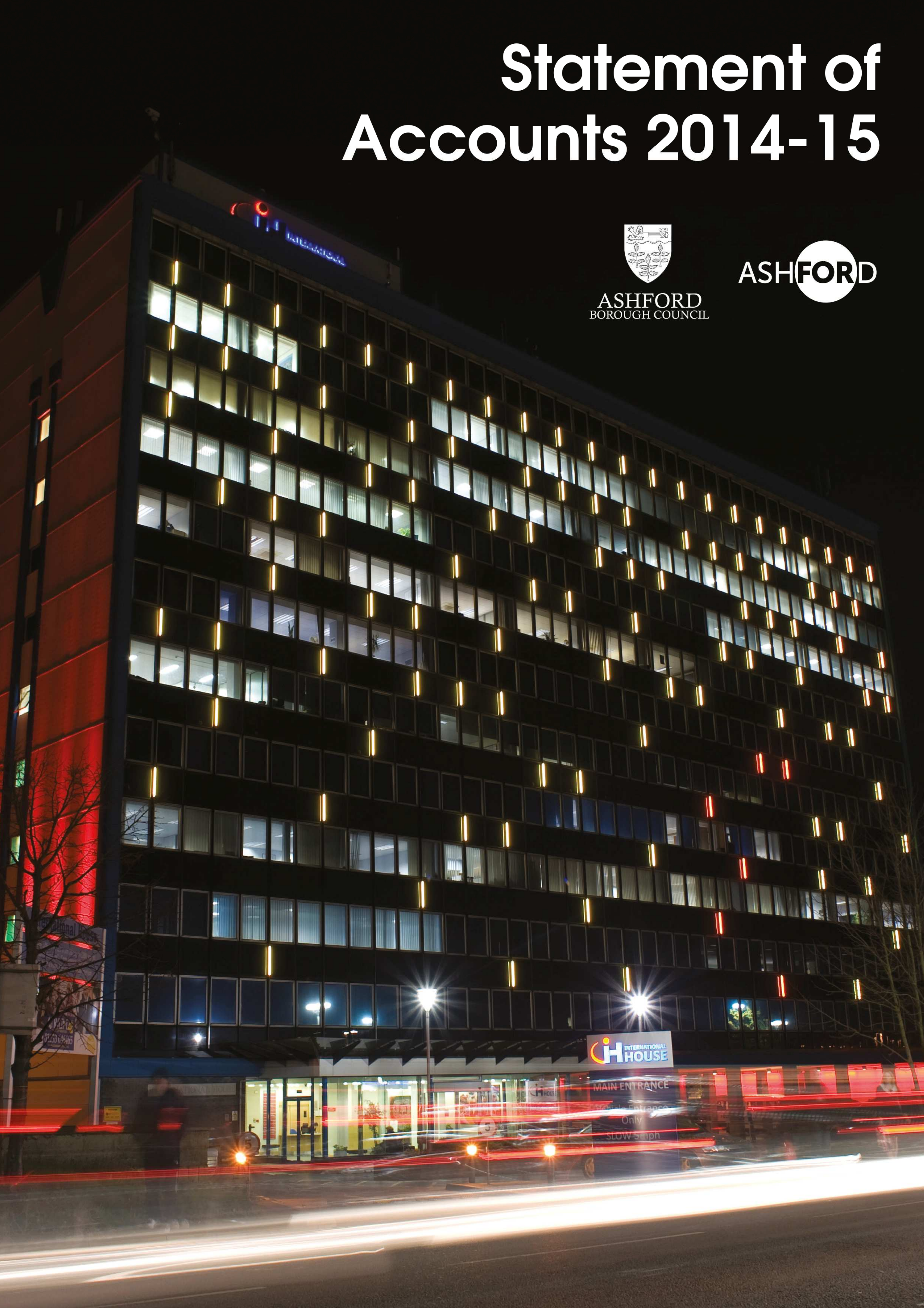
Statement of Accounts 2014-15

ASHFORD
BOROUGH COUNCIL

ASHFORD



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Approval of the Statement of Accounts

The Audit Committee at its meeting on the 29th September 2015 approved the Statement of Accounts for the year ended 31 March 2015 in accordance with the Accounts and Audit Regulations 2011.

Signed:

Councillor Link
Chairman Audit Committee

Explanatory Foreword

Introduction

Local Authority accounts are subject to a number of regulatory requirements and accounting standards. This results in a complex format, which requires the reader to have a reasonable knowledge of accounting terms and presentation. Where the use of technical terms is unavoidable, an explanation is provided in the Glossary (page 75).

The Statement of Accounts

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

For this year (2014/15), there have been very few changes to the Code with only some changes that do not affect this Council.

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

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

Overview of 2014/15 Financial Results and Activity

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

Spending overall for the year, after income and other receipts, was a little above budget. Some services came in over budget, mainly a result of investment in IT infrastructure and the waste and recycling contract. However in year pressures were managed well with corrective actions taken to contain overall spend.

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

The Council set its budget requirement at £13.6m (amount funded by Government Grant and Council Tax) with a further £1.1m levied by Parish Councils. The Council took the decision to freeze Council Tax leaving the band D at £145.45 for 2014/15.

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

Reserves increased during the year, mainly to support delivery of the Council's Business Plan and future commitments. Overall, revenue reserves remain at a healthy level and afford some flexibility to help with investments to support local growth.

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

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

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

General Fund Final Outturn 2014/15

Service	Original Budget 2014/15	Revised Budget 2014/15	Final Outturn 2014/15	Variance
		A	B	B-A
	£'000	*£'000*	*£'000*	*£'000*
Corporate, Strategy & Personnel	1,844	1,821	1,603	(218)
Legal & Democratic Services	1,311	1,301	1,190	(111)
Planning & Development	1,810	1,893	2,024	131
Financial Services	2,056	2,050	2,092	42
Communications & Technology	340	356	240	(116)
Community & Housing	4,505	3,871	5,011	1,140
Culture & the Environment	3,616	3,679	1,616	(2,063)
Net Service Expenditure	15,482	14,971	13,776	(1,195)
Capital Charges and net interest	(2,139)	(1,713)	(938)	775
Levies and Grants	291	291	287	(4)
Contribution to Reserves	12	1,094	1,734	640
Other			160	160
Net Expenditure including Parishes	13,646	14,643	15,019	376
Funded by:				
Government grant	(4,759)	(5,756)	(5,780)	(24)
Business Rates	(2,801)	(2,801)	(3,137)	(336)
Council Tax	(6,086)	(6,086)	(6,086)	0
Total Financing	(13,646)	(14,643)	(15,003)	(360)
Outturn reported	0	0	16	16

Housing Revenue Account (HRA)

Further details of the budget variances are included in the budget monitoring reports which are available on the Council's website.

The accumulated HRA reserve balance at 31 March 2015 was a surplus of £5.7m. In addition, the Major Repairs Reserve stands at £82k, which is available to fund the Decent Homes programme, giving a total balance for HRA Reserves of £5.8m (compared with £9.0m as at 31 March 2014). This drop in reserves from last year is as expected in the HRA business plan, this year has seen major development in new housing and Farrow Court sheltered housing scheme. The remainder of the reserves are needed to resource the HRA's longer-term business plan.

Council dwellings are revalued at the start of each financial year, this year there was a significant movement during the year resultingin a net valuation increase of £16.9m.

Housing Revenue Account Outturn 2014/15

Service	Revised Budget 2014/15	Final Outturn 2014/15	Variance
	A	B	B-A
	£'000	*£'000*	*£'000*
Income	(24,431)	(24,369)	62
Supervision and Management	4,334	4,371	37
Repairs and Maintenance	3,553	3,643	90
New Build	63	(101)	(164)
Other	18,120	15,326	(2,794)
Net Expenditure	1,639	(1,130)	(2,769)
Capital Works - Decent Homes	5,273	4,664	(609)
Capital works financed by:			
Major Repairs Allownance (from Self-Financing Determination)	(5,191)	(5,191)	0
Contribution to/(from) Major Repairs Reserve	(82)	527	609
Support costs greater than budget	0	0	0
	1,639	(1,130)	(2,769)

Capital Expenditure

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

Major projects during 2014/15 included:

- £9.0m on International House and surrounding area to enable the Commercial Quarter development, associated Public Realm works are currently underway.
- New build council housing and purchase of existing residential properties to increase the affordable housing offer; £6.9m was spent during 2014/15 increasing the housing numbers by 53.
- £3.4m was spent on the Farrow Court Sheltered Housing redevelopment. There have been some delays in year however these works will still happen in later years. This redevelopment is ongoing with a total budget of £15.4m, with an expected completion date in 2017/18.
- £4.5m was spent on the existing housing stock to ensure Decent Home Standards are maintained.

In the financial year 2014/15, the outturn for the capital programme was:

Summary of Capital Spending and Financing

	£'000	£'000
Capital investment		
General Fund capital expenditure	12,735	
HRA capital expenditure	15,204	
Total expenditure		27,939
Sources of finance		
Prudential borrowing		9,599
Capital receipts		
- Ring fenced capital receipts	919	
- General capital receipts	547	1,466
Grants and contributions		
- External grants and contributions	1,327	
- Developer contributions	1,553	2,880
Contribution to/(from) Major Repairs Reserve		9,464
Direct revenue contributions		
- Repairs and Renewals Reserve	290	
- General Fund revenue contributions	9	
- HRA Revenue contributions	3,973	
- Other revenue contributions	258	4,530
Total financing		27,939

Treasury Management

Borrowing

At 31 March 2015, the Council had long-term borrowing of £119.7m (£119.7m at 31 March 2014). These long-term loans were used to fund the housing subsidy buy-out payment to government, see note 17.

Investments

At 31 March 2015, the Council had investments and cash deposits of £20.1m (£22.7m at 31 March 2014). Over the year, the Council has performed a prudent treasury management strategy within the parameters of the adopted Treasury Management Strategy.

Pensions

As part of the Conditions of Employment, the Council must offer staff retirement benefits under statutory requirements. At 31 March 2015 88.3% of staff took part in the pension scheme, contributing between 5.5% and 12.5% of salary. Payments into the pension scheme, investment assets and future liabilities are held and managed by the Kent County Council Pension Fund for all contributing member authorities.
For further information see note 25.

Stanhope Private Finance Initiative (PFI) Project

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

At the end of the contract, the management of these properties will be transferred back to the Council.

Council owned Companies

During 2014/15 the Council started operating two companies, A Better Choice Building Consultancy and A Better Choice for Property Company.

Following a review of the companies, including the companies assets, liabilities and activities and their significance on the Council, the Council has made the decision not to Group Account this year however results of these companies will be published separately and Group Accounts will be considered annually.
See note 27 for more information.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Under Law the Authority is required to:

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

The Responsibilities of the Chief Financial Officer (CFO)

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

In preparing this Statement of Accounts, the CFO has:

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

The CFO has also:

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

I certify that the Statement of Accounts between pages 8 and 71 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2015 and its income and expenditure for the year ended on that date.

Paul Naylor

Paul Naylor
Deputy Chief Executive and Chief Financial Officer
30 September 2015

Core Financial Statements

Movement in Reserves Statement

2014/15	Note	General Fund Balance	Ear-marked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 21)
	Note	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2014		(1,863)	(14,088)	(4,595)	(2,286)	(4,354)	(573)	(27,759)	(69,735)
Movements in Reserves during 2014/15									
Surplus or deficit on the provision of services		(1,475)		(23,294)				(24,769)	
Other Comprehensive Income & Expenditure									3,745
Total Comprehensive Income & Expenditure		(1,475)	0	(23,294)	0	0	0	(24,769)	3,745
Adjustments between accounting and funding basis under regulations									
Sources of Finance	15	1,316		0	1,465	9,464	10	12,255	(12,255)
Sums set-a-side for capital purposes	15	2,111		4,825				6,936	(6,936)
Revenue expenditure charged to capital under statute		(838)		0				(838)	838
Removal of items not chargeable to Fund Balances									
- Capital adjustment account		(358)		14,730		(5,192)		9,180	(9,180)
- Capital grants unapplied account		(9)		0			9	0	
- Capital receipts reserve (for HRA, see note 5)		(362)		2,959	(2,597)			0	
- Deferred capital receipts reserve		0			(59)			(59)	59
- Pensions reserve		(1,680)		(368)				(2,048)	2,048
- Collection fund adjustment account		267						267	(267)
- Accumulated absences account		16		18				34	(34)
Net increase or decrease before transfers to Earmarked Reserves		(1,012)	0	(1,130)	(1,191)	4,272	19	958	(21,982)
Transfers to/from Earmarked Reserves		1,516	(1,516)					0	0
Increase or decrease during 2014/15		504	(1,516)	(1,130)	(1,191)	4,272	19	958	(21,982)
Balance at 31st March 2015		(1,359)	(15,604)	(5,725)	(3,477)	(82)	(554)	(26,801)	(91,717)

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

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

2013/14	General Fund Balance	Ear-marked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 21)
Note	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2013	(1,697)	(8,115)	(3,294)	(714)	(3,684)	(602)	(18,106)	(55,068)
Movements in Reserves								
Surplus or deficit on the provision of services	(3,752)		(19,667)				(23,419)	
Other Comprehensive Income & Expenditure								(901)
Total Comprehensive Income & Expenditure	(3,752)	0	(19,667)	0	0	0	(23,419)	(901)
Adjustments between accounting and funding basis under regulations								
Sources of Finance	1,626		0	326	4,529	94	6,575	(6,575)
Sums set-a-side for capital purposes	901		4,600				5,501	(5,501)
Revenue expenditure charged to capital under statute	(710)		0				(710)	710
Removal of items not chargeable to Fund Balances								
- Capital adjustment account	(1,259)		11,829		(5,199)		5,371	(5,371)
- Capital grants unapplied account	65		0			(65)	0	
- Capital receipts reserve (for HRA, see note 5)	(388)		2,253	(1,865)			0	
- Deferred capital receipts reserve	20			(33)			(13)	13
- Pensions reserve	(1,485)		(313)				(1,798)	1,798
- Collection fund adjustment account	(1,164)						(1,164)	1,164
- Accumulated absences account	7		(3)				4	(4)
Net increase or decrease before transfers to Earmarked Reserves	(6,139)	0	(1,301)	(1,572)	(670)	29	(9,653)	(14,667)
Transfers to/from Earmarked Reserves	5,973	(5,973)					0	0
Increase or decrease during 2013/14	(166)	(5,973)	(1,301)	(1,572)	(670)	29	(9,653)	(14,667)
Balance at 31st March 2014	(1,863)	(14,088)	(4,595)	(2,286)	(4,354)	(573)	(27,759)	(69,735)

Comprehensive Income and Expenditure Statement

2013/14 Gross Expenditure restated £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure restated £'000		2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000
2,898	(1,858)	1,040	Central services to the public	3,223	(1,916)	1,307
4,652	(6,380)	(1,728)	Cultural and related services	2,059	(412)	1,647
9,037	(3,925)	5,112	Environmental and regulatory services	5,933	(1,404)	4,529
3,827	(1,954)	1,873	Planning services	5,294	(3,642)	1,652
1,225	(2,019)	(794)	Highways and transport services	1,026	(2,190)	(1,164)
1,497	(27,224)	(25,727)	Local authority housing (HRA)	(79)	(28,283)	(28,362)
40,303	(39,505)	798	Other housing services	40,664	(39,657)	1,007
3,933	(1,020)	2,913	Corporate and democratic core	3,547	(460)	3,087
1,699	0	1,699	Non distributed costs	1,923	0	1,923
69,071	(83,885)	(14,814)	**Cost of Services**	63,590	(77,964)	(14,374)
			Other operating expenditure			
	1,251		Parish Council Precepts & Levies		1,372	
	393		Payments to the Government Housing Capital Receipts Pool		432	
	(726)	918	Disposal of non-current assets		(1,405)	399
			Financing and investment income and expenditure			
	5,512		Interest payable		4,983	
	2,227		Net interest on the net defined benefit liability (asset)		2,482	
	(367)	7,372	Interest receivable		(472)	6,993
			Taxation and non-specific grant income			
	(7,012)		Council Tax income		(7,268)	
	(1,541)		Non-domestic rates income and expenditure		(2,322)	
	(6,651)		Non-ringfenced government grants (Note 10)		(6,878)	
	(1,691)	(16,895)	Capital grants received in year		(1,319)	(17,787)
		(23,419)	**(Surplus) or Deficit on Provision of Services**			(24,769)
	(3,670)		Surplus or deficit on revaluation of Property, Plant and Equipment (see note 12)		(7,492)	
	(73)		Surplus or deficit on revaluation of Available-for-Sale financial Assets		(718)	
	2,842		Remeasurements of the net defined benefit liability (See note 24)		11,955	
		(901)	**Other Comprehensive Income and Expenditure**			3,745
		(24,320)	**Total Comprehensive Income and Expenditure**			(21,024)

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

Balance Sheet

31 March 2014			31 March 2015	
£'000		*Notes*	*£'000*	*£'000*
271,483	Property, Plant & Equipment	12	315,291	
2,929	Heritage Assets	14	2,929	
110	Intangible Assets		76	
5,123	Long Term Investments	17	12,330	
1,655	Long Term Debtors	17	2,715	
281,300	**Long Term Assets**			333,341
12,037	Short Term Investments	17	5,051	
16	Inventories		12	
7,165	Short Term Debtors	19	5,411	
10,709	Cash and Cash Equivalents	36	5,073	
29,927	**Current Assets**			15,547
(38)	Short Term Borrowing		(38)	
(9,570)	Short Term Creditors	20	(12,929)	
(852)	Current Liabilities	24	(773)	
(10,460)	**Current Liabilities**			(13,740)
(1,671)	Long-term Provisions	23	(1,799)	
(119,664)	Long Term Borrowing	17	(119,664)	
(57,980)	Pension Liability	25	(71,983)	
(23,838)	PFI Liability	24	(23,065)	
(120)	Finance Lease Liability	22	(119)	
(203,273)	**Long Term Liabilities**			(216,630)
97,494	**Net Assets**			118,518
	Financing (see MiRS)			
(27,759)	Usable Reserves		(26,801)	
(69,735)	Unusable Reserves	21	(91,717)	
(97,494)				(118,518)

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched to the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, and the second category of reserves is those that the Council is not able to use to provide services (see Note 21).

These financial statements replace the unaudited financial statements certified by Paul Naylor on 26 June 2015.

Paul Naylor

Cash Flow Statement

2013/14 £'000		Notes	2014/15 £'000
(23,419)	Net (surplus) or deficit on the Provision of services		(24,769)
10,076	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	30	4,346
1,917	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	31	(647)
(11,426)	Net cash flows from operating activities		(21,070)
6,762	Investing activities	33	23,752
(102)	Financing activities	34	2,954
(4,766)	Net movements in year excluding non-cash items		5,636
5,943	Cash and cash equivalents at the beginning of the reporting period		10,709
4,766	Net increase or (decrease) in cash and cash equivalents		(5,636)
10,709	Cash and cash equivalents at the end of the reporting period	35	5,073

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

Notes to the Core Financial Statements

1. Accounting Policies

General Principles

The Statement of Accounts is prepared on an income and expenditure basis in accordance with the ‘Code of Practice on Local Authority Accounting in the United Kingdom 2014/15’ (the Code) and the ‘Service Reporting Code of Practice 2014/15’.

1. **Accounting Concepts and Conventions**

The Statement of Accounts summarises the Council’s transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets and financial instruments.

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

Qualitative characteristics are the attributes that make the information provided within this Statement of Accounts useful to users. The International Accounting Standards Board (IASB) Framework, sets out the two fundamental qualitative characteristics and four enhancing qualitative characteristics of financial statements, which have been adopted by the Code:

- Fundamental
  - relevance
  - faithful representation
- Enhancing
  - comparability
  - verifiability
  - timeliness
  - understandability

The Code also includes consideration of materiality as a qualitative characteristic, and the Framework considers it as part of the fundamental characteristic of relevance.

2. **Accruals of Income and Expenditure**

With the exception of the Cash Flow Statement, including its notes, and the Collection Fund, the Statement of Accounts is presented on an accruals basis.

The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of Accounts for the year in which those effects are experienced, and not in the year in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Not withstanding this policy, some transactions are not accrued for because they are of little value and therefore, are not material to the understanding of these accounts.

3. **Estimation Techniques**

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

4. **Costs of Internal Support Services**

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

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

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

The Council is a billing authority and as such, is required to bill local residents and businesses for Council Tax and National Non-Domestic (Business) Rates. The Council collects Council Tax, on behalf of the major precepting authorities - Kent County Council, Kent Police Authority, and Kent Fire Authority. From April 2013, the Council retains 40% of National Non-Domestic (Business) Rates with 50% paid into a national pool and 10% shared with major precepting authorities. Parishes are local precepting authorities and their precepts are included in the Demand on the Collection Fund of this Council. The accounts recognise the income for the accounting year in which it is recievable.

These accounts only show the amount owed to/from taxpayers in respect of Council Tax demanded by this Council. Amounts owing to/from taxpayers for Council Tax for major precepting authorities are shown as net debtors or creditors on the balance sheet. Similarly, the accounts only show the amount owed to/from ratepayers in respect of Business Rates retained by this Council. Amounts of Business Rates in respect of the net amount of National Non-Domestic (Business) Rates received and paid over to the national pool are shown as a net debtor or creditor.

The amounts shown as Council Tax/Business Rates in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement represent the amounts due to this Council for the year. Where this includes an adjustment for the surplus/deficit to be taken into account in a future financial year, this adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

6. **Charges to Revenue**

Services, Support Services, and Trading Accounts are debited with amounts to record the cost of holding non-current assets used in the provision of services.

These amounts include the annual provision for depreciation, certain revaluation gains/losses and impairment losses and the amortisation of intangible assets. The amounts are subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account so that they do not impact on the amounts required from local taxation.

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

External interest payable is debited in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement and amounts set aside from revenue for the repayment of external loans are charged to the General Fund Balance in the Movement in Reserves Statement.

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

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Property Plant and Equipment.. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and have a direct impact upon Council Tax. These items are generally grants and expenditure on property not owned by the Council.

Such expenditure is charged to Cost of Services in the Comprehensive Income and Expenditure Statement but subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

8. **Government Grants and Contributions**

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

Capital Grants and Capital Contributions will subsequently be transferred through the Movement in Reserves Statement to the Capital Adjustment Account or the Grants Unapplied Account, if expenditure has not been incurred.

If conditions have not been met, grants will be held as a creditor (Grants received in advance) on the Balance Sheet until conditions are met or grants are repaid.

9. **VAT**

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

10. **Heritage Assets**

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

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

These assets have been declared surplus to the Council's operational requirements, are being actively marketed for disposal and have an estimated sale date within twelve months of the balance sheet date. They are reported on the Balance Sheet date at the lower of the carrying amount or the fair value (market value) of the asset less the costs to sell the asset. Assets held for sale are not subject to depreciation. Potential 'Right-to-buy' sales are not accounted for until the date of sale as they are not actively marketed in any conventional way.

12. **Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will benefit the Council for more than one financial year.

An intangible asset is initially measured at cost but will be revalued where the fair value of the asset differs significantly from its carrying value. The depreciable amount is amortised over its useful economic life to the relevant service line in the Comprehensive Income and Expenditure Statement but subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

13. **Property, plant and equipment**

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

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

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

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

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

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

13.4. **Other Land and Buildings**
These assets are held on the balance sheet initially at cost however are revalued and updated with a desktop revaluation annually. All property and land will be fully valued at least once within the 5 year cycle.

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

13.5. **Vehicles, Plant, Furniture and Equipment**
These assets are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

13.6. **Infrastructure Assets**
These assets are recognised in the Balance Sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

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

13.8. **Assets under Construction**
This covers assets currently not yet ready for operational purposes. The Council does not depreciate nor revalue assets under construction. These asset are held at cost on the balance sheet.

13.9. **Valuations**
Increases in valuations are matched by credits to the Revaluation Reserve to recognise revaluation gains. However, where the increased valuation follows a previous reduction in the carrying value below its historic cost, gains would be credited to the service expenditure in the Comprehensive Income and Expenditure Statement to reverse the loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

On revaluation, accumulated depreciation is written out.

13.10. **Depreciation**
Depreciation on assets with a finite useful life, in line with International Accounting Standard (IAS) 16, is calculated on a straight-line basis according to the following policy:

- All assets with a finite useful life are depreciated on a straight-line basis over the asset life. The life of buildings is reviewed as part of the asset revaluation. The life of vehicles, plant and equipment is generally taken to be five years, unless evidence exists to support a longer or shorter life.
- Newly acquired assets are depreciated in year one, starting in the quarter following their purchase; assets in the course of construction are not depreciated until they are ready for use, starting in the quarter following their completion.
- In accordance with recognised accounting practice, land owned by this Council is not depreciated.

International Financing Reporting Standards (IFRS) require the consideration of componentisation for material items of property, plant and equipment, where they are of a material financial nature or have significantly differing life expectancies. For componentisation to be considered, the Council has set a minimum asset value of £1,000,000 and, then, separate depreciation is only calculated where a component size is at least 10% of the value.

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

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

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

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

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

If the impairment is identified on an investment property, the value is written out to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

13.12. **Gains or Losses on Disposal of Property Plant and Equipments**

When an asset is disposed of or de-commissioned, the carrying value of the asset and any receipts from the sale, together with the costs of disposal, are shown on the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement which, therefore, bears a net gain or loss on disposal. Where the receipt is in excess of £10,000, it is appropriated to the Capital Receipts Reserve, via the Movement in Reserves Statement, where it can be used for any approved capital purpose, e.g. for new capital investment. The carrying value of the disposed asset is appropriated to the Capital Adjustment Account from the Movement on Reserves Statement. Costs of disposal are accounted for within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

14. **Leases**

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

14.1. **Finance Leases**

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

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

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

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

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

14.2. **Operating Leases**

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

14.3. **Embedded Leases**

These are assets, which although not owned by the Council, are used primarily by the authority for service provision.

Where this applies, assets are recognised in the Balance Sheet at the net book value and offset by a deferred liability. The lease charge then forms part of the contract payment on behalf of these assets, on a straight-line basis over the life of the asset.

15. **Current Assets and Liabilities**

15.1. **Short term Debtors and Creditors**

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

15.2. **Inventories**

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

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

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

16. **Contingent Assets and Contingent Liabilities**

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

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

17. **Short term and long term Provisions**

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. When utilised, the payment is charged to Provisions and not to Service Expenditure.

18. **Reserves**

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

Usable Reserves are created when the Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement; this is then offset by a reserve appropriation within the Movement in Reserves Statement. The exception is amounts required for the repayment of external loans and for financing capital expenditure from revenue sources. Where this applies, amounts are appropriated from the General Fund Balance in the Movement in Reserves Statement.

The General Fund Balance acts as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies. Earmarked reserves, such as the repairs and renewals reserve, are for specific purposes. The Capital Receipts Reserve can only be used for certain statutory purposes such as financing capital expenditure.

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

19. Employee Benefits

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

19.1. Benefits payable during employment

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

Where considered of a material nature these are accrued.

19.2. Termination benefits including Exit Packages

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

In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred. These costs are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where the Council is committed to the termination of employment.

19.3. Post-employment benefits

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

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price;
  - Property – market value.
- The change in net pensions liability is analysed into five components:

- Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
- Net interest on the net defined benefit liability (asset) – the change during the period in the net liability (asset) that arises from the passage of time. This is debited/ (credited) to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
- Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated - debited to the Comprehensive Income and Expenditure Statement.

Under IAS 19, the Council recognises, as an asset or liability, the surplus/deficit in pension costs calculated in accordance with the standard. This surplus/deficit is the excess/shortfall of the value of assets when compared to the present value of the pension liabilities. Where the contributions paid into the Pension Fund do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from the Pension Reserve together with any actuarial gains/losses. The difference between the recognised net pension liability and the amounts attributed to this Council in Kent County Pension Fund are shown in the Balance Sheet as Pensions Liability and this is offset by the Pensions Reserve (an adverse balance).

The Local Government Pension Scheme, applicable to this Council, is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets over the average future working life of its employees.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Pension Fund was at 31 March 2013 and changes to contribution rates as a result of that valuation did take effect on 1 April 2014.

20. Financial Instruments

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

Detailed disclosure of the Council's holding of Financial Instruments is included in Note 17 on page 43.

20.1. Financial Liabilities

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

The reconciliation of amounts charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed in the Movement in Reserves Statement by a transfer to or from Unusable Reserves (Financial Instruments Adjustment Account).

20.2. Financial Assets

Financial assets are classified into two types:

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

20.3. Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (where specific) or to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

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

20.4. **Available-for-sale Assets**

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

Values are based on the following principles:

- instruments with quoted market prices – the market price;
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-For-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. Subsequently, this entry is reversed in the Movement in Reserves Statement and debited/credited to the Available-for-Sale Reserve. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

20.5. **Credit Risk**

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

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

(a) Credit risk
(b) Liquidity risk
(c) Market risk

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 17 on page 43.

These disclosure requirements are equally applicable to outstanding debtors, see Note 19 on page 47 for an age analysis of debtors. In addition to this, a provision for bad debts is also included in the Statement.

21. **Cash and Cash Equivalents**

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

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

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

The original recognition of these Property Plant and Equipments was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets net of any capital contributions made.

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

Property Plant and Equipments recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

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

23. **Group Accounts**

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

This Council has undertaken an exercise examining all its partnership arrangements and workings with other undertakings. The Council currently has two subsidary companies, A Better Choice Building Consultancy and A Better Choice for Property Company.

When considering group accounts the Council will consider qualitaitive and quantitative factors:

See note 27 for details on Group Accounting relating to this financial year.

1. Qualatititive:
    a. Does the Council depend significantly on the entities for the continued provision of its statutory sevices?
    b. Is there political concern about the level to which the Council is exposed to commercial risk?
    c. Has there been any concern about the extent to which the Council has passed on control of its assets to other parties?
2. Quantitative:
    a. Are the activities of the entities themselves significant to the representation of the operational activities of the Council?
    b. Is the gross value of the investment in other entities significant in terms of the authorities Balance Sheet?
    c. Is the gross value of the borrowings or other liabilities of the entities significant in terms of the Council's Balance Sheet?
    d. Would the adjustment to Usable Reserves be significant on consolidation?

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

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

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

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

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

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

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

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

2. Accounting Standards that have been issued but not adopted

'The Code' requires disclosure of the impact (where material) of an accounting change required by these 'new' standards. This requirement applies to those standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2015 for 2014/15).

The following apply to these Financial Statements:

- IFRS 13: Fair Value Measurement (May 2011)
- IFRIC 21 Levies
- Annual Improvements to IFRSs 2011-2013 Cycle

3. Critical Judgements in Applying Accounting Policies

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

- The Council has set budgets, and its medium term financial plans, on the basis of central funding already announced by the Government. If these were to change in the near future, it may well arise that an adjustment in local services will be required to enable the Council to continue as a 'going concern'.

- From April 2013, changes in the accounting for business rates means that the Council is at risk if income is lower than the threshold set by government. In particular, this will be affected by the level of successful appeals by ratepayers against their rateable value, last determined by the Valuation Office Agency with effect from 2010 (some appeals may also be against the 2005 Valuation List). The Council's budget takes into account the possible effect of these changes but, if these exceed estimates made, the Council will need to make future provision.

- The accounts have been prepared on the basis that local authorities can recover VAT incurred on the supply of good and services. However, in certain circumstances, VAT is not recoverable. e.g.. VAT partial exemption. When this exceeds 5% of total input VAT for the authority, it must repay all of the VAT it has recovered in relation to its exempt supplies during the financial year. This situation is constantly under review and the Council does not expect the 5% limit to be exceeded..

- The Council places reliance on external property valuers for the valuation and/or consideration of impairment of its property assets. Should these be found to be inaccurate, the Council faces the risk of its accounts being qualified. To mitigate this, the Council seeks advice from reputable valuers only.

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% change in the discount rate (the iBoxx Corporate Bond Index) would result in a change in the liability of £2.7m. A 1 year change in the mortality assumption would result in a £5.4m change in the pension liability.
NNDR appeals liability	From April 2013, the Council was. responsible for refunding successful appeals against past NNDR liabilities. An estimate of the possible effect on this Council has been taken into account in these accounts and future funding assumptions.	If the level of successful appeals exceeds the assumptions already made, the cost will be met from future budgets.
Recovery of Benefit over-payments	These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.	Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts, write-offs of uncollected debt will have to be met from future budgets.
Impairment Allowance for Bad Debts	The Council has impairment allowances for bad debts totalling £4,126,000 approximately 44% of the value outstanding debt, compared to £3,926,000 approximately 35% in 2013/14.	Any decline in rates of collection for debt would result in a need to increase the allowance.

5. Amounts Reported for Resource Allocation Decisions

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

2013/14 Net expenditure £'000		2014/15 Expenditure £'000	Income £'000	Net expenditure £'000
1,620	Corporate Strategy & Personnel	1,700	(97)	1,603
1,234	Legal & Democratic Services	1,408	(218)	1,190
1,830	Planning & Development	3,877	(1,853)	2,024
2,047	Financial Services	41,751	(39,659)	2,092
318	Community & Technology	308	(68)	240
981	Community & Housing	12,402	(7,391)	5,011
8,186	Culture & the Environmnet	2,023	(407)	1,616
16,216	**Service Expenditure**	63,469	(49,693)	13,776
(314)	Interest			0
295	Levies & Grants			287
	Funded by:			
(5,618)	Government Grant			(5,780)
(2,704)	Retained Business Rates			(3,137)
(5,996)	Council Tax			(6,086)
0	Parish Precepts			0
1,879	**Controllable items**			(940)
0	Recharged from other accounts			0
(1,992)	Capital Charges & Interest			(938)
15	Transfer to/from reserves			1,734
0	Other			160
(98)	**Outturn - (suplus)/deficit**			16

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

2013/14 Totals per CI&ES £'000		2014/15 Totals per Resources Allocations £'000	2014/15 Adjustments per Acounting Code £'000	2014/15 Totals per CI&ES £'000
(42,676)	Fees, charges and other service income	(11,325)	(28,273)	(39,598)
(41,209)	Grants	(38,368)	2	(38,366)
(83,885)	**Total Income**	(49,693)	(28,271)	(77,964)
15,247	Employees	13,560	1,905	15,465
8,224	Premises	4,278	4,310	8,588
51,682	Supplies and Services	46,755	3,099	49,854
640	Transport	512	142	654
8,668	Recharged from other accounts	7,991	920	8,911
(18,121)	Recharged to other accounts	(10,473)	(7,978)	(18,451)
2,731	Capital Charges	337	953	1,290
0	Transfers To/From Reserves	510	(3,231)	(2,721)
69,071	**Total Expenditure**	63,470	120	63,590
(14,814)	**Cost of Services**	13,777	(28,151)	(14,374)
1,251	Parish Council Precepts & Levies	287	1,085	1,372
393	Payments to housing capital receipts pool	0	432	432
(726)	Gain or loss on disposal of non-current assets	0	(1,405)	(1,405)
0	Deferred sales proceeds (long term debtors)	0	0	0
5,512	Interest payable and similar charges	(334)	5,317	4,983
2,227	Pension interest cost and expected return on pensions assets	0	2,482	2,482
(367)	Interest receivable and similar income	(604)	132	(472)
(7,012)	Council Tax income	(6,087)	(1,181)	(7,268)
(1,541)	Non-domestic rates	(3,137)	815	(2,322)
(6,651)	Non-ringfenced government grants	(5,780)	(1,098)	(6,878)
(1,691)	Capital grants and contributions	0	(1,319)	(1,319)
(23,419)	**(Surplus) or Deficit on Provision of Services**	(1,878)	(22,891)	(24,769)
0	Recharged from other accounts	0	0	0
0	Capital Charges & Interest	160	(160)	0
0	Transfer to/from reserves	1,734	(1,734)	0
(901)	**Other Comprehensive Income and Expenditure**	0	3,745	3,745
	Totals of Resources Allocations and Code adjustments	16	(21,040)	
(24,320)	**Total Comprehensive Income and Expenditure**			(21,024)

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

6. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year:

2013/14 £'000		2014/15 £'000
294	Allowances	314
13	Expenses	13
307		327

7. Officers' Remuneration

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

Senior Employee Remuneration 2014/15

2014/15	Pay & expenses *	Benefits in kind	Total	Pension contri-butions	Total remun-eration
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Chief Executive +	129		129	17	146
Deputy Chief Executive & CFO +	94	5	99	13	112
Head of Cultural & Project Services	88	1	89	10	99
Head of Housing	82		82	10	92
Head of IT & Customer Services	76		76	10	86
Head of Legal and Democratic Services +	73	5	78	10	88
Head of Planning & Development	89	4	93	12	105
	631	15	646	82	728

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

+ Officers that also fulfil statutory roles.

Senior Employee Remuneration 2013/14 comparators.`

2013/14	Pay & expenses *	Benefits in kind	Total	Pension contri-butions	Total remun-eration
	restated	restated			
	£'000	£'000	£'000	£'000	£'000
Chief Executive +	128		128	16	144
Deputy Chief Executive & CFO +	92	5	97	12	109
Head of Cultural & Project Services	84	1	85	10	95
Head of Housing	81		81	10	91
Head of IT & Customer Services	76		76	10	86
Head of Legal and Democratic Services +	72	5	77	10	87
Head of Planning & Development	88	4	92	12	104
	621	15	636	80	716

Other Employee Remuneration by Band

2013/14		2014/15
nos	Remuneration bands	*nos*
12	£50,000 - £54,999	16
10	£55,000 - £59,999	10
3	£60,000 - £64,999	6
0	£65,000 - £69,999	1*
25		32

If figures are marked with an * this indicates bands which include officers who have received redundancy payments within their remuneration for the year.

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

8. Termination Benefits

The Authority terminated the contracts of five employees in 2014/15, incurring liabilities of £116,594 (£35,341 in 2013/14).

2013/14			2014/15	
Voluntary	Compulsory	Exit package cost band (including special payments	Voluntary	Compulsory
nos	*nos*		*nos*	*nos*
1		£0 - £19,999		3
1		£20,000 - £39,999	1	
		£40,000 - £59,999		1
2	0	Total number included in bandings and in CIES	1	4

9. External Audit Costs

In 2014/15, Ashford Borough Council paid the following fees relating to external audit and inspection:

2013/14		2014/15
£'000		*£'000*
80	Fees payable with regard to external Audit services carried out by the appointed Auditor for the year	80
13	Fees payable for the certification of grant claims and returns	14
10	Fees payable in respect of other services provided by the external auditor during the year	0
103		94

10. Grant Income

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

2013/14			2014/15	
£'000	*£'000*		*£'000*	*£'000*
		Credited to Cost of Services		
71		CLG: Homeless Initiatives	42	
0		CLG: Major Sites Planning Grant	100	
197		DWP: Discretionary Housing Payments	204	
726		DWP: Benefit Administration Subsidy	548	
36,295		DWP: Benefits Subsidy	36,230	
46		Home Office: Community Safety	30	
351	37,686	Other government grants	606	37,760
281		KCC: Recycling Credits	288	
		Preceptor Funding For CT Support Scheme	118	
39	320	EU: Greenov funding	0	406
	38,006	Total credited to Cost of Services		38,166
		Credited to Taxation and Non-specific Grant Income		
		Non-ringfenced government grants:		
3,799		- Rate Support Grant	2,879	
0		- Council Tax Freeze Grant	69	
401		- S31 Grant NNDR	1,036	
2,452		- New Homes Bonus	2,875	
1,690		- Capital grants and contributions	1,319	
	8,342			8,178
	46,348			46,344

11. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15.

	Balance at 31st March 2014	2014/15 Transfers In	2014/15 Transfers Out	Balance at 31st March 2015
	£'000	£'000	£'000	£'000
Fund future expenditure	(3,393)	(3,481)	943	(5,931)
Provide for the maintenance of an asset	(4,000)	(426)	476	(3,950)
Required by statute reserves	(240)	0	17	(223)
Developer contributions	(6,455)	(872)	1,827	(5,500)
	(14,088)	(4,779)	3,263	(15,604)

	Balance at 31st March 2013	2013/14 Transfers In	2013/14 Transfers Out	Balance at 31st March 2014
	£'000	£'000	£'000	£'000
Fund future expenditure	(3,020)	(1,532)	1,159	(3,393)
Provide for the maintenance of an asset	(586)	(3,758)	344	(4,000)
Required by statute reserves	(253)	(40)	53	(240)
Developer contributions	(4,256)	(2,989)	790	(6,455)
	(8,115)	(8,319)	2,346	(14,088)

The Purpose of the Earmarked Reserves

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

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

- Elections reserve
- Interest rate reserve
- Members' IT reserve
- Planning appeals
- Hopewell twinning reserve
- Section 106 monitoring fee

Provide for the maintenance of an asset – A general reserve has been established to provide for the maintenance of the Council's assets, in addition to this a number of leases require the Council to put aside money to cover future maintenance liabilities.

Required by statute reserves – A number of the Council's revenue generating activities are governed by statutory provisions that require the Council to breakeven over a number of years. Any surplus generated by these activities is allocated to these reserves to offset future deficits, for example land charges and building control surplus.

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

12. Property, Plant and Equipment

Property, Plant & Equipment 2014/15	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
1 April 2014	339,134	66,039	3,755	629	409,557
Additions	11,536	10,804	343	872	23,555
Revaluation increases/(decreases) recognised in the Revaluation Reserve	109	6,366	0	0	6,475
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	17,564	2,039	0	0	19,603
Derecognition - disposals	(1,612)	(31)	0	0	(1,643)
Transfer of Assets Under Construction	902	0	0	680	1,582
31 March 2015	367,633	85,217	4,098	2,181	459,129

Property, Plant & Equipment 2014/15	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
1 April 2014	1,036	984	3,468	415,045	13,175
Additions	0	0	3,514	27,069	9
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12	1	0	6,488	0
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	19,603	1,460
Derecognition - disposals	0	0	0	(1,643)	(39)
Transfer of Assets Under Construction	0	0	(1,582)	0	0
31 March 2015	1,048	985	5,400	466,562	14,605

Property, Plant and Equipment continued

Property, Plant & Equipment 2014/15	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment					
1 April 2014	(128,480)	(11,625)	(3,198)	0	(143,303)
Depreciation charge	(5,376)	(1,156)	(102)	0	(6,634)
Depreciation written out to the Revaluation Reserve	16	1,007	0	0	1,023
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,377	1,379	0	0	6,756
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(34)	0	0	(34)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	(6,170)	(2,663)	0	0	(8,833)
Derecognition - disposals	0	2	0	0	2
31 March 2015	(134,633)	(13,090)	(3,300)	0	(151,023)
Net book value					
31 March 2015	233,000	72,127	798	2,181	308,106
31 March 2014	210,654	54,414	557	629	266,254

Property, Plant & Equipment 2014/15	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment					
1 April 2014	(243)	(16)	0	(143,562)	1
Depreciation charge	(3)	(1)	0	(6,638)	(337)
Depreciation written out to the Revaluation Reserve	14	1	0	1,038	0
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	6,756	337
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	(34)	0
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	(8,833)	(20)
Derecognition - disposals	0	0	0	2	0
31 March 2015	(232)	(16)	0	(151,271)	(19)
Net book value					
31 March 2015	816	969	5,400	315,291	14,586
31 March 2014	793	968	3,468	271,483	13,176

Property, Plant and Equipment continued

Property, Plant & Equipment 2013/14	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
1 April 2013	326,944	57,043	3,643	229	387,859
Additions	6,922	2,704	112	0	9,738
Revaluation increases/(decreases) recognised in the Revaluation Reserve	52	4,593	0	400	5,045
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	6,612	1,869	0	0	8,481
Derecognition - disposals	(1,396)	(170)	0	0	(1,566)
31 March 2014	339,134	66,039	3,755	629	409,557

Property, Plant & Equipment 2013/14	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
1 April 2013	625	200	649	389,333	12,553
Additions	0	0	2,819	12,557	86
Revaluation increases/(decreases) recognised in the Revaluation Reserve	447	549	0	6,041	577
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	0	235	0	8,716	
Derecognition - disposals	(36)	0	0	(1,602)	(41)
31 March 2014	1,036	984	3,468	415,045	13,175

Property, Plant and Equipment continued

Property, Plant & Equipment 2013/14	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment					
1 April 2013	(130,185)	(6,104)	(3,142)	(49)	(139,480)
Depreciation charge	(5,248)	(1,698)	(56)	0	(7,002)
Depreciation written out to the Revaluation Reserve	20	1,620	0	49	1,689
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	10,105	1,905	0	0	12,010
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(4,063)	0	0	(4,063)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	(3,209)	(3,297)	0	0	(6,506)
Derecognition - disposals	37	12	0	0	49
31 March 2014	(128,480)	(11,625)	(3,198)	0	(143,303)
Net book value					
31 March 2014	210,654	54,414	557	629	266,254
31 March 2013	196,759	50,939	501	180	248,379

Property, Plant & Equipment 2013/14	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment					
1 April 2013	(19)	(3)	0	(139,502)	(336)
Depreciation charge	(14)	(1)	0	(7,017)	(337)
Depreciation written out to the Revaluation Reserve	15	3	0	1,707	
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	12,010	672
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(15)	0	(4,078)	
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	(229)	0	0	(6,735)	
Derecognition - disposals	4	0	0	53	2
31 March 2014	(243)	(16)	0	(143,562)	1
Net book value					
31 March 2014	793	968	3,468	271,483	13,176
31 March 2013	606	197	649	249,831	12,217

Asset Valuation

A valuation exercise and impairment review was completed by external valuers (Wilkes Head and Eve LLP). At the balance sheet date the valuers reported a rise in the year for housing property of 8.3%, this has been reflected in the accounts.

Depreciation

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

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

13. Revaluation gains and Impairments

There have been valuation movements of the HRA Dwellings. Please see the HRA supplementary statement, note 7 on page 66.

General Fund land and buildings were revalued as at 1st April 2014, there have been total downward valuations of £7,879,048, for which £7,858,125 written out through the CIES, with the remaining reversing previous year's gains through the Revaluation Reserve.

Revaluation gains amounted to £32,898,578, of which £7,513,137 was written to the Revaluation Reserve with the remaining £25,385,442 written through the CIES to reverse previous year gains.

Assets were valued as at 1 April 2014. A further review was conducted as at 31st March 2015 to ascertain whether there has been any 'significant' movements in values since the beginning of the year and these movements have been reflected in the accounts.

14. Heritage Assets

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

2013/14		2014/15
£'000		*£'000*
1,571	Windmills at Woodchurch & Willesborough	1,571
366	Doctor Wilkes Hall	366
750	Hubert Fountain (Victoria Park)	750
242	Mayor's regalia, including mace and badges	242
2,929		2,929

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

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

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

15. Capital Expenditure and Capital Financing

2013/14 £'000		2014/15 £'000
146,072	*Opening Capital Financing Requirement*	147,273
	Capital investment:	
12,557	Property, Plant and Equipment	27,069
10	Intangible Assets	32
710	Revenue Expenditure funded from Capital under Statute	838
0	HRA Subsidy Buyout	0
13,277		27,939
	Sources of Finance:	
(326)	Capital Receipts	(1,465)
(1,626)	Government grants and contributions (received in year)	(1,316)
(94)	Government grants and contributions (brought forward)	(10)
(4,529)	Major Repairs Reserve	(9,464)
(6,575)		(12,255)
	Sums set aside from revenue	
(4,531)	- Direct revenue contributions	(6,084)
(970)	- Minimum revenue provision (MRP)	(852)
(5,501)		(6,936)
147,273	*Closing Capital Financing Requirement*	156,021
	Explanation of movements in year	
2,172	Increase in underlying need to borrowing (unsupported by government financial assistance)	9,599
0	Grant for previous year written to CI&ES	0
(970)	Provision for the repayment of debt	(852)
1,202		8,747

16. Capital Commitments

At 31 March 2015, the Council has an approved capital programme for future years budgeted to cost £51.9m. The major capital commitments are:

2013/14 £'000		2014/15 £'000
355	Stour Centre: combined heat and plant works	0
	Housing Revenue Account - Major Projects	
13,000	Farrow Court Sheltered Housing Redevelopment	10,700
3,500	New Build Programme	3,500
	Housing Revenue Account - Existing Stock	
940	Heating programme	560
1,270	Kitchen Installations	1,170
400	Electrical refurbishment	230
500	Bathrooms	950
300	Water mains	120
680	Roof replacements/works	630

17. Financial Instruments

Long-term	Current		Long-term	Current
31 March 2014			31 March 2015	
£'000	*£'000*		*£'000*	*£'000*
	10,709	*Cash and Cash Equivalents*		5,073
		Investments		
0	12,037	Loans and receivables	5,500	5,051
5,123		Available-for-sale financial assets	6,830	
5,123	12,037	*Total Investments*	12,330	5,051
		Debtors		
	4,328	Trade Debtors		1,340
1,655		Financial assets carried at contract amounts	2,715	
1,655	4,328	*Total included in Debtors*	2,715	1,340
		Borrowings		
(119,664)	(38)	Financial liabilities at amortised cost	(119,664)	(38)
(119,664)	(38)	*Total included in Borrowings*	(119,664)	(38)
		Other Long-term Liabilities		
(23,838) *	(852)	* PFI and finance lease liabilities	(23,065)	(773)
(23,838)	(852)	*Total Other Long-term Liabilities*	(23,065)	(773)
		Creditors		
	(6,897)	Financial liabilities at amortised cost		(7,460)
(120)		Financial liabilities carried at contract amounts	(119)	
(120)	(6,897)	*Total Creditors*	(119)	(7,460)

* As restated

Financial assets carried at contract amounts include loans to the Council's property company, A Better Choice Property Company amounting to £1,120,000 as at 31 March 2015.

2013/14		2014/15
£'000		*£'000*
5,512	Interest payable	4,983
(367)	Interest Income	(472)
(73)	Surplus arising from the revaluation of financial assets	(718)
5,072	Net gains/loss for the year	3,793

Fair Values of Assets and Liabilities

Not all of the Financial Instruments are carried in the Balance Sheet at fair value. In particular, long-term loans, receivables and financial liabilities are carried at amortised cost.

Fair Value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments using the prevailing interest rates as at 31st March 2015.

For the Council's loans, the rates used to calculate fair value range from 0.65% to 5.26%., No early repayments or impairments are assumed. For instruments that will mature within 1 year of the Balance Sheet date the carrying amount is assumed to approximate to Fair Value. The Council had 23 loans with maturities beyond a year as at 31st March 2015 (23 as at 31st March 2014). All of these loans are with the Public Works Loan Board. The principal outstanding is £119,664,150 and the Fair Value is calculated at £127,991,546 using the certainty new loan rate (CNLR) method.

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

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

Long term debtors are carried at amortised cost.

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

18. Nature and Extent of Risks Arising from Financial Instruments

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

The Council's Investment portfolio as at 31/03/15 was as follows:

Credit Risk

Counter party	*Maturity date*	*Amount* *£'000*	*Credit rating*
Deposit with other local authorities/government			
Blaenau Gwent	27 Oct 2019	3,000	AA+
Newport City Council	10 Jul 2017	2,500	AA+
Deposits/investments with other financial institutions			
Nationwide	22 Jun 2015	3,000	A
National Counties	7 Apr 2015	1,000	N/a
Santander	Call Account	10	A
Bank of Scotland	Call Account	9	A
National Westminster Bank	Call Account	734	A
Svenska Handlesbanken	Call Account	9	AA-
Goldman Sachs	Money Market Fund	51	AAA
Payden	Money Market Fund	1,005	AAA
Ignis	Money Market Fund	1,013	AAA
Federated	Money Market Fund	1,003	AAA
Investec	Money Market Fund	1,008	AAA
Bonds			
VW International Finance Ltd		1,004	A
Local Authority Mutual Investment	N/A	6,830	AAA

The Code requires the Council to estimate the potential maximum exposure to credit risk, based on experience of defaults and collection rates over recent years. However, as the Council has not experienced any defaults on investments, the Council is unable to quantify its exposure with any degree of accuracy.

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

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

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

31 March 2014			31 March 2015
%		%	%
68	AAA or Local Authority's	6	74
0	AA-	0	0
32	A or A+	(11)	21
0	Unrated Building Society	5	5

The overdue amount of debt held within the Council's systems can be analysed by age as follows:

31 March 2014		31 March 2015
£'000		*£'000*
424	Less than 30 days	486
426	31 days to 90 days	114
436	91 days to 364 days	133
589	More than 1 year	1,003
1,875		1,736
(335)	Impairment allowance	(365)

Liquidity Risk

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

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

Market Risk interest rates/prices/exchange rates

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

If interest rates had been 1% higher or lower during the year, this would have resulted in an increase or decrease in variable investment income of £0.24m and an increase or decrease in variable loan payments of £35,000. However, the Council's long-term borrowing is predominantly fixed rate and therefore a material movement is not anticipated.

19. Debtors

These amounts were due to the Council:

31 March 2014			31 March 2015	
£'000	£'000		£'000	£'000
	1,325	Central government bodies		1,260
	528	Other Local Authorities		499
		Other entities and individuals:		
1,181		- Housing Tenants	1,266	
(872)	309	*Less*: Impairment Allowance	(850)	416
289		- Local Taxpayers/ratepayers	747	
(237)	52	*Less*: Impairment Allowance	(568)	179
7,768		- Other	6,109	
(2,817)	4,951	*Less*: Impairment Allowance	(3,052)	3,057
	7,165	Balance at 31st March		5,411

Movement in Debtors is mainly due to:

2013/14		2014/15
£'000		£'000
(189)	Benefit Subsidy owed by government	(174)
126	Other amounts owed by government	109
(72)	Amounts owed by housing tenants	85
(66)	Amounts owed by local taxpayers/ratepayers	458
(104)	Movement in payments in advance	1,063
3,713	Amounts owed by Sundry Debtors	(2,751)
(405)	Change in Impairment Allowance	(544)
3,003	Movement in the year	(1,754)

20. Creditors

These amounts were due to be paid by the Council at 31 March 2015

31 March 2014		31 March 2015
£'000		£'000
(897)	Central government bodies	(2,137)
(844)	Other Local Authorities	(1,518)
	Other entities and individuals:	
(743)	- Housing Tenants	(786)
(163)	- Local Taxpayers	(172)
(441)	- Business Rate Payers	(908)
(706)	- Developer contributions	(362)
(5,776)	- Sundry Creditors	(7,046)
(9,570)		(12,929)

Movement in Creditors is mainly due to:

2013/14 £'000		2014/15 £'000
(2,826)	NNDR liability due to Pool	(207)
6,250	Other amounts owed to government	(1,033)
(428)	Amounts owed to Other Local Authorities	(995)
(109)	Amounts owed by housing tenants	(43)
(30)	Amounts owed by local taxpayers	(9)
(441)	Amounts owed by Business Rate payers	(467)
2	Change in Finance Leases	0
176	Change in Developer contributions	344
(585)	Amounts owed to Sundry Creditors	(949)
2,009	Movement in the year	(3,359)

21. Unusable Reserves

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

- *Revaluation Reserve (see note (a))* - Store of gains on revaluation of Property Plant and Equipments not yet realised through sales.
- *Available-for -Sale Financial Instruments Reserve* - Store of gains on revaluation of investments not yet realised through sales.
- *Capital Adjustment Account* - Store of capital resources set aside to meet past expenditure.
- *Financial Instruments Adjustment Account* - Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.
- *Deferred Capital Receipts* - Recognises that amounts included in long term Debtors will produce capital receipts in the future.
- *Pensions Reserve* - Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.
- *Collection Fund Adjustment Account (see note (b))* - Holds the balance owing to/from the Council at Balance Sheet date.
- *Accumulated Absences Reserve* - The Accumulated Absences Account absorbs the differences between leave accrued but not taken.

2014/15	Revaluation balances		Adjustment accounts	
	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Capital Adjustment Account	Sub-total
	£'000	*£'000*	*£'000*	*£'000*
Balance at 31st March 2014	(17,060)	(66)	(110,204)	(127,330)
Movements in Reserves during the year				
Other comprehensive income and expenditure	(7,492)	(718)		(8,210)
Adjustments between accounting and funding basis under regulations			(27,533)	(27,533)
Net increase or decrease before transfers to other reserves	(7,492)	(718)	(27,533)	(35,743)
Transfers to/from other Unusable reserves	122		(122)	0
Increase or decrease during the year	(7,370)	(718)	(27,655)	(35,743)
Balance at 31st March 2015	(24,430)	(784)	(137,859)	(163,073)
* Analysed in tables (a) and (b)				

2014/15	Adjustment accounts				
	Deferred Capital Receipts Reserve	Pensions Reserve	Collection Fund Adjustment Account	Accum -ulated Absences Account	Total Unusable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2014	(1,655)	57,980	1,117	153	(69,735)
Movements in Reserves during the year					
Other comprehensive income and expenditure		11,955			3,745
Adjustments between accounting and funding basis under regulations	59	2,048	(267)	(34)	(25,727)
Net increase or decrease before transfers to other reserves	59	14,003	(267)	(34)	(21,982)
Transfers to/from other Unusable reserves	0				0
Increase or decrease during the year	59	14,003	(267)	(34)	(21,982)
Balance at 31st March 2015	(1,596)	71,983	850	119	(91,717)
* Analysed in tables (a) and (b)					

2013/14	Revaluation balances		Adjustment accounts	
	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Capital Adjustment Account	Sub-total
	£'000	£'000	£'000	
Balance at 31st March 2013	(14,032)	7	(92,825)	(106,850)
Movements in Reserves during the year				
Other comprehensive income and expenditure	(3,670)	(73)		(3,743)
Total comprehensive income and expenditure	(3,670)	(73)	0	(3,743)
Adjustments between accounting and funding basis under regulations			(16,737)	(16,737)
Net increase or decrease before transfers to/fom other reserves	(3,670)	(73)	(16,737)	(20,480)
Transfers to/from other Unusable reserves	642		(642)	0
Increase or decrease during the year	(3,028)	(73)	(17,379)	(20,480)
Balance at 31st March 2014	(17,060)	(66)	(110,204)	(127,330)

* Analysed in tables (a) and (b)

2013/14	Adjustment accounts				
	Deferred Capital Receipts Reserve	Pensions Reserve	Collection Fund Adjustment Account	Accum -ulated Absences Account	Total Unusable Reserves
	£'000	£'000	£'000		£'000
Balance at 31st March 2013	(1,668)	53,340	(47)	157	(55,068)
Movements in Reserves during the year					
Other comprehensive income and expenditure		2,842			(901)
Total comprehensive income and expenditure	0	2,842	0	0	(901)
Adjustments between accounting and funding basis under regulations	13	1,798	1,164	(4)	(13,766)
Net increase or decrease before transfers to/fom other reserves	13	4,640	1,164	(4)	(14,667)
Transfers to/from other Unusable reserves					0
Increase or decrease during the year	13	4,640	1,164	(4)	(14,667)
Balance at 31st March 2014	(1,655)	57,980	1,117	153	(69,735)

* Analysed in tables (a) and (b)

(a) Revaluation Reserve:

2013/14 £'000			2014/15 £'000
	Comprehensive Income and Expenditure Statement		
(6,041)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,488)	
(1,707)	Depreciation written out to the Revaluation Reserve	(1,038)	
4,078	Impairment losses/(reversals) recognised in the Revaluation Reserve	34	
(3,670)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(7,492)
	Transfers to/from Capital Adjustment Account		
570	Difference between fair value depreciation and historical cost depreciation	108	
72	Accumulated gains on assets sold or scrapped	14	
	Amount written off to the Capital Adjustment Account		122
(3,028)	Increase or decrease during year		(7,370)

(b) Capital Adjustment Account

2013/14 £'000		2014/15 £'000
(6,575)	Sources of Finance	(12,255)
(5,501)	Sums set-a-side for capital purposes	(6,936)
710	Revenue expenditure met from capital under statute	838
(5,371)	Removal of items not chargeable to Fund Balances	(9,180)
(16,737)	*Total accounting adjustments between funding basis under statue*	(27,533)
(642)	Adjustment with Revaluation Reserve	(122)
(17,379)	Increase or decrease during year	(27,655)

22. Leases

The Code defines two types of leases, finance and operating leases.

- A finance lease requires the asset/liability to be shown on the balance sheet with the annual leasing payments being split between repayment, interest and service elements.
- An operating lease requires the income/payments to be shown in the Comprehensive Income and Expenditure Statement.

Part of the income that the Council receives from finance leases is deemed to be for the repayment of principal. Regulations require this element to be treated as capital receipts – previously, this has been credited to the Comprehensive Income and Expenditure Statement as revenue income.

Council as a Lessor

Finance Leases

The Council has leased the Ashford Indoor Bowls Centre to the Ashford Indoor Bowls Centre Ltd; the lease is for the majority of the asset's life and therefore is to be treated as a finance lease. The remaining life of this lease is 41 years. The table below shows the income due on this lease:

	Principal receivable	Interest	Total lease payment
	£'000	*£'000*	*£'000*
Within 1 year	18	24	42
2 - 5 years	96	114	210
Later than 5 years	977	409	1,386
	1,091	547	1,638

This balance is held within the long term debtor's line on the balance sheet

Operating Leases

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

2013/14		2014/15
£'000		*£'000*
137	Within 1 year	123
301	2 - 5 years	385
477	Later than 5 years	497
915		1,005

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

2013/14		2014/15
£'000		*£'000*
283	Within 1 year	292
360	2 - 5 years	396
3	Later than 5 years	0
646		688

The Council purchased International House during the year which is Town Centre office space. The income receivable for these leases are detailed below

2013/14		2014/15
£'000		*£'000*
0	Within 1 year	1,168
0	2 - 5 years	2,324
0	Later than 5 years	0
0		3,492

23. Provisions

2013/14 £'000		2014/15 £'000
(1,200)	Business Rates Appeals	(1,537)
(237)	Municipal Mutual Insurance	(7)
(234)	Lift Renewal (Edinburgh Road)	(255)
(1,671)		(1,799)

The reasons for movement in provisions are:

2013/14 £'000		2014/15 £'000
(1,217)	Additional provision made in year	(563)
60	Amounts used in year	215
	Unused amounts reversed in year	220
(1,157)	Movement in the year	(128)

24. PFI and Similar Contracts

Stanhope PFI

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

The total value of the contract (assuming an annual inflationary increase of 2.5%) was £140m, which included construction costs of £28m net of a capital contribution by the authority. The contract was benchmarked and reduced to £127m in 2011/12. Details of the PFI assets held on the balance sheet are included in note 12.

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

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

These payments will be met from:

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

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

Performance and availability deductions
changes in law which affect the costs of the service
variations to the contract which are approved by the Council

benchmarking of non-property related costs at agreed intervals (undertaken February 2012).

Analysis of minimum forecast Unitary Charge assuming 0% inflation

	Service cost	Life Cycle Costs	Repayment of liability	Interest cost	Total payment
	£'000		*£'000*	*£'000*	*£'000*
Within 1 year	1,172	285	773	1,414	3,644
2 - 5 years	4,630	1,391	3,249	5,212	14,482
6 - 10 years	5,784	1,633	5,194	5,267	17,878
11 - 15 years	5,919	3,029	4,880	3,781	17,609
16 - 20 years	5,985	2,139	7,119	2,071	17,314
21 - 25 years	2,516	1,637	2,623	221	6,997
	26,006	10,114	23,838	17,966	77,924

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

Extra Care Housing PFI

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

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

Other Service Contracts

The Council has a refuse collection and street cleansing contract the was entered into on 1 April 2014 and covers three Councils, the equipment can be used in any of the three areas, and therefore as the Council does not have exclusive use of the assets there will not be an embedded finance lease for the new contract. The total value of the contract is estimated to be £97m over 10 years to be allocated between the three contracting authorities.

25. Defined Benefit Pension Schemes

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

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

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Cost of Services, when employees earn these, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the difference is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year.

2013/14 £'000	Local Government Pension Scheme	2014/15 £'000
	Comprehensive Income & Expenditure Statement	
	Service cost comprising:	
2,585	- current service cost	2,573
81	- past service costs	243
62	Administration expenses	57
	Financing and Investment Income and Expenditure	
2,227	- net interest expense	2,482
4,955	*Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	5,355
	Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(2,804)	- return on plan assets (excluding the amount included in net interest expense)	(5,118)
3,097	- actuarial gains and losses arising on changes in demographic assumptions	0
2,661	- actuarial gains and losses arising on changes in financial assumptions	17,193
(112)	- other	(120)
2,842	*Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	11,955
7,797	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	17,310
	Movement in Reserves Statement	
(4,955)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(5,355)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,157	employers' contributions payable to scheme	3,307
	retirement benefits payable to pensioners	
(1,798)		(2,048)

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

2013/14 £'000	Local Government Pension Scheme	2014/15 £'000
(130,865)	Present value of the defined benefit obligation	(152,093)
76,206	Fair value of plan assets	83,527
(54,659)		(68,566)
(3,321)	Other movements in the liability (asset)	(3,417)
(57,980)	Net liability arising from defined benefit liability	(71,983)

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

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

Assets and liabilities in relation to retirement benefits

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

2013/14 £'000	Local Government Pension Scheme	2014/15 £'000
73,661	Opening fair value of scheme assets	76,206
3,141	Interest income	3,330
	Remeasurement gain/(loss)	
2,804	- return on plan assets, excluding the amount included in net interest expense	5,118
(2,106)	- other	0
0	Effect of changes in foreign exchange rates	0
3,157	Contributions from employer	3,307
641	Contributions from employees into the scheme	718
(4,764)	Benefits paid - funded	(4,827)
(266)	Benefits paid - unfunded	(268)
0	Other remeasurement	0
(62)	Administration expenses	(57)
76,206	Closing fair value of scheme assets	83,527

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

2013/14 £'000	Local Government Pension Scheme	2014/15 £'000
(127,001)	Opening balance at 1st April	(134,186)
(2,585)	Current service cost	(2,573)
(5,368)	Interest cost	(5,812)
(641)	Contributions from scheme participants	(718)
	Remeasurement (gains)/loss	
(3,097)	- actuarial gains/losses arising from changes in demographic assumptions	0
(2,661)	- actuarial gains/losses arising from changes in financial assumptions	(17,193)
0	- other	0
(81)	Past service cost	(243)
0	Losses/(gains) on curtailment	0
0	Liabilities assumed on entity combinations	0
4,764	Benefits paid - funded	4,827
266	Benefits paid - unfunded	268
0	Liabilities extinguished on settlements	0
2,218	Experience loss/(gain) on defined benefit obligation	120
(134,186)	Closing balance at 31st March	(155,510)

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

2013/14 £'000				2014/15 £'000
2,286	Cash and cash equivalents	2.7%		2,284
54,106	Equity instruments:	68.3%		57,080
	Bonds			
762	- gilts	1.0%	874	
8,383	- other	11.1%	9,291	10,165
7,621	Property	12.4%		10,376
3,048	Target return portfolio	4.3%		3,622
76,206	Total assets			83,527

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Pension Fund's liabilities were assessed by Barnett Waddingham, an independent firm of actuaries; the last full valuation of the scheme was as at 31 March 2013. The results of this were implemented from April 2014, the next valuation will be in March 2016.

The significant assumptions used by the actuary have been:

2013/14		2014/15
	Assumed life expectations from age 65 are:	
	Retiring today	
22.7	- Men	22.8
25.1	- Women	25.2
	Retiring in 20 years	
24.9	- Men	25.1
27.4	- Women	27.6
	Additional assumptions	
	- Members will exchange half of their commutable pension for cash at retirement	
	- Active members will retire one year later than they are first able to do so without reduction	
3.6%	Rate of inflation - Retail price index (RPI)	3.2%
2.8%	Rate of inflation - Consumer price index (CPI)	2.4%
4.6%	Rate of increase in salaries	4.2%
2.8%	Rate of increase in pensions	2.4%
4.4%	Rate for discounting scheme liabilities	3.3%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonabe changes to the assumptions made above occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy may increase or decrease for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting polices for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

2013/14			2014/15	
Increase in assumption	Decrease in assumption	Local Government Pension Scheme	Increase in assumption	Decrease in assumption
£'000	*£'000*		*£'000*	*£'000*
		Longevity (increase or decrease in 1 year)		
129,468	138,947	- Present value of total obligation	150,062	161,008
2,326	2,491	- Projected service cost	3,026	3,239
		Rate for discounting scheme liabilities inflation (increase or decrease by 0.1%)		
131,918	136,495	- Present value of total obligation	152,854	158,215
2,353	2,464	- Projected service cost	3,060	3,206
		Rate of increase in salaries (increase or decrease by 0.1%)		
134,482	133,892	- Present value of total obligation	155,832	155,191
2,408	2,408	- Projected service cost	3,134	3,130
		Rate of increase in pensions (increase or decrease by 1%)		
136,234	132,174	- Present value of total obligation	157,915	153,158
2,465	2,352	- Projected service cost	3,205	3,061

The projected pension expense for the year ended 31 March 2016 are:

	2015/16
	£'000
Service Cost	2,816
Net Interest on the defined liability (asset)	2,482
Administration Expenses	57
	5,355
Employer contributions	1,372

26. Related Parties

Under the Accounting Standard IAS24 'Related Party Transactions' the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives. All Members and Senior Managers were written to requesting details of any relationships that could result in a related party transaction, for 2014/15, two forms were not returned however the register of Members interests was examined to see whether any declaration was necessary, no material declarations were made.

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.

27. Interest in Companies

During 2014/15 the Council set up two subsidary companies. A building control company, A Better Choice Building Consultancy and a property company, A Better Choice for Property Company. A Better Choice Building Consultancy was setup to open up new markets that the Council cannot explore in its current capacity. A Better Choice Property Company was set up to expand the offer of renting within the Ashford Borough through the private renting market using affordable and market rent models.

The Council has reviewed the companies regarding Group Accounting which was based on materiality of assets, operations of the companies and the potential impact on the Council's financial statements. The review examined the level of commercial risk including the trading operations and how losses could impact upon the Council. Profits/losses are expected to be insignificant this year and not impact on the Council, and therefore the decision was made not to group account.

The Council will review the need to Group Account annually.

28. Contingent Liabilities

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

The Council has entered into two agreements with Kent County Council and South East England Development Agency (SEEDA), now transferred to Homes and Communities Agency (HCA), which includes provision for the repayment of Regional Infrastructure Funding (RIF), used to pay for works to the Drovers Roundabout and the M20 junction 9 and footbridge. RIF funding was paid to KCC for the schemes by SEEDA. A condition of these agreements is that, money collected from developers in respect of these works through the planning process by Ashford Borough Council will be paid to HCA. However, the Council's liability is limited to the total amount received in each case.

29. Contingent Assets

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

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

30. Events after the Balance Sheet Date

On 1st April 2015 the Council transferred the majority of its garage stock from the Housing Revenue Account into the General Fund. The total value of the housing stock as at 1 April 2014 was £2,972,000. There was a decision to keep garage sites earmarked for future housing development within the HRA.

The Council purchased the Park Mall Shopping Centre including Wilkinsons on 14 May 2015 and other areas of the shopping centre on 23 June 2015.

On 15th June 2015 there was a gas explosion at a block of flats in Oak Tree Road, the eight flats in the block have sustained damage that will result in the demolition and rebuild on the site. The flats were held in the Balance Sheet at a value of £255,040 as at 31st March 2015.

All the above events have not been adjusted for in these accounts.

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

2013/14 £'000		2014/15 £'000
	Adjustment for items that are operating activities	
(7,017)	Depreciation	(6,638)
13,991	Impairment and downward valuations	17,525
(55)	Amortisation	(66)
6,919	Items relating to Capital Adjustment Account	10,821
	Deferred sale proceeds	
(3)	Increase/decrease in inventories	(4)
(405)	Increase/(decrease) in impairment for bad debts	(544)
3,395	Increase/decrease in debtors	(1,210)
2,929	Increase/decrease in creditors	(3,621)
(1,798)	Movement in pension liability	(2,048)
(1,157)	Contributions to/from Provisions	(128)
196	Other non-cash items charged to the net surplus of deficit on the provision of services	1,080
10,076	*Total non-cash adjustments of operating activities*	4,346

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

2013/14 £'000		2014/15 £'000
	Adjustment for items that are investing and financing activities	
	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	
776	Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	1,464
65	Capital grants and contributions applied	(9)
1,076	Other items for which cash effects are investing or financing cash flows	(2,102)
1,917	*Total non-cash adjustments of investing and financing activities*	(647)

33. Cash Flow Statement - Operating Activities

2013/14 £'000		2014/15 £'000
3,806	Interest paid	3,656
(300)	Interest received	(134)
0	Dividend received	(299)
3,506	*Net cash flows from investing activities*	3,224

34. Cash Flow Statement - Investing Activities

2013/14 £'000		2014/15 £'000
11,648	Purchase of property, plant and equipment, investment property and intangible assets	27,364
178,313	Purchase of short-term and long-term investments	28,474
(2,324)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,105)
(180,810)	Proceeds from short-term and long-term investments	(28,990)
(65)	Other receipts from investing activities	9
6,762	*Net cash flows from investing activities*	23,752

35. Cash Flow Statement - Financing Activities

2013/14 £'000		2014/15 £'000
(1,500)	- the difference between the cash collected from NNDR taxpayers and the amount paid into the pool	674
970	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	852
	Other payments for financing activities	
428	- the difference for billing authorities in England between the preceptors' share of council tax cash collected and net cash paid to preceptors for their precept and settlement of the estimated surplus/deficit on the Collection	1,428
(102)	*Net cash flows from financing activities*	2,954

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

31 March 2014 £'000		31 March 2015 £'000
17	Cash held by the Council	55
(208)	Bank Current Accounts	176
10,900	Bank Call Accounts	4,842
10,709	Cash and cash equivalents at the end of the reporting period	5,073

Supplementary Single Entity Statements
Housing Revenue Account

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

2013/14		2014/15	
£'000		*£'000*	*£'000*
	Expenditure		
3,926	Repairs and maintenance	4,039	
4,313	Supervision and management	4,819	
60	Rents, rates, taxes and other charges	41	
1,346	Special services	1,943	
0	Negative HRA Subsidy payable	0	
5,441	Depreciation	5,591	
(13,506)	Impairment of non-current assets	(16,770)	
95	Debt management costs	154	
(83)	Movement in the allowance for bad debts	104	
	HRA self-financing - revenue expenditure funded from capital under statute		
1,592	*Total Expenditure*		(79)
	Income		
(22,158)	Dwelling rents	(23,291)	
(478)	Non-dwelling rents	(470)	
(742)	Charges for services and facilities	(749)	
(136)	Leaseholder charges for services and facilities	(232)	
(610)	Contributions towards expenditure	(541)	
(10)	Sale of land	0	
(3,090)	PFI Subsidy receivable	(3,000)	
(27,224)	*Total Income*		(28,283)
(25,632)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(28,362)
504	HRA services' share of Corporate and Democratic Core		500
371	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		366
(24,757)	Net Cost for HRA Services		(27,496)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(815)	Gain or (loss) on sale of HRA non-current assets		(1,318)
	Other capital receipts		
	Payment to Housing Capital Receipts Pool		
4,257	Interest payable and similar charges		3,742
1,313	Interest payable on PFI contracts and Finance Leases		1,464
(53)	Interest and investment income		(131)
388	Net interest on the net defined benefit liability (asset)		445
(19,667)	(Surplus) or deficit for the year on HRA services		(23,294)

Movement on the HRA Statement

2013/14 £'000		2014/15 £'000
(3,294)	Balance on the HRA at the end of the previous year	(4,595)
(19,667)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(23,294)
18,366	Adjustments between accounting basis and funding basis under statute	22,164
(1,301)	(Increase) or decrease in year on the HRA (MIRS)	(1,130)
(4,595)	Balance on the HRA at the end of the current year	(5,725)

Notes to the Housing Revenue Account

1. Number and type of Housing Stock, Balance Sheet Opening and Closing Values

The breakdown of the numbers and types of HRA dwellings at 31 March 2015 is given in the table below:

31 March 2014 *Units*	*Dwellings by type*	31 March 2015 *Units*
3,576	Houses and bungalows	3,589
1,454	Flats, bedsits and maisonettes	1,460
5,030		5,049
(319)	*Less* properties managed under Stanhope PFI	(318)
4,711		4,731

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

31 March 2014 £'000		31 March 2015 £'000
213,748	Operational assets - dwellings, land and buildings	236,277
3	Non-Operational assets	3
2,787	Assets Under Construction	5,295
216,539		241,575

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2014 was £661,273,000 (£620,426,000 as at 1 April 2013). 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.

The valuation exercise was completed by an external valuer, Wilkes Head and Eve.

3. Major Repairs Reserve

2013/14 £'000	*Movements in year*	2014/15 £'000
(3,684)	Balance at the end of the previous year	(4,354)
(5,441)	Amount transferred to the Reserve during the year	(5,591)
4,529	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	9,464
242	Reversal of depreciation (other than Council Dwellings)	399
(4,354)	Balance at the end of the financial year	(82)

4. Summary of Capital Expenditure and Financing

2013/14 £'000		2014/15 £'000
	Capital investment:	
4,559	Expenditure on Existing Dwellings	4,710
2,363	Expenditure on New Stock Purchases	2,074
2,787	Expenditure on new developments (including Assets Under Construcion)	8,161
0	Expenditure on Purchases of Land	259
9,709		15,204
	Sources of Finance:	
(144)	Capital Receipts	(1,234)
(4,529)	Major Repairs Reserve	(9,464)
(1,406)	External Contributions - HCA Grant	(533)
(3,630)	Revenue Contribution from the Housing Revenue Account	(3,973)
(9,709)		(15,204)

5. Capital Receipts from Disposal of Assets

2013/14 £'000		2014/15 £'000
(2,264)	Receipts from Right-to-buy sales	(2,932)
0	Receipts from Repairment of Discounts	(30)
(36)	Receipts from the sale of Housing land	(83)
0	Other non right-to-buy sales	0
(2,300)	Total receipts	(3,045)
47	Costs of disposal	56
(2,253)		(2,989)

6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £5,591,000 (2013/14, £5,442,000), summarised below:

2013/14		2014/15
£'000		*£'000*
5,248	Council dwellings	5,376
192	Council garages	212
2	PV panels	2
5,442		5,591

The Council uses the assumed Major Repairs Allowance within the Housing Revenue Account buyout calculation as a proxy for depreciation for Council Dwellings.

7. Valuations

Land and Buildings are held individually and the total housing stock had increases and decreases in valuation. A total downwad valuation of £5,498,802 was recognised and charged to the Housing Revenue Account. The value of the housing stock increase was £22,395,195, with £22,269,216 being credited to the Housing Revenue Account, with the remainder increasing the Revaluation Reserve Account. Garages increased in value by £169,146 which was recognised in the Revaluation Reserve.

8. Pensions

The Council recognises 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 the Council is required to make against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the Housing Revenue Account Balance. The following transactions have been made in the Income and Expenditure Account and the Statement Movement.

2013/14		2014/15
£'000		*£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
450	- current service cost	461
14	- past service costs	44
0	- settlements and curtailments	0
11	- administration expenses	10
	Financing and Investment Income and Expenditure	
388	- net interest expense cost	445
863	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	960
	Movement in Reserves Statement	
(863)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(960)
	- actual amount charged against the General Fund Balance for pensions in the year:	
550	employers' contributions payable to scheme	592

9. Rent Arrears

During the year 2014/15 arrears totalling £127,000 (£62,000 - 2013/14) were written off to the impairment allowance for bad debts held outside the HRA as they were considered to be uncollectable. The balance on the provision at 31 March 2015 was £850,000 (£876,500 at 31 March 2014).

31 March 2014		31 March 2015
£'000		*£'000*
859	Gross arrears	915
(876)	Provision for Bad Debts	(850)

Collection Fund

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

2013/14 Business Rates £'000	2013/14 Council Tax £'000		2014/15 Business Rates £'000	2014/15 Council Tax £'000
		Income		
	(59,023)	- Council Tax		(61,351)
(44,816)		- Business Rates	(46,497)	
(198)		- Transitional Protection Payments		
(45,014)	(59,023)	*Total Income*	(46,497)	(61,351)
		Expenditure		
		Precepts, Demand & Shares		
4,008	43,148	- Kent County Council	4,052	44,719
	5,826	- Kent Police Authority		6,038
445	2,798	- Kent and Medway Fire Authority	450	2,900
17,816	7,005	- Ashford Borough Council (including Parish Precepts)	18,009	7,222
22,269		- Central Government	22,511	
44,538	58,777		45,022	60,879
		Charges to the Collection Fund		
28	1	- Write-Offs of uncollectable amounts	18	5
66	194	- (Increase)/Decrease in Bad Debt Provisions	47	72
3,000		- (Increase)/Decrease in Provision for Appeals	1,187	
		- Disregarded amounts		
179		- Costs of Collection Allowance	180	
		- Transitional Protection Payments	59	
3,273	195		1,491	77
		Contributions		
	500	- Towards previous year's estimated Collection Fund Surpl	(566)	
47,811	59,472	*Total Expenditure*	45,947	60,956
2,797	449	Deficit/(Surplus) in Year	(550)	(395)
0	(468)	Balance at 1st April	2,797	(19)
2,797	(19)	Balance at 31st March	2,247	(414)
		Apportionment of Balance to Preceptors/Borough Council		
252	(14)	- Kent County Council	202	(304)
	(2)	- Kent Police Authority		(41)
28	(1)	- Kent and Medway Fire Authority	22	(20)
1,119	(2)	- Ashford Borough Council	899	(49)
1,398		- Central Government	1,124	
2,797	(19)		2,247	(414)

Notes to the Collection Fund

1. NNDR Rateable Value

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

2013/14		2014/15
£'000		*£'000*
	Total Non-Domestic Rateable Values at:	
114,775	- 1st April	115,478
115,478	- 31st March	115,994
703	Increase/(decrease) in year	516

2013/14		2014/15
p		*p*
	Uniform rate (multiplier) set by the government:	
46.2	For rateable values below £18,000	47.1
47.1	For rateable values £18,000 and above	48.2

2. Band D Council Tax

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

2013/14		2014/15
£		£
1,047.78	Kent County Council	1,068.66
141.47	Kent Police Authority	144.28
67.95	Kent and Medway Fire Authority	69.30
145.45	Ashford Borough Council	145.45
1,402.65	Council Tax - basic amount	1,427.69
24.67	(including Parish Precepts)	27.12
1,427.32	Council Tax - Borough average	1,454.81

3. Council Tax Base

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

	2013/14			2014/15		
Band	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (a)*	*Multi-pliers (b)*	*Band D equivalents properties (a x b)*	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (c)*	*Multi-pliers (d)*	*Band D equivalents properties (c x d)*
A with disabled relief	3.20	5 /9	1.80	13.30	5 /9	7.40
A	3,219.20	6 /9	2,146.10	3,271.90	6 /9	2,181.25
B	10,596.10	7 /9	8,241.40	10,746.70	7 /9	8,358.54
C	11,361.50	8 /9	10,099.10	11,273.30	8 /9	10,020.71
D	7,860.10	9 /9	7,860.10	7,887.40	9 /9	7,887.39
E	5,920.50	11 /9	7,236.20	5,876.00	11 /9	7,181.76
F	4,823.00	13 /9	6,966.60	4,822.40	13 /9	6,965.73
G	2,888.00	15 /9	4,813.40	2,852.80	15 /9	4,754.58
H	177.00	18 /9	353.90	161.00	18 /9	322.00
Sub-total			47,718.60			47,679.36
Estimated Collection Rate			97.5%			97.5%
Tax Base before Council Tax Support			46,525.70			47,679.36
Less Council Tax Support			(5,345.70)			(5,410.68)
Tax Base after Council Tax Support			41,180.00			42,268.68
Estimated Collection Rate			99.0%			99.0%
Council Tax Base			41,180.00			41,846.00

4. Precepts

Ashford Borough Council made a significant precept or demand on the Collection Fund:

	Demand	
5,990	- Ashford Borough Council	6,087
1,015	- Parish Precepts	1,135
7,005		7,222

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

2013/14		2014/15
£'000		*£'000*
305	Tenterden Town Council	305
92	Kingsnorth	131
65	Charing	67
68	Great Chart with Singleton	76
54	Wye with Hinxhill	56

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

We have audited the financial statements of Ashford Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Ashford Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Ashford Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, *Ashford Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

Emily Hill
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP

Date: 30 September 2015

Glossary

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

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

Appointed Auditors – external auditors of Local Authorities appointed by the Public Sector Audit Appointments Ltd, previously the Audit Commission, in Ashford's case, Grant Thornton carries out this function.

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

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

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

Capital Financing – funds used to pay for capital expenditure.

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

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

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

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

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

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

Council Tax Support – assistance provided to adults on low incomes to help them pay their Council Tax bill. A resident that qualify for this are entitled to a discount on their council tax bill. At its inception, this was 90% funded by Government.

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

Creditors – money owed by the Council to others.

Debtors – money owed to the Council by others.

Fair Value - is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

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

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

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

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

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

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

Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments

Market Risk - the possibility that losses may arise due to changes in interest rates and market prices.

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

National Non-Domestic Rate NNDR – a levy on businesses, based on a national rate in the pound set by the Government multiplied by the 'rateable value' of the premises they occupy. Since the localisation of Business rates was introduced, NNDR is collected by Billing Authorities and distributed to Central Government, County and Fire Authorities on the basis of a pre-set formula.

Net Expenditure – gross expenditure minus specific service income and grants, but before deduction of Revenue Support Grant and reallocated NNDR receipts.

Outturn – actual income and expenditure in a financial year.

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

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

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

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

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

Reserves – amounts set aside to meet general, rather than specific future expenditure. These include “other reserves” to be spent on specific services or functions and “general reserves” or 'balances' which every Authority must maintain as a matter of prudence. Sums may be put into or taken from reserves at the Council’s discretion. The Council also maintains unusable reserves that are established by the code of practice to offset non-current assets.

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

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

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

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

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