ASHFORD
BOROUGH COUNCIL

Statement of Accounts

2007-2008

Ashford
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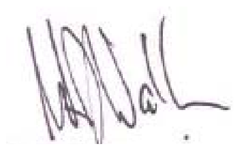
INDEX

APPROVAL OF THE STATEMENT OF ACCOUNTS

Council Approval of the Statement of Accounts for the year ended 31st March 2008

The Audit Committee at its meeting on the 24th June 2008 approved the Statement of Accounts for the year ended 31st March 2008 in accordance with the Accounts and Audit Regulations 2003.

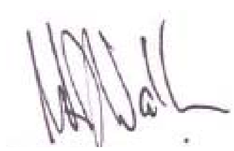
Signed:



Councillor Neil Wallace
Chairman Audit Committee
24th June 2008

The Audit Committee at its meeting on the 23rd September 2008 approved the revised Statement of Accounts for the year ended 31st March 2008 with amendments agreed with the Auditor in accordance with the Accounts and Audit Regulations 2003.

Signed:



Councillor Neil Wallace
Chairman Audit Committee
23rd September 2008

EXPLANATORY FOREWORD

INTRODUCTION

This foreword explains the key components of the Statement of Accounts, and the changes to those Accounts made in 2007/08, which are summarised in the paragraphs below.

Local authority accounts are subject to a number of regulatory requirements and accounting standards. This results in a complex format which requires the reader to have a reasonable knowledge of accounting terms and presentation. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms (Page 80).

THE STATEMENT OF ACCOUNTS

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

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

a) The Core Financial Statements (Page 19)

The Core Financial Statements comprise:

The Consolidated Income and Expenditure Account (Page 19) – the Council's main revenue account for the year ended 31st March 2008, covering income and expenditure for all services. The Income and Expenditure Account is fundamental to the understanding of the local authority's activities. It reports the net cost for the year of all of the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

The Statement of Movement on the General Fund Balance (Page 19) – a statement showing the accumulated surpluses and deficits adjusted for accounting entries not funded by taxpayers.

The Balance Sheet (Page 20) – this sets out the financial position of the Council as at the 31st March 2008. It shows the balances and reserves, its long term indebtedness, the net fixed and current assets employed in its operations, and summarised information on fixed assets.

The Statement of Total Recognised Gains and Losses (Page 21) – this brings together all the recognised 'gains and losses' of the Authority during the period and identifies those which have not been recognised in the Income and Expenditure Account.

The Cash Flow Statement (Page 22) – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement summarises in simple terms where the money came from and how it was spent.

b) The Supplementary Single Entity Financial Statements (Page 55)

The Housing Revenue Account (HRA) (Page 55) – this is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the Council fund, so that rents cannot be subsidised from Council Tax (or vice versa).

The Collection Fund (Page 61) – this reflects the statutory requirement for billing authorities (borough and district councils) to maintain a separate Collection Fund. It shows the transactions in relation to business rates and council tax, and illustrates how the demands on the Fund from Kent County Council, Kent Police Authority, Kent and Medway Towns Fire Authority and the Borough Council General Fund have been satisfied. The Collection Fund is consolidated with the other accounts of the billing authority within the Balance Sheet.

c) Summary of Accounting Changes

There have been some changes to the presentation of the Statement of Accounts in 2007/08 which have been prescribed by the Accounting Standards Board. The objective of these changes is for local authority accounting to conform with UK GAAP, and, to prepare for the introduction of International Financial Reporting Standards (IFRS).

The changes are as follows:

- A Revaluation Reserve to account for changes in the value of Fixed Assets and the amalgamation of the Capital Financing Account and Fixed Asset Restatement Reserve into a new account called the Capital Adjustment Account.

- Adoption of FRS 25, 26 and 29 into 2007 SORP. The FRSs have affected the method of accounting for financial instruments, requiring borrowing and investments to be carried at either Amortised Cost or Fair Value. In addition to this a number of new notes have been introduced tracking the movement of value of investments and assessing the level of risk arising from financial instruments. For more detail see Accounting Policy on page 15.

CONTEXT FOR 2007/2008 ACCOUNTS

a) CORPORATE AIMS AND OBJECTIVES

In 2006 the Council reviewed its corporate objectives and agreed revised aims and objectives for the period 2006/2010. The Council is committed to the delivery of its Corporate Plan, the main headings of the plan are summarised below, for more detail see page 78. This plan is integrated into the Councils budget, which allocates the resources available to meet these objectives.

- Good quality services giving best value for money
- Local leadership and strong partnership working
- Customer/Citizen focus
- Our Environment
- Ashford's Future
- Housing
- Prosperity

b) FINANCIAL CONTEXT

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

These accounts present the results for 2007/08 that follow on from the Budget set in February 2007. The Budget proposals, made in the context of a challenging medium term financial position, were consistent with the Council's Corporate Aim to maintain the level of Council Tax as amongst the lowest in Kent. In 2007/08 the band D Council tax for the authority was set at £123.34. The range of Kent Authorities was £123.34 to £217.94

The Council has maintained a significant programme of Capital Expenditure in 2007/08. The cost of the refurbished Stour Centre had a significant impact on capital resources. A number of new infrastructure projects were completed in 2007/08, funded from internal resources, grants and developer contributions. These are reported in more detail on page 7.

OVERVIEW OF 2007/2008 FINANCIAL RESULTS AND ACTIVITY

a) GENERAL FUND

The Consolidated Income and Expenditure Account (Page 19) includes the General Fund, upon which the Council Tax is set, and the Housing Revenue Account. This means the General Fund outturn detailed below does not reconcile with the statutory presentation of the Income and Expenditure Account. The main reason for this is that the outturn does not include the Housing Revenue Account, which has been consolidated into the Income and Expenditure Account. In addition to this the Statement of Movement of General Fund balance includes the allocation of the surplus, whereas the outturn shows the level of surplus for the year.

The General Fund is the main revenue fund of the authority and covers day to day expenditure and related income on all services.

The Council set its Budget Requirement at £13,329,480 (Amount to be funded by Government Grant and Council Tax). This has resulted in an increase of £5.71 (4.9%) to the Band D rate over the previous year.

The General Fund Balance at the beginning of the year was £1,105,143. The Council's reserves strategy is to maintain a balance of 7% of the Budget Requirement (2007/08 £933,064). A balance of £1,105,143 has been carried forward.

During the year a spending moratorium was introduced to reduce expenditure to deliver an underspend on the budget to allow for a severance reserve to be established to fund restructuring costs. The final outturn resulted in an overall surplus of £662,214 over the budget requirement representing 5.7% of the total gross revenue expenditure. This has been allocated specific reserves as detailed in the table below.

GENERAL FUND FINAL OUTTURN 2007/08		
SERVICE	**BUDGET £**	**FINAL OUTTURN £**
Corporate Core	750,030	883,330
Legal and Democratic	1,259,380	1,236,948
Planning and Development	1,196,470	1,273,616
Financial Services	3,651,870	3,585,482
ICT	(2,210)	(273,340)
Housing General Fund	528,920	509,450
Environmental Services	5,840,760	5,677,326
Cultural Services	2,101,282	2,014,962
NET SERVICE EXPENDITURE	**15,326,502**	**14,907,774**
Asset Management Revision Account	(2,089,153)	(2,375,150)
Concurrent Functions Grants, Drainage Board Levies	279,501	282,445
Transfer to (from) Reserves	(187,370)	109,834
Budget Requirement	**13,329,480**	**12,924,903**
Government Grant and	(7,837,000)	(8,094,637)
Council Tax Income	(5,492,480)	(5,492,480)
SURPLUS FOR THE YEAR	**-**	**(662,214)**

Comparison of Budget to General Fund Final Outturn – Major Variances	
	£000
Staff vacancies achieved during the year	(185)
Housing Benefit Subsidy	(140)
Concessionary Fares additional costs	116
Net reduction in Car Park income	109
Support cost recharges outside the General Fund	(180)
LABGI - Additional grant	(159)
MRP not required due to legislative change	(140)
Other Items	(83)
	(662)

Net service underspend within the above table was £183,000.

At its meeting on 29th May 2008 the Executive agreed to allocate the surplus as follows:	**£**
Additional Local Authority Business Growth Incentive Grant received transferred to Service Pressure Reserve	158,678
MRP budget transferred to Repairs and Renewals Reserve	140,720
Service Underspend Transferred to Severance Reserve	183,462
Additional Recharge income to General Fund Transferred to Service Pressure Reserve	179,354
	662,214

b) HOUSING REVENUE ACCOUNT (HRA)

The Housing Revenue Account is a ring fenced account covering the expenditure and income involved in the operation of running and maintaining the housing stock. The HRA is funded by specific housing grants and rents payable by the Council tenants.

The 2007/08 movement in HRA balance was budgeted for a surplus of £89,960. The reported results show a deficit of £268,645, which is a variance of £358,605 compared to budget.

The main items of variance are:

Comparison of Budget to Final Outturn – Major Variances	
	£000
HRA share of Stanhope PFI costs	713
Increase in capital charges	106
Increase in rental income	(185)
Increase in spending on repairs	1,037
Payment to PFI contractor net of govt. PFI subsidy	(1,717)
Buyback of ex Council properties	118
Increase in administration and special costs	360
Reduction in Housing Subsidy payable	(94)
Other	21
	359

The accumulated HRA reserve balance at 31 March 2008 was in credit by £1,234,234. The balance provides flexibility for delivery of the Housing Business Plan, which is available on the Council's website.

c) CAPITAL EXPENDITURE

Capital expenditure is spending on the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment which will be used or benefits services over a number of years.

In the financial year 2007/08 the budget and outturn for the capital programme was:

	Budget £000s	**Outturn £000**
Budgeted Capital Expenditure and Repairs and Renewals Programme	14,384	13,000
Housing Revenue Account Capital Programme	4,818	4,795
Total	19,202	17,795

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

Included within these figures is the Council's Expenditure on:

- The Stour Centre Refurbishment. There were several reports made to the Executive throughout the year updating Members on the progress of the project. During the year a total of £4.475m was spent on this project. In May 2007 the total estimated cost of this project was reported to Members at £17.25m against the final budget of £16.5m (Original budget - £11.5m). A further note on this project is contained within the note 36 on Contingent Liabilities and Contingent Assets on page 46.

- The Singleton Environment Centre, expenditure of £1.4m was primarily funded through Developer Contributions.

- Capital Contribution to the Stanhope PFI of £2.4m.

- Ashford's Future projects of £1.9m funded through government grants. This included the construction of Dover Place Car Park and strategic acquisitions in the town.

d) CASH AND BORROWING

At the 1st April 2007 the council had £4,000,000 of Long Term Debt from the PWLB to finance capital expenditure. No additional long term borrowing was undertaken during the year.

In addition to this the Council undertakes short term borrowing on the Money Markets to manage its temporary overdrafts.

The Council's Balance Sheet had at the 31st March 2008 investments and cash of £21.7m and borrowing liabilities of £8.5m (including the £4m referred to above).

In accordance with central government requirements the Council has a Euro bank account to facilitate payments from within the Euro zone. Suppliers have confirmed that all major financial systems will readily convert to accounting in Euros if the United Kingdom should decide to change currency.

e) THE COLLECTION FUND

The Collection Fund is showing a deficit of £1.2m. The forecast deficit will be recovered from the Precepting bodies in 2008/09. Ashford Borough Council's liability is approximately 10%, of which £73,000 will be recovered in 2008/09.

The deficit has arisen because the growth in the number of properties within the borough is slower than was forecast in the financial strategy.

f) PENSIONS

As part of the Conditions of Employment, the Council offers retirement benefits in accordance with statutory requirements. These payments, investment assets and future liabilities are held by the Kent County Pension Fund on the behalf of all contributing member authorities. Local authorities are required to account for their share of the pensions deficit.

The Council's share of the pension liability based on the Financial Reporting Standard: Retirement Benefits (FRS17) is estimated at £30.3m at the 31st March 2008 (£36.4m at 31st March 2007). The main reason for the reduction in net liabilities was the reduction in the actuarial calculation of the Scheme's liabilities.

g) STANHOPE PRIVATE FINANCE INITIATIVE (PFI) PROJECT

On the 17th April 2007 the PFI agreement for the regeneration of the Stanhope estate was signed. This is for the provision of the refurbishment of properties on the estate and the housing management function. The PFI scheme will transform the whole estate, change perceptions of the area and improve residents' quality of life. Together with improvement to the properties on the estate associated environmental and highways improvements will also be carried out over the first five years. The Contractor the Chrysalis Consortium, a consortium comprising Gleeson Homes, Dennes and Moat Housing, will remodel much of the estate and maintain the homes and the environment to the improved standard over the remainder of the contract period (29 years) after which the properties are handed back to the Council.

h) ASHFORD'S FUTURE

The increasing rate of growth in Ashford, as a result of being one of the designated sustainable community growth areas in the South East of England, will create a variety of budget pressures over time. The Council is working with partners to devise timely ways of delivering the wide range of physical and social infrastructure needed without putting unreasonable pressures on the Council's own resources. The principal source of funding is the Government's Growth Area Fund allocation.

2007/08 saw the completion of some important projects for the regeneration of the town with the completion of the Stour Centre re-modelling, the opening of the County Square Extension, the commencement of works to remodel the town centre ring road and the signing of the Stanhope PFI.

In December 2007 the Government announced the initial levels of funding of £22.3m available for the period April 2008 to March 2011.

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts have been prepared on an income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting 2007 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of accounting standards. Where an accounting policy has not been adopted, or where it has been varied then a note to that effect has been provided.

2. ACCOUNTING CONCEPTS AND CONVENTIONS

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

2.1 Relevance

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

2.2 Reliability

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

2.3 Comparability

The Statement of Accounts is prepared so as to enable comparison between financial periods. To aid comparability the Council has applied its accounting policies consistently both during the year and between years.

2.4 Comprehensibility

Every effort has been made to make the Statement of Accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms (page 80).

2.5 Materiality

Materiality is described in the Statement of Recommended Practice (SORP) as "a threshold quality ensuring that information is of such significance as to justify its inclusion in the financial statements."

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

2.6 Accruals

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

2.7 Going Concern

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

2.8 Primacy of Legislative Requirements

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

3. FIXED ASSETS

3.1 Accruals

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

3.2 Recognition

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

3.3 Valuation Methods

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

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

3.4 Revaluations

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

Gains and Losses resulting from revaluations were previously entered against the asset on the Balance Sheet with the contra entry showing in the Fixed Asset Restatement Account. Under the provisions of the 2007 SORP this account has been replaced by the Revaluation Reserve. Since this Reserve was established with a "nil" balance at 1/4/2007, it will only reflect revaluations after this date. The previous year's closing balance on the Fixed Asset Restatement Account has been transferred to the Capital Adjustment Account which is also a new account set up under the 2007 SORP.

3.5 Operating Leases

Rental payments are charged to revenue on an accruals basis.

4. DEPRECIATION

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

- All assets with a finite useful life are depreciated on a straight line basis over the asset life. The life of buildings is reviewed as part of the asset revaluation. The life of vehicles, plant and equipment is generally taken to be 5 years.

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

5. IMPAIRMENT

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

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

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

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

6. CAPITAL CHARGES TO REVENUE

The Accounting Code of Practice has revised the treatment of Capital Charges for the financial year 2007/08 and consequently this policy has been updated to reflect those changes.

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

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

The premature repayment of the long term loans that result in either a premium or a discount are to be amortised to the revenue account either in accordance with the Housing Subsidy determinations or by reference to the Treasury Management Code of Practice. The 2007 SORP has specified transitional arrangements for full compliance with FRS 25, FRS 26 and FRS 29 in the 2007/08 Accounts. The SORP directs that certain unamortised balances (e.g. premiums / discounts on premature repayment of debt) should be written out in 2007/08 to effect the necessary changes to the 2007/08 opening balances.

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

7. DEFERRED CHARGES

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

8. CAPITAL RECEIPTS

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

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

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

10. CURRENT ASSETS AND LIABILITIES

10.1 Debtors and Creditors

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

10.2 Stocks

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

10.3 Investments

Under the provisions of the 2007 SORP the fair value of investments is to be reflected in the Balance Sheet. This is defined as the amortised cost of the investment, which includes the initial valuation at cost (including transaction costs) plus any cash flows (principal, interest, plus any premium payments) as well as any impairment adjustments which may be required.

10.4 Bad Debts

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

11. PROVISIONS

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. The purpose of the Council's major provisions is explained in a note 34 on page 41.

12. RESERVES

The Council maintains certain reserves to meet general, rather than specific future expenditure. The purpose of the Council's earmarked reserves is explained in note 35 to the Core Financial Statement on page 42. This statement brings together all the reserves of the Council into one statement.

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

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

13. COSTS OF INTERNAL SUPPORT SERVICES

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

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

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

14. PENSION COSTS

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

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

In 2004/05 there was a change in the basis used by the Actuaries to estimate the value of pension liabilities. Following recommended good practice, the rate used this year continues to be one based on "AA" Corporate Bond Rates. This discount rate increased to 6.9% in 2008 from 5.4% in 2007. An increase in the discount rate has the effect of decreasing the total value of past service liabilities. This decrease was £13.75 million in 2007/08 (For further details see Note 41 page 49).

15 FINANCIAL INSTRUMENTS

The 2007 SORP has introduced significant additional disclosure requirements relating to Financial Instruments (e.g. loans and investments), for inclusion in the 2007/08 Statement of Accounts. 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 29 and relevant gains and losses in note 30 on pages 35 & 37).

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale Assets

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

Values are based on the following principles:

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

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

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

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

Credit Risk

The 2007 SORP requires Authorities to estimate the "Fair Value" of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Council's Financial Instruments as at 31st March 2008 .The discount rate should reflect prevailing interest rates as at 31st March 2008.Full details of this disclosure are included in note 31 to the Core Financial Statements on page 39

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

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

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

The SORP's disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note 33 includes an age analysis of overdue debtors at the balance sheet date. In addition to this a provision for bad debts is also included in the Statement of Accounts (Statement of Accounting Policies 10.4).

16 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.

17 PRIVATE FINANCE INITIATIVE (PFI)

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

Prepayments

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

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

Reversionary Interests

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

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

Residual Interests

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

PFI Credits

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

The Responsibilities of the Deputy Chief Executive

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

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

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

The Deputy Chief Executive has also:

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

The Statement of Accounts presents fairly the financial position of the Ashford Borough Council at the 31st March 2008 and its income and expenditure for the year ended on that date.

Paul Naylor
Deputy Chief Executive

CORE FINANCIAL STATEMENTS

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT				
2006/07		**2007/08**		
		Gross Expenditure	**Gross Income**	**Net Expenditure**
£000s	**Continuing Operations**	**£000s**	**£000s**	**£000s**
1,267	Central Services to the Public	9,112	(7,538)	1,574
9,398	Cultural, Environmental & Planning	18,306	(7,080)	11,226
223	Highways	2,482	(1,988)	494
(1,333)	Housing	47,581	(40,659)	6,922
2,959	Corporate & Democratic Core	3,136	(629)	2,507
1,337	Non-distributable costs	1,318	0	1,318
13,851	**Net cost of Services**	**81,935**	**(57,894)**	**24,041**
-	(Gain)/Loss on disposal of Fixed Assets			(14)
599	Parish Council Precepts			630
201	Drainage Board Levies			209
565	Interest Payable and Similar Charges			353
1,703	Contribution of Housing capital receipts to the Government Pool			906
(1,992)	Interest and Investment Income (note 30)			(1,479)
917	Pensions Interest cost and expected return on Pensions Assets			990
15,844	**Net Operating Expenditure**			**25,636**
(5,780)	Demand on Collection Fund			(6,123)
(1,242)	General Government Grants			(1,126)
(6,434)	Non-Domestic Rates redistribution			(6,968)
2,388	**(Surplus) or Deficit for the Year**			**11,419**

STATEMENT OF MOVEMENTS ON THE GENERAL FUND BALANCE (note 16 on page 30)		
2006/07		**2007/08**
£000s		**£000s**
2,388	Deficit for the Year on the Income and Expenditure Account	11,419
(2,506)	Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year*	(11,419)
(118)	**Increase/Decrease in General Fund Balance for the Year**	**0**
(987)	General Fund Balance Brought Forward	(1,105)
(1,105)	**General Fund Balance Carried Forward**	**(1,105)**

BALANCE SHEET AT 31 MARCH 2008

2006/07 £000s		2007/08 £000s	2007/08 £000s
	Fixed Assets (notes 17-25)		
120	Intangible Fixed Assets	100	
	Operational Assets		
314,688	- Council Dwellings	325,086	
38,232	- Other Land and Building	56,412	
954	- Vehicles, plant and equipment	384	
229	- Infrastructure	220	
1,029	- Community Assets	1,069	
	Non Operational Assets		
14,215	- Assets under construction	250	
20	- Other	20	
560	- Surplus Assets for Resale	1,910	
	TOTAL FIXED ASSETS		385,451
370,047			
11,207	Long-Term Investments (note 29-33)	6,066	
600	Long-Term Debtors	556	
	PFI Deferred Consideration	33,923	
	PFI Residual Value of Asset	1,170	41,715
	TOTAL LONG-TERM ASSETS		427,166
381,854			
	Current Assets		
8,270	Debtors (note 40)	13,068	
(3,209)	Less Provision for Bad Debts (note 40)	(2,949)	
		10,119	
34	Stocks and Work-in-Progress	25	
17,305	Short-term Investments (note 29-33)	15,630	
-	Cash and Bank	6	25,780
	TOTAL ASSETS		452,946
404,254			
	Current Liabilities		
(1,500)	Short-term Borrowing (note 29-33)	(4,514)	
(11,459)	Creditors (note 40)	(13,608)	
(72)	Bank Overdraft	(127)	(18,249)
	TOTAL ASSETS LESS CURRENT LIABILITIES		434,697
391,223			
	Long-Term Liabilities		
(4,000)	Long Term Borrowing (note 29)	(4,000)	
(138)	Provisions (note 34)	(153)	
(1,000)	Government Grants Deferred Account	(3,691)	
(2,645)	Capital Contributions Deferred	(3,335)	
163	Deferred Premiums	0	
(36,420)	Pension Liability (note 41)	(30,270)	(41,149)
347,183	**TOTAL ASSETS LESS LIABILITIES**		**393,248**

BALANCE SHEET AT 31 MARCH 2008			
2006/07		**2007/08**	
£000s		**£000s**	**£000s**
363,411	Capital Adjustment Account		373,489
0	Revaluation Reserve		37,045
0	Available for Sale Financial Instruments Reserve		27
0	Financial instruments Adjustment Account (note 29-33)		(45)
6,331	Usable Capital Receipts Reserve		619
728	Deferred Credits		550
(36,420)	Pensions Reserve (note 35)		(30,270)
1,105	General Fund Balance		1,105
1,503	Housing Revenue Account Balance		1,234
(478)	Collection Fund Balance		(1,241)
6,856	Major Repairs Reserve (HRA)		6,415
4,147	Other Reserves Balances (note 35g)		4,321
347,183	**TOTAL EQUITY (note 28)**		**393,248**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
2006/07		**2007/08**
£000's		**£000's**
(2,389)	Surplus or (Deficit) on the Income and Expenditure Account for the Year	(11,419)
	Surplus or (Deficit) arising on revaluation of available for sale assets	(19)
44,902	Surplus or (Deficit) arising on revaluation of fixed assets	52,076
5,430	Actuarial gains and losses on Pension Fund assets and liabilities	6,231
211	Any other gains and losses required to be included in the Statement of Recognised Gains & Losses	(804)
48,154	**Total recognised gains and (losses) for the year**	**46,065**

CASHFLOW STATEMENT				
2006/07		**2007/08**		
£000's		**£000's**	**£000's**	**£000's**
	REVENUE ACTIVITIES			
	Cash Outflows			
17,059	Cash paid to and on behalf of employees	17,695		
22,013	Other operating cash payments	23,819		
24,626	Housing Benefit paid out	26,279		
37,874	National non-domestic rate payments to national pool	33,775		
48,204	Precepts paid	51,756		
1,703	Payments to Capital Receipts Pool	906		
			154,230	
	Cash Inflows			
(19,518)	Rents (after rebates)	(19,992)		
(53,833)	Council Tax Income	(56,659)		
(6,434)	National non-domestic rate receipts from national pool	(6,711)		
(35,231)	Non-domestic rate receipts	(32,555)		
(1,242)	Revenue Support Grant	(1,126)		
(25,297)	DWP grants for benefits	(26,551)		
0	Local Authority Business Growth Incentive Grant	(257)		
(2,422)	Other government grants (note 42)	(2,887)		
(8,593)	Cash received for goods and services	(6,481)		
(1,991)	Other Operational income	(1,401)		
			(154,620)	
(3,082)	**Net Revenue (Surplus) before financing**			**(390)**
	Return on investments/deposits and servicing of finance			
78	Interest paid		329	
(1,725)	Interest received		(1,163)	
	TOTAL SERVICING OF FINANCE			(834)
(4,729)	**NET (SURPLUS) FROM REVENUE ACTIVITIES(Note 42)**			**(1,224)**
	CAPITAL ACTIVITIES			
	Cash Outflows			
12,983	Expenditure on fixed assets	15,011		
1,000	Other Capital Expenditure	3,285		
			18,296	
	Cash inflows			
(4,196)	Sale of fixed assets	(5,739)		
(683)	Capital grants received	(299)		
(42)	Other capital cash income	(6)		
			(6,044)	
9,062	**NET TOTAL CAPITAL ACTIVITIES**			**12,252**
4,333	**NET CASH OUTFLOW BEFORE FINANCING**			11,028
	NET MOVEMENT IN LIQUID ASSETS (note 43)			
9,420	Net increase (decrease) in short term deposits		(7,987)	
(10,915)	Net increase (decrease) in other liquid resources		8	
	FINANCING (note 43)			(7,979)
18,500	Repayment of amounts borrowed		33,300	
(23,000)	New loans raised		(36,300)	
				(3,000)
(1,662)	**NET INCREASE IN CASH AND CASH EQUIVALENTS (note 42)**			**49**

NOTES TO THE CORE FINANCIAL STATEMENTS

(1) Acquired or discontinued operations

In 2007/08 there were no acquired or discontinued operations

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

In preparing these accounts the deferred credits and capital contributions deferred were re-classified within the body of the balance sheet. This has resulted in the value of total equity being restated in the 2006/07 comparators.

For the 2007/08 accounting year there have been changes to the Accounting Code of Practice as a result of the incorporation of FRS 25, 26 and 29 into the SORP. This affects the treatment of un-amortised balances of premiums / discounts on premature repayments of debt held on the 2006/07 Balance Sheet.

The 2007 SORP recommends that no restatement of the 2006/07 closing balances is required and that any adjustments be treated as 2007/08 entries. These changes have been reflected in the Council's accounting policies (Statement of Accounting Policies, Section 6).

Under the provisions of the 2007 SORP the prior year balance sheet figures have been adjusted to accommodate the introduction of the Revaluation Reserve (Statement of Accounting Policies 3.4 page 10). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £266m on the FARA at the 31st March 2007 has been written off to the Capital Financing Account (£97m credit balance). The total is then transferred to the new Capital Adjustment Account with a total opening balance for 2007/08 of £363m. Since the Revaluation Reserve has been included on the Balance Sheet with a zero opening balance, the closing position on the Reserve at the 31st March 2008 will only include revaluation transactions input during the 2007/8 financial year.

(3) The Amounts of any outstanding undischarged obligations arising from long term contracts such as PFI transactions

Stanhope PFI

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

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

Contract Year	Unitary Charge £000	Capital Contribution £000
2	2,560	1,620
3	3,425	429
4	4,020	2,368
5	4,029	–
6	4,086	–
10	4,329	–
20	5,052	–
30	5,977	–

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

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

These payments will be met from:

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

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

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

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

Extra Care Housing PFI

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

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

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

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

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

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

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

If partners do not buy back these unit costs will be reduced by 40%.

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

Other Contracts

In 2007/08 the authority is committed to making payments under the following contracts:

- £2.7m per annum for waste collection expiring March 2013
- £0.8m per annum for maintenance for parks and open space expiring January 2014
- £0.9m per annum for street cleansing contract expiring March 2013
- £0.6m per annum for insurance contract expiring October 2010

(4) Significant trading operations

Under accounting definitions the Council operates some trading operations, including leased shop premises, industrial sites and markets (included within Cultural, Environmental, Planning Services on the face of the Income and Expenditure Account page 19.) The details of expenditure and income are shown below:

Service	2006/07	2007/08		
	(Surplus) / Deficit	Expenditure	Income	(Surplus) / Deficit
	£000	£000	£000	£000
Leased Shop Premises	105	216	(138)	78
Industrial Estates	(218)	160	(367)	(207)
Street Markets	(4)	69	(66)	3
	(117)	**445**	**(571)**	**(126)**

(5) S137 Expenditure

Section 137 of the Local Government Act 1972 (as amended) enables the Council to spend on services for which it has no other specific powers, but which would benefit some or all of the Authority's taxpayers. Actual expenditure in 2007/08 was £27,549 (2006/07 £45,033). The main areas of expenditure were in support of the Create Festival, Arts projects, and Twinning.

(6) Publicity Expenditure

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

		2006/07 £000	2007/08 £000
Public Relations	- staff costs	314	322
	- other costs	94	120
Ashford's Voice		64	71
Recruitment advertising		64	72
	Total	**536**	**585**

(7) Housing Capital Receipts – Government Pooling Liability

	20067/08 £000
Receipts from Right to Buy Sales	1,665
Receipts from housing Land	1,344
Costs of disposal	(134)
Deduction for enhancements	(20)
Deduction for Capital Allowance	(1,339)
Buy back of Dwellings	(472)
Total Capital Receipts less deductions	**1,044**
Pooling Liability at 75%	783
Prior Year Payments	123
Pooling Liability for 2007/08	**906**

(8) Building Control Account

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

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

	Fee Earning Expenditure £000	Income £000	Deficit / (Surplus) £000
2007/2008	506	(455)	51
2006/2007	544	(590)	(46)
2005/2006	487	(478)	9
Cumulative 3 year balance	**1,537**	**(1,523)**	**14**

(9) Goods and Services Act 1970

This Act allows Local Authorities to provide goods and services to other public bodies. In 2007/08 there were no material contracts made under this Act.

(10) Members Allowances

Members Allowances for 2007/08 totalled £284,047(2006/07 £281,835).The amounts paid to individual Members have been advertised in the local paper. They can also be obtained from the Head of Legal & Democratic Services at the Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL.

(11) Officers Remuneration

The Council is required to include a note giving the numbers of employees whose remuneration falls into the categories shown. "Remuneration" for this purpose includes taxable pay, the tax value of other benefits e.g. leased cars, and termination payments.

	2006/07	2007/08
£50,000 – £59,999	16	16
£60,000 –£69,999	3	1
£70,000 – £79,999	4	6
£80,000 – £89,999	2	3
£90,000 – £99,999	-	-
£100,000 – £109,999	1	-
£110,000 - £119,999	-	1

(12) Related Parties

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

In 2007/08 the three Internal Drainage Boards levied a total of £209,448 on the Council (£201,280 in 2006/07).

Several Housing Associations are active within the Borough. New developments may require Social Housing Grants to make them viable. In 2007/08 no direct grants were made by the Council. Registered Social Landlords received direct allocations from the Housing Corporation.

The Council makes grants to a wide variety of local organisations. The majority of these grants are small but important to the recipients. However, some grants provide the majority of the organisations funding and in most cases a Councillor(s) sits on the Management Committee.

These are: -

	2006/07 Grant £000	2007/08 Grant £000
Citizens Advice Bureaux (Ashford and Tenterden)	117	118
Ashford Mediation Service	12	12

During 2007/08 nine of the Borough's Councillors were also Parish Councillors and one Borough Councillor was a County Councillor.

Under the Accounting Standard FRS8 (Related Party Transactions) the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives. During 2007/08, works and services to the value of £125,979 (2006/07 £183,474) were commissioned from organisations in which relations of three officers had an interest, which have been declared under the Code of Conduct.

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

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

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

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

(13) Audit Fees

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

	2006/07 £000	2007/08 £000
External Audit Services	129	141
Certification of Grant Claims	20	27
	149	168

(14) Local Area Agreements

The Council was a participant in a pilot three-year Local Area Agreement (LAA) called the Kent Agreement signed in March 2005 – The LAA is a partnership between Central and Local Government and the wider Public, Voluntary and Community sectors. It involves organisations working together to achieve shared objectives involving the pooling of grants to finance work towards jointly agreed objectives for Public Services. In 2007/08 the LAA completed the final year of its three year agreement. A new agreement (Kent Agreement 2) will be signed during 2008.

The Purpose of the LAA is:

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

The LAA Partners are:

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

Kent County Council is the accountable body for this agreement.

(15) Explanation of Statement of Movement on the General Fund Balance

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

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

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

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

(16) Reconciling Items in the Statement of Movement on the General Fund Balances

2006/07		2007/08	
£000	**Amounts included in the Income and Expenditure Account but required by Statute to be excluded when determining the Movement on General Fund Balance for the year.**	**£000**	
(20)	Amortisation of Intangible fixed assets	(20)	
(1,393)	Depreciation and Impairment of fixed assets	(8,074)	
–	Government Grants and other contributions Deferred amortisation	460	
(869)	Write down of deferred charges to be financed from capital resources	(3,062)	
–	Net gain/(loss) on the sale of fixed assets	14	
(627)	Amount by which pension cost calculated in accordance with the SORP (ie, in accordance with FRS17) are different from contributions due under the pension scheme regulations	(80)	
(2,909)			(10,762)
	Amounts not included in the Income and Expenditure Account but required to be included by Statute when determining the Movement on General Fund Balance for the year.		
,958	Capital Expenditure charged in year to the General Fund Balance	345	
(1,703) .	Transfer from usable capital receipts to meet payments to the Housing Capital Receipts Pool	(906)	
(745)			(561)
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year		
392	Housing Revenue Account balance	(269)	
200	Voluntary revenue provision for Capital Financing	–	
556	Net transfer to or from earmarked reserves	173	
1,148			(96)
(2,506)	**Net additional amount required to be credited to the General Fund balance for the year**		(11,419)

(17) Summary of Capital Expenditure and Fixed Asset Disposals

Operational Assets

	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles Plant and Equipment £000s	Infra-structure £000s	Community Assets £000s	Total £000s
Net Book Value at 31 March 2007	314,688	38,232	954	229	1,029	**355,132**
Movements in 2007/08:						
Transfers (Including Transfer to PFI contractor)	(35,093)	18,492				**(16,601)**
Additions	5,260	3,112	113		46	**8,531**
Disposals	(1,844)	(2,923)				**(4,767)**
Revaluation	50,259	1,817				**52,076**
Depreciation	(3,234)	(1,388)	(683)	(9)	(6)	**(5,320)**
Impairments *	(4,950)	(930)				**(5,880)**
Net Book Value at 31 March 2008	**325,086**	**56,412**	**384**	**220**	**1,069**	**383,171**

Non Operational Assets

	Assets Under Construction £000s	Other General Fund £000s	Surplus Assets for Resale £000s	Intangible Assets £000s	Total £000s
Net Book Value at 31 March 2007	14,215	20	560	120	**14,915**
Movement in 2007/08					
Transfers	(19,951)		1,459		**(18,492)**
Additions	5,986				**5,986**
Disposals					
Revaluation					
Depreciation				(20)	**(20)**
Impairments*			(109)		**(109)**
Net Book Value at 31 March 2008	**250**	**20**	**1,910**	**100**	**2,280**

* During the year there were impairments for the value of the Stour Centre, Stanhope Shopping Centre and the Housing Revenue Account stock where improvement works were completed.		
Capital Expenditure and Financing		
	2006/07 £000s	**2007/08 £000s**
Opening Capital Financing Requirement	(282)	3,518
Capital investment:		
Operational assets	5,297	8,531
Non-operational assets	6,509	5,986
Deferred charges	927	3,277
Sources of finance:		
Capital receipts	(4,102)	(9,729)
Government grants and other contributions	(671)	(4,045)
Sums set aside from revenue (N:B includes direct revenue financing, MRP and any Voluntary set aside	(4,160)	(4,020)
Closing Capital Financing Requirement	3,518	3,518
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)		
Increase in underlying need to borrow (unsupported by Government financial assistance)	4,000	–
Provision for the repayment of debt	(200)	–
Increase/(decrease) in capital financing requirement	3,800	–

(18) Capital Commitments

The capital contracts that were in progress or had been agreed at 31 March 2008 and that had expenditure of at least £100,000 still to be incurred were:

	£000
Stour Centre (Retention)	150
Singleton Environment Centre	510

(19) Information on Assets Held

	31 March 2007 Numbers	**31 March 2008 Numbers**
Council Dwellings	5,358	4,594*
Civic Centre	1	1
Leisure Centre	2	2
Athletics Stadium	1	1
Community Centres / Public Halls	4	4
Cemeteries	4	4
Off Street Car Parks	16	14
Public Conveniences	13	13
Caravan Site	1	1
Industrial Units	74	74
Shops	29	13
Depots	1	0
Miscellaneous Properties	9	8

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

(20) Assets Held under Leases

Vehicles, Plant, Furniture and Equipment – the Council operates a fleet of leased cars and photocopiers under the terms of Operating Leases. The amounts paid under these arrangements in 2007/08 was £285,012(2006/07 £353,615)

Land and Buildings – The Council leases some units on the Ellingham Industrial Estate, which have been accounted for as Operating Leases. The rentals payable in 2007/08 were £545 (2006/07 £545)

The Authority was committed at the 31st March 2008 to making payments of £203,012 under operating leases in 2007/08,comprising the following elements:

Year	Other Land and Buildings £000	Vehicles, Plant & Equipment £000
Lease expiring in 2008/09	–	87
Lease expiring between 2009/10 and 2013/14	–	116
Leases expiring after 2013/14	–	-

(21) Assets Recognised under a PFI Arrangement

The Council has two current PFI schemes:

a) The Regeneration of the Stanhope Estate and the provision of Housing Management Services to the estate for 30 years. This was signed on the 14/04/07. Under FRS5 this has been determined as being off balance sheet and, therefore, these assets have been transferred to the contractor and the revenue costs of the contract are recognised within the Housing Revenue Account. See also Note 3 on page 23.

b) Ashford Borough Council, together with nine other Kent Borough, District and City Councils and Kent County Council (KCC), is participating in a Private Finance Initiative (PFI) called “Better Homes Active Lives”. The contract and agreements were signed on the 5th October 2007. Under FRS5 this has been determined as being off balance sheet. The Council has contributed land to this scheme which has been written out of the balance sheet. See also Note 3 on page 23.

(22) Valuation Information

General Fund fixed assets were valued (as at the 1st April 2004) by Taylor Riley, a local firm of Chartered Surveyors, in accordance with guidance issued by RICS and CIPFA. Five yearly revaluations are recommended unless values change significantly; and the next revaluation is due in 2009.

Assets are revalued at disposal.

For the purpose of implementing the Department of Communities & Local Government guidance on stock valuation for resource accounting for housing, a valuation was undertaken by FPD Savills (as at the 1st April 2007), which resulted in an increase in the valuation of £50,074,126. (£45,430,978 at1st.April 06)

The valuation was undertaken on the basis of Existing Use Value (EUV), except in the case of housing stock where Existing Use Value for Social Housing (EUV-SH) is appropriate. EUV-SH assumes the property is let for its existing use as social housing provision. Overall values are reduced by 55% to allow for Existing Use Value For Social Housing, in the South East Region.

Discounts of £684,000 (£1,289,480 2006/07) were granted to Tenants exercising their right to buy within the year.

(23) Depreciation Methodologies

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

For Council Dwellings the Major Repairs Allowance is used as a proxy for depreciation. Council Dwellings are revalued annually.

The next full review of asset values and the remaining life of assets is due in 2009 as part of the revaluation of the Council's assets under FRS15.

(24) Changes in Depreciation Methods

In 2007/08 there were no changes in the method of depreciation.

(25) Intangible Fixed Assets

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

	Intangible Fix Fixed Assets £000s
Original Cost	147
Amortisation to 1 April 2007	(27)
Balance as at 1 April 2007	120
Expenditure in Year	
Written off to Revenue in Year	(20)
Balance 31 March 2008	100

(26) Changes in Amortisation Method for Intangible Fixed Assets

In 2007/08 there were no changes in the method of amortisation for Intangible Fixed Assets.

(27) Deferred Charges

Movements in deferred charges during the year were:

	Disabled Facilities Grants £000	Other Grants £000	Other £000	Total £000
Balance at 1st April 2007	–	–	–	–
Non Fixed Assets - Expenditure in year	364	68	2,846	3,278
Financed from Government Grant in year	(218)			(218)
Written off to Revenue in year	(146)	(68)	(2,846)	(3,060)
Other Write Offs	–	–	–	–
Balance at 31st March 2008	–	–	–	–

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

	As at 31 March 2007 £000s	As at 31 March 2008 £000s
General Fund	126,370	123,427
Housing	257,711	302,020
Collection Fund	(478)	(1,241)
Pension Reserve	(36,420)	(30,270)
Total Equity	**347,183**	**393,936**

(29) Financial Instruments Balances

The Investments and Borrowings disclosed in the Balance Sheet make up approximately 3.35% of the Council's total net assets and are made up of the following categories of Financial Instruments:

Long Term 31-03-07 £'000	Short Term 31-03-07 £'000	Category of Financial Instrument	Long Term 31-03-08 £'000	Short Term 31-03-08 £'000
10,500	12,805	Loans and Receivables	4,753	11,549
5,197		Available for Sale Financial Assets	1,313	4,071
10		Unquoted Equity Investments at Cost		10
–	–	Fair Value Through Profit and Loss Financial Assets	–	–
15,707	**12,805**	**Total Investments**	**6,066**	**15,630**
(4,000)	(1,500)	Financial Liabilities at Amortised Cost	(4,000)	(4,514)
(4,000)	**(1,500)**	**Total Borrowings**	**(4,000)**	**(4,514)**

(30) Financial Instruments Balances and Movements

Movement in long term Financial Instruments

	Loans & Receivables £'000	Available for Sale £'000	Unquoted Equity £'000	Total £'000
Balance Sheet Value at 31 March 07	6,000	5,197	10	11,207
Reclassification of callable deposits	4,500			4,500
Cumulative Amortisation of Premiums at 31 March 07		86		86
Provision for Revaluation of Bonds at 31 March 07				
Accrued Interest (Debtor)				
Amortised cost at 31 March 07	**10,500**	**5,283**	**10**	**15,793**
Acquisitions		1,257		1,257
Disposals (Cost)		(1,296)		(1,296)
Investments becoming Due in 1 Year	(6,000)	(3,997)	(10)	(10,007)
Amortisation of Premiums		15		15
Revaluation Adjustments				0
Amortised cost at 31 March 08	**4,500**	**1,262**	**0**	**5,762**

Analysis of Year end Balance as at 31st March 2008

	Loans & Receivables £'000	Available for Sale £'000	Unquoted Equity £'000	Total £'000
Investment at Cost at 31 March 08	4,500	1,275		5,775
Cumulative Amortisation of Premiums at 31 March 08		(13)		(13)
Provision for Revaluation of Bonds at 31 March 08		32		32
Accrued Interest (Debtor)	253	19		272
Fair Value at 31 March 08	**4,753**	**1,313**	**0**	**6,066**

Movement in short term Financial Instruments

	Loans & Receiv-ables £'000	Available for Sale £'000	Unquoted Equity £'000	Total £'000
Balance Sheet Value at 31 March 07	17,305			17,305
Reclassification of callable deposits	(4,500)			(4,500)
Accrued Interest (Debtor)				0
Amortised at 31 March 07	**12,805**	**0**	**0**	**12,805**
Acquisitions	73,295			73,295
Revaluations				0
Investments becoming Due in 1 Year	6,000	3,997	10	10,007
Disposals (Cost)	(81,250)			(81,250)
Amortised cost at 31 March 08	**10,850**	**3,997**	**10**	**14,857**

Analysis of Year end Balance as at 31st March 2008

Investments Cost at 31 March 08	10,850	4,000	10	14,860
Cumulative Amortisation of Premiums at 31 March 08		(3)		(3)
Amortised cost at 31 March 08	**10,850**	**3,997**	**10**	**14,857**
Provision for Revaluation of Bonds at 31 March 08		(5)		(5)
Accrued Interest (Debtor)	699	79		778
Fair Value at 31 March 08	**11,549**	**4,071**	**10**	**15,630**

Movements in Borrowing during the year were as follows:

	Long Term £'000	Short Term £'000	Total £'000
Carrying Value at 31 March 07	**(4,000)**	**(1,500)**	**(5,500)**
Repayments		33,300	33,300
New Borrowing		(36,300)	(36,300)
Accrued Interest (Creditor)		(14)	(14)
Carrying Value at 31 March 08	**(4,000)**	**(4,514)**	**(8,514)**

(31) Financial Instruments Gains and Losses

Income from investments is approximately 5.6% of net operating expenditure. The gains and losses recognised in the Income and Expenditure Account are made up as follows:

Interest Payable & Similar Charges 2006/07 £'000	Interest & Invest-ment Income 2006/07 £'000	Category of Financial Instrument	Interest Payable & Similar Charges 2007/08 £'000	Interest & Invest-ment Income 2007/08 £'000
		Income from		
	(959)	Loans and Receivables		(1,258)
	(657)	Available for Sale Financial Assets		(219)
		Expenditure on:		
187		Financial Liabilities at Amortised Cost	350	
187	**(1,616)**	**Total**	**350**	**(1,477)**

Available for Sale Financial Assets generated £219k of interest income shown in the Income and Expenditure Account. They also have unrealised losses of £18k shown in the Statement of Total Recognised Gains and Losses. The net gain for these assets was £201k.

There were no impairment losses or gains/losses on trading (de-recognition) of any Financial Instruments.

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

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

The SORP requires that the Council calculates the Fair Value of these instruments and includes a comparison with the carrying amount. The Fair Value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the Instruments using the prevailing interest rates (as at the 31st March 2008).

The rates used depend on the remaining life of the loan and range from 5.14% to 5.40%. No early repayments or impairments are assumed. For Instruments that will mature within 1 year of the balance sheet date the carrying amount is assumed to approximate to Fair Value. The Fair Value of trade and other receivables (debtors) is taken to be the invoiced or billed amount.

Fair Value of Investments carried at amortised cost:

	Amortised Cost £'000	**Fair Value £'000**
Less than 1 year	11,549	11,549
1 year to 2 years		
2 years to 5 years	4,753	5,609
More than 5 years		
Fair Value of Investments held at amortised cost	**16,302**	**17,158**
Unquoted Equity		10
Investments held at Fair Value		5,384
Total investments at Fair Value		**22,552**

The Fair Value of long term loans with maturities beyond a year has been calculated as £4.154m as at the 31st March 2008 (£3.795m as at the 31st March 2007) this compares with the carrying value of £4.0m as at the 31st March 2008 (£4.0m as at the 31st March 2007). The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date.

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

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

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

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

Credit Risk

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 or in Building Societies with a capitalisation of £1 Billion. The Council also has a policy of not lending more than £5 million in one counterparty or group of counterparties (excluding Eurosterling Bonds).

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

The Council has not had and does not expect any losses from non-performance by any of its counterparties in relation to investments.

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

Credit Rating	Percentage of Portfolio 31/03/07	Percentage of Portfolio 31/03/08	Change
AAA or Local Authority Bonds	18%	25%	7%
AA+ or Aa1	1%	2%	1%
AA or Aa2	16%	22%	6%
AA- or Aa3	12%	0%	(12%)
A or A+ (all Building Societies)	53%	51%	(1%)

The Council does not generally allow credit for commercial rent and trade debtors, however £0.713m of the £1.549m debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

Overdue Debtor Amount		
	31 March 2007 £000	31 March 2008 £000
Less than 3 months	313	314
3 months to 6 months	21	97
6 months to 1 year	34	78
More than 1 year	257	224
Total Overdue Debtors	**629**	**713**
Provision for Bad Debts	(285)	(317)

Liquidity Risk

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

	Investments £'000
Less than 1 year	15,630
1 year to 2 years	1,313
2 years to 5 years	4,753
More than 5 years	0
Total Investments	**21,696**

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 and the Council has an Interest Rate Risk Reserve of £72,000 to accommodate any adverse changes.

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 £293,928 and an increase or decrease in payments of £66,542.

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

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

(34) Provisions

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

	Balance 01.04.07 £000	Additions £000	Payments £000	Balance 31.03.08 £000
Maintenance of graves	11			11
St. Mary's Church	4			4
Lift Renewal	123	15		138
	138	15	–	153

(35) Reserves

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

Reserve	Balance 1 April 2007 £'000	Net Move-ment in year £'000	Balance 31 March 2008 £'000	Further Detail of Movement	Purpose of Reserve
Revaluation Reserve	-	37,045	37,045	See note (a) below	Store of gains on revaluation of fixed assets not yet realised through sales
Capital Adjustment Account	363,411	10,078	373,489	See note (b) below	Store of capital resources set aside to meet past expenditure
Available-for -Sale Financial Instruments Reserve	-	27	27	See note (c) below	Store of gains on revaluation of investments not yet realised through sales
Financial Instruments Adjustment Account	-	(45)	(45)	See note (d) below	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Pensions Reserve	(36,420)	6,150	(30,270)	See Note 41 to the Core Financial Statements, page 49	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
Deferred Credits	728	(178)	550	See note (f) below	Proceeds of sales of assets due to be received over agreed periods of time, principally as mortgages
Usable Capital Receipts	6,331	(5,712)	619	See note (e) below	Proceeds of fixed asset sales available to meet future capital investment
General Fund Balance	1,105	-	1,105	See Statement of Movement on the General Fund Balance, page 19	Resources available to meet future running costs for non-housing services

Reserve	Balance 1 April 2007 £'000	Net Movement in year £'000	Balance 31 March 2008 £'000	Further Detail of Movement	Purpose of Reserve
Collection Fund	(478)	(763)	(1,241)	See Collection Fund Income and Expenditure Account, page 61	Recording of all Council Tax income due and distributed to Preceptors
Major Repairs Reserve	6,856	(441)	6,415	See HRA Statements, page 55	
Other Reserves	4,147	173	4,320	See note (g) below	
TOTAL	347,183	46,065	393,248		

(a) Movement on Revaluation Reserve	
	£'000
Revaluation of Assets	52,076
Less Value of Disposals	(2,639)
Less Depreciation	(747)
Less Impairments	(4,400)
Write out revaluation of Stanhope PFI assets	(7,245)
	37,045

(b) Movement on Capital Adjustment Account	
	£'000
Financing Capital Expenditure	13,750
PFI Deferred Consideration at 13.4.07	35,093
Less PFI Deferred consideration for year	(1,170)
PFI Residual Value	1,170
Less Depreciation	(4,133)
Less Deferred charges	(3,060)
Less Historic cost of disposals	(2,128)
Less Impairments	(1,589)
Less Mortgages written out	(8)
Write out historic cost of Stanhope PFI assets	(27,847)
	10,078

(c) Movement on Available-for -Sale Financial Instruments Reserve	
	£'000
Adjustment for Fair Value Bonds	27
	27

(d) Movement on Financial Instruments Adjustment Account	
	£'000
Opening Value of Premiums and Discounts	(68)
Less Write off of Premiums and Discounts	23
	(45)

(e) Movement on Usable Capital Receipts	
	£'000
Capital Receipts received	4,941
Less Housing Pooling Liability	(906)
Less Financing of Capital Expenditure	(9,747)
	(5,712)

(f) Movement on Deferred Credits	
	£'000
Repayments received	215
Less revaluation of assets	(44)
Change to accounting practice on Financial Instruments	7
	178

(g) Movement on Other Reserves

RESERVE	Balance B/fwd 1.4.07 £'000	Additions £'000	Payments £'000	Balance c/fwd 31.3.08 £'000
Elections	144	36	144	36
Repairs & Renewals	526	244	6	764
Insurance	26	21	8	39
Planning Appeals	412	-	-	412
Interest Rates	172	-	100	72
Building Control Reserve	67	-	51	16
Stour Centre	752	90	346	496
Community Grant Fund	24	-	4	20
Planning Delivery Grant	342	-	177	165
Transport Initiatives	149	6	-	155
People Mover	383	-	52	331
Legal Pressure Reserve	100	88	88	100
Housing PSL Reserve	138	17	9	146
Licensing Reserve	67	-	24	43
Members IT	22	-	17	5
Valuation of Assets	8	4	-	12
Street Cleaning Grants	8	7	6	9
Hopewell Twinning Reserve	-	1	-	1
Netball Centre Reserve	-	15	-	15
Service Pressure Reserve	807	437	497	747
Severance Reserve	-	736		736
TOTAL	**4,147**	**1,702**	**1,529**	**4,320**

(h) The Purpose of the Other Reserves

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

- Elections Reserve
- Valuation of Assets
- Housing PSL Reserve
- Planning Appeals
- Netball Centre Reserve
- Members' IT Reserve
- Legal Pressure Reserve
- Licensing Reserve
- Hopewell Twinning Reserve

The purposes of other Reserves are as follows:

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

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

Interest Rate Reserve was set up to provide a short-term resource cushion for when interest rates fall below expected levels.

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

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

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

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

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

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

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

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

(36) Contingent Liabilities and Contingent Assets

Contingent Assets

- A number of Councils are in the process of legal action against HM Revenue and Customs to recover VAT on car parking income. The Council has two protective claims for VAT on Off Street Parking income totalling £1,008,600. The case is currently subject to an appeal by HM Revenue and Customs.
- The Council is investigating its legal position in relation to cost overruns on the Stour Centre Refurbishment. There is the possibility that the Council will be entering into recovery action to seek compensation for these overruns. At this stage it is not possible to quantify the value of any action.

Contingent Liabilities

- The Council's insurers were Municipal Mutual Insurance Limited (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible claw back for the Council is set at £286,250. MMI's Directors have stated that they still foresee a fully solvent run-off of the Company's business. No provision has been made in the Statement of Accounts for any claw back of payments already made to the Council.
- The Council has entered into an agreement with the KCC relating to the provision of a Recuperative Care Centre at Farrow Court, Ashford. If the property ceases to be used for this purpose at any time during the 35-year life of the Agreement the Council will be liable to pay a proportion of the construction costs. The maximum possible liability is presently £320,000 and will reduce during the period of the Agreement. There is no reason to believe that these circumstances will arise, and no provision has been made in the Statement of Accounts for any future payments under this Agreement.
- The Council is accepting the risk for the Sheltered Housing PFI jointly procured with KCC. The risk to the Council in the event of early termination of the contract is circa £4m. (See Note 3 page 23 for further disclosures)
- The Council has accepted a planning obligation for the provision of 500 parking spaces for the County Square extension. Failure to meet this obligation may result in planning enforcement action and subsequently in a legal claim against the Council. The Council is working to provide a park and ride car park to meet this obligation on a permanent basis and delivered an interim solution on the Dover Place site as well as other extra parking capacity in the town.
- The Council is acting as a guarantor for the Pension Liabilities of Ashford Leisure Trust to permit their entry into the Superannuation Fund. In the event that the Trust fails to meet their obligations to the Fund the Council will be called upon to cover these liabilities. This cannot be quantified as they will depend on the strength of the Fund at the time and the actuarial assumptions for the valuation of future liabilities.
- The Council is acting as a guarantor for the statutory redundancy payments for staff employed by the Ashford Leisure Trust Ltd at the Julie Rose Stadium. The conditions of this agreement are to include redundancies within the first two years of Ashford Leisure Trust's contract with the Julie Rose Stadium Company, and redundancies arising from either party terminating the Agreement under clause 31(b) of the Contract. The amounts cannot be quantified as to whether either of the eventualities arises and the impact if they do is unknown.

- The Council has undertaken to act as a guarantor for the Pension Liabilities of the Special Purpose Vehicle to enable entry into the Superannuation fund. In the event that the funding arrangements change the Council could be called upon to cover these liabilities. This cannot be quantified as it will depend on the strength of the Fund at the time and the actuarial assumptions for the valuation of future liabilities.

(37) Authorisation of Accounts for Issue

The Statement of Accounts were Authorised for issue on the 24th June 2008 by the Audit Committee. No events after this date have been taken into account in this Statement.

(38) Post Balance Sheet Events

There have been no post balance sheet events to note.

(39) Trust Funds

Doctor Wilkes Memorial Hall Trust

The Council is the Custodian Trustee of the Doctor Wilkes Memorial Hall (Registered Charity number 221788). The purpose of the trust is the maintenance of the Hall, which is currently let to the Ashford Museum Society.

		2006/07 £000	2007/08 £000
Income for year	- interest	3	4
	- Museum Society rent	4	4
Less Expenditure	- maintenance	(1)	(4)
Surplus for year		**6**	**4**
Balance at 1 April		63	69
Surplus for year		6	4
Balance at 31 March		**69**	**73**

Allotments for the Labouring Poor

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

(40) Analysis of debtors and creditors

These amounts were due to the Council at the 31st March 2008

	31 March 2007		31 March 2008	
	£'000s	£'000s	£'000s	£'000s
Government Departments		1,454		5,956
Other Local Authorities		45		47
Housing Tenants	306		262	
Less: Provision for Bad Debts	(213)	93	(221)	41
Sundry Debtors	4,110		4,171	
Less: Provision for Bad Debts	(1,417)	2,693	(1,392)	2,779
Local Taxpayers/ Ratepayers	2,355		2,632	
Less: Provision for Bad Debts	(1,579)	776	(1,336)	1,296
		5,061		**10,119**

Increase in Debtors is mainly due to:

	£000
Grant outstanding on Ashford's Future projects	2,510
Owing from RTB receipts pool	339
Owing from NNDR pool	1,198
Housing Benefit Subsidy	186
VAT	116
Business Rate payers	495
Council Taxpayers	(218)
Dec in Provision for Bad Debts	268

These amounts were due to be paid by the Council at 31st March 2008

	31 March 2007	31 March 2008
	£'000s	£'000s
Government Departments	407	843
Other Local Authorities	297	511
Housing Tenants	261	308
Local Taxpayers/ Ratepayers	741	1,411
Sundry Creditors	6,053	6,679
Developer Contributions	3,700	3,856
	11,459	**13,608**

Increase in Creditors is mainly due to:

	£000
Housing Subsidy	252
Intereg Funding payment in advance	296
Payment Terms	634
Year end accruals for capital schemes	1,185

(41) Information on Pensions Scheme

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

The Authority participates in the Local Government Pension Scheme managed and administered by Kent County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge we are required to make against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance.

	2006/07 £000s	2007/08 £000s
Income and Expenditure Account		
Net cost of services		
Current service cost	2,130	1,951
Past service cost	-	90
Unfunded benefits	(240)	(250)
Impact of settlements and curtailments	100	(70)
Net Operating Expenditure		
Interest cost	4,700	5,090
Expected return on assets	(3,630)	(4,101)
Net Charge to the Income and Expenditure Account	**3,060**	**2,710**
Statement of Movement in the Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(3,060)	(2,710)
Actual amount charge against the General Fund for pensions in the year.	**2,280**	**2,630**

Assets and Liabilities in Relation to Retirement Benefits

	31 March 2007 £000s	31 March 2008 £000s
Estimated Liabilities in Scheme	(94,680)	(83,220)
Estimated Assets in Scheme	58,260	52,950
Net Asset/(Liability)	**(36,420)**	**(30,270)**

The liabilities represent the Authority's share of the long term commitments of the scheme.

However, the statutory arrangements for funding the deficit means that in the longer term this can be managed within the Authority's Financial Plan. The deficit on the Local Government Pension Scheme will be made good by increased employer contributions over the remaining working life of employees.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Method, an estimate of pensions that will be payable in future years dependant on assumptions on mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the Scheme as at 1 April 2007.

Assumptions as at:	31 March 2007	31 March 2008
Price Increases (Inflation)	3.2%	3.6%
Salary Increases	4.7%	5.1%
Pension increases	3.2%	3.6%
Discount Rate	5.4%	6.9%

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

	31 March 2007	31 March 2008
Equities	70%	69%
Bonds	13%	14%
Property	10%	11%
Cash	7%	6%

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2007/08 can be analysed in the following categories and measured as absolute amounts.

	31 March 2004	31 March 2005	31 March 2006	31 March 2007	31 March 2008
Difference between the expected and actual return on assets	5,440	1,696	8,620	(370)	(7,170)
Value of assets	39,236	43,246	54,850	58,260	52,950
Percentage of assets	**13.9%**	**3.9%**	**15.7%**	**(0.6)%**	**(13.5)%**
Experience gains/(losses) on liabilities	112	(4,438)	(169)	220	(350)
Total present value of liabilities	61,585	81,438	95,920	94,680	83,220
Percentage of the total present value of liabilities	**0.02%**	**(5.4%)**	**(0.2%)**	**0.2%**	**(0.4)%**
Actuarial gains/losses recognised in Statement of Total Recognised Gains and Losses	5,552	(16,012)	(2,229)	5,430	6,230
Total present value of liabilities	61,858	81,438	95,920	94,680	83,220
Percentage of the total present value of liabilities	**9.0%**	**19.7%**	**(2.3%)**	**5.7%**	**7.5%**

Movements in Surplus / Deficit during the Year

	31 March 2007	31 March 2008
Surplus / (Deficit) at Beginning of the Year	**(41,070)**	**(36,420)**
Current Service Cost	(2,130)	(1,950)
Employer Contributions	2,280	2,630
Contributions in respect of Unfunded Benefits	240	250
Other Income	–	–
Other Outgo (eg, expenses etc)	–	–
Past Service Costs	-	(90)
Impact of Settlements and Curtailments	(100)	70
Net Return on Assets	(1,070)	(990)
Actuarial Gains / (Losses)	5,430	6,230
Surplus / (Deficit) at End of Year	**(36,420)**	**(30,270)**

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

	£000s	£000s
Deficit on Income and Expenditure Account	11,419	
Less: Net Additional amounts required by Statute and non-statutory practices to be debited or credited to the General Fund Balance for the year	(11,419)	
Net Change in General Fund Balance	–	
Net Change in Housing Revenue Account Balance	269	
Net Change in Collection Fund Balance	763	
		1,032
Servicing of finance		834
Change in Creditors	(2,646)	
Change in Debtors	2,248	
Change in Stocks & Works in Progress	9	
Change in Provisions	(15)	
Change in Reserves	(3,408)	
Change in other non-cash accounts	1,556	
		(2,256)
Net Revenue Movement (inflow)		**(390)**

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

	31 March 2007 £000s	31 March 2008 £000s	Movement £000s
General Account	3,101	1,072	(2,029)
Payments Account	(3,190)	(1,914)	1,276
Business Reserve (47)	6	7	1
Business Reserve (30)	1	1	–
PFI Joint Account	–	707	707
Petty Cash	10	6	(4)
Movement in Cash	**(72)**	**(121)**	**(49)**
Increase/(decrease) in liquid assets			(7,979)
(Increase)/decrease in borrowing			(3,000)
Movement in net funds			**(11,028)**

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

	Balance Sheet 31 March 2007 £000s	Balance Sheet 31. March 2008 £000s	Movement £000s
Liquid Assets			
Euro Sterling Bonds	5,197	5,383	186
ADC Debenture	10	10	–
Short Term Investments	23,305	16,303	(7,002)
	28,512	**21,696**	**(6,816)**
Add Deferred Debtor			7
Less Financial Instruments Adjustment			(27)
Less Transfer of Opening Discount			(93)
Accrued Interest			**(1,050)**
Movement in Liquid Assets			**(7,979)**
Financing			
Short Term Borrowing	1,500	4,514	3014
Long Term Borrowing	4,000	4,000	–
	5,500	**8,514**	**3,014**
Less Accrued Interest			(14)
Movement in Financing			**3,000**

(45) Explanation of Liquid Resources and Changes in Policy

There have been no changes in investment policy for 2007/08. The Council has maintained its Euro-sterling Bond portfolio and manages its daily cash flow with cash deposits.

(46) Cash Flow Analysis of Other Government Grants

	2006/07 £000	2007/08 £000
Business Rate Collection Allowance	173	174
Europe Direct Funding	34	12
DWP Benefit Administration	722	738
SEEDA: SRB Grant	(34)	–
DEFRA		
CLG: Planning Delivery Grant	503	474
CLG: Ashford Core Delivery Team	540	583
CLG: Ashford Future's projects	184	582
CLG: Recycling Initiatives	82	87
CLG: Beacon Status	15	5
Home Office: Registration Services	18	–
Home Office: Community Safety and Anti-Social Behaviour	154	136
CLG: Homeless Initiatives	31	31
Smoke Free Legislation	–	33
Other		32
	2,422	**2,887**

(47) Group Accounts

As part of the closedown process, the Council has examined its relationship with outside bodies in accordance with the tests outlined in the Statement of Recommended Accounting Practice and no group relations were identified.

SUPPLEMENTARY SINGLE ENTITY STATEMENTS

HOUSING REVENUE ACCOUNT

2006/2007 £ 000's	HRA INCOME AND EXPENDITURE ACCOUNT	2007/2008 £000's
	Income	
(17,446)	Dwelling Rents (net)	(17,953)
(466)	Non-dwelling rents (net)	(576)
(348)	Charges for services and facilities	(309)
(14)	Miscellaneous land sales (below £10,000)	(2)
(387)	Contributions towards expenditure - supporting people	(392)
(16)	Contributions towards expenditure – leaseholders	(14)
(1)	General Fund Contributions	(1)
(18,678)	**Total Income**	**(19,247)**
	Expenditure	
3,117	Repairs and Maintenance	3,594
4,698	Supervision and Management	6,260
0	Payment to PFI contractor net of Gov't PFI subsidy	(1,024)
17	Rents, rates, taxes and other charges	14
4,870	Negative HRA subsidy payable (incl. MRA and excl PFI)	5,901
95	Increase in Provision for Bad Debts	60
3,580	Depreciation and impairment of fixed assets	8,185
25	Debt Management Costs	23
-	Contribution to General Fund	-
16,402	**Total Expenditure**	**23,013**
(2,276)	**Net cost of HRA Services as included in the whole authority Income and Expenditure Account**	**3,766**
544	HRA services share of Corporate and Democratic Core	515
305	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	340
(1,427)	**Net Cost of HRA services**	**4,621**
25	Amortisation of premiums and discounts	25
(376)	Interest and Investment income	(387)
421	Loan interest	510
177	Pensions interest cost and expected return on pension assets	162
(1,180)	**(Surplus) or deficit for the year on HRA services**	**4,931**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE		
2006/2007 £000s		**2007/2008 £000s**
	Increase or decrease in the HRA balance comprising:	
(1,180)	(Surplus) or deficit for year on the HRA Income and Expenditure Account	4,931
787	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (see below)	(4,662)
(393)	(Increase) or decrease in the Housing Revenue Account Balance	269
(1,110)	Housing Revenue Account balance brought forward	(1,503)
(1,503)	**Housing Revenue Account balance carried forward (Page 20)**	**(1,234)**

NOTE ON STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE		
2006/2007 £000s		**2007/2008 £000s**
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
(0)	Depreciation and impairment of fixed assets	(4,950)
(530)	Net changes made for retirement benefits in accordance with FRS17	(482)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
378	Employers contributions payable to the KCC Pensions Fund	431
,939	Capital expenditure funded by the HRA	339
0	Transfer to/from Major Repairs Reserve	0
787	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**(4,662)**

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 the 31st March 2008 is given in the table below:

Dwellings By Type	31 March 2007	31 March 2008
Traditional Houses	1,819	1,812
Non Traditional Houses	660	656
Bungalows	1,088	1,088
Flats	1,791	1,679
TOTAL NUMBER OF DWELLINGS	**5,358**	**5,235**
Properties Managed under the Stanhope PFI	-	(641)
REVISED TOTAL NUMBER OF DWELLINGS	**5,358**	**4,594**

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

	1 April 2007 £000s	31 March 2008 £000s
Operational assets - dwellings, land and buildings	314,688	325,086
Non-operational assets	-	-
	314,688	**325,086**

(2) Vacant possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at the 1st April 2007 was £798,860,820 (£704,052,560 as at the 1st April 2006). The difference between this and the Balance Sheet value shows the economic cost to Government of providing council housing at less than open market rents.

(3) Major Repairs Reserve

	2006/07 £000	2007/08 £000
Balance on 1 April	6,276	6,856
Add: MRA received in year	3,580	3,235
Less: Use of Reserve for HRA Capital Expenditure	(3,000)	(3,676)
Balance at 31 March	**6,856**	**6,415**

(4) Summary of Capital Expenditure and Financing

	2006/07 £000s	2007/08 £000s
Expenditure on Dwellings	3,939	4,788
Financing		
Capital Receipts		891
Major Repairs Allowance	3,000	3,676
Revenue Contribution	939	221
	3,939	**4,788**

(5) Capital Receipts from Disposal of Assets

	20067/08 £000
Receipts from Right to Buy Sales	1,665
Receipts from housing Land	1,344
Costs of disposal	(134)
Total Capital Receipts less deductions	**2,875**

(6) Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £ 3,234,639 (2006/07, £3,580,164), for operational assets, (this all relates to dwellings).

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

(7) Impairment

In 2007/08 Impairments of £4,949,734 (£0 – 2006/07) were charged to the Housing Revenue Account. This relates to the refurbishment of properties conducted in year where items are replaced within dwellings.

(8) Deferred Charges

In 2007/08 no Deferred Charges were charged to the Housing Revenue Account.

(9) HRA Subsidy

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

	2006/07 £000	2007/08 £000
Allowance for Management	2,219	2,228
Allowance for Maintenance	5,313	5,464
Allowance for Major Repairs	3,580	3,235
PFI Subsidy	0	2,868
Charges for Capital	291	356
Rent	(16,262)	(17,187)
Interest on Receipts	(8)	(6)
Adjustment for previous years	(3)	9
Negative Subsidy (payable to Central Government)	**(4,870)**	**(3,033)**

This table differs from the HRA Income & Expenditure Account as the total figure is net of £2,868,000 from PFI subsidy.

(10) Pensions

Transactions relating to retirement benefits

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

	2006/07 £000s	**2007/08 £000s**
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	353	320
Past Service Cost		
Net Operating Expenditure		
Interest cost	779	834
Expected return on assets	(602)	(672)
Net Charge to the Income and Expenditure Account	530	482
Statement of Movement in the Housing Revenue Account Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(530)	(482)
Actual amount charged against the Housing Revenue Account for pensions in the year.	**378**	**431**

(11) Rent Arrears

During the year 2007/08 arrears totalling £52,307 (££38,532 - 2006/07) were written off to the bad debts provision (held outside the HRA) because they were considered to be uncollectible. A contribution of £60,292 (£95,000 - 2006/07) was made to the provision in the year. The balance on the provision at 31 March 2008 was £220,995 (£212,970 at31 March 2007).

	31 March 2007	31 March 2008
Gross Arrears	305,707	180,034
Less Pre-Payments	(260,994)	(307,995)
Net Position	**44,713**	**(127,961)**

(12) Secretary of State Directions

There were no Secretary of State Directions in 2007/2008.

(13) Exceptional or Prior Year Items

In 2007/08 there were no exceptional or prior year adjustments.

COLLECTION FUND

2006/07 £'000	INCOME AND EXPENDITURE ACCOUNT	2007/08 £'000	£'000
	INCOME		
35,876	Income from Business Taxpayers		34,790
48,302	Council Tax		51,125
5,506	Council Tax Benefits		5,740
—	Adjustment of Previous year's Community Charge		-
89,684			91,655
	EXPENDITURE		
	Precepts and Demands		
40,181	Kent County Council	42,937	
5,090	Kent Police Authority	5,441	
2,598	Kent and Medway Fire Authority	2,746	
5,744	Ashford Borough Council (inc Parish Precepts)	6,122	57,246
	Business Rates		
35,298	Payment to National Pool	34,311	
173	Costs of Collection	175	34,486
	Bad and Doubtful Debts		
236	Write-offs	464	
544	Provisions	220	684
	Contributions		
	Surplus Distribution		
282	- Kent County Council	2	
36	- Kent Police	-	
18	- Kent Fire	-	
36	- Ashford Borough Council	-	2
90,236			92,418
552	Deficit/ (Surplus) in Year		763
(74)	Balance at 1st April 2007		478
478	**Balance at 31st March 2008**		**1,241**

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 relief's and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to Authorities their share of the pool, based on a standard amount per head of local adult population.

Total non-Domestic Rateable Value:	**£**
01 April 2007	98,233,795
31 March 2008	96,098,200
Increase/ (decrease) for year	**(2,135,595)**

The Uniform Rate in the pound set by Government in 2007/08 was: -	
For rateable values below £15,000	£44.10
For rateable values £15,000 and above	£44.40

(2) Council Tax Base

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

Band	No properties (net of discounts and relief's	Multiplier	Band D Equivalent	Tax in 2006/07	Tax in 2007/08	Yield
						£'000
A	2,840	6/9	1,894	808.08	847.56	2,407
B	9,626	7/9	7,486	942.76	988.82	9,518
C	10,342	8/9	9,193	1,077.44	1,130.08	11,687
D	6,730	1	6,730	1,212.12	1,271.34	8,556
E	5,628	11/9	6,879	1,481.48	1,553.86	8,745
F	4,524	13/9	6,534	1,750.84	1,836.38	8,308
G	2,773	15/9	4,621	2,020.20	2,118.90	5,875
H	172	2	346	2,424.24	2,542.68	438
			43,682			**55,534**
Adjustments for unbanded and new properties and uncollectables			(600)			(762)
Local tax base (including parishes) and expected yield			**44,282**			**56,296**

The Council Tax Base produces a collectible amount of approximately £56.3m. However, changes to the banding of properties, reducing numbers of new properties, exemptions/reliefs and discounts granted altered the amount during the year to £56.8m.

(3) Precepts

The following authorities made a significant precept or demand on the collection fund

Authority	Precept £000	Distribution of prior years surplus £000	Total £000
Ashford Borough Council*	6,122	0	6,122
Kent County Council	42,938	2	42,940
Kent Police	5,441	0	5,441
Kent Fire and Rescue	2,745	0	2,745
Total	**57,246**	**2**	**57,248**

*This includes parish precepts

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

Parish	Precept £000
Tenterden Town Council	163
Biddenden	44
Kingsnorth	46
Wye with Hinxhill	39
Charing	32

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

In discharging this overall responsibility, Ashford Borough Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

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

The Purpose of the System of Internal Control

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

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

The governance framework has been in place at Ashford Borough Council for the year ended 31st March 2008 and up to the date of the approval of the statement of accounts.

The Governance Framework

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

Community Focus

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

2. In May 2007 the Council formally adopted a new Corporate Plan for the period 2007-2010. All services have developed new Service Plans, which will enable the Council to implement and deliver the plan.

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

4. All legally binding partnerships have formal terms of reference agreed and adopted by the partners. In addition the Council has a Partnership Protocol (dating from 2000 and to be revised during 2008) for all other partnerships.

Performance Management

5. Through reviews by external auditors, external agencies, Internal Audit and internal groups, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

6. Services are delivered by trained and experienced people with appropriate professional qualifications. During 2007-2008 the Council successfully renewed its Investors in People accreditation. All posts have a detailed job description and person specifications. Training needs are identified through Personal Development Discussions and needs are fulfilled by a combination of internal and external training providers.

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

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

9. The Council has an effective performance management framework. The system is driven by the Corporate Plan which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee appraisals and action plans. It provides the mechanism for targets, performance indicators and objectives to be reviewed by the Executive and Scrutiny Committees and for reviews of Service Objectives to be fed back into the policy and planning cycle.

10. As part of the performance management framework the Council conducts quarterly performance management meetings for all services. These meetings review the services performance in relation to performance indicators, budget monitoring, service plan delivery and during 2007-2008 the meetings were expanded to include Health & Safety and Risk updates and reports.

Structures and Processes

11. The Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that the Council is accountable to local people.

12. Most major policy issues are considered by the Executive Committee in public meetings on the basis of published reports. Recommendations to the full Council are then made based upon these considerations. The facilitation of policy and decision-making is through the two Policy Advisory Groups – 'Services and Partnerships and 'Resources, Policy and Performance'. The Overview and Scrutiny Committees provide a scrutiny function over the decisions made by the Executive as well as providing public reviews of issues or council services that effect local people. In addition senior officers of the council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and officers under their delegated powers.

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

Risk Management & Internal Control

14. The Council's Risk Management Strategy was approved by the Executive on 23rd March 2006. Annual Service and Strategic Risk assessments are undertaken and from the assessments Service and Strategic Risk Registers and Service and Strategic Risk Action Plans are created. These are reviewed on a quarterly basis (half yearly for Strategic Risk). During 2006-2007 Risk assessments were expanded to include Business Continuity. Risk management is becoming firmly embedded throughout the Council and the Deputy Leader of the Council's Portfolio of responsibilities now includes Risk and Business Continuity. There are clear linkages between objectives and the risk evaluation process that ensures that service risks are minimized and aligned to delivery of the Council's Corporate Plan.

15. The Council has a comprehensive Health & Safety Policy in place and a Risk Register for the protection of staff. Operational issues are overseen by an officer working group which from May 2006 introduced an on-going and comprehensive audit and assessment of Health & Safety throughout all services,

16. The Council has designated the Head of Legal & Democratic Services as Monitoring Officer. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness.

Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

17. The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the Constitution and within Financial Regulations. The Council has designated the Deputy Chief Executive as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Chief Financial Officer has statutory responsibilities to determine, monitor and report on the Council's financial arrangements including reporting on any unlawful or potentially unlawful decisions. The Council has in place a MTFP (Medium Term Financial Plan), updated annually, to support the medium-term aims of the Corporate Plan. Financial monitoring arrangements are in place and reported quarterly to the Executive.

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

19. The Council maintains an Internal Audit Section, managed from September 2005 by a partnership arrangement with Maidstone Borough Council, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

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

Standards of Conduct

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

22. The Council has adopted a comprehensive good practice protocol for councillors dealing with planning matters. The Council's Standards Committee, chaired by an independent member of the public oversees conduct issues. The Standards Committee has in place agreed procedures for dealing with local investigation hearings in accordance with the regulations which allow the Standards Board for England to refer allegations of misconduct for local decisions. In-house and external training has been undertaken for councillors on probity matters.

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

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

Review of Corporate Governance

25. During 2007 the Council adopted a local code of Corporate Governance which provides a governance framework for the Council. Following revised guidance issued by CIPFA/SOLACE during 2007 the Council has revised the Local Code of Corporate Governance and this revised version will be submitted for approval during 2008.

26. The Local Code of Corporate Governance will be reviewed on an annual basis and the report into the Local Code will be produced annually as the Council's Annual Governance Statement.

Review of Effectiveness

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

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

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

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

29. The Head of Legal & Democratic Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council's constitution was refreshed and updated during the course of 2007-2008 and the revised Constitution will be published on the Council's web site in early 2008-2009.

30. The Monitoring Officer presents an annual report to the Council and the Standards Committee regarding probity and code of conduct issues. His annual report for 2007-2008 will be presented to the Council in July 2008 and it will show that there was one investigation following a complaint about a former Councillor.

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

32. The Council maintains a Standards Committee to promote and maintain high standards of conduct by Members and to assist Members in observing the Members' Code of Conduct. The Standards Committee also advises the Council on all matters relating to the Code of Conduct including revisions to the Code, monitoring of the operation of the Code and training and arranging for training of Members on matters relating to the Code. The Standards Committee also seeks to resolve complaints about a Member's conduct. The Standards Committee has the power to censure, suspend or partially suspend a Member in accordance with the provisions of the Local Government Act 2000 or other relevant statute or regulation.

33. The Council had two Overview and Scrutiny Committees. They can "call in" a decision which has been made by the Executive but not yet implemented, to enable them to consider whether the decision is appropriate. They allow matters of wide ranging interest to the Council to be publicly reviewed and scrutinised.

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

35. During 2007-2008 the Council reviewed the operation and effectiveness of Ashford's Future. As a result of this review the Council and its partners have set up a more formal Partnership Agreement and will set up a Special Purpose Vehicle to help ensure the more effective delivery of the desired outcomes of the partners and the public.

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

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

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

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

40. In 2006-2007 the Council formed an Audit Committee that undertakes the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical guidance for Local Authorities*. The Audit Committee has responsibility for reviewing the adequacy of internal controls and monitoring the performance of internal audit. It also reviews the External Audit Plan, reviews the Annual Audit Commission Letter, reviews the adequacy of arrangements for Risk Management within the Council and approves the Councils financial accounts.

41. Internal Audit is responsible for monitoring the adequacy and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan, which is approved by the Audit Committee, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Head of Service with a copy to the Chief Executive and the Directors. The report includes recommendations for improvements to internal controls and these are detailed within an Action Plan for agreement or rejection by Heads of Service. The process also allows for follow up work to be completed for all reports issued in order to confirm that the action proposed by the Head of Service has been implemented in practice. The results of the follow-up are reported to the Head of Service, the Chief Executive and Directors and reported to the Audit Committee on a six monthly basis.

42. As part of the monitoring of the Internal Control processes within the Council, Internal Audit issue an Annual Report that considers the work of Internal Audit over the financial year and the Opinion of the Head of Internal Audit in relation to the Council's control environment. Due consideration is given to this report and the reports conclusions are used to inform the judgment on the Annual Governance Statement. For 2007-2008 the Head of Internal Audit's report entitled Internal Audit Annual Report 2007-2008 concluded that generally, a substantial level of internal control exists within the Council's systems and procedures subject to the qualifications recorded within the report.

43. The Internal Audit Section is subject to regular appraisal by the Council's external auditors who review the adequacy of compliance with the Code of Practice for Internal Audit. The external auditors place reliance on the work carried out by Internal Audit subject to being satisfied with the quality and comprehensiveness of the work. For the financial year 2006-2007 they were able so to do. During 2008 the Audit Commission will carry out their triennial review of the adequacy of internal audit within the Council.

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

45. A report on key indicator progress against targets and budget monitoring is brought to Management Team and the Executive as part of the Quarterly Budget and Performance Monitoring Report. Monthly updates are available on all Local and Best Value PI's on the Internet and Intranet. Monthly monitoring reports on budgets are prepared and are posted on the intranet.

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

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

Significant Governance Issues

The following significant governance issues have been identified during the period 2007-2008. These exceptions and the actions being taken to rectify them will be reported upon to the Audit Committee or Selection & Constitutional Review Committee (as indicated) on a quarterly basis within a governance issues report.

Exception	Description/Action
Partnership Protocol (S&CR)	The Council established a Partnership Protocol in its Corporate Plan of 2000. Due to the increasing number of partnerships the Council engages in this protocol requires updating and re-issuing.
Race Equality Scheme (S&CR)	The Council's Race Equality Scheme was due to be reviewed in 2005 and this review is still outstanding and needs to be urgently undertaken.
Corporate Plan Review (S&CR)	In light of the recent developments in the Kent Local Area Agreement, Local Strategic Partnership and Sustainable Community Strategy a review of the Council's Corporate Plan needs to be undertaken to ensure it is still well aligned with these strategies and policies.
Scheme of Public Participation. (S&CR)	The Council's Scheme of Public Participation (contained within the Constitution) needs to be reviewed to see whether more public engagement can be achieved.
Section 106 income management. (AC)	During 2007-2008 a potential issue was identified relating to the receipt, tracking and use of monies received by the Council as part of Section 106 agreements. Although financial tracking of monies has now been embedded control of the spending of the monies is still weak. APMG now has responsibility for monitoring, on a monthly basis, section 106 income and spending.
Internal Audit follow-up reports and management actions (AC)	During 2007-2008 a potential control issue was identified which related to monitoring the actions taking by officers in relation to internal audit recommendations following an internal audit. To rectify this the Head of Internal Audit now submits a quarterly report to Management Team and the Audit Committee detailing follow-up audits which have found that earlier recommendations have not been implemented. Accordingly this control weakness is now considered to have been remedied. A review of the effectiveness of this new arrangement will be conducted during 2008-2009.

Exception	Description/Action
Response to Internal Audit Reports (AC)	During 2007-2008 a control issue with regards to Responses to Internal Audit reports was identified. Heads of Service need to respond promptly and comprehensively to Internal Audit reports and on a number of occasions this did not happen. Instances where this happens will now be included in the Head of Internal Audit's quarterly report to management Team and the Audit Committee. A review of the effectiveness of this new arrangement will be conducted during 2008-2009.
Internal Control of bank reconciliations. (AC)	An Internal Audit review of bank reconciliation in August 2006 identified major areas of concern with regards to bank reconciliation. Major improvements have been implemented since the report and if the year end audit of the Council's accounts by our external auditor does not highlight any issues with bank reconciliation then this exception will be considered to have been remedied. Bank reconciliation will continue to be monitored on a monthly basis through a local performance indicator.
Debtors (AC)	The internal audit of the Debtors system found that control assurance was limited. The follow-up audit noted that only one of ten recommendations had been implemented. A new Debtors system was introduced in April 2008 and it hoped that this will tackle the main issues of the audit.
ICT Security Policy (S&CR)	The internal audit of the ICT Security policy concluded that the control assurance was limited. A comprehensive and prompt response from the Head of ICT & Customer Services was received however due to the timing of the response the control weakness was still outstanding as of the 31st March 2008.
Grounds Maintenance (AC)	The initial audit concluded that control assurance was substantial. However, this opinion gave some consideration to the expectation that the audit recommendations would be implemented. The follow-up in May 2008 found that the majority of the recommendations had not been implemented

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

Chief Executive

Leader of the Council

Dated………24th June 2008………………………………………………………………

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

Opinion on the financial statement.

I have audited the Authority accounting statements and related notes of Ashford Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

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

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

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Ashford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Best Value Performance Plan

The previous appointed auditor issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 in November 2007. She did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Delay in issuing the certification of completion of audit

I carried out the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. However, I am unable to issue the audit certificate until I have completed my consideration of issues relating to expenditure on the Stour Leisure Centre.

As a result of my consideration of this matter I will determine whether I should exercise my discretion to issue a public interest report under Section 8 of the Audit Commission Act 1998.

Andy Mack
District Auditor

Audit Commission, 16 South Park, Sevenoaks, Kent TN13 1AN

6th October 2008

CORPORATE AIMS AND OBJECTIVES

In 2006 the Council reviewed its corporate objectives and agreed revised themes and aims for the period 2006/20010. The Council is committed to the delivery of its Corporate Plan which is summarised below. This plan is integrated into the Councils budget allocating the resources available to meet these objectives.

Good quality services giving best value for money

By 2010 we will:

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

Local leadership and strong partnership working

By 2010 we will:

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

Customer/Citizen focus

By 2010 we will:

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

Our Environment

By 2010 we will:

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

Ashford's Future

By 2010 we will:

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

Housing

By 2010 we will:

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

Prosperity

By 2010 we will:

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

GLOSSARY

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

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

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

ASSET MANAGEMENT REVENUE ACCOUNT – This account is used for budgeting and holds the interest earned and paid on investments and borrowing, and the reversal of capital charges.

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

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

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

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

CAPITAL FINANCING – funds used to pay for capital expenditure

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

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

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

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

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

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

CREDITORS – money owed by the Council to others.

DEBTORS – money owed to the Council by others.

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

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

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

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

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

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

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

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

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

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

MRP – Minimum Revenue Provision, this is the calculation that councils make for the repayment of debt.

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

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

OUTTURN – actual income and expenditure in a financial year.

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

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

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

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

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

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

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

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

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

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

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