</b>	<b>4,003</b>

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

#### (7) Impairment

In 2009/10 Impairments of £64,564 (£87,650,655 – 2008/09) were charged to the Housing Revenue Account. This relates to an update in valuation method for one asset, bring it inline with Council policy and other assets in its class.

## (8) HRA Subsidy

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

	2008/09	2009/10
	£000's	£000's
Allowance for Management	2,260	2,320
Allowance for Maintenance	5,377	5,510
Allowance for Major Repairs	3,206	3,306
Charges for Capital	282	89
Rent	(17,847)	(18,072)
Interest on Receipts	(5)	(4)
Adjustment for previous years	2	(6)
<b>Subsidy as per Income and Expenditure Account</b>	<b>(6,725)</b>	<b>(6,857)</b>
PFI Subsidy incl in cost of PFI in I & E Account	3,000	3,000
<b>Negative Subsidy payable to Central Government</b>	<b>(3,725)</b>	<b>(3,857)</b>

## (9) Pensions

Transactions relating to retirement benefits

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

	2008/09	2009/10
	£000's	£000's
<b>Income and Expenditure Account</b>		
Net Cost of Services		
Current Service Cost	236	148
Past Service Cost	-	-
Net Operating Expenditure		
Interest cost	1,043	803
Expected return on assets	(677)	(388)
Net Charge to the Income and Expenditure Account	602	563
<b>Statement of Movement in the Housing Revenue Account Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(602)	(563)
Actual amount charged against the Housing Revenue Account for pensions in the year.	<b>480</b>	<b>382</b>

## (10) Rent Arrears

During the year 2009/10 arrears totalling £9,221 (£23,676 - 2008/09) were written off to the bad debts provision held outside the HRA as they were considered to be uncollectable. A contribution of £215,461 (£561,893 - 2008/09) was made to the provision in the year. The balance on the provision at 31 March 2010 was £971,074 (£755,614 at 31 March 2009).

	<b>31 March 2009</b>	<b>31 March 2010</b>
Gross Arrears	1,041,238	933,121
Less Pre-Payments	(292,826)	(214,453)
<b>Net Position</b>	<b>748,412</b>	<b>718,668</b>

## (11) Exceptional Item (Revaluation Gain)

In 2009/10 a general assessment of house prices was undertaken and it was the opinion of our Valuers, (Savills) that the Council should apply a 9% increase in asset value, reflecting stock prices as at 31<sup>st</sup> March 2010.

## Collection Fund

2008/09 As Restated £000's	Income and Expenditure Account	2009/010	
		£000's	£000's
	<b>Income</b>		
(40,736)	Income from Business Taxpayers	(38,411)	
(53,421)	Council Tax	(54,929)	
(6,180)	Council Tax Benefits	(7,050)	
(100,337)			(100,390)
	<b>Expenditure</b>		
	<b>Precepts and Demands</b>		
44,635	Kent County Council	45,881	
5,714	Kent Police Authority	6,020	
2,843	Kent and Medway Fire Authority	2,953	
6,437	Ashford Borough Council inc Parish Precepts	6,769	61,623
	<b>Business Rates</b>		
40,388	Payment to National Pool	37,680	
176	Costs of Collection	181	37,861
	<b>Bad and Doubtful Debts</b>		
148	Write-offs	179	
255	Provisions	567	746
	<b>Contributions</b>		
	Surplus Distribution/(Contributions to Deficit)		
(569)	- Kent County Council	(268)	
(72)	- Kent Police	(34)	
(36)	- Kent Fire	(17)	
(73)	- Ashford Borough Council	(35)	(354)
99,846			99,876
<b>(491)</b>	<b>Deficit/ (Surplus) in Year</b>		<b>(514)</b>
1,241	Balance as at 1 <sup>st</sup> April 2009		750
<b>750</b>	<b>Balance as at 31 March 2010</b>		<b>236</b>
	<b>Apportionment to Major Preceptors</b>		
(567)	- Kent County Council		(177)
(73)	- Kent Police		(24)
(36)	- Kent Fire		(11)
<b>74</b>	<b>Ashford Borough Council Share of (Surplus)/deficit</b>		<b>24</b>

## Notes to the Collection Fund

### (1) NNDR Rateable Value

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

<b>Total non-Domestic Rateable Value:</b>	<b>£</b>
1 April 2009	99,570,205
31 March 2010	95,404,520
<b>Increase/ decrease for year</b>	<b>(4,165,685)</b>

<b>The Uniform Rate in the pound set by Government in 2009/10 was: -</b>	
For rateable values below £15,000	45.8p
For rateable values £15,000 and above	46.2p

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

### (2) Council Tax Base

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

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

<b>Band</b>	<b>Number of properties net of discounts and reliefs</b>	<b>Multiplier</b>	<b>Band D Equivalent</b>	<b>Tax in 2008/09</b>	<b>Tax in 2009/10</b>	<b>Yield</b>
A	2,882	6/9	1,921	882.03	908.17	£000's 2,617
B	9,969	7/9	7,753	1,029.04	1,059.53	10,562
C	10,629	8/9	9,448	1,176.04	1,210.89	12,871
D	7,045	1	7,045	1,323.05	1,362.25	9,597
E	5,793	11/9	7,080	1,617.06	1,664.97	9,645
F	4,623	13/9	6,678	1,911.07	1,967.69	9,097
G	2,818	15/9	4,696	2,205.08	2,270.42	6,397
H	162	2	324	2,646.10	2,724.50	441
Adjustments for unbanded and new properties and uncollectables			(239)			(325)
Local tax base including parishes and expected yield			<b>44,706</b>			<b>60,902</b>

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

### (3) Precepts

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

Authority	Precept £000's	Distribution of prior years surplus £000's	Total £000's
Ashford Borough Council*	6,769	(35)	6,734
Kent County Council	45,881	(268)	45,613
Kent Police	6,020	(34)	5,986
Kent Fire and Rescue	2,953	(17)	2,936
<b>Total</b>	<b>61,623</b>	<b>(354)</b>	<b>61,269</b>

\*This includes parish precepts

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

Parish	Precept £000's
Tenterden Town Council	180
Biddenden	44
Kingsnorth	48
Wye with Hinxhill	40
Charing	39

## Annual Governance Statement

### 1. Purpose of the Statement

This Annual Governance Statement comprises an assessment of the structure that Governance takes within the Council, identifying the key roles and functions that provide assurance that all decisions and outcomes are arrived at in a fair and transparent way. Where governance arrangements are recognised as needing particular

attention these are highlighted as 'Significant Governance Issues' at the end of this Statement.

### 2. Scope of Responsibility

Ashford Borough Council is responsible for ensuring that –

Its business and decision-making follows the law and proper standards. That public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In carrying out this overall responsibility, Ashford Borough Council is responsible for putting in place proper arrangements to govern its affairs and promote the effective exercise of its functions, including arrangements to manage risk.

Ashford Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA and SOLACE guidance '*Delivering Good Governance in Local Government*'. A copy of this guidance is available on our web site or from Ashford Borough Council's offices.

### **3. The Purpose of the Governance Framework**

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its work; enabling it to engage, lead and account to the community. The framework also allows the Council to check progress with achieving its strategic objectives, and to consider whether it has delivered suitable and cost-effective services.

Internal governance controls form a significant part of the framework and help to manage risk to a reasonable level.

These controls cannot remove risk completely; and can therefore only provide reasonable and not complete assurance of effectiveness. The system of internal control provides a continuing means to identify and prioritise risks to achieving Ashford Borough Council's aims and objectives, and associated policies. It provides the means to evaluate the likelihood of risks arising and the impact should they occur; and the means to mitigate risks efficiently, effectively and economically.

The governance framework has been in place at Ashford Borough Council for the year ended 31<sup>st</sup> March 2010 and up to the date of the approval of the statement of accounts.

### **4. The Governance Framework**

The Chartered Institute of Public Finance and Accountancy (CIPFA) and SOLACE have identified six core principles of corporate governance. Ashford Borough Council has used these principles when assessing the adequacy of its governance arrangements :-

#### ***Core Principle 1 – Focusing on the purpose of the Council and on outcomes for the community.***

The Council's vision and objectives are set out in its Corporate Plan, the Sustainable Community Strategy and the Local Development Framework. Reviewing progress against the various objectives is undertaken by the Executive Committee, the Overview & Scrutiny Committee and the full Council.

Priorities are translated into detailed service activity through annual

Service Plans.

Consultation with the community is a regular feature of the Council's work. Involvement of community representatives is undertaken through forum arrangements (Youth, Parishes and Tenants, the voluntary sector and neighbourhoods) in line with the 'Duty to Involve'. This involvement covers many issues to secure fair and equitable outcomes. The Audit Commission made note in the Council's 2008/09 Organisational Assessment that uncertainty remains as to whether real priorities are sufficiently clear (see Significant Governance Issue 1).

In 2010 the Council started its widest public consultation yet to draw up its new Business Plan for the next five years. It is consulting with households, forums and other community representatives about future priorities.

Due to the increasing importance of partnerships the Council formed the Community Partnership Group. This group has the ability to make recommendations to the Executive Committee about partnership matters.

The Ashford (Local Strategic) Partnership provides a partnership review forum, where the Community Strategy is focused and agreed.

All legally binding partnerships have formal terms of reference agreed and adopted by the partners.

A Medium-Term Financial Plan underpins Council priorities.

The Council's Budget includes financial plans at a detailed level for the financial year, and is open to public consultation.

A key aim of the Council is value for money in all services it provides its residents, with cashable and non-cashable savings through efficiencies.

Performance management is embedded through quarterly management reviews, and reported to the Executive Committee and the Overview and Scrutiny Committee.

***Core Principle 2 – Members and Officers work together to achieve a common purpose with clearly defined roles***

The Council's Constitution, updated from time to time, clearly states the roles and responsibilities of members and senior officers.

The Constitution includes the Terms of Reference for Committees and Portfolio Holders. Changes to the Executive Committee from May 2010 mean revisions will be considered by the Full Council.

Most major policy issues are considered for recommendation by the Executive Committee to Full Council in public meetings based on published reports.

The Constitution details the structure and relationships between Committees and other Groups and Boards.

Further details on the roles and responsibilities of those Committees engaged with governance are contained in the 'Review of Effectiveness' section of this Statement.

There are specific interests for Portfolio Holders concerning individual services, though the Constitution does not provide individual decision-making capacity to these Members.

Clear officer delegations and

accountabilities are laid down in the Constitution.

Officers are appointed with clear job descriptions and areas of responsibility, adopting statutory and professional standards where necessary.

The Council publishes a Forward Plan containing details of key decisions to be made by the Executive, Committees and chief officers.

***Core Principle 3 – promoting values for the authority and showing the values of good governance through upholding high standards of conduct and behaviour***

The Council is acknowledged by the Audit Commission as having good governance arrangements.

The Council's vision and aims, as stated in its Corporate Plan (currently under review), Sustainable Community Strategy and Local Development Framework, display its priorities and values.

Member and Officer 'Code of Conduct' protocols are set out within the Constitution.

The Council has adopted a comprehensive good practice protocol for councillors dealing with planning matters.

The Council's Standards Committee, chaired by an independent member of the public, oversees conduct issues.

The Council has adopted a Whistle-blowing Policy which is incorporated within the conditions

of service for officers and is reviewed annually.

The Council has a comprehensive complaints procedure which allows anyone to make a complaint about the Council and the services it provides. This system was enhanced during 2009, with new reporting arrangements recently implemented.

***Core Principle 4 – taking informed and transparent decisions which are subject to effective scrutiny and risk management***

The Executive is held in public, with an open style and the ability exists for the public to pose questions. It works as a Committee.

Decisions taken by Members across the full democratic process are minuted and published.

The Council runs an effective Overview and Scrutiny Committee.

The Council maintains a public participation scheme, details of which are held within the Constitution. This scheme will be changed in the coming year because of a new statutory duty on public participation.

The financial management of the Council is conducted under the financial rules set out in the Constitution and within Financial Regulations. The Council has appointed the Deputy Chief Executive as the 'Chief Financial Officer' under Section 151 of the Local Government Act 1972. The Medium-Term Financial Plan, updated yearly, supports the medium-term aims of the Corporate Plan. Financial monitoring

arrangements are in place and reported at least quarterly to the Executive.

The Executive Committee's yearly budget proposals are reviewed by the Overview and Scrutiny Committee's Budget Task Group. In the coming year the Task Group is to review some of the budget processes, including the presentation of budget data and monitoring reports (see Significant Governance Issue 2).

The Council has a comprehensive Health & Safety Policy and Risk Register to protect staff and users of services. Issues are overseen by an officer working group.

Freedom of Information Act requests are dealt with under established protocols.

All Committee reports include reference to the potential impact on the Council's priorities and aims, and address financial, risk, equalities and other implications. It is important for the Council to continue to comply with Government policy on areas such as equalities, measured by completing Equality Impact Assessments, where delays have occurred (see Significant Governance Issue 3).

The Council uses active risk management, including –

- Service and Strategic Risk Registers
- Annual Service and Strategic risk assessments
- Quarterly assessment of Service and Strategic Risk Action Plans
- Guidance and training on risk

management available to staff

- Involvement by members in the risk management process
- Considering risk implications in all committee reports and decision-making

***Core Responsibility 5 – developing the ability and capacity of members and officers to be effective***

An induction programme and materials are available for all new staff.

Member training is set through a Member Training Panel and has its own budget.

A central training programme for Officers is set up. During 2009 new arrangements for staff appraisals and development system were introduced. These will play a central role in the personal and professional development of officers through comprehensive assessment of their behavioural and technical competencies, as part of the Council's wider performance management framework.

***Core Responsibility 6 – engaging with local people and other stakeholders to ensure robust public accountability***

The Community Strategy is comprehensive and in tune with the wider Kent Agreement, as well as local priorities. The Council is working on strengthening the linkages between this and the Corporate Plan. The Council actively takes part in the Ashford (Local Strategic) Partnership, which brings together the strategic

aims of local public bodies.

There is regular community engagement with various community groups on issues, including the Council's new Business Plan.

Committee and Council meetings are open to the public, with papers available on-line.

The Council maintains a network of forums with residents and community groups, supplemented by borough-wide communications such as Ashford Voice.

In September 2009 the Council held its annual State of the Borough Debate, providing a forum to reinforce the involvement already shown by its other forms of engagement in the local area.

## **5. Review of Effectiveness**

Ashford Borough Council has responsibility for conducting, at least yearly, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment. It is further informed by the Head of Internal Audit's annual report, comments from the external auditors and other review agencies and inspectorates, and from the annual reports of 'governance' committees (Standards, Audit and Overview and Scrutiny Committees). As previously mentioned our external auditors view the Council's governance arrangements as a strength.

The following are integral to preserving sound governance arrangements –

### *Executive Committee*

- Carries out the functions of the Council which are not exercised by the Council itself or delegated by the Council to a Committee or to an Officer. The Executive is also responsible for receiving and responding to reports from the Overview and Scrutiny Committees, the Monitoring Officer, the Chief Financial (Section 151) Officer and recommendations from the Council.

### *Audit Committee*

- Provides independent assurance on the adequacy of the risk management framework and associated control environment, as well as a central role on reviewing effectiveness. It also provides independent scrutiny of the Council's financial and non-financial performance. The Committee will shortly participate in a 'peer-review' to consider its effectiveness.

### *Overview and Scrutiny Committee*

- Provides a scrutiny role over decisions made by the Executive as well as providing public reviews of issues or council services that affect local people. The Committee reviews its own effectiveness and produces an Annual Report.

### *Standards Committee*

- Set up with Terms of Reference

which comply with the guidance set out by the Standards Board for England, including the statutory roles in respect of the local Code of Conduct for members. The Committee produces an Annual Report through the Monitoring Officer (see below).

#### *Selection & Constitutional Review Committee*

- Responsible for reviewing representation of Committees and outside bodies, and any amendments to the Council's Constitution.

#### *Community Partnership Group*

- Reviews the progress on partnership arrangements. Specifically the Group inputs to reviews of the effectiveness of the Local Strategic Partnership, the Crime and Disorder Reduction Partnership, the Community Safety Strategy, the Council's role in the Ashford Future partnership, and pan-Kent public sector partnership arrangements.

#### *Policy Advisory Group*

- Promotes policy discussion, with the authority to make recommendations to the Executive.

#### *Management Team*

- Provides the strategic direction for internal governance arrangements, working as a senior officer forum for participative decision-making on matters of process and internal management.

#### *Monitoring Officer*

- The Council has appointed the Head of Legal & Democratic Services as Monitoring Officer. It is the role of the Monitoring Officer to oversee compliance with established policies, procedures, laws and regulations. The Monitoring Officer presents an annual report to the Council and the Standards Committee about probity and code of conduct issues.

#### *Internal Audit*

- Responsible for monitoring the adequacy and effectiveness of the system of governance and internal control, through a risk-based workplan.
- The Internal Team perform under the statutory Code of Practice and best practice professional standards and guidelines. Since 2005 the Council has operated its Internal Audit team in partnership with Maidstone Borough Council. From 1<sup>st</sup> April 2010 the partnership arrangements are extended to Swale and Tunbridge Wells Borough Councils.
- The reporting arrangements for Internal Audit require a report of each audit to the relevant Head of Service with a copy to the Chief Executive and Deputy Chief Executive. 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 Internal Audit Annual Report contains a statement / judgement on the overall levels of internal control (a view based on the relative significance of the systems reviewed during the year).

#### *External Audit*

- Under the Audit Commission's Code of Audit Practice, the council receives regular reports on its internal control environment from External Audit partners, including governance, performance, risk and financial management.

### **6. Partnerships**

The Council continues to perform most of its core responsibilities internally, but recognises the increased importance of working in partnership within the public sector to collaboratively deliver better services. All these partnerships preserve their own individual governance arrangements.

The Council has a formal partnership, through a service level agreement, with the Ashford's Future Company to deliver development and economic growth. Ashford's Future Company was set up with agreed Articles of Association, and the Council is one of the founding partners on the Partnership Board. However, the Council remains the statutory planning authority for the whole Borough Council area. It is also the Accountable Body for part of the Government capital funding available to the Partnership, although much of the day-to-day administration is delegated to the Company. A recent internal audit review has been completed and

results will be reported to the Audit Committee later in the year.

The Council is involved in some shared services, joint-working and information-sharing initiatives with other local authorities, including the 'Mid-Kent Improvement Partnership', with the aim of delivering greater value for money and resilience through collaboration.

Extensive governance arrangements are in place for shared service work and other partnerships. This includes the Kent Local Area Agreement (KLAA), where the Kent Public Service Board, for the Kent Partnership, oversees the Governance Framework for the KLAA.

The Crime and Disorder Reduction partnership holds weekly liaison meetings of the partner groups to assess issues surrounding antisocial behaviour. The Community Safety Unit reports quarterly to the Community Safety Partnership.

However, The Audit Commission has recommended strengthening arrangements for measuring the accountability and effectiveness of the Council's partnerships (see Significant Governance Issue 4).

### **7. The Governance Management Board**

A Governance Management Board, consisting of the following members and officers has been set up to review yearly the Annual Governance Statement –

- Chief Executive
- Deputy Chief Executive

(Section 151 Officer)

- Head of Legal Services  
(Monitoring Officer)
- Head of Internal Audit
- Chairmen of the Overview and  
Scrutiny, Audit, Selection &

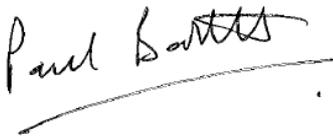
Constitutional Review and  
Standards Committees

This group examines the draft  
Governance Statement before  
recommending its adoption to the  
Audit Committee.

## 8. Significant Governance Issues

Governance Issues	Planned Improvements
<p><b>1. A lack of strategic prioritisation and therefore direction for the Council.</b></p> <p>This Audit Commission's 'Organisational Assessment' of the Council for 2008/09 raised this issue, stating that <i>'The Council often does not know if the work it is doing itself and with partners is making a difference to local people.'</i> Clear priorities should then inform performance management and workforce planning arrangements.</p>	<p>The Council has recently engaged in widespread community consultation for the drawing-up of its new Business Plan, and is looking to reprioritise its spending around those areas considered of real importance by local residents. The results of this consultation with and involvement by the community will feed into recommendations for policy change later in 2010.</p>
<p><b>2. Financial Reporting and Budget Presentation</b></p> <p>In part this refers to matters raised by our external auditor about the need to <i>'review and strengthen quality control arrangement for the production of the annual accounts'</i>. It also refers to matters raised by the Overview and Scrutiny Committee about presenting budget information and monitoring reports during its scrutiny of the 2010-2011 Budget and improvements considered necessary.</p>	<p>Arrangements are already in hand to address the issues raised by our external auditors about the Final Accounts and will be the subject of review at the next Final Accounts audit in 2010.</p> <p>The Management Team, through the Finance Manager and Deputy Chief Executive is actively considering improvements to presenting budgetary information and financial monitoring reports to aid stronger understanding and scrutiny by Members. Consultation with relevant members is planned. Internal Audit will also be reviewing this matter during 2010.</p>
<p><b>3. Equalities Impact Assessments</b></p> <p>This refers to the continuing work of the Overview and Scrutiny Committee that is overseeing services' progress with fulfilling the Council's equalities duties. This includes completion of Impact Assessment against current priorities and policies (where there has been better progress during 2009/2010, but the work is not fully complete) and further progress on the Council's Equality Scheme. The new</p>	<p>This is a continuing issue which is programmed for further review by the Overview and Scrutiny Committee. The primary focus is on complying with Equalities Assessment needs before drafting of any suitable policy changes may begin.</p> <p>Ashford Borough Council is currently assessing the implications of the new Equalities Act, and will report</p>

Governance Issues	Planned Improvements
Equalities Act will also begin to have an impact on services during the next year.	accordingly.
<p><b>4. Partnership-working.</b></p> <p>A follow-on from a recommendation made by our external auditors about continuing to develop our arrangements for measuring the accountability and effectiveness of partnership working.</p>	<p>Reviews of the Council's partnership arrangements by both internal and external audit teams are planned to be reported later in 2010.</p>



**Cllr Paul Bartlett**

Leader of the Council

29<sup>th</sup> June 2010

Dated.....



**John Bunnett**

Chief Executive

# Audit Opinion

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

### Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Ashford Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Ashford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### Respective responsibilities of the Deputy Chief Executive and auditor

The Deputy Chief Executive's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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

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

## **Basis of audit opinion**

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

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

## **Opinion**

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the

supporting guidance, I am satisfied that, in all significant respects, Ashford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### **Delay in certification of completion of the audit**

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

Andy Mack  
District Auditor  
Officer of the Audit Commission  
Audit Commission  
16 South Park  
Sevenoaks  
Kent  
TN13 1AN

29 September 2010

# Glossary

**Agency Services** – services which are performed for another Authority or public body, where the principal the Authority responsible for the service reimburses the agent the Authority doing the work for the cost of the work carried out.

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

**Appointed Auditors** – external auditors of Local Authorities appointed by the Audit Commission. In Ashford's case, this function is carried out by the Commission's own audit staff.

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

**Budget** – a statement defining the Council's policies for a year in terms of finance.

**Budget Requirement** – the estimated revenue expenditure on General Fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding reserves.

**Capital Expenditure** – spending on the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment, which will be used to provide services for a number of years.

**Capital Financing** – funds used to pay for capital expenditure.

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

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

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

**Contingent Liability** – a potential liability at the Balance Sheet date. If the liability cannot be estimated reasonably accurately, it must be disclosed as a note to the Statement of Accounts.

**Council Tax** – the main source of local taxation to Local Authorities. Council Tax is levied on all domestic households within the Council's area.

**Council Tax Benefit** – assistance provided to adults on low incomes to help them pay their Council Tax bill. The cost of Council Tax benefit is wholly met by government grant.

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

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

**Deferred Charges** – expenditure that does not result in the creation of a fixed asset but is classified as capital expenditure for Capital Control purposes. The SORP 2008 has replaced these with Revenue Expenditure Funded from Capital Under Statute.

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

**Formula Spending Shares FSSs** – the Government's base used to calculate the Authority's Revenue Support Grant. Replaces former SSAs Standard Spending Assessment which was the Government's assessment of the appropriate level of budget requirement for each Authority for a given year.

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

**Gross Expenditure** – the total cost of providing the Council's services before taking into account income from Government grants and fees and charges for services.

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

**Housing Revenue Account HRA** – account which sets out the expenditure and income arising from the provision of housing. The HRA is funded by specific housing grants and rents payable by the Council's tenants.

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

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

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

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

**National Non-Domestic Rate NNDR** – a levy on businesses, based on a national rate in the pound set by the Government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by Billing Authorities on behalf of Central Government and then redistributed among all Local Authorities and police authorities on the basis of population.

**Net Expenditure** – gross expenditure minus specific service income, but before deduction of Revenue Support Grant.

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

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

**Precept** – the levy made by precepting authorities on Billing Authorities, requiring the latter to collect income from Council taxpayers on their behalf. County councils, police authorities, fire and rescue authorities and Parish Councils are precepting authorities.

**Private Finance Initiative PFI** – a Central Government initiative which aims to increase the levels of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

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

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

**Revenue Expenditure** – the day-to-day running costs of providing services.

**Revenue Expenditure Funded from Capital Under Statute** – expenditure that does not result in the creation of a fixed asset but is classified as capital expenditure for Capital Control purposes.

**Revenue Support Grant RSG** – a grant paid by Central Government to aid Local Authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

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

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

**Specific Grants** – grants from Central Government which may only be used for a specific purpose.

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