ASHFORD
BOROUGH COUNCIL

Statement of Accounts

2012/13

Ashford
best placed in Britain

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Approval of the Statement of Accounts

The Audit Committee at its meeting on the 26 September 2013 approved the Statement of Accounts for the year ended 31 March 2013 in accordance with the Accounts and Audit Regulations 2003 (as Amended).

Signed:

Councillor Clokie
Chairman Audit Committee

Explanatory Foreword

Introduction

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

Local Authority accounts are subject to a number of regulatory requirements and accounting standards. This results in a complex format, which requires the reader to have a reasonable knowledge of accounting terms and presentation. Where the use of technical terms is unavoidable, an explanation is provided in the Glossary (page 79).

The Statement of Accounts

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

For this year (2012/13), there have been very few changes to the Code with some changes to the disclosure of financial instruments and changes to accommodate the reform of the Housing Revenue Account.

The Core Financial Statements (page 8 to 12) comprise:

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

For 2012/13, the Council has reviewed its treatment of developer contributions and decided to restate these as a grant for which the conditions have been met and, therefore, is umlikely to be repaid.

A restatement has been completed to set up a deferred receipt for the bowls centre lease.

It is felt that these adjustments are needed for compliance with the Code. Annex 1 on page 83 provides a table showing the comparative impact of the restatements.

Overview of 2012/13 Financial Results and Activity

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

Spending overall for the year, after income and other receipts, was below budget. Some services came in over budget, however, reflecting particular pressures mainly a result of continuing economic difficulties. During the year checking of pressures took place with corrective actions taken to contain overall spend within budget. Some pressures, for example people presenting as homeless and demands for front-office advice will continue through to 2013.

The General Fund out-turn overleaf excludes the Housing Revenue Account and, therefore, differs from the statutory presentation of the Comprehensive Income and Expenditure Statement (page 10)

The Council set its Budget Requirement at £12.4m (amount funded by Government Grant and Council Tax) with a further £0.8m levied by Parish Councils. Council tax was not increased.

As mentioned above the general economic climate presented challenges, with impacts locally in various ways, including, for example, housing benefit caseload continuing to rise and continued pressure on service income streams.

Cabinet meetings during the year (September, November, February and June) received budget-monitoring positions, including details of variances. These reports are on the Council's website.

Reserves reduced by £1.2 million, though in line with plans, mainly to support delivery of the council's priorities. During the year a reordering and reclassification of some reserves took place to allow for new pressures and risks, and provide added support to fund capital investment. Overall, revenue reserves remain at a healthy level and afford some flexibility to help with investments to support local growth.

General Fund Final Outturn 2012/13

Service	Revised Budget A £'000	Outturn to 31/03/13 B £'000	Variance (B-A) £'000
Net Service Expenditure	**15,540**	**16,009**	**469**
Capital Charges and net interest	(2,172)	(2,570)	(398)
Levies, Grants and Precepts	1,176	1,151	(25)
Contribution to reserves	36	36	0
Net Expenditure including Parishes	**14,580**	**14,626**	**46**
Adjust for:			
Support Cost		(80)	(80)
Additional commuted sums		(9)	(9)
Impairment Allowance for Bad Debts		53	53
Collection Fund Surplus		(62)	(62)
Funded By:			
Government Grant	(7,255)	(7,255)	0
Council Tax	(6,481)	(6,481)	0
Parish Precepts	(844)	(844)	0
Total Financing	**(14,580)**	**(14,580)**	**0**
Outturn Reported	**0**	**(43)**	**(43)**

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

- the general fund outturn as detailed above
- the Housing Revenue Account income and expenditure

other notional accounting entries for capital charges, pensions and asset sales.

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

Housing Revenue Account (HRA)

After completing the government's housing subsidy buy-out transaction on 28 March 2012, 2012/13 was the first year under the new self-financing arrangements for Housing Revenue accounts. In February 2012 the council approved the 2012/13; this preceded the final determinations for HRA buyout and setting of final debt portfolios. Originally, a modest surplus from the transaction was planned. However the Council borrowed more cheaply than expected, partially because of a special government borrowing discount, and partially because of market rate trends. All contributed to producing a £1m surplus. This was earmarked to HRA reserves and will contribute funds to support the HRA's long-term business plan.

Further details of the budget variances are included in the Budget monitoring reports which are available on the Councils website.

Housing Revenue Account Reform

This is the first set of accounts that have been completed since introducing HRA self-financing. Housing subsidy is no longer payable to the Government. However, the Council now has long-term HRA debt of £119.7m, following the buy-out, related to its housing stock.

Housing Revenue Account Outturn 2012/13

	Current Budget **A** **£'000**	**Revised Actual to 31/03/13** **B** **£'000**	**Variance** **(B-A)** **£'000**
Income	(22,564)	(22,640)	(77)
Supervision and Management	3,800	3,968	167
Repairs and Maintenance	3,554	3,402	(151)
New Build	217	113	(104)
Other	14,989	13,991	(999)
Net Revenue Expenditure	**(4)**	**(1,167)**	**(1,163)**
Capital Works - Decent Homes	4,845	4,526	(320)
Capital Works financed by:			0
Major Repairs Allowance (from Self Financing Determination)	(5,200)	(5,200)	-
Contribution to/(from) Major Repairs Reserve	355	674	320
Support costs greater than budget		98	98
Total Net Expenditure	**(4)**	**(1,069)**	**(1,065)**

The accumulated HRA reserve balance at 31 March 2013 was a surplus of £3.3m. In addition, the Major Repairs Reserve stands at £3.7m, which is available to fund the Decent Homes programme, giving a total balance for HRA Reserves of £7.0m (compared with £5.2m as at 31 March 2012). These reserves are needed to balance the HRA's longer-term business plan.

Capital Expenditure

Capital expenditure is spending on the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment and intangible assets (such as computer software) which will be used to benefit services over a number of years.

In the financial year 2012/13, the budget and outturn for the capital programme was:

Summary of Capital Spending and Financing

	£'000
General Fund Capital Expenditure	2, 538
HRA Capital Expenditure	4,557
Total Expenditure	**7,095**
Funding	
Capital Receipts	293
Ring-fenced capital receipts	31
Repairs and Renewals reserve	384
External Grants and Contributions	871
Developer Contributions	309
GF Revenue Contributions	672
Major Repairs Reserve	4,526
Prudential Borrowing	9
Total Funding	**7,095**

Treasury Management
Borrowing

At 31 March 2013, the Council had long-term borrowing of £119.7m (£119.6m 2011/12). This comprised long-term loans to fund the housing subsidy buy-out payment to government, see note 21.

Investments

At 31 March 2013, the Council had investments and cash deposits of £24.3m (£24.3m 2011/12). Over the year, the Council has performed a prudent treasury management strategy focusing on lending to government bodies. This policy is being loosened as there is now less risk overall in the banking sector because of the intervention by central banks over the last year or so.

Pensions

As part of the Conditions of Employment, the Council must offer staff retirement benefits under statutory requirements.
At 31 March 2012 84.5% of staff took part in the pension scheme, contributing between 5.5% and 7.5% of salary. Payments into the pension scheme, investment assets and future liabilities are held and managed by the Kent County Council Pension Fund for all contributing member authorities.
For further information see note 28

Stanhope Private Finance Initiative (PFI) Project

On 17 April 2007, the PFI agreement for the regeneration of the Stanhope Estate was signed with the Chrysalis Consortium. The aim of the contract was the refurbishment of properties on the estate and associated environmental improvements. These have been completed and the contract has moved into the housing management phase.

At the end of the contract, the properties will be handed back to the Council.

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Waste and Recycling Contract

The Councils Refuse Collection and Street Cleansing Contracts expired at 31 March 2013, with the finance leases embedded into those agreements expiring concurrently which are reflected in the Balance Sheet and note 27.

During 2012 the Council carried out a tendering exercise for a new recycling and street cleaning contract to start on 1 April 2013. This was completed successfully and will bring about large recycling service improvements, and significant cost savings.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Under Law the Authority is required to:

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

The Responsibilities of the Chief Financial Officer (CFO)

As CFO the Deputy Chief Executive is responsible, in law, for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). There is a responsibility of the CFO to observe the CIPFA statement on the role of the CFO in public service organisations.

In preparing this Statement of Accounts, the CFO has:

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

The CFO has also:

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

I certify that the Statement of Accounts between pages 8 and 76 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2013 and its income and expenditure for the year ended on that date.

Paul Naylor
Deputy Chief Executive and Chief Financial Officer
26 September 2013

Core Financial Statements

Movement in Reserves Statement

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

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

	General Fund Balance	Ear-marked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 25)
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2012	(3,153)	(7,537)	(2,225)	(106)	(3,010)	(49)	(16,080)	(49,860)
Movements in Reserves during 2012/13								
Surplus or deficit on the provision of services	2,185		(8,097)				(5,912)	
Other Comprehensive Income & Expenditure								1,149
Total Comprehensive Income & Expenditure	2,185		(8,097)				(5,912)	1,149
Adjustments between accounting and funding basis under regulations (Note 15)	(1,307)		7,028	(608)	(674)	(553)	3,886	(3,886)
Net increase or decrease before transfers to Earmarked Reserves	878		(1,069)	(608)	(674)	(553)	(2,026)	(2,737)
Transfers to/from Earmarked Reserves (Note 11)	578	(578)					0	
Increase or decrease during 2012/13	1,456	(578)	(1,069)	(608)	(674)	(553)	(2,026)	(2,737)
Balance at 31st March 2013	(1,697)	(8,115)	(3,294)	(714)	(3,684)	(602)	(18,106)	(52,597)

Movement in Reserves Statement continued

Re-stated	General Fund Balance	Ear-marked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 25)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2011	(3,812)	(6,882)	(2,152)	(1,016)	(3,913)	(2,037)	(19,812)	(182,724)
Movements in Reserves during 2011/12								
Surplus or deficit on the provision of services	(5,185)		128,466				123,281	
Other Comprehensive Income & Expenditure								13,315
Total Comprehensive Income & Expenditure	(5,185)		128,466				123,281	13,315
Adjustments between accounting and funding basis under regulations (Note 15)	5,189		(128,539)	910	903	1,988	(119,549)	119,549
Net increase or decrease before transfers to Earmarked Reserves	4		(73)	910	903	1,988	3,732	132,864
Transfers to/from Earmarked Reserves (Note 11)	655	(655)					0	0
Increase or decrease during 2011/12	659	(655)	(73)	910	903	1,988	3,732	132,864
Balance at 31st March 2012	(3,153)	(7,537)	(2,225)	(106)	(3,010)	(49)	(16,080)	(49,860)

Comprehensive Income and Expenditure Statement

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

2011/12		re-stated		2012/13		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
10,663	(9,445)	1,218	Central services to the public	11,177	(9,666)	1,511
949	(460)	489	Cultural and related services	4,433	(734)	3,699
6,240	(1,363)	4,877	Environmental and regulatory services	7,247	(1,637)	5,610
3,707	(1,759)	1,948	Planning services	3,164	(1,965)	1,199
1,329	(2,246)	(917)	Highways and transport services	1,739	(2,592)	(853)
21,926	(24,436)	(2,510)	Local authority housing (HRA)	12,273	(26,274)	(14,001)
128,080	0	128,080	Exceptional items (HRA)	0	0	0
36,927	(35,658)	1,269	Other housing services	40,298	(39,390)	908
3,290	(641)	2,649	Corporate and democratic core	3,866	(823)	3,043
1,552	0	1,552	Non distributed costs	1,653	0	1,653
214,663	(76,008)	138,655	**Cost of Services**	85,850	(83,081)	2,769
		1,300	Other operating expenditure		(Note 12)	1,463
		1,389	Financing and investment income and expenditure		(Note 13)	6,193
		(18,063)	Taxation and non-specific grant income		(Note 14)	(16,337)
		123,281	**(Surplus) or Deficit on Provision of Services**			(5,912)
	(3,289)		Surplus or deficit on revaluation of Property, Plant and Equipment		(1,077)	
	369		Surplus or deficit on revaluation of Available-for-Sale financial Assets		51	
	16,235		Acturial gains/losses on pension assets/liabilities		2,175	
		13,315	**Other Comprehensive Income and Expenditure**			1,149
		136,596	**Total Comprehensive Income and Expenditure**			(4,763)

Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched to the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, and the second category of reserves is those that the Councilis not able to use to provide services (see Note 25).

1 April 2011 re-stated £'000	31 March 2012 re-stated £'000		Notes	31 March 2013 £'000	31 March 2013 £'000
247,710	247,375	Property, Plant & Equipment	16	249,831	
2,929	2,929	Heritage Assets	18	2,929	
69	40	Intangible Assets		155	
18,084	2,500	Long Term Investments		0	
1,671	1,703	Long Term Debtors		1,683	
270,463	254,547	**Long Term Assets**			254,598
13,313	18,608	Short Term Investments		19,527	
16	19	Inventories		19	
6,223	4,715	Short Term Debtors	23	4,083	
0	0	Cash and Cash Equivalents	39	5,943	
19,552	23,342	**Current Assets**			29,572
4,228	(1,762)	Cash and Cash Equivalents	39	0	
(10,305)	(1,501)	Short Term Borrowing		(155)	
(12,310)	(9,685)	Short Term Creditors	24	(11,500)	
(14)	(15)	Grant Receipts in Advance - Capital		(5)	
(18,401)	(12,963)	**Current Liabilities**			(11,660)
(195)	(608)	Long-term Provisions		(514)	
(5,951)	(119,702)	Long Term Borrowing		(119,702)	
(34,352)	(50,258)	Pension Liability	28	(53,340)	
(28,249)	(28,298)	PFI Liability	27	(28,131)	
(331)	(120)	Finance Lease Liability	26	(120)	
(69,078)	(198,986)	**Long Term Liabilities**			(201,807)
202,536	65,940	**Net Assets**			70,703
		Financing (see MiRS)			
(19,812)	(16,080)	Usable Reserves		(18,106)	
(182,724)	(49,860)	Unusable Reserves	25	(52,597)	
(202,536)	(65,940)				(70,703)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

2011/12 re-stated £'000		2012/13 £'000
123,281	Net (surplus) or deficit on the Provision of services	(5,912)
(13,009)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	(7,917)
1,418	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	1,897
111,690	Net cash flows from operating activities	(11,932)
1,379	Investing activities	4,230
(107,079)	Financing activities	(3)
5,990	Net movements in year excluding non-cash items	(7,705)
4,228	Cash and cash equivalents at the beginning of the reporting period	(1,762)
(5,990)	Net increase or (decrease) in cash and cash equivalents	7,705
(1,762)	Cash and cash equivalents at the end of the reporting period	5,943

Notes to the Core Financial Statements

1. Accounting Policies

General Principles

The Statement of Accounts is prepared on an income and expenditure basis in accordance with the ‘Code of Practice on Local Authority Accounting in the United Kingdom 2012/13’ and the ‘Service Reporting Code of Practice 2012/13’.

1. **Accounting Concepts and Conventions**

The Statement of Accounts summarises the Council’s transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets.
The Going Concern basis has been selected for the preparation of these accounts based on the assumption that the Council will operate for the foreseeable future.
Qualitative characteristics are the attributes that make the information provided within this statement of accounts useful to users (IASB Framework, paragraph 24). The IASB Framework sets out the four principal qualitative characteristics of financial statements, which have been adopted by the Code:

- understandability
- relevance
- reliability
- comparability

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

2. **Accruals of Income and Expenditure**

With the exception of the Cash Flow Statement, and its Notes, and the Collection Fund, 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. Notwithstanding this policy, some transactions are not accrued because they are of little value and, therefore, are not material to the understanding of these accounts.
Bills for Council Tax and Business Rates are recorded as issued at 31st March and no attempt is made to accrue for bills due but not processed at the year-end.

3. **Estimation Techniques**

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

4. **Costs of Internal Support Services**

All costs of management and administration are fully allocated to services, including Corporate Democratic Core/Non Distributed Costs. The basis of allocation used for the main costs of management and administration are outlined below:

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

Any non-material balances on management or administrative accounts at the year-end remain within service expenditure in the Comprehensive Income and Expenditure Statement.

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

The Council is a billing authority and, as such, is required to bill local residents and businesses for Council Tax and National Non-Domestic (Business) Rates. The Council collects Council Tax, on behalf of the major precepting authorities - Kent County Council, Kent Police Authority, and Kent Fire Authority, and National Non-Domestic (Business) Rates which is paid into a national pool for redistribution to all local authorities. Parishes are local precepting authorities and their precepts are included in the Demand on the Collection Fund of this Council.
These accounts only show the amount owed to/from taxpayers in respect of Council Tax demanded by this Council. Amounts owing to/from taxpayers for Council Tax for major precepting authorities are shown as net debtors or creditors on the balance sheet. Similarly, the accounts only show the net debtor or creditor in respect of the net amount of National Non-Domestic (Business) Rates received and paid over to the national pool.
The amount shown as Council Tax income in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement represents the amount of Council Tax due to this Council for the year. Where this includes an adjustment for the surplus/deficit to be taken into account in a future financial year, this adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

6. **Charges to Revenue**

Services, Support Services, and Trading Accounts are debited with amounts to record the cost of holding non-current assets used in the provision of services. These amounts include the annual provision for depreciation, certain revaluation gains/losses and impairment losses and the amortisation of intangible assets. The amounts are subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account so that they do not impact on the amounts required from local taxation.
Capital charges made to the Housing Revenue Account are the amounts as determined by statutory provision.
External interest payable is debited in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement and amounts set aside from revenue for the repayment of external loans are charged to the General Fund Balance in the Movement in Reserves Statement.

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

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Fixed Asset. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and impact upon Council Tax. These items are generally grants and expenditure on property not owned by the Council.
Such expenditure is charged to Cost of Services in the Comprehensive Income and Expenditure Statement but subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

8. **Government Grants and Contributions**

Grants received are accrued and credited to the Comprehensive Income and Expenditure Statement when the income is recognised. Revenue Grants specific to a particular service will be shown against the service expenditure line. General Revenue Grants, in the form of Revenue Support Grant and the contribution from the National Non-Domestic Rate Pool, and Capital Grants are credited and disclosed separately in the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Capital Grants and Capital Contributions will subsequently be transferred through the Movement in Reserves Statement to the Capital Adjustment Account or the Grants Unapplied Account, if expenditure has not been incurred.
If conditions have not been met, grants will be held as a creditor (Grants received in advance) on the Balance Sheet until conditions are met or grants are repaid.

9. **VAT**

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

10. **Heritage Assets**

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

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

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

12. **Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will benefit the Council for more than one financial year.
An intangible asset is initially measured at cost but will be revalued where the fair value of the asset differs significantly from its carrying value. The depreciable amount is amortised over its useful economic life to the relevant service line in the Comprehensive Income and Expenditure Statement but subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account

13. **Investment Property**

Investment property is property (land and/or buildings) held solely to earn rental income, or for capital appreciation, or both.
Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. Any loss or gain on revaluation is recognised in the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement but is subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.
Depreciation is not charged against investment property.

14. **Property, plant and equipment**

14.1. **Recognition**
All expenditure on the acquisition, creation, or enhancement of these assets is capitalised on an accruals basis.

14.2. **Definition**
Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services; for rental to others; or for administrative purposes, and expected to be used during more than one period.
The category is split into seven sub categories.

- Council Dwellings;
- Other Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure Assets;
- Community Assets;
- Surplus Assets;
- Assets under Construction.

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

14.3. **Council dwellings**

These are held on the balance sheet at fair value but discounted to allow for the Existing Use Value for Social Housing (EUV-SH).

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

14.4. **Other Land and Buildings**

These are held on the balance sheet at cost with revaluations happening throughout a 5 year period. All property and land will be valued at least once within the 5 year cycle.

The valuations are carried out by a qualified surveyor in accordance with the latest guidance issued by RICS on fair value for existing use, unless it is felt the property is of a specialist nature where depreciated replacement cost may be used. Items of plant that are functional to the operation of a building are included in the valuation for that building unless they of a material value and component accounting are applied (see below).

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

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

14.5. **Vehicles, Plant, Furniture and Equipment**

These are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

14.6. **Infrastructure Assets**

These are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

14.7. **Community Assets**

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

14.8. **Assets under Construction**

This covers assets currently not yet ready for operational purposes. The Council does not depreciate nor revalue assets under construction.

14.9. **Valuations**

Increases in valuations are matched by credits to the Revaluation Reserve to recognise revaluation gains. However, where the increased valuation follows a previous reduction in the carrying value below its historic cost, gains would be credited to the service expenditure in the Comprehensive Income and Expenditure Statement to reverse the loss previously charged to a service.
The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.
On revaluation, accumulated depreciation is written out.

14.10. **Depreciation**

Depreciation on assets with a finite useful life, in line with International Financial Reporting Standards (IAS 16), is calculated on a straight-line basis according to the following policy:

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

For Council Dwellings, the Code allows authorities to use the Major Repairs Allowance as a proxy for depreciation for a five year period beginning in 2012/13. Council Dwellings are revalued annually. Other HRA land and property are valued as above.

14.11. **Impairment of Non-current Assets**

A review for impairment of a non-current asset, whether carried at historical cost or valuation, is carried out at year-end to ascertain whether events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

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

In the event that an impairment is identified, the value will either be written off to the Revaluation Reserve where sufficient reserve levels for that asset exist, or written off to Service Expenditure through the Comprehensive Income and Expenditure Statement where the carrying value falls below the historic value of the asset. Any impairment at the balance sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer making the impairment.
If the impairment is identified on an Investment Property, the value is written out to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

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

When an asset is disposed of or de-commissioned, the carrying value of the asset and any receipts from the sale, together with the costs of disposal, are shown on the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement which, therefore, bears a net gain or loss on disposal.

Where the receipt is in excess of £10,000, it is appropriated to the Capital Receipts Reserve, via the Movement in Reserves Statement, where it can be used for any approved capital purpose, e.g. for new capital investment. The carrying value of the disposed asset is appropriated to the Capital Adjustment Account from the Movement on Reserves Statement. Costs of disposal remain on the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

On disposal, any revaluation gains for the asset, held in the Revaluation Reserve, are transferred to the Capital Adjustment Account.

15. Leases

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

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

15.1. Finance Leases

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

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

The Council recognises an asset under a finance lease in the balance sheet at an amount equal to the net investment of the lease.

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

As lessor, the Council derecognises the asset and show this as a long term debtor. Lease rentals receivable are apportioned between a charge for the acquisition of capital (applied to write down the lease debtor) and finance income – which is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The Code required this income to be treated as a capital receipt and, therefore, it is reversed out via the movement in Reserves Statement to the Capital Receipts Reserve. For finance leases that existed at 31st March 2010, regulations allow adjustment to be made transferring the capital receipt into the General Fund Balance.

15.2. Operating Leases

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

15.3. Embedded Leases

These are assets, which although not owned by the Council, are used primarily by the authority for service provision. An example of this would be vehicles used by the Council's Street Cleansing and Refuse and Recycling Collection contractor.

In this case an estimated value for the vehicles has been used along with a leased term in line with the contract period.
Where this applies, assets are recognised in the balance sheet at the Net Book Value and offset by a Deferred Liability. The lease charge then forms part of the contract payment on behalf of these vehicles, on a straight-line basis over the life of the asset.

16. **Current Assets and Liabilities**

16.1. **Short term Debtors and Creditors**

With exception set out above (policy no 2), the Revenue and Capital accounts of the Council are maintained on an accruals basis in accordance with the Code and other relevant IASs. That is, sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year.

16.2. **Inventories**

Stocks are inventories that held at the price paid and this is a departure from the requirements of the Code and ISA 2, which requires stocks to be shown at actual cost or net realisable value if lower. The effect of the different treatment is immaterial given the low stock levels held.

16.3. **Impairment Allowance for Bad and Doubtful Debts**

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

17. **Contingent Assets and Contingent Liabilities**

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

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

18. **Short term and long term 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. When utilised, the payment is charged to Provisions and not to Service Expenditure.

19. **Reserves**

The Council holds Usable and Unusable Reserves. Usable Reserves give the Council discretion to meet expenditure without having a direct impact on Council Tax. In contrast, Unusable Reserves do not give the Council such discretion and are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits.

Usable Reserves are created when the Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement; this is then offset by a reserve appropriation within the Movement in Reserves Statement. The exception is amounts required for the repayment of external loans and for financing capital expenditure from revenue sources. Where this applies, amounts are appropriated from the General Fund Balance in the Movement in Reserves Statement.
The General Fund Balance acts as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies. Earmarked reserves, such as the repairs and renewals reserve, are for specific purposes.
The Capital Receipts Reserve can only be used for certain statutory purposes such as financing capital expenditure.
The Major Repairs Reserve is required by statutory provision to be set up in relation to the Housing Revenue Account.

20. **Employee Benefits**

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

20.1. **Benefits payable during employment**

a) Short-term employee benefits arise during a financial year or are those due to be settled within 12 months of the year-end. They include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year employees render service to the Council.
b) Benefits earned by current employees but payable twelve months or more after the end of the reporting period such as, long-service leave or jubilee payments and long-term disability benefits.

Where considered of a material nature these are accrued.
In 2012/13, no accrual was made for any benefits earned by current employees but payable after the balance sheet as they are considered to be immaterial.

20.2. **Termination benefits including Exit Packages**

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. These are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity. In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred. These costs are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where the Council is demonstrably committed to the termination of employment.

20.3. **Post-employment benefits**

As part of the terms and conditions of employment of its employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Code requires the Council to account for this benefit at the time that employees earn their future entitlement. The amount charged to the Comprehensive Income and Expenditure Statement for employees pensions is in accordance with IAS19 Retirement Benefits, subject to the interpretations set out in the Code. This is accounted for in the following ways:

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
    - Quoted securities – current bid price;
    - Unquoted securities – professional estimate;
    - Unitised securities – current bid price;
    - Property – market value.
- The change in net pensions liability is analysed into six components:
    - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement 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. This is debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
    - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the average expected long term return. This is credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
    - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
    - Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated - debited to the Comprehensive Income and Expenditure Statement.

Under IAS 19, the Council recognises, as an asset or liability, the surplus/deficit in pension costs calculated in accordance with the standard. This surplus/deficit is the excess/shortfall of the value of assets when compared to the present value of the pension liabilities. Where the contributions paid into the Pension Fund do not match the change in the Council'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 the Pension Reserve together with any Actuarial gains/losses. The difference between the recognised net pension liability and the amounts attributed to this Council in Kent County Pension Fund are shown in the Balance Sheet as Pensions Liability and this is offset by the Pensions Reserve (an adverse balance).

The Local Government Pension Scheme, applicable to this Council, is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets over the average future working life of its employees. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Pension Fund was at 31 March 2013 and changes to contribution rates as a result of that valuation will take effect from 1 April 2014.

21. Financial Instruments

The Code has significant disclosure requirements relating to Financial Instruments (e.g. loans and investments). They relate to the identification of the various types of Financial Instruments, gains and losses arising from transactions during the year, comparative valuation statements, and the assessment of risks associated with holding Financial Instruments.
Detailed disclosure of the Council's holding of Financial Instruments is included in Note 21 on page 46.

21.1. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement 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 Financing and Investment Income line in the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed in the Movement in Reserves Statement by a transfer to or from Unusable Reserves (Financial Instruments Adjustment Account).

21.2. 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.

21.3. **Loans and Receivables**

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

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

21.4. **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 Financing and Investment Income line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement 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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. Subsequently, this entry is reversed in the Movement in Reserves Statement and debited/credited to the Available-for-Sale Reserve. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale 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 Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

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

21.5. **Credit Risk**

The Code requires Authorities to estimate the “Fair Value” of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Council’s Financial Instruments as at 31 March 2013 and should reflect prevailing interest rates as at that date. Full details of this disclosure are included in Note 21 on page 46.

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

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

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 21 on page 46.

The Code’s disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note 23 on page49 includes an age analysis of overdue debtors at the balance sheet date. In addition to this a provision for bad debts is also included in the Statement of Accounts (Statement of Accounting Policies 16.3).

22. **Cash and Cash Equivalents**

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

23. **Private Finance Initiative (PFI)**

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

The original recognition of these fixed assets was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets.
The stock is recognised at market value less the EUV-SH factor and additions are measured at cost as per the contractor model. Lifecycle costs are accounted for when they occur.

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

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

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

24. **Group Accounts**

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

This Council has undertaken an exercise examining all its partnership arrangements and workings with other undertakings, and has determined that it has no interests in subsidiaries, associated companies or joint ventures, however please refer to Note 30 for the winding up of Ashford Future Company.

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

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

Prior Year Adjustments arise as a result of a change in accounting policies or to correct a material error. When either of the circumstances applies, the Council will show the extent of the adjustment in a table reconciling the adjusted opening and closing balances and/or comparative amounts shown for a prior period.

26. **Events after the Balance Sheet Date**

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

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

- the nature of the event;
- an estimate of the financial effect.

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

2. Accounting Standards that have been issued but not adopted

'The Code' requires disclosure of the impact (where material) of an accounting change required by these 'new' standards. This requirement applies to those standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2013 for 2012/13).

The following apply to these Financial Statements:

- Amendments to *IAS 1 Presentation of Financial Statements*: other comprehensive income – June 2011
  addresses presentation issues only and, therefore, no disclosure of the impact of the change is required;
- Amendments to *IFRS 7 Financial Instruments: Disclosures* offsetting financial assets and liabilities – December 2011
  has no significant effect on the policies adopted by this Council;
- Amendments to *IAS 12 Income Taxes:* deferred tax relating to the recovery of underlying assets – December 2010
  there are limited aspects applying to local authorities and, as such, does not impact on this Council;
- Amendments to *IAS 19 Employee Benefits*
  the impact is likely to be immaterial;
- *IFRS 13 Fair Value Measurement*, May 2011
  - adoption has been deferred to 2014/15 at the earliest and, therefore, does not need to reported this year.

3. Critical Judgements in Applying Accounting Policies

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

- The Council has commenced legal proceedings against a contractor of the Stour Centre project. No assumption has been made in these accounts for any cost recovery. This is also reported as a 'Contingent Asset - see note 32.
- The Council has set budgets, and its medium term financial plans, on the basis of central funding already announced by the Government. If these were to change in the near future, it may well arise that an adjustment in local services will be required to enable the Council to continue as a 'going concern'.

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

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Land Searches	The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees of up to £22,000 paid to the Council to access land charges data (plus interest and costs). A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is in the region of £64,000 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds or that the claim figures referred to above may increase. The Government has changed the interpretation of the regulations for setting charges for Private Search Fees. A reasonable estimate has been made of potential claims and an	A Grant has been paid to the Council to cover the cost of this change of £34,000 which has been added to a reserve to cover potential claims. The total claims could exceed £110,000

Item	Uncertainties	Effect if Actual Results Differ from assumptions
	amount has been set aside into a reserve.	
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% change in the discount rate (the iBoxx Corporate Bond Index) would result in a change in the liability of £2.6m. A 1 year change in the mortality assumption would result in a £4.8m change in the pension liability.
NNDR appeals liability	From April 2013, the Council will. be responsible for refunding successful appeals against past NNDR liabilities. An estimate of the possible effect on this Council has been taken into account in these accounts and future funding assumptions.	If the level of successful appeals exceeds the assumptions already made, the cost will fall to be meet from future budgets.
Recovery of Benefit overpayments	These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.	Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts, write-offs of uncollected debt will have to be met from future budgets.
Impairment Allowance for Bad Debts	The Council has an impairment allowances for bad debts totalling £3,521,000 approximately 48% of the value outstanding debt	In the current economic climate collection rates for all forms of debt have been maintained, however any decline in these rates for debt would result in a need to increase the allowance.

5. Amounts Reported for Resource Allocation Decisions

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

2012/13	Corporate Strategy & Personnel	Legal & Democratic Services	Planning & Develop-ment	Financial Services	Business Change & Technology	Housing (General Fund)	Sub-total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure							
- Employees	871	1,087	2,149	3,578	859	1,340	9,884
- Premises	3	0	8	4	0	992	1,007
- Supplies & Services	720	522	366	46,916	374	1,153	50,051
- Transport	50	43	107	31	19	40	290
	1,644	1,652	2,630	50,529	1,252	3,525	61,232
Income	(72)	(152)	(1,574)	(47,600)	(39)	(2,357)	(51,794)
	1,572	1,500	1,056	2,929	1,213	1,168	9,438
Non-Controllable Items							
- Recharged from other accounts	254	(327)	416	(742)	(999)	(1,496)	(2,894)
- Capital charges	0	0	0	0	10	590	600
- Transfer to/from reserves	0	0	(12)	35	0	0	23
	254	(327)	404	(707)	(989)	(906)	(2,271)
Net expenditure	1,826	1,173	1,460	2,222	224	262	7,167

2012/13	Cultural Services	Environ-mental Services	Capital Charges & Interest	Levies & Grants	Reserves	Funding	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure							
- Employees	752	2,357	0	0	0	0	12,993
- Premises	500	2,095	0	0	0	0	3,602
- Supplies & Services	472	4,972	0	307	0	0	55,802
- Transport	37	126	0	0	0	0	453
	1,761	9,550	0	307	0	0	72,850
Income	(439)	(3,808)	(378)	0	0	(13,921)	(70,340)
	1,322	5,742	(378)	307	0	(13,921)	2,510
Non-Controllable Items							
- Recharged from other accounts	189	238	0	0	0	0	(2,467)
- Capital charges	995	380	(1,693)	0	0	0	282
- Transfer to/from reserves	79	(48)	(181)	0	(241)	0	(368)
	1,263	570	(1,874)	0	(241)	0	(2,553)
Net expenditure	2,585	6,312	(2,252)	307	(241)	(13,921)	(43)

Amounts Reported for Resource Allocation Decisions continued

2011/12	Corporate, Strategy & Personnel	Legal & Democratic Services	Planning & Develop-ment	Financial Services	Business Change & Technology	Housing (General Fund)	Sub-total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure							
- Employees	698	1,027	2,233	3,418	1,067	1,425	9,868
- Premises	2	24	3	0	1	883	913
- Supplies & Services	225	601	314	42,954	752	1,115	45,961
- Transport	31	13	27	14	6	15	106
	956	1,665	2,577	46,386	1,826	3,438	56,848
Income	(23)	(223)	(1,891)	(43,888)	(131)	(1,898)	(48,054)
	933	1,442	686	2,498	1,695	1,540	8,794
Non-Controllable Items							
- Recharged from other accounts	(391)	(243)	546	(662)	(882)	(1,509)	(3,141)
- Capital charges	0	10	0	0	10	525	545
- Transfer to/from reserves	(22)	(62)	(83)	61	0	104	(2)
	(413)	(295)	463	(601)	(872)	(880)	(2,598)
Net expenditure	520	1,147	1,149	1,897	823	660	6,196

2011/12	Cultural Services	Environ-mental Services	Capital Charges & Interest	Levies & Grants	Reserves	Funding	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure							
- Employees	855	2,533	0	0	0	0	13,256
- Premises	418	1,876	0	0	0	0	3,207
- Supplies & Services	710	4,695	781	308	0	0	52,455
- Transport	21	65	0	0	0	0	192
	2,004	9,169	781	308	0	0	69,110
Income	(437)	(3,890)	(1,465)	0	0	(13,261)	(67,107)
	1,567	5,279	(684)	308	0	(13,261)	2,003
Non-Controllable Items							
- Recharged from other accounts	298	230	0	0	0	0	(2,613)
- Capital charges	1,164	387	(2,096)	0	0	0	0
- Transfer to/from reserves	236	31	297	0	(210)	21	373
	1,698	648	(1,799)	0	(210)	21	(2,240)
Net expenditure	3,265	5,927	(2,483)	308	(210)	(13,240)	(237)

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

2011/12 £'000		2012/13 £'000
(237)	Net expenditure in the Directorate Analysis	(43)
(75)	Net expenditure of services and support services not included in the Analysis	(1,069)
130,728	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	3,340
6,180	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(6,991)
136,596	Cost of services in Comprehensive Income and Expenditure statement	(4,763)

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

6. Members' Allowances

The Authority paid the following amounts to members of the council during the year:

2011/12 £'000		2012/13 £'000
279	Allowances	282
13	Expenses	13
292		295

Further details of this can be accessed at http://www.ashford.gov.uk/members-allowances

7. Officers' Remuneration

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

Senior Employee Remuneration 2012/13

2012/13	Pay & expenses *	Benefits in kind	Total	Pension contri-butions	Total remun-eration
	£'000	£'000	£'000	£'000	£'000
Chief Executive +	117	2	119	14	133
Deputy Chief Executive & CFO +	91	5	96	12	108
Head of Cultural & Projectr Services	74	10	84	10	94
Head of Environmental Services	75		75	10	85
Head of Housing	74		74	10	84
Head of IT & Customer Services	74		74	10	84
Head of Legal and Democratic Services +	71	4	75	10	85
Head of Planning & Development	87	4	91	12	103
	663	25	688	88	776

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

+ Officers that also fulfil statutory roles

Senior Employee Remuneration 2011/12 comparators

2011/12	Pay & expenses *	Benefits in kind	Total	Pension contri-butions	Total remun-eration
	£'000	£'000	£'000	£'000	£'000
Chief Executive +	116	5	121	16	137
Deputy Chief Executive & CFO +	91	5	96	12	108
Head of Cultural & Projectr Services	71	3	74	10	84
Head of Environmental Services	74		74	10	84
Head of Housing	74		74	10	84
Head of IT & Customer Services	74		74	10	84
Head of Legal and Democratic Services +	71	4	75	10	85
Head of Planning & Development	87	4	91	11	102
	658	21	679	89	768

Other Officer Remuneration by Band

2011/12		2012/13
£'000	Remuneration bands	£'000
5	£50,000 - £54,999	4
12	£55,000 - £59,999	12
0	£60,000 - £64,999	1
0	£65,000 - £69,999	0
17		17

Figures marked with an * indicate bands which include officers who have received redundancy payments within their remuneration for the year.

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

8. Termination Benefits

The Authority terminated the contracts of three employees in 2012/13, incurring liabilities of £80,343 (£47,064 in 2011/12).

2011/12			2012/13	
Voluntary	Compulsory	Bands	Voluntary	Compulsory
£'000	*£'000*		*£'000*	*£'000*
1	3	£0 - £19,999		2
1		£20,000 - £39,999		0
		£60,000 - £79,999		1
2	3		0	3

9. External Audit Costs

In 2012/13 Ashford Borough Council paid the following fees relating to external audit and inspection:

2011/12		2012/13
£'000		*£'000*
122	Fees payable with regard to external Audit services carried out by the appointed Auditor	80
28	Fees payable for the certification of grant claims and returns	28
150		108

For the audit of the accounts for 2012/13, the external auditor (Grant Thornton) has quoted the following amounts:

	£'000
• Audit of accounts	80
• Audit of grant claims	13

10. Grant Income

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

2011/12 re-stated	2011/12 re-stated		2012/13	2012/13
£'000	*£'000*		*£'000*	*£'000*
		Credited to Net Cost of Services		
(50)		CLG: Homeless Initiatives	(50)	
(17)		CLG: Housing Trailblazer Program	0	
(77)		DWP: Future Job Fund Grants	0	
(781)		DWP: Benefit Administration Subsidy	(812)	
(40,893)		DWP: Benefits Subsidy	(44,527)	
(71)		Home Office: Community Safety	(30)	
0	(41,889)	Other government grants	(341)	(45,760)
(582)		KCC: Recycling Credits	(599)	
(32)	(614)	EU: Greenov funding	(94)	(693)
		Credited to Taxation and Non-specific Grant Income		
		Non-ringfenced government grants:		
(1,513)		- Rate Support Grant	(110)	
(159)		- Council Tax Freeze Grant	(162)	
(253)		- Transition Grant		
(621)		- New Homes Bonus	(1,437)	
(41)		- Other miscellaneous grants		
(3,325)	(5,912)	Capital grants and contributions	(1,592)	(3,301)
	(48,415)			(49,754)

11. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13.

	Balance at 31 March 2012 re-stated	2012/13 Transfers In	Transfers Out	Balance at 31 March 2013
	£'000	£'000	£'000	£'000
Fund future expenditure	(2,585)	(2,469)	2,034	(3,020)
Provide for the maintenance of an asset	(772)	(198)	384	(586)
Required by statute reserves	(260)	0	7	(253)
Developer contributions	(3,920)	(1,050)	714	(4,256)
	(7,537)	(3,717)	3,139	(8,115)

	Balance at 1 April 2011 re-stated	2011/12 Transfers In re-stated	Transfers Out re-stated	Balance at 31 March 2012 re-stated
	£'000	£'000	£'000	£'000
Fund future expenditure	(2,314)	(550)	279	(2,585)
Provide for the maintenance of an asset	(812)	(268)	308	(772)
Required by statute reserves	(214)	(63)	17	(260)
Developer contributions	(3,542)	(378)	0	(3,920)
	(6,882)	(1,259)	604	(7,537)

The Purpose of the Earmarked Reserves

The Council has established a number earmarked reserves for specific purposes. These reserves broadly fall into four classifications:

Fund future expenditure – These have been established specifically to manage fluctuations in expenditure in the future or o provide for specific risks that may need to be funded. Examples of these reserves are:

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

Provide for the maintenance of an asset – A general reserve has been established to provide for the maintenance of the Councils assets, in addition to this a number of leases require the Council to put aside money to cover future maintenance liabilities.
Required by statute reserves – A number of the Council's revenue generating activities are governed by statutory provisions that require the Council to breakeven over a number

of years. Any surplus generated by these activities is allocated to these reserves to offset future deficits, for example land charges and building control surplus'.

Developer contributions – As part of the Planning process developers can be required to pay sums to the Council for the provision and maintenance of community facilities and open space. Often the payment of these amounts occurs over a number of years and is linked to the progress of the development. These monies are held in reserves until needed.

12. Other Operating Expenditure

2011/12 *£'000*		2012/13 *£'000*
816	Parish Council Precepts	844
236	Levies	240
825	Payments to the Government Housing Capital Receipts Pool	348
(508)	Gains/losses on the disposal of non-current assets	31
(69)	Deferred sales proceeds (long term debtors)	0
1,300	*Total*	1,463

13. Financing and Investment Income and Expenditure

2011/12 *£'000*		2012/13 *£'000*
457	Interest payable and similar charges	3,811
954	Interest payable on PFI contracts and Finance Leases	1,267
976	Pension interest cost and expected return on pensions assets	1,502
(998)	Interest receivable and similar income	(387)
1,389	*Total*	6,193

14. Taxation and Non-Specific Grant Income

2011/12 re-stated *£'000*		2012/13 *£'000*
(7,256)	Council Tax income	(7,363)
(4,895)	Non-domestic rates	(5,673)
(2,587)	Non-ringfenced government grants	(1,709)
(3,325)	Capital grants and contributions	(1,592)
(18,063)	*Total*	(16,337)

15. Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments during 2012/13	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Grants Unapplied Account £'000	Unusable Reserves (Note 25) £'000
Sources of Finance (table 19)	1,032		325	4,526	23	(5,906)
Sums set-a-side for capital purposes (table 19)	1,389	3,197				(4,586)
Revenue expenditure charged to capital under statute	(906)					906
Removal of items not chargeable to Fund Balances						
- Capital adjustment account (Note 34)	(2,620)	3,125		(5,200)		4,695
- Capital grants unapplied account	576				(576)	
- Capital receipts reserve (for HRA, see note 5)	58	864	(922)			
- Deferred capital receipts reserve	(17)		(11)			28
- Pensions reserve (table 28)	(745)	(162)				907
- Collection fund adjustment account	(19)					19
- Accumulated absences account	(55)	4				51
	(1,307)	7,028	(608)	(674)	(553)	(3,886)

Adjustments during 2011/12 re-stated	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Grants Unapplied Account £'000	Unusable Reserves (Note 25) £'000
Sources of Finance (table 19)	3,288	0	1,477	4,310	2,024	(11,099)
Sums set-a-side for capital purposes (table 19)	857	338				(1,195)
Revenue expenditure charged to capital under statute	(2,020)	(113,713)				115,733
Removal of items not chargeable to Fund Balances						
- Capital adjustment account (Note 34)	2,296	(15,448)		(3,407)		16,559
- Capital grants unapplied account	36	0			(36)	
- Capital receipts reserve (for HRA, see note 5)	285	272	(557)			
- Deferred capital receipts reserve	69		(10)			(59)
- Pensions reserve (table 28)	317	12				(329)
- Collection fund adjustment account	61					(61)
- Accumulated absences account	0	0				0
	5,189	(128,539)	910	903	1,988	119,549

16. Property, Plant and Equipment

Property, plant & equipment 2012/13	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
At 1st April 2012	321,567	56,976	3,498	229	382,270
Additions	4,557	750	142	0	5,449
Donations	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	852	61	0	0	913
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	604	(28)	0	0	576
Derecognition - disposals	(636)	(713)	0	0	(1,349)
Derecognition - other	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
At 31st March 2013	326,944	57,046	3,640	229	387,859

Property, plant & equipment 2012/13	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
At 1st April 2012	625	200	111	383,206	24,758
Additions	0	0	649	6,098	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	913	533
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	576	0
Derecognition - disposals	0	0	0	(1,349)	(72)
Other movements in cost or valuation	0	0	(111)	(111)	0
At 31st March 2013	625	200	649	389,333	25,219

Property, Plant and Equipment continued

Property, plant & equipment 2012/13	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment					
At 1st April 2012	(128,398)	(4,497)	(2,877)	(41)	(135,813)
Depreciation charge	(5,247)	(1,808)	(264)	(8)	(7,327)
Depreciation written out to the Revaluation Reserve		164	0	0	164
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	3,448			0	3,448
Derecognition - disposals	11	37	0	0	48
At 31st March 2013	(130,185)	(6,104)	(3,142)	(49)	(139,480)
Net book value					
At 31st March 2013	196,759	50,942	498	180	248,379
At 31st March 2012	193,169	52,479	621	188	246,457

Property, plant & equipment 2012/13	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment					
At 1st April 2012	(16)	(2)	0	(135,831)	(12,879)
Depreciation charge	(3)	(1)	0	(7,331)	(337)
Depreciation written out to the Revaluation Reserve	0	0	0	164	213
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	3,448	0
Derecognition - disposals	0	0	0	48	0
At 31st March 2013	(19)	(3)	0	(139,502)	(13,003)
Net book value					
At 31st March 2013	606	197	649	249,831	12,216
At 31st March 2012	609	198	111	247,375	11,879

Property, Plant and Equipment continued

Property, plant & equipment 2011/12 - re-stated	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
At 1st April 2011	312,969	48,691	3,328	228	365,216
Additions	11,346	1,274	175	0	12,795
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,359)	1,822	(3)	0	(1,540)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	174	5,201	0	0	5,375
Derecognition - disposals	(861)	(12)	(1)	0	(874)
Other movements in cost or valuation	1,298		(1)	0	1,297
At 31st March 2012	321,567	56,976	3,498	228	382,269

Property, plant & equipment 2011/12 - re-stated	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
At 1st April 2011	625	199	1,298	367,338	25,393
Additions	0	0	111	12,906	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	(1,540)	(221)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	5,375	0
Derecognition - disposals	0	0	0	(874)	(414)
Other movements in cost or valuation	0	1	(1,298)	0	0
At 31st March 2012	625	200	111	383,205	24,758

Property, Plant and Equipment continued

Property, plant & equipment 2011/12 - re-stated	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
Accumulated Depreciation and Impairment					
At 1st April 2011	(113,362)	(3,593)	(2,627)	(32)	(119,614)
Depreciation charge	(3,461)	(1,968)	(253)	(8)	(5,690)
Depreciation written out to the Revaluation Reserve	3,359	1,885	3	0	5,247
Impairment losses/(reversals) recognised in the Revaluation Reserve	(368)	(50)	0	0	(418)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	(14,566)	(771)	0	0	(15,337)
At 31st March 2012	(128,398)	(4,497)	(2,877)	(40)	(135,812)
Net book value	0	0	0	0	
At 31st March 2012	193,169	52,479	621	188	246,457
At 31st March 2011	199,607	45,098	701	196	245,602

Property, plant & equipment 2011/12 - re-stated	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
Accumulated Depreciation and Impairment					
At 1st April 2011	(13)	(1)	0	(119,628)	(12,265)
Depreciation charge	(3)	(1)	0	(5,694)	(214)
Depreciation written out to the Revaluation Reserve	0	0	0	5,247	221
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	(418)	0
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	(15,337)	(621)
At 31st March 2012	(16)	(2)	0	(135,830)	(12,879)
Net book value	0	0	0	0	
At 31st March 2012	609	198	111	247,375	11,879
At 31st March 2011	612	198	1,298	247,710	13,128

Asset Valuation

A valuation exercise and impairment review was completed by external valuers (Canterbury City Council & Savills) as at the balance sheet date.

Depreciation

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

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

17. Revaluation gains and Impairments

There was a change in the valuation of HRA Dwellings and impairment to the value. Please see the HRA supplementary statement, note 10 on page 72.

In addition to the above assets Tenterden Leisure Centre was revalued due to the completion of capital works, the land value was impaired by £508,238 however the building was revalued up by £480,127. Therefore a net £28,111 was charged to the statement of Comprehensive Income and Expenditure.

Assets were valued as at 1 April 2012.

18. Heritage Assets

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

2011/12		2012/13
£'000		*£'000*
1,571	Windmills at Woodchurch & Willesborough	1,571
366	Doctor Wilkes Hall	366
750	Hubert Fountain (Victoria Park)	750
242	Mayor's regalia, including mace and badges	242
2,929		2,929

Since 2008/09 The Council has held these assets at a value of £2,929,000, no changes have been made to this valuation.

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

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

19. Capital Expenditure and Capital Financing

2011/12 re-stated £'000		2012/13 £'000
34,440	*Opening Capital Financing Requirement*	150,783
	Restatement -deferred capital receipt	1,157
	Capital investment:	
12,904	Property, Plant and Equipment	6,098
0	Intangible Assets	91
2,020	Revenue Expenditure funded from Capital under Statute	906
113,713	HRA Subsidy Buyout	0
128,637		7,095
	Sources of Finance:	
(1,477)	Capital Receipts	(325)
(3,288)	Government grants and contributions (received in year)	(1,032)
(2,024)	Government grants and contributions (brought forward)	(23)
(4,310)	Major Repairs Reserve	(4,526)
(11,099)		(5,906)
	Sums set aside from revenue	
(971)	- Direct revenue contributions	(1,195)
(224)	- Minimum revenue provision (MRP)	(3,391)
(1,195)		(4,586)
150,783	*Closing Capital Financing Requirement*	148,543
	Explanation of movements in year	
116,603	Increase in underlying need to borrowing (unsupported by government financial assistance)	9
(35)	Grant for previous year written to CI&ES	0
(225)	Provision for the repayment of debt	(3,391)
116,343		(3,382)

20. Capital Commitments

At 31 March 2013 the Authority had the following capital commitments:

2011/12 £'000		2012/13 £'000
	Stour Centre: combined heat and plant design work	70
	Housing Revenue Account	
1,690	Heating programme	850
93	Kitchen Installations	150
	Electrical refurbishment	300
	Bathrooms	120
	Water mains	75

21. Financial Instruments

Long-term 31 March 2012 £'000	Short-term 31 March 2012 £'000		Long-term 31 March 2013 £'000	Short-term 31 March 2013 £'000
	(1,762)	*Cash and Cash Equivalents*		5,943
		Investments		
	18,563	Loans and receivables		17,033
2,500	45	Available-for-sale financial assets		2,494
2,500	16,846	*Total Investments*	0	25,470
	4,700	Trade Debtors		1,422
1,703		Financial assets carried at contract amounts	1,683	
1,703	4,700	*Total included in Debtors*	1,683	1,422
		Borrowings		
(119,702)	(1,501)	Financial liabilities at amortised cost	(119,471)	(193)
(119,702)	(1,501)	*Total included in Borrowings*	(119,471)	(193)
		Other Long-term Liabilities		
(28,292)	(6)	PFI and finance lease liabilities	(27,862)	(269)
(28,292)	(6)	*Total Other Long-term Liabilities*	(27,862)	(269)
		Creditors		
	(10,175)	Financial liabilities at amortised cost		(6,498)
(120)	(211)	Financial liabilities carried at contract amounts	(120)	
(120)	(10,386)	*Total Creditors*	(120)	(6,498)

2011/12 £'000		2012/13 £'000
457	Losses/Gains on derecognition	3,812
457	Interest payable and Similar Charges	3,812
(684)	Interest Income	(388)
(270)	Losses/Gains on derecognition	
(954)	Interest and Investment Income	(388)
(44)	Surplus arising from the revaluation of financial assets	(7)
(541)	Net gains/loss for the year	3,417

Fair Values of Assets and Liabilities

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 carried at amortised cost.

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 2013.

For the Councils loans the rates used to calculate fair value ange from 0.5% to 5.26%. No early repayments or impairments are assumed. For Instruments that will mature within 1 year of the Balance Sheet date the carrying amount is assumed to approximate to Fair Value. The Council had 23 loans with maturities beyond a year as at 31st March 2013 (23 as at 31st March 2012). All of these loans were with the Public Works Loan Board. The principal outstanding was £119,664,000 and the Fair Value was calculated at £132,387,300

The Fair Value of trade and other receivables (e.g. debtors) is taken to be the invoiced or billed amount.

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

Long term debtors are carried at amortised cost.

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

22. Nature and Extent of Risks Arising from Financial Instruments

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 31/03/13 was as follows:

Credit Risk

Counter party	*Maturity date*	*Amount*	*Credit rating*
		£'000	
Deposit with other local authorities/government			
London Borough of Islington	25 Oct 2013	2,000	
Lancashire County Council	21 Jun 2013	3,000	
City of Birmingham	3 Jun 2013	5,000	
HM Treasury - Debt Management Office	15 Apr 2013	7,000	
Deposit with banks			
Nat West Bank		2,590	A
Santander		1,000	A
Royal Bank of Scotland		3,050	AAA
Bonds			
European Investment Bank (Sterling OverNight Interbank Average)	18 Mar 2014	2,500	AAA

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

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

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

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

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

31 March 2012			31 March 2013
%		*%*	*%*
59	AAA or Local Authority Bonds	(11)	48
41	A or A+	11	52

The overdue amount of sundry debt can be analysed by age as follows:

31 March 2012		31 March 2013
£'000		*£'000*
409	Less than 30 days	423
35	31 days to 90 days	201
64	91 days to 364 days	41
82	More than 1 year	95
590		760
(333)	Impairment allowance	(500)

Liquidity Risk

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

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 £0.324m and an increase or decrease in payments of £1.2m. However the Council's long-term borrowing is predominatly fixed at current rates and therefore a material movement is not anticipated.

23. Debtors

These amounts were due to the Council.

31 March 2012			31 March 2013	
£'000	£'000		£'000	£'000
	2,562	Government Departments		1,388
	0	Other Local Authorities		0
989		Housing Tenants	1,253	
(948)	41	*Less* : Impairment Allowance	(1,020)	233
335		Local Taxpayers/ratepayers	355	
(159)	176	*Less* : Impairment Allowance	(222)	133
3,711		Sundry Debtors	4,608	
(1,775)	1,936	*Less* : Impairment Allowance	(2,279)	2,329
	4,715	Balance at 31st March		4,083

Movement in Debtors is mainly due to:

2011/12 £'000		2012/13 £'000
1,220	Benefit Subsidy owed by government	0
42	Other amounts owed by government	(1,174)
32	Amounts owed by housing tenants	264
(437)	Amounts owed by local taxpayers/ratepayers	20
(1,306)	Decrease in payments in advance	0
(1,130)	Amounts owed by Sundry Debtors	897
71	Change in Impairment Allowance	(639)
(1,508)	Movement in the year	(632)

24. Creditors

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

2011/12 £'000		2012/13 £'000
(1,417)	PPE	
(1)	Short term Borrowing	0
(52)	Council Tax due to Preceptors	(407)
(1,952)	NNDR due to Pool	(3,267)
(39)	Long term Borrowing	0
(6,224)	Other items	(7,904)
(9,685)	Balance at 31st March	(11,578)

Movement in Creditors is mainly due to:

2011/12 £'000		2012/13 £'000
2,637	NNDR liability due to Pool	(892)
(254)	Other amounts owed to government	(842)
(6)	Amounts owed to Other Local Authorities	(390)
(124)	Amounts owed by housing tenants	(79)
(246)	Amounts owed by local taxpayers	(17)
(10)	Change in Finance Leases	209
(831)	Change in Developer contributions	3,582
415	Increase in Open Space funding	0
456	Increase in Sats contributions	0
799	Amounts owed to Sundry Creditors	(3,464)
(211)	Transferred from Finance Lease Liability	0
2,625	Movement in the year	(1,893)

25. Unusable Reserves

This category of reserves are held for statutory and accounting purposes, i.e. they are not available for the Council to use to finance expenditure. They are held for the following purpose:

- *Revaluation Reserve (see note (a))*
  Store of gains on revaluation of fixed assets not yet realised through sales.
- *Available-for -Sale Financial Instruments Reserve*
  Store of gains on revaluation of investments not yet realised through sales.
- *Capital Adjustment Account*
  Store of capital resources set aside to meet past expenditure.
- *Financial Instruments Adjustment Account*
  Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.
- *Deferred Capital Receipts*
  Recognises that amounts included in Long Term Debtors will produce capital receipts in the future.
- *Pensions Reserve*
  Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.
- *Collection Fund Adjustment Account (see note (b))*
  Holds the balance owing to the Council at Balance Sheet date.
- *Accumulated absences reserve*
  The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward.

2012/13	Revaluation balances		Adjustment accounts		
	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Sub-total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2012	(13,537)	(44)	(84,882)	0	(98,463)
Movements in Reserves during 2012/13					
Other comprehensive income and expenditure	(1,077)	51			(1,026)
Adjustments between accounting and funding basis under regulations			(4,891)	0	(4,891)
Net increase or decrease before transfers to other reserves	(1,077)	51	(4,891)	0	(5,917)
Transfers to/from other Unusable reserves	582		(581)		1
Increase or decrease during 2012/13	(495)	51	(5,472)	0	(5,916)
Balance at 31st March 2013	(14,032)	7	(90,354)	0	(104,379)

2012/13	Adjustment accounts				
	Deferred Capital Receipts Reserve	Pensions Reserve	Collection Fund Adjustment Account	Accum -ulated Absences Account	Total Unusable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2012	(1,695)	50,258	(66)	106	(49,860)
Movements in Reserves during 2012/13					
Other comprehensive income and expenditure		2,175			1,149
Adjustments between accounting and funding basis under regulations	28	907	19	51	(3,886)
Net increase or decrease before transfers to other reserves	28	3,082	19	51	(2,737)
Transfers to/from other Unusable reserves	(1)				0
Increase or decrease during 2012/13	27	3,082	19	51	(2,737)
Balance at 31st March 2013	(1,668)	53,340	(47)	157	(52,597)

2011/12	Revaluation balances		Adjustment accounts		
	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Sub-total
	£'000	£'000	£'000	£'000	
Balance at 31st March 2011	(10,690)	(413)	(204,421)	0	(215,524)
Movements in Reserves during 2011/12					
Other comprehensive income and expenditure	(3,289)	369			(2,920)
Adjustments between accounting and funding basis under regulations			119,998	0	119,998
Net increase or decrease before transfers to/fom other reserves	(3,289)	369	119,998	0	117,078
Transfers to/from other Unusable reserves	442		(459)		(17)
Increase or decrease during 2011/12	(2,847)	369	119,539	0	117,061
Balance at 31st March 2012	(13,537)	(44)	(84,882)	0	(98,463)

2011/12	Adjustment accounts				
	Deferred Capital Receipts Reserve	Pensions Reserve	Collection Fund Adjustment Account	Accum -ulated Absences Account	Total Unusable Reserves
	£'000	£'000	£'000		£'000
Balance at 31st March 2011	(1,653)	34,352	(5)	106	(182,724)
Movements in Reserves during 2011/12					
Other comprehensive income and expenditure		16,235			13,315
Adjustments between accounting and funding basis under regulations	(59)	(329)	(61)	0	119,549
Net increase or decrease before transfers to/fom other reserves	(59)	15,906	(61)	0	132,864
Transfers to/from other Unusable reserves	17				0
Increase or decrease during 2011/12	(42)	15,906	(61)	0	132,864
Balance at 31st March 2012	(1,695)	50,258	(66)	106	(49,860)

(a) Revaluation Reserve:

2011/12		2012/13
£'000		£'000
	Comprehensive Income and Expenditure Statement	
(3,289)	Upward revaluation of assets	(1,077)
	Transfers to/from Capital Adjustment Account	
442	Difference between fair value depreciation and historical cost depreciation	396
	Accumulated gains on assets sold or scrapped	186
(2,847)	Increase or decrease during year	(495)

(b) Capital Adjustment Account

2011/12 re-stated		2012/13
£'000		£'000
(11,099)	Sources of Finance	(5,906)
(1,195)	Sums set-a-side for capital purposes	(4,586)
132,292	Removal of items not chargeable to Fund Balances	5,601
(442)	Adjustment with Revaluation Reserve	(582)
(17)	Adjustment with Deferred Capital Receipts Reserve	1
119,539	Increase or decrease during year	(5,472)

26. Leases

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

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

Authority as a Lessee

Finance Leases

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

2011/12		2012/13
£'000		£'000
120	Other land & Buildings	120

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

	Repayment of principal	Service cost	Interest cost	Total lease payment
	£'000	*£'000*	*£'000*	*£'000*
Within 1 year	0	0	16	16
2 - 5 years	0	0	64	64
Later than 5 years	120	5	507	632
	120	5	587	712

Operating Leases

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

2011/12		2012/13
£'000		*£'000*
165	Within 1 year	132
184	2 - 5 years	102
0	Later than 5 years	0
349		234

Authority as a Lessor

Finance Leases

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

	Principal receivable	Interest	Total lease payment
	£'000	*£'000*	*£'000*
Within 1 year	17	25	42
2 - 5 years	90	120	210
Later than 5 years	1,036	476	1,512
	1,143	621	1,764

Operating Leases

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

2011/12		2012/13
£'000		*£'000*
268	Within 1 year	261
569	2 - 5 years	571
65	Later than 5 years	541
902		1,373

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

2011/12		2012/13
£'000		*£'000*
296	Within 1 year	255
286	2 - 5 years	450
	Later than 5 years	0
582		705

27. PFI and Similar Contracts

Stanhope PFI

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

The total value of the contract was £140m, which included construction costs of £27m. The contract made provision for the Council to benchmark the housing management costs and re-negotiate the payments to the contractor; as a result of this benchmarking process in 2011/12 the value of the contract was reduced to £127m. Details of the PFI assets held on the balance sheet are included in note 16.

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

An annual unitary charge net of deductions for performance

- Capital contributions to infrastructure costs
- Pass through costs e.g. Disabled Facilities Grants.

These payments will be met from:

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

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

- Performance and availability deductions
- changes in law which affect the costs of the service
- variations to the contract which are approved by the Council
- benchmarking of non-property related costs at agreed intervals (undertaken February 2012)

Analysis of Forecast Unitary Charge

	Repayment of liability	Service cost	Interest cost	Total payment
	£'000	*£'000*	*£'000*	*£'000*
Within 1 year	269	2,659	1,044	3,972
2 - 5 years	1,645	10,636	4,056	16,337
6 - 10 years	3,558	13,295	4,628	21,481
11 - 15 years	5,610	13,295	3,822	22,727
16 - 20 years	8,146	13,295	2,600	24,041
21 - 25 years	8,903	10,685	868	20,456
	28,131	63,865	17,018	109,014

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

Extra Care Housing PFI

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

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

Other Service Contracts

The Council's contracts for refuse collection and street cleansing which include elements, expired on 31/03/2013. These leases, included within the contracts, for vehicles and equipment solely used on the Councils contract. On expiry the finance leases relating to these contracts were fully written out of the Councils balance sheet.

The new contract covers three Councils, the equipment will be used in any area, and therefore as the Council does not have exclusive use of the assets and consequently there will not be an imbedded finance lease for the new contract. The total value of the contract is estimated to be £97m over 10 years to be allocated between the three contracting authorities.

28. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to account for this liability at the time that employees earn their future entitlement.

The Local Government Pension Scheme, administered locally by Kent County Council, is a funded defined benefit final salary scheme. This means the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The contribution rates are calculated by the Fund's Actuary to achieve this balance over the future estimated average working life of the Council's employees. This differs from the amounts recorded in the accounts which are based, as described above, in the immediate recognition of the liability rather than spreading the cost over a future period.

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 difference is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year.

2011/12		2012/13
£'000		*£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
1,770	- current service cost	2,258
0	- past service costs	0
5	- settlements and curtailments	159
	Financing and Investment Income and Expenditure	
5,365	- interest cost	5,230
(4,388)	- expected return on scheme assets	(3,728)
2,752	*Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	3,919
	Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(13,425)	- actuarial gains and losses	(7,773)
(2,810)	- actual return on scheme assets	5,598
(13,483)	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	1,744
	Movement in Reserves Statement	
(2,752)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,919)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,081	employers' contributions payable to scheme	3,012
	retirement benefits payable to pensioners	
329		(907)

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2011/12		2012/13
£'000		*£'000*
(98,400)	Balance at 1st April	(115,450)
(1,770)	Current service cost	(2,258)
(5,365)	Interest cost	(5,230)
(628)	Contributions by scheme participants	(619)
(13,425)	Actuarial gains and losses	(7,773)
3,882	Benefits paid - funded	4,221
261	Benefits paid - unfunded	267
(5)	Curtailments	(159)
(115,450)	Balance at 31st March	(127,001)

Reconciliation of fair value of the scheme assets:

2011/12 £'000		2012/13 £'000
64,048	Balance at 1st April	65,192
4,388	Expected value of return	3,728
(2,810)	Actuarial gains and losses	5,598
2,820	Employer contributions	2,745
628	Contributions by Scheme particiapants	619
(3,882)	Benefits paid	(4,221)
65,192	Balance at 31st March	73,661

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

Balance Sheet Disclosure

2009/10 £'000	2010/11 £'000	2011/12 £'000		2012/13 £'000
(116,484)	(95,401)	(112,438)	Present Value of Funded Obligation	(123,765)
54,077	64,048	65,192	Fair Value of Scheme Assets (bid value)	73,661
(62,407)	(31,353)	(47,246)	Net Liability	(50,104)
(3,428)	(2,999)	(3,012)	Present Value of Unfunded Obligation	(3,236)
(65,835)	(34,352)	(50,258)	Net Liability in Balance Sheet	(53,340)

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

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

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Pension Fund's liabilities were assessed by Barnett Waddingham, an independent firm of actuaries; the last full valuation of the scheme was as at 31 March 2010. The next valuation, based on 31st March 2013, is underway and the results of this valuation will be known in Autumn 2013.

The principal assumptions used by the actuary were:

2011/12		2012/13
	Assumed life expectations from age 65 are:	
	Retiring today	
20.0	- Men	20.1
24.0	- Women	24.1
	Retiring in 20 years	
22.0	- Men	22.1
25.9	- Women	26.0
	Additional assumptions	
	- Members will exchange half of their commutable pension for cash at retirement	
	- Active members will retire one year later than they are first able to do so without reduction	
3.3%	Rate of inflation - Retail price index (RPI)	3.3%
2.5%	Rate of inflation - Consumer price index (CPI)	2.5%
4.7%	Rate of increase in salaries	4.7%
2.5%	Rate of increase in pensions	2.5%
4.6%	Rate for discounting scheme liabilities	4.3%

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

2011/12		2012/13
£'000		*£'000*
48,242	Equity investments	52,300
652	Gilts	0
6,519	Bonds	9,576
5,867	Property	5,893
2,608	Cash	2,946
1,304	Target return portfolio	2,946
65,192		73,661

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

2008/09	2009/10	2010/11	2011/12		2012/13
%	%	%	%		%
(33.1%)	22.0%	10.2%	(4.3%)	Differences between the expected and actual return on assets	7.6%
0.1%	0.5%	4.1%	0.0%	Experience gains and losses on liabilities	(0.2%)

29. Related Parties (information on elections)

Under the Accounting Standard IAS24 ‘Related Party Transactions’ the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives. All Members and Senior Managers were written to requesting details of any relationships that could result in a related party transaction (For 2012/13 7 current Councillors did not submit a return). Where no return was submitted the register of members interests was examined to see whether any declaration was necessary, no material declarations were made.

During 2012/13, the only relationship that was declared and considered material was as a result of the Councils Governance arrangement with Ashford Future Company. Transactions totalling £0.124m have ocurred, further details of the relationship with the company are included in the Explanatory forward, and notes 30 & 31.(2011/12 £1.6m).

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.

30. Interest in Companies

The Council is a founding partner in the Ashford Future Company. This Company, limited by guarantee, has been established to deliver the Government’s growth agenda for Ashford. Following the ending of the Government’s Growth Area Funding, the Council and its partners have taken the decision to wind down the company. All other partners resigned their directorships from the Company in June 2011 and subsequently left the partnership leaving the Council as the sole member of the company with the responsibility to wind down is affairs. The Leader of the Council is the sole director and the Deputy Chief Executive the company secretary. Both are acting in these roles at the request of the Council and do not receive any payment for these roles.

Wind down is currently being undertaken, and was anticipated to be completed by the summer 2013.

31. Contingent Liabilities

The Council has entered into an agreement with KCC relating to the provision of a Recuperative Care Centre at Farrow Court, Ashford. If the property ceases to be used for this purpose at any time during the 35-year life of the agreement, the Council will be liable to pay a proportion of the construction costs. The maximum possible liability was £350,000 but this reduces by £10k annually and currently stands at £260,000 and will reduce over the remaining period of the Agreement. There is no reason to believe that these circumstances will arise, and no provision has been made in the Statement of Accounts for any future payments under this Agreement.

The Council is accepting the risk for the Sheltered Housing PFI jointly procured with KCC. The risk to the Council in the event of early termination of the contract is circa £4m. See Note 27 page 58 for further disclosures.

The Council is acting as a guarantor for the Pension Liabilities of Ashford Leisure Trust to permit its entry into the Kent County Council Superannuation Fund. In the event that the Trust fails to meet its obligations to the Fund the Council will be called upon to cover these liabilities. This cannot be quantified, as these will depend on the strength of the Fund at the time and the actuarial assumptions for the valuation of future liabilities.

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

The Council has entered into two agreements with Kent County Council and SEEDA (now Homes and Communities Agency (HCA)) which includes provision for the repayment of Regional Infrastructure Funding (RIF), used to pay for works to the Drovers Roundabout and the M20 junction 9 footbridge.

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

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

32. Contingent Assets

A number of Councils are in the process of legal action against HM Revenue and Customs to recover VAT on car parking income. The Council has two protective claims for VAT in regards to off street parking income, totalling £2,606,647; the case is currently subject to an appeal by HM Revenue and Customs.

The Council has submitted a further claim to HM Revenue and Customs for VAT in regards to off street parking income, covering the period April 1974-March 1996, this totals £1,174,340. The case is currently subject to an appeal by HM Revenue and Customs.

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

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

33. Events After The Balance Sheet Date

There were no events after the balance sheet date. Under the changes the the Government has made to the Local Government Funding regime, the Council now shares the liability for losses incurred through Business Rate appeals. The total figure is estimated to be as much as £2.5m over 5 years. The Council has a 40% share of this loss. This is a non-adjusting event.

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

2011/12 re-stated *£'000*		2012/13 *£'000*
	Adjustment for items that are operating activities	
(21,031)	Depreciation	(7,331)
5,375	Changes in valuation	4,024
(29)	Amortisation	(87)
(874)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(1,301)
(16,559)	Items relating to Capital Adjustment Account	(4,695)
69	Deferred sale proceeds	(17)
329	Movement in pension liability	(907)
3	Increase/decrease in inventories	0
(1,579)	Increase/decrease in debtors	85
71	Increase/(decrease) in impairment for bad debts	(639)
(413)	Contributions to/from Provisions	94
5,404	Increase/decrease in creditors	(1,795)
	Carrying amount of long term investments sold	
	Carrying amount of short term investments sold	
(334)	Other non-cash items charged to the net surplus of deficit on the provision of services	(43)
(13,009)	*Total non-cash adjustments of operating activities*	(7,917)

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

2011/12 re-stated £'000		2012/13 £'000
	Adjustment for items that are investing and financing activities	
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	
1,382	Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	1,311
36	Capital grants and contributions applied	576
0	Other items for which cash effects are investing or financing cash flows	10
1,418	*Total non-cash adjustments of investing and financing activities*	1,897

36. Cash Flow Statement - Operating Activities

2011/12 £'000		2012/13 £'000
2,363	Interest paid	3,497
(1,261)	Interest received	(265)
1,102	*Net cash flows from investing activities*	3,232

37. Cash Flow Statement - Investing Activities

2011/12 re-stated £'000		2012/13 £'000
12,453	Purchase of property, plant and equipment, investment property and intangible assets	7,606
55,300	Purchase of short-term and long-term investments	157,950
0	Other payments for investing activities	1
(1,382)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,311)
(64,957)	Proceeds from short-term and long-term investments	(159,450)
(37)	Other receipts from investing activities	(566)
1,377	*Net cash flows from investing activities*	4,230

38. Cash Flow Statement - Financing Activities

2011/12 re-stated £'000		2012/13 £'000
(126,213)	Cash receipts of short- and long-term borrowing	0
	Other receipts from financing activities	
(2,637)	- the difference between the cash collected from NNDR taxpayers and the amount paid into the pool	(1,315)
	- the difference for billing authorities in England between the preceptors' share of council tax cash collected and net cash paid to preceptors for their precept and settlement of the estimated surplus/deficit on the Collection Fund.	(355)
(49)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	167
21,300	Repayments of short- and long-term borrowing	1,500
520	- the difference for billing authorities in England between the preceptors' share of council tax cash collected and net cash paid to preceptors for their precept and settlement of the estimated surplus/deficit on the Collection Fund	
(107,079)	*Net cash flows from financing activities*	(3)

39. Cash Flow Statement - Makeup of Cash and Cash Equivalents

31 March 2012 £'000		31 March 2013 £'000
13	Cash held by the Council	6
(5,075)	Bank Current Accounts	(703)
3,300	Bank Call Accounts	6,640
(1,762)	Movement in the year	5,943

Supplementary Single Entity Statements
Housing Revenue Account

The Housing Revenue Account (HRA) is a record of the revenue expenditure and income relating to Ashford Borough Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants; the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

2011/12		2012/13	
£'000		*£'000*	*£'000*
	Expenditure		
3,069	Repairs and maintenance	3,524	
4,206	Supervision and management	4,655	
44	Rents, rates, taxes and other charges	0	
3,210	Special services	2,570	
7,675	Negative HRA Subsidy payable	0	
3,627	Depreciation	5,445	
14,367	Impairment of non-current assets	(4,052)	
74	Debt management costs	2	
21	Movement in the allowance for bad debts	129	
113,713	HRA self-financing - revenue expenditure funded from capital under statute	0	
150,006	*Total Expenditure*		12,273
	Income		
(20,042)	Dwelling rents	(21,457)	
(491)	Non-dwelling rents	(481)	
(571)	Charges for services and facilities	(753)	
0	Leaseholder charges for services and facilities	(52)	
(332)	Contributions towards expenditure	(531)	
(3,000)	PFI Subsidy receivable	(3,000)	
(24,436)	*Total Income*		(26,274)
125,570	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(14,001)
512	HRA services' share of Corporate and Democratic Core		518
315	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		343
126,397	Net Cost for HRA Services		(13,140)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(236)	Gain or (loss) on sale of HRA non-current assets		(529)
825	Payment to Housing Capital Receipts Pool		348
1,381	Interest payable and similar charges		3,742
	Interest payable on PFI contracts and Finance Leases		1,267
(55)	Interest and investment income		(26)
154	Pensions interest cost and expected return on pensions assets		241
128,466	(Surplus) or deficit for the year on HRA services		(8,097)

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 2013 is given in the table below:

31 March 2012		31 March 2013
Units	*Dwellings by type*	*Units*
3,517	Houses and bungalows	3,504
1,461	Flats, bedsits and maisonettes	1,458
80	New development dwellings	80
5,058		5,042
(323)	*Less* properties managed under Stanhope PFI	(320)
4,735		4,722

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

31 March 2012		31 March 2013
£'000		*£'000*
196,180	Operational assets - dwellings, land and buildings	196,801
22	Non-Operational assets	22
196,202		196,823

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2012 was £617,213,000 (£593,833,000 as at 1 April 2011); the reduction is partly due to the disposal of a number of PFI properties. The difference between this and the Balance Sheet value shows the economic cost to Government of providing council housing at less than open market rents.

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

3. Major Repairs Reserve

2011/12 £'000	*Movements in year*	2012/13 £'000
(3,913)	Balance at the end of the previous year	(3,010)
(3,627)	Amount transferred to the Reserve during the year	(5,200)
220	Amount transferred from the Reserve to the Housing Revenue Account during the year	
4,310	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	4,526
(3,010)	Balance at the end of the financial year	(3,684)

4. Summary of Capital Expenditure and Financing

2011/12 £'000		2012/13 £'000
	Capital investment:	
4,310	Expenditure on dwellings	4,526
7,037	Expenditure on new developments	31
20	Expenditure on PV panels project	
113,713	HRA Subsidy Buyout	
125,080		4,557
	Sources of Finance:	
(147)	Capital Receipts	(31)
(3,676)	Government grants and contributions (Housing Communities Agency)	
(4,310)	Major Repairs Reserve	(4,526)
	Sums set aside from revenue	
(343)	- Direct revenue contributions	
(116,604)	Borrowing	
(125,080)		(4,557)

5. Capital Receipts from Disposal of Assets

2011/12 £'000		2012/13 £'000
(1,116)	Receipts from Right-to-buy sales	(957)
(19)	Receipts from the sale of Housing land	(122)
	Other non right-to-buy sales	(171)
45	Costs of disposal	39
(1,090)		(1,211)

6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £5,444,000 (2011/2012, £3,627,067), summarised below:

2011/12 £'000		2012/13 £'000
3,408	Council dwellings	5,200
164	Council garages	195
53	New development	47
2	PV panels	2
3,627		5,444

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

7. HRA Subsidy

The HRA subsidy was abolished for 2012/13 the Council does still receive £3m of PFI grant per annum.

8. Pensions

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

2011/12 *£'000*		2012/13 *£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
0	- current service cost	363
280	- past service costs	
	Financing and Investment Income and Expenditure	
848	- interest cost	841
(694)	- expected return on scheme assets	(600)
434	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	604
	Movement in Reserves Statement	
(434)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(604)
	- actual amount charged against the General Fund Balance for pensions in the year:	
446	employers' contributions payable to scheme	442

9. Rent Arrears

During the year 2011/12 arrears totalling £57,000 (£42,000 - 2011/12) were written off to the Impairment allowance for bad debts held outside the HRA as they were considered to be uncollectable. The balance on the provision at 31 March 2013 was £1,020,500 (£947,900 at 31 March 2012).

31 March 2012		31 March 2013
£'000		*£'000*
989	Gross arrears	1,096
(318)	*Less* Pre-payments	(478)
671		618

10. Valuations

Dwellings had a total impairment of £2,729,000 of which a total charge of £2,726,000 was made to the Housing Revenue Account. The Value of the Housing stock increased by £7,666,000, with £6,811,000 being credited to the Housing Revenue Account. Garages increased in value by £225,000.

Collection Fund

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

2011/12		2012/13	
£'000		£'000	£'000
	Income		
	Income from Council Tax		
(57,556)	- Council Taxpayers	(57,986)	
(7,700)	- Council Tax Benefits	(7,827)	(65,813)
(43,610)	Income from Business Rates		(44,616)
(108,866)	*Total Income*		(110,429)
	Expenditure		
	Precepts & Demand		
47,512	- Kent County Council	48,277	
6,289	- Kent Police Authority	6,390	
3,081	- Kent and Medway Fire Authority	3,131	
7,195	- Ashford Borough Council (including Parish Precepts)	7,325	65,123
	Business Rates		
41,743	- Payments to NNDR Pool	43,552	
177	- Costs of Collection Allowance	179	43,731
	Council Tax - Bad & Doubtful Debts		
80	- Write-Offs	(2)	
492	- Allowance for Impairment	314	312
	NNDR - Bad & Doubtful Debts		
991	- Write-Offs	776	
698	- Allowance for Impairment	109	885
	Contributions		
	- Towards previous year's estimated Collection Fund Surplus		567
108,258	*Total Expenditure*		110,618
(608)	Deficit/(Surplus) in Year		189
(49)	Balance at 1st April		(657)
(657)	Balance at 31st March		(468)
	Apportionment of Balance to Preceptors/Borough Council		
(494)	- Kent County Council		(352)
(65)	- Kent Police Authority		(46)
(32)	- Kent and Medway Fire Authority		(23)
(66)	- Ashford Borough Council		(47)
(657)			(468)

Notes to the Collection Fund

1. NNDR Rateable Value

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

2011/12 *£'000*		2012/13 *£'000*
	Total Non-Domestic Rateable Values at:	
112,772	- 1st April	113,176
113,176	- 31st March	114,775
404	Increase/(decrease) in year	1,599

2011/12 *p*		2012/13 *p*
	Uniform rate (multiplier) set by the government:	
42.6	For rateable values below £18,000	45.0
43.3	For rateable values £18,000 and above	45.8

2. Council Tax Base

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

	2011/12					2012/13
Band	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (a)*	*Multi-pliers (b)*	*Band D equivalents properties (a x b)*	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (c)*	*Multi-pliers (d)*	*Band D equivalents properties (c x d)*
A with disabled relief	3.24	5 /9	1.80	2.50	5 /9	1.40
A	2,943.60	6 /9	1,962.40	3,018.20	6 /9	2,012.10
B	10,116.39	7 /9	7,868.30	10,370.10	7 /9	8,065.60
C	10,987.82	8 /9	9,766.95	11,127.30	8 /9	9,890.90
D	7,428.39	9 /9	7,428.39	7,682.30	9 /9	7,682.30
E	5,827.99	11 /9	7,123.10	5,843.50	11 /9	7,142.10
F	4,709.77	13 /9	6,803.00	4,769.20	13 /9	6,888.80
G	2,842.62	15 /9	4,737.70	2,851.60	15 /9	4,752.70
H	172.20	18 /9	344.40	170.70	18 /9	341.30
Sub-total			46,036.04			46,777.20
Estimated Collection Rate			98.5%			98.5%
Council Tax Base			45,345.50			46,075.60

3. Band D Council Tax

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

2011/12		2012/13
£		£
1,047.78	Kent County Council	1,047.78
138.68	Kent Police Authority	138.68
67.95	Kent and Medway Fire Authority	67.95
140.67	Ashford Borough Council	140.67
1,395.08	Council Tax - basic amount	1,395.08
28.75	(including Parish Precepts)	18.32
1,423.83	Council Tax - Borough average	1,413.40

4. Precepts

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

2011/12 £'000		2012/13 £'000
	Precepts	
47,512	- Kent County Council	48,277
6,289	- Kent Police Authority	6,390
3,081	- Kent and Medway Fire Authority	3,131
56,882		57,798
	Demand	
6,379	- Ashford Borough Council	6,481
816	- Parish Precepts	844
64,077		65,123

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

2011/12 £'000		2012/13 £'000
197	Tenterden Town Council	202
64	Kingsnorth	70
48	Charing	50
48	Biddenden	48
44	Great Chart with Singleton	52
43	Wye with Hixhill	43

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

Opinion on the Authority financial statements

We have audited the financial statements of Ashford Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
This report is made solely to the members of Ashford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed
Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.
Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Ashford Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.
We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Ashford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Andy Mack, Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

26 September 2013

Glossary update

Agency Services – services which are performed for another Authority or public body, where the principal Authority responsible for the service reimburses the agent 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 and intangible assets e.g. software.

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

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

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

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

Capital Expenditure – spending on the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment, which will be used to provide services for a number of years. Under statutory determination expenditure on assets not belonging to the council can be treated as capital expenditure.

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. Capital Receipts can be used for debt repayment.

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 major precepting authorities, the national pool of non-domestic rates and its own general fund.

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

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

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

Council Tax Benefit – assistance provided to adults on low incomes to help them pay their Council Tax bill. The cost of Council Tax benefit is wholly met by government grant. This has been abolished for 2013/14.

Credit Risk - the possibility that other parties might fail to pay amounts due to the Council

Creditors – money owed by the Council to others.

Debtors – money owed to the Council by others.

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.

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

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

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

Housing Benefit – the allowance to persons on low income or unable to meet, in whole or part, their rent. Benefit paid to the Authority's own tenant is known as **rent rebate** and that paid to private sector tenants as **rent allowance**.

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

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

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

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

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.

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 and grants, but before deduction of Revenue Support Grant and reallocated NNDR receipts.

Outturn – actual income and expenditure in a financial year.

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

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

Precept – the levy made by precepting authorities on Billing Authorities, requiring the latter to collect income from Council taxpayers on their behalf. County councils, police authorities, fire and rescue authorities are major precepting authourities and Parish Councils are local 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. The Council also maintains unuseable reserves that are established by the code of practice to offset non current assets.

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

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

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

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

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

Annex 1 Restatement of 2011/12 and 2010/11 Comparators

The adjustments are discussed within the Explanatory forward, see page 2. The Council has previously held amounts from Developers within its creditor balances, however it is now felt that these items would be more correctly treated within earmarked reserves due to it being unlikely that the conditions of these grants will not be met and the amounts repaid. Consequently a restatement has been made.

It has been identified that a deferred capital receipt needs to be established for the income due from the Bowls centre lease, this has been created with a corresponding entry in the capital adjustment account which increased the capital financing requirement.

Balance Sheet as at 31st March 2011	as originally stated £'000	as re-stated £'000	Re-statement £'000
Total Long term assets	270,463	270,463	0
Total Current assets	23,780	23,780	0
Current liabilities			
Short term creditors	(15,416)	(12,311)	3,105
Grant Receipts in Advance - Capital	(2,487)	(13)	2,474
Total Current liabilities	(28,208)	(22,629)	5,579
Total Long term liabilities	(69,078)	(69,078)	0
Net Assets	196,957	202,536	5,579
Reserves			
Earmarked Reserves	(3,340)	(6,882)	(3,542)
Capital Grants Unapplied	0	(2,037)	(2,037)
Total Usable reserves	(14,233)	(19,812)	(5,579)
Capital adjustment account	(205,580)	(204,421)	1,159
Deferred Capital Receipts Reserve	(494)	(1,653)	(1,159)
Total Unusable reserves	(182,724)	(182,724)	0
	(196,957)	(202,536)	(5,579)

Effect on Comprehensive Income and Expenditure Statement 2011/12	Originally stated 2011/12 Net Expenditure £'000	Re-stated 2011/12 Net Expenditure £'000	Amount of Re-statement £'000
Cultural and related services	360	517	157
Environmental and Regulatory Services	5,197	5,324	127
Highways and transport services	(703)	(506)	197
Non Distributed Costs	1,552	649	(903)
Cost of Services	139,077	138,655	(422)
Taxation and Non-specific grants	(20,095)	(18,063)	2,032
(Surplus) or Deficit on the provision of services	121,671	123,281	1,610
Total comprehensive income and expenditure	134,986	136,596	1,610

Balance Sheet as at 31st March 2012	31 March 2012 as originally stated £'000	31 March 2012 as re-stated £'000	Re-statement £'000
Total Long term assets	254,547	254,547	0
Total Current assets	21,580	21,580	0
Current liabilities			
Short term creditors	(13,167)	(9,686)	3,481
Grant Receipts in Advance - Capital	(502)	(14)	488
Total Current liabilities	(15,170)	(11,201)	3,969
Long term liabilities			
Long term creditors	n/a	0	
Total Long term liabilities	(198,986)	(198,986)	0
Net Assets	61,971	65,940	3,969
Reserves			
Earmarked Reserves	(3,617)	(7,537)	(3,920)
Capital Grants Unapplied	0	(49)	(49)
Total Usable reserves	(12,111)	(16,080)	(3,969)
Capital adjustment account	(86,024)	(84,881)	1,143
Deferred Capital Receipts Reserve	(553)	(1,696)	(1,143)
Total Unusable reserves	(49,860)	(49,860)	0
	(61,971)	(65,940)	(3,969)

Movement in Reserves Statement – Usable reserves	As previously stated 2011/12 £'000	As re-stated 2011/12 £'000	Re-statement 2012 £'000
Balance at the end of the previous reporting period 31st March 2011	(14,233)	(19,812)	(5,579)
Surplus or Deficit on the Provision of Services	121,671	123,281	1,610
Adjustment between accounting basis and funding basis under regulations	(119,549)	(119,927)	(378)
Transfers to/from Earmarked Reserves	0	378	378
Increase or Decrease in the year	2,122	3,732	1,610
Balance at the end of the current reporting period 31st March 2012	(12,111)	(16,080)	(3,969)

Adjustments under regulations	General Fund Balance	Capital Grants Unapplied
Amounts before restatement	7,177	0
Capital grants and contributions applied	(2,069)	
Capital Expenditure charged against the General Fund and HRA Balances	45	
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	36	(36)
Application of grants to capital financing transferred to the Capital Adjustment Account		2,024
	5,189	1,988