Head of Legal and Democratic Services and Monitoring Officer, T W Mortimer LLB Solicitor AU

ASHFORD BOROUGH COUNCIL

Audit Committee

Notice of a meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Thursday 27th September 2012 at 7.00 pm

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The Members of this Committee are:-

Cllr. Clokie (Chairman)
Cllr. Link (Vice-Chairman)
Cllrs. Marriott, Michael, Smith, Taylor, Wright, Yeo

NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Executive if the issue is within its terms of reference or ask a question or speak concerning any item contained on this Agenda (Procedure Rule 9 refers)

*Members are reminded that Rob Neil, Ashford Borough Council's Head of Business Change and Technology will be giving a presentation regarding Data Protection and IT security between 6.00 pm and 6.45 pm. This will be for Members only.

Agenda

Page Nos.

1. **Apologies/Substitutes** – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)

2. **Declarations of Interest (see "Advice to Members" overleaf)**

   (a) Disclosable Pecuniary Interests (DPI) under the Localism Act 2011 relating to items on this agenda. The nature as well as the existence of any such interest must be declared.

   A Member who declares a DPI in relation to any item will need to leave the Council Chamber for the whole of that item, and will not be able to speak or take part (unless a relevant Dispensation has been granted).

   (b) Other Significant Interests (OSI) under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared.

   A Member who declares an OSI in relation to any item will need to leave the Council Chamber before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

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(c) Voluntary Announcements of Other Interests not required to be declared under (a) or (b), i.e. announcements made for transparency reasons alone, such as:

- membership of outside bodies that have made representations on agenda items, or
- where Members know a person involved, but do not have a close association with that person, or
- where an item would affect the well-being of a Member, relative, close associate, etc, but not his/her financial position

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute an OSI].

Advice to Members on Declarations of Interest:

(a) Government Guidance on DPI's is available in DCLG's Guide for Councillors, at http://www.communities.gov.uk/documents/localgovernment/pdf/2193362.pdf

(b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, and a copy can be found with the papers for that Meeting.

(c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Head of Legal and Democratic Services and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

3. **Minutes** – To approve the Minutes of the Meeting of this Committee held on the 25th June 2012

Part I – For Decision

4. 2011/12 Annual Governance Statement (Updated Including Supplementary Statement on Financial Management Arrangements)

5. Statement of Accounts 2011/12 and the District Auditor's Annual Governance Report

6. Strategic Risk Register – Management Action Plans

7. Principles of Good Partnership Governance – Partnership Arrangements Framework

8. Fraud – Follow Up Report

Part II – Monitoring/Information Items

9. Report Tracker and Future Meetings

DS/AEH
19th September 2012

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **25th June 2012**

Present:

Cllr. Clokie (Chairman);
Cllr. Link (Vice-Chairman);

Cllrs. Marriott, Sims, Taylor, Wright.

Also Present:

Deputy Chief Executive, Head of Internal Audit Partnership, Audit Partnership Manager, Investigation & Visiting Manager, Senior Member Services & Scrutiny Support Officer.

Andy Mack – Audit Commission.

50 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 6th March 2012 be approved and confirmed as a correct record.

51 Fraud Annual Report 2011/12

The report provided an update on the work of the Fraud and Visiting Team, set out a summary of the Team's work for the financial year 2011/12 and the team's future priorities.

The following responses were given to questions/comments: -

- Overpayments were not broken down into those that were errors and the individual categories of fraud. Much of the amount was recovered though and the presence of the Team certainly worked as a deterrent. Prevention before the event was seen as the key.

- The figure of approximately £170k fraud overpayments was relatively small when compared with other Local Authorities in Kent. Ashford had also worked with Housing and focussed quite heavily on tenancy fraud this year. There were far greater savings to be made for the Council by preventing and detecting this type of fraud.

- It was agreed that Audit Committee Members should be invited to the proposed half day training session for Managers on Fraud Risks to the Council.

- The numbers of referrals under the different categories of fraud did vary from year to year due to changes in emphasis and what was seen as a priority for the resources that the Council had. It was agreed that year on year figures could be included in future years' reports to identify changes and trends in the type of fraud that was being investigated.

- All cases were scored in terms of priority and resources. 'Rejected' referrals were those that did not score high enough to be a priority for investigation by the current staff resources.

- It was considered that an extra member of staff could prove to be a cost benefit for the Council in terms providing an opportunity to maximise income and that this possibility should be noted, although from April 2013 there would be a Single Fraud Investigation Service comprising Department of Work & Pensions, HMRC and all Local Authorities to investigate all benefit fraud. Therefore the full implications for staffing within Local Authority fraud teams were unknown.

The report explained that due to the extent of the ongoing changes it would be appropriate to report back to the Committee in the autumn, rather than leaving it until next year.

Resolved:

That the report be received and noted.

52 Strategic Risk Register

The report set out the draft Strategic Risk Register for adoption by the Council. The risks shown were 'pre-mitigation', in other words they represented the scenario that might occur should the risk not be managed. In practice, a number of controls were already in place to help prevent the scenario occurring. The risks had been allocated to 'risk owners' who were responsible for taking the necessary action to manage the risks. Management Action Plans were being completed and would be compiled to sit next to the register. The Committee was asked to endorse the Register and the process that was set out in the report for the ongoing management and reporting of the risks.

The Chairman sought clarification over the role of the Audit Committee with regard to risk as it related to the Cabinet. He considered this Committee should receive risk reports first and add their comments before they went to the Cabinet so that the Cabinet was not exposed and the comments of the Audit Committee meant something. It was agreed that this should be the way forward.

In response to a question about using the traffic light monitoring system as part of the Risk Register, the Head of Internal Audit Partnership explained that the Management Action Plans which would come back to the Committee would use the traffic light system.

Resolved:

That (i) the content of the draft Strategic Risk Register and the wording used to describe the risks be endorsed.

(ii) the ownership of the identified risks be endorsed.

(iii) the process for monitoring and reporting action on the risk register be agreed.

(iv) the respective responsibilities for the risk management process be agreed.

53 Audit Committee Annual Report 2011/12

The report set out the Annual Report of the activity of the Audit Committee for 2011/12. It was noted that following this meeting the Report would go on to be received and noted by the Full Council. The report was agreed subject to the correction of one small error to reflect that the Committee did not meet in early June 2012.

Resolved:

That (i) the Committee agree the format and content of the Annual Audit Committee report.

(ii) the report be submitted to a meeting of the Full Council to demonstrate how the Committee has discharged its duties.

54 Internal Audit Annual Report 2011/12

The report outlined the work of the Internal Audit Team over the financial year 2011/12 and the opinion of the Head of Internal Audit Partnership in relation to the Council's control environment, in the context of the Annual Governance Statement. It also asked the Committee to decide whether the outcomes of the Internal Audit work and the other matters referred to in the report provided evidence of a substantial level of internal control within the Authority, which would support the findings and conclusions shown in the Annual Governance Statement for 2011/12.

The Committee considered the report and the following comments were made: -

- 87.5% completion of work against the original audit plan was considered by the Audit Commission as a good performance. They looked for a minimum figure of 80-85%

- Staffing resources for Internal Audit at Ashford were at a 'de minimis' level of 2.5 FTE. More resources would allow for a broader area to be covered which could potentially lead to more savings being made across the Authority, but there was no guarantee of this. The team had got used to operating at such a level, but if resources were cut any further it would make things very difficult.

- There would be a meeting during the following week between representatives of the Management Teams of the four Kent Internal Audit Partnership Authorities to review the strategic direction of the partnership and this would inevitably look at resources.

- With regard to the Treasury Management audit, every individual transaction was checked by auditors and this also received attention from External Audit. Officers were confident that there could be no foul play in terms of the rounding up or down of figures.

- Both Members' and Officers' gifts and hospitality registers were available to the public on the transparency section of the Borough Council's website.

- There was a cost involved to the Council in terms of cashing cheques and the fee scale was per item. It was in the order of pence, but Officers would clarify the exact fee and report back to Members. Cheques had to be dealt with in a different way administratively that was not so straight forward as cash and card payments, so an additional, sometimes unquantifiable administrative cost was incurred. That was why auditors had recommended that consideration be given to discontinuing the acceptance of cheques as a method of payment at the Gateway.

- Following the limited assurance level that had been given to the audit of Data Protection, there had been a number of improvements in the physical security arrangements for the Civic Centre such as the key fob door access and a PC login screen auto lock. Members raised the issue of being advised to register themselves as Data Handlers at a cost of £35 if they held certain types of data in their role as a Councillor. Many Members had declined to do this because they did not consider the information they held was covered by the requirements of the Data Protection Act, but if there was a need to do this it was considered that the cost should be borne by the Council.

- On a wider point about data protection, a Member asked about the Authority's responsibility to nominate a Chief Privacy Officer and the wider IT controls that were in place in terms of passwords, access controls etc. This was a hot topic nationally at the moment with high profile breaches of security occurring and IT security controls should be being routinely audited. IT security and access levels were examined across all audits but this was clearly a serious issue and it was proposed that Members receive a pre-Committee briefing before the next meeting on Data Protection and IT security more specifically, particularly bearing in mind that it was the one area of significance for review as part of this year's Annual Governance Statement.

Resolved:

That (i) the Head of Internal Audit Partnership's opinion that substantial reliance can be placed on the Council's control environment be noted in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council.

(ii) it be noted that there are no qualifications to that opinion.

(iii) the results of the work of the Internal Audit Team over the period April 2011 to March 2012 as shown in Appendix A to the report be noted and it be noted that this is the prime evidence source for the Head of Internal Audit Partnership's opinion.

(iv) it be agreed that the outcomes of the work and the other matters referred to in the report provide evidence of a substantial level of internal control within the Council, which supports the findings and conclusions shown in the Annual Governance Statement for 2011/12.

(v) the improvements in control that occur as a result of the audit process be noted.

(vi) the Committee considers that the Council's internal audit service is effective.

55 Approval of Annual Governance Statement 2011/12

The report explained that each year the Council must produce an Annual Governance Statement that summarised the approach to governance, showed how its approach fulfilled the principles for good corporate governance in the public sector, and drew a conclusion about the effectiveness of its governance arrangements. The Statement would be published alongside the Council's formal audited financial statements which would be considered by the Committee in September. The Statement was submitted for the Audit Committee to approve on behalf of the Council. The report highlighted just one area of significance for ongoing review on matters arising from an internal audit of full compliance with the Council's Data Protection Act arrangements.

The Chairman pointed out a couple of typing errors in the document which would be corrected before the statement was signed.

Resolved:

That the Committee approves the 2011/2012 Annual Governance Statement and it be signed off by the Leader and Chief Executive as required by regulations.

56 External Auditor's Update

The Audit Commission's report provided information about its audit work over the past year including the forthcoming 2011/12 financial statements, the progress with the outsourcing of its work to the private sector and a number of matters of other relevance and interest. In terms of the future of external audit, Local Authorities had not yet been able to choose their own external auditors as originally proposed so the Audit Commission had run an outsourcing procurement exercise for a period covering the next five years. Grant Thornton had been awarded the contract for the London (South), Surrey and Kent region and would therefore be this Council's External Auditor from 2012/13 to 2016/17. Audit Commission staff would TUPE transfer to Grant Thornton as of 1st November 2012, so many of the same individuals would continue to carry out work for the Council in the coming years. It had been a protracted process but there was now some certainty about the future and continuity for the Council which were positives. Additionally, fees for the next five years had effectively been fixed resulting in a 40% reduction on budgeted costs. This would be expanded upon as part of the next report on the Agenda.

Members said they were pleased that Andy Mack and his colleagues would continue to work with Ashford Borough Council.

Resolved:

That the report be received and noted.

57 Annual Audit Fees 2012/13

The report advised of a significant reduction in external audit fees for this year and the next four years following on from the outsourcing of the Audit Commission's Local Government and other public sector work. The report also detailed the new fee scales for the Council. The reduction in fees was around 40% which resulted in cumulative savings of £290,000 over the five year period of the Council's Medium Term Financial Plan.

In response to a question about whether Grant Thornton would expect the Council itself to undertake more background work on its accounts to justify the fee reduction, the Deputy Chief Executive said this point had been raised at the initial meeting with Grant Thornton and an assurance had been given that provided the Council kept up its current standard of preparatory work that no extra elements would be placed on them.

Resolved:

That the report be received and noted.

58 Compliance with International Standards of Auditing (UK and Ireland)

The Head of Internal Audit Partnership introduced the report which explained that the Council's External Auditors required an understanding of how those charged with governance (this Committee): - exercised oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council; gained assurance that all relevant laws and regulations had been complied with; was aware of any actual or potential litigation or claims that would affect the financial statements; and had carried out a preliminary assessment of the going concern assumption and if so had identified any events which may cast significant doubt on the Authority's ability to continue as a going concern. The Committee also needed to consider and agree a letter to the external auditors which provided assurances in the areas concerned.

It was noted that a number of Third Party Declaration forms were still outstanding from Members and a further reminder letter was being sent out this week. The Committee considered that Group Leaders should be informed as well as the individual Members.

The Chairman pointed out a couple of typing errors in the draft letter which would need to be corrected before the letter was signed.

Resolved:

That the content of the draft letter to the Audit Commission to provide assurance in respect of: - the risk of fraud; management processes for reporting fraud and potential breaches of internal control; potential litigation or claims; and the Authority as a going concern, be agreed.

59 Report Tracker and Future Meetings

It was noted that the Meeting on the 27th September would now include a Pre-Committee briefing on Data Protection and the Council's IT security arrangements as well as an additional update report on fraud. The Internal Audit Strategic Plan would not be needed again this September as it was a three yearly report. The Tracker would need to be updated accordingly.

Resolved:

That subject to the amendments mentioned above, the report be received and noted.

Queries concerning these Minutes? Please contact Danny Sheppard:
Telephone: 01233 330349 Email: danny.sheppard@ashford.gov.uk
Agendas, Reports and Minutes are available on: www.ashford.gov.uk/committees

Agenda Item No:	4
Report To:	**2011/2012 ANNUAL GOVERNANCE STATEMENT (UPDATED INCLUDING SUPPLEMENTARY STATEMENT ON FINANCIAL MANAGEMENT ARRANGEMENTS)**
Date:	**AUDIT COMMITTEE**
Report Title:	**27 SEPTEMBER 2012**
Report Author:	Paul Naylor, Deputy Chief Executive Nicholas Clayton, Policy and Performance Officer

ASHFORD
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Summary:	This report aims to elaborate on the current contents of the Annual Governance Statement; specifically in relation to the role of the Chief Finance Officer in the wider governance of finance issues.

Key Decision:	NO
Affected Wards:	N/A
Recommendations:	**The Audit Committee is asked to approve the updated Annual Governance Statement.**
Risk Assessment	N/A as only amendments
Equalities Impact Assessment	N/A as only amendments
Background Papers:	Annual Governance Statement June 2012 – Audit Committee

Contacts:	Nicholas.clayton@ashford.gov.uk Paul.naylor@ashford.gov.uk

Report Title: 2011/2012 Annual Governance Statement (updated including supplementary statement on financial management arrangements)

Background

1. Ashford Borough Council's Annual Governance Statement was submitted to the Audit Committee in June 2012. Subsequent discussions with the council's external auditors highlighted the need for further formal assurance in the Annual Governance Statement and Statement of Accounts regarding the council's compliance with those financial management requirements as set out in the 2007 CIPFA/SOLACE *Delivering Good Governance in Local Government* Framework and the 2010 CIPFA *statement on the role of the Chief Financial Officer in local government*.

2. This statement aims to elaborate on the current contents of the Annual Governance Statement; specifically in relation to the aforementioned role of the Chief Finance Officer in the wider governance of finance issues.

Summary of requirements in the CIPFA Statement

3. CIPFA's *Statement on the role of the Chief Financial Officer (CFO) in local government* describes the role and responsibilities of the CFO. It builds heavily on CIPFA's similar statement regarding public services and transposes those principles to the local government sector.

4. The statement sets out five principles that define and govern the core activities and behaviours that should be espoused in the role of CFO and the governance requirements need to support them. The CFO in local government:

   a) is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
   b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy.
   c) must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

   To deliver these responsibilities the CFO:
   d) must lead and direct a finance function that is resourced to be fit for purpose.
   e) must be professionally qualified and suitably experienced.

Ashford Borough Council's compliance

5. None of these requirements are especially new or have thrown up any material inconsistencies with the approach taken at Ashford Borough Council. In practice, many of these aspects are assisted by, or delegated to, colleagues within corporate policy, finance and accountancy, and indeed through the shared responsibility of Management Team. However, the CFO retains overall oversight, control and responsibility for these requirements.

6. An amended Annual Governance Statement is presented at **Appendix A** (amended text highlighted in bold and italics) to reflect the additional assurance requirements set out above and in the CIPFA code and this has been discussed with the council's external auditor who is satisfied with these amendments.

APPENDIX A

ANNUAL GOVERNANCE STATEMENT 2011/12

Scope of Responsibility

1. Ashford Borough Council is responsible for ensuring that –

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

2. The council has a legal duty under the Local Government Act 1999 to secure continuous improvement in the way in which its roles are exercised, having regard to economy, efficiency and effectiveness.

3. In fulfilling these responsibilities the council must put in place proper arrangements to govern its affairs and promote the effective exercise of its roles, including arrangements to manage risk.

4. The council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA[1] and SOLACE[2] guidance '*Delivering Good Governance in Local Government*'.

5. This statement summarises the council's governance arrangements and explains how these may have varied over the past financial year and how, therefore, the council has complied with the local code. It also meets the requirements of Regulation 4 (2) of the Accounts and Audit Regulations 2003 (as amended) about publishing a statement on internal control.

The Purpose of the Governance Framework

6. Our governance framework is a permanent feature of the council's work and is made up of:

    - the cultural values, systems and processes by which the council's work is directed and controlled
    - the activities through which the council engages with, leads and accounts to its community.

7. Part of this framework allows councillors to check progress with achieving strategic objectives (as stated in our Summary Business Plan[3]) and to consider whether it has delivered suitable and cost-effective services.

8. Internal controls form a significant part of the framework and help to manage accountabilities and risk to a reasonable level. Our approach to risk management was one area for review during 2011/2012 with good progress towards updating and further strengthening of arrangements made.

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[1] CIPFA – the Chartered Institute of Public Finance and Accountancy

[2] SOLACE – the Society of Local Authority Chief Executives

[3] Summary 5 Year Business Plan, Executive Committee and Full Council approved, February 2011

The Governance Framework

9. CIPFA and SOLACE together in 2007 produced their framework document *'delivering good governance in local government'*. Building on the Cadbury[4] and Nolan[5] principles the CIPFA/SOLACE framework identifies six core principles for good corporate governance.

10. To support this overarching framework, CIPFA's subsequent statement on the role of the Chief Financial Officer (CFO) in local government sets out five principles that define and govern the core activities and behaviours that should be espoused in the role of CFO and the governance requirements need to support them. The CFO in local government -

a) is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy.
c) must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
To deliver these responsibilities the CFO –
d) must lead and direct a finance function that is resourced to be fit for purpose.
e) must be professionally qualified and suitably experienced.

11. This statement takes each of the principles ***from the 2007 framework document*** in turn and describes the council's arrangements and developments over the past year that are of particular relevance to assessing the adequacy of our governance arrangements.

Principle A –
Focusing on the purpose of the Council and on outcomes for the community

A1 Following a comprehensive public consultation in 2010 and 2011 the council's priorities for service development and budget plan were set for a five-year period. Subsequently, and following the elections in May 2011 the new cabinet adopted a longer term framework (Ashford 2030)[6] with several strategic aims as direction for the council's work, including its work with the community and partner organisations. The framework adopted the five-year business plan.

[4] Cadbury Report, 'Report of the committee on the financial aspects of corporate governance' 1992
[5] Nolan Report, 'Standards in Public Life: First Report of the Committee on Standards in Public Life (1995)
[6] 'Ashford 2030 – A framework', adopted by Cabinet 8 December 2011

A2 Both the 2030 framework and the five-year business plan contain priorities. These act as important focus for members and officers work, and for managing performance management and reporting arrangements, which are a most important part of governance.

A3 Our performance management arrangements were overhauled during 2011, and converted from a previous focus on many detailed performance indicators to reporting on progress with the important project priorities within the business plan. The process also reports on important service performance matters, and the local economy. Reports are produced quarterly for the Cabinet and the Overview and Scrutiny Committee.

A3 Running throughout all themes is a strong commitment to **Localism.** Over the past year work focused on new policy development, working to develop localism arrangements with parish councils and other representative groups, and ensuring the council had suitable arrangements in place because of the implications of parts of the Localism Act.

A4 As reported last year the council agreed, with its principal partners and stakeholders, to consider creating a new strategic Locality Board to replace the former local strategic partnership. This led to the Ashford Locality Board with a new strategic board (made up of the Cabinet plus representatives of several partner organisations and stakeholders), with the purpose to establish and deliver partners' collective priorities. The Locality Board will complement and be a delivery arm of the cabinet's 2030 framework. Also created during 2011, was the new Kent Forum. This is a pan-sector county-wide forum of leaders and senior management (chaired by the leader of the county council). It works to co-ordinate strategic activity across Kent councils and the wider public sector, and complement the work of locality boards.

A6 Finally, on direction and during 2011/2012, the council further developed its commitment to review its core (local plan) strategy, first adopted in 2008 and heavily influenced then by central government housing and jobs growth targets. This is a major policy issue for the council and the borough (replacing previous ‘local plans’) as it sets the framework for local spatial planning and a vision for how the borough and places within it should develop. Since the coalition government's abolition of top-down regional housing targets, the previous prescription surrounding core strategies was removed. Therefore, and following much local need, the council has started the preparatory work to review this major policy which, when complete in 2014, will set a new and suitable scene for spatial planning and community development over the longer term.

A7 In summary, therefore, 2011/2012 was a year in which strong commitment and progress was made to deliver new commitments and priorities on a wide range of fronts.

Principle B – Members and Officers working together to achieve a common purpose with clearly defined roles

B1 Working together, in a local authority context, to achieve the common purpose as set by the means explained above, needs arrangements that provide for accountability, representation and transparency. These are matters the council's constitution is designed for.

B2. Through regular reviews our constitution has evolved and adapted to changing circumstances. It states the roles and responsibilities of members and senior officers. It covers protocols for members and officers' conduct and contains many procedural rules, including procedures for conducting meetings, public speaking and representation, and financial and contract rules.

B3 It includes the Terms of Reference for the Cabinet and Portfolio Holders, and for the Council as a whole and its various committees.

B4 Amendments must be considered by the Selection and Constitution Review Committee. One important and significant change that came into effect after the May 2011 local elections was a decision of the council in December 2010. That decision was to elect a leader, with the leader having the ability to appoint his own deputy leader and portfolio holders for the administrative term (four years). Previously, appointing the leader and Cabinet members/portfolio responsibilities was decided each year by the full council. This decision was under procedures contained in the Local Government and Public Involvement in Health Act 2007.

B5 Policy issues are usually considered for recommendation by the Cabinet to Full Council in public meetings, based on reports available to members of the public. Occasionally, some matters are considered as 'exempt' from public access, for reasons defined in law, though the council tries to minimise the information restricted in this way.

B6 The cabinet decides matters collectively as a committee. Constitutionally, portfolio holders act to support their responsibilities without individual decision-making ability outside the Cabinet. A Forward Plan containing details of 'key decisions'[7] to be made by the Cabinet is published monthly. The Officers of the council work with elected Members to deliver policies as developed and approved within the constitutional framework of decision-making.

B5 Further details on the roles and responsibilities of those Committees engaged with governance are contained in the 'Review of Effectiveness' section of this statement.

B6 Arrangements for officers' delegations and accountabilities are set down in the Constitution.

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[7] Key Decisions - A decision made by the council's cabinet that involves significant amounts of money to be spent or saved (the limit is at the discretion of the council, and currently is £50,000) or is a material decision involving more than one ward in the authority. The cabinet must announce its plan for key decisions in advance and in public (through a Forward Plan).

B7 Officers are appointed to approved job descriptions and areas of responsibility, adopting statutory and professional standards where necessary. The Constitution provides officers with delegations to aid efficient and effective running of the council's business.

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

C1 The Constitution summarised above sets down a well-regarded formal governance framework for directing members' and officers' conduct on the council's business. These protocols also address the need to declare and disclose relevant interests that members and officers may have which may or may be felt to impact on council decision making. Statutory amendments for declaring interests are soon to come in to force, and thus later this year new guidance will be issued for members.

C2 The council has designated its Deputy Chief Executive as the statutory CFO, operating under the guidance of CIPFA's statement on the role of the Chief Financial Officer (CFO) in local government, and other relevant legislation. The role of the CFO is guided by the five principles set out in this statement, and the council is confident that the CFO – In conjunction with other relevant officers – offers compliance with these principles.

C3 The council continued to operate a Standards Committee throughout the past year, chaired by an independent non-elected person that oversees conduct issues with the council's Monitoring Officer (a statutory role for a council officer). Statutory arrangements are changing in 2012, and provide for some degree of local discretion over the design of arrangements. The implications of this legislative change are being discussed with members, including the current Standards Committee, with new procedures to be in place later in 2012.

C4 The council's Audit Committee assesses and provides assurance about the adequacy of governance arrangements. The committee has a particular focus on risk management and the associated internal control environment. The committee's role extends to providing scrutiny of the Authority's financial statements and its performance management. This point is also covered at D7 below.

C5 As part of the council's aims to uphold high standards of integrity it continues to adopt a confidential 'whistle-blowing' policy and reporting arrangements. These are incorporated within the conditions of service for officers, and reviewed yearly. There were no incidents for reporting during 2011/2012.

C6 Complementing our commitment to openness and high standards of public service is our public complaints procedure. Our arrangements allow anyone to make a complaint about the council and the services it provides. Members of the public also have a legal right of recourse to the local government ombudsman if they remain dissatisfied. Reports to the Management Team summarise complaints issues and matters of learning arising. A summary of ombudsman reports for the year is included in an annual report to the Standards Committee.

Principle D – taking informed and transparent decisions which are subject to effective scrutiny and risk management

D1 Cabinet meetings and other decision-making committees are held in public in an open style with members of the public able to pose questions or present petitions. Final decisions are needed from the full council on matters where committees can only make a recommendation. This is usually where an issue is outside approved policy, is new policy, or outside the limits of the approved budget.

D2 All member decisions across the formal and democratic decision-making process are minuted and published under statutory requirements. There is a presumption that information and decisions are taken in public, but occasionally (under access to information regulations) some information is regarded as ‘exempt’ and not published. However, the council aims as far as is possible to keep this type of information and decision to the minimum.

D3 The council runs an Overview and Scrutiny Committee. Its role is to examine and review existing policy and operational methods, as well as providing the ability for members to ‘call in’ decisions of the Cabinet for review before any actions are carried out. The Committee produces an annual report to review its work and aid judgements about its effectiveness.

D4 A public participation scheme is in place under the statutory requirements, details of which are held within the constitution. This scheme was reviewed during 2010/2011 because of statutory changes.

D5 The council continued its commitment to transparency and going beyond the minimum legislative requirements where suitable. Wherever possible, information is made readily available to the public through the ‘transparency’ section of the council’s website.

D6 Freedom of Information Act enquiries are all dealt with under fixed protocols. The protocols were audited and results considered by the Overview and Scrutiny Committee.

D7 Risk awareness and management is a part of the council’s work, for both its members and officers. The past year has seen a thorough review of the approach and a new risk management framework, which is informed by the new priorities set in the business plan, is to be considered by the Audit Committee. The approach involves:

- preparation and maintenance of service and strategic risk registers
- periodic reviews during a year with annual risk assessments
- guidance and training on risk management available to members and staff
- involving members in the risk management process, principally through the Audit, and Overview and Scrutiny Committees.
- ensuring that risk implications feature in all committee reports and decision-making

D8 Specifically on financial management the annual budget report provides an opportunity to review its financial rules. At officer level this is overseen by the ‘Chief Finance Officer (CFO) ‘ under Section 151 of the Local Government Act 1972 (the Deputy Chief Executive). The CFO is under a statutory duty to advise on financial risk associated with the budget. Members receive this advice as part of the annual budget report, with the outcome of a budget risk review carried out by the Overview and Scrutiny Committee.

D9 The Overview and Scrutiny Committee will follow up risk assessments during each year as it considers proper, using the regular budget monitoring and performance management reports to the cabinet as primary sources of information.

D10 All committee reports include reference to the potential impact on the Council’s priorities and aims, and address financial, risk, equalities and other implications.

Principle E – developing the ability and capacity of members and officers to be effective

E1 The council is committed to identifying and fulfilling the learning and development needs of members and officers. For its staff management the council has Investors in People accreditation.

E2 Members’ training needs are considered through a Member Training Panel.

E3 Inductions and specific topic briefings are provided for new and existing members, and routinely for new staff. Members’ knowledge and capacity is also developed through the work of informal topic specific task groups that help to shape recommendations for cabinet to consider. Use is also made of special briefings, usually prior to a formal committee, to provide opportunities for members to be informed and kept up-to-date with new legislation and important local issues and initiatives.

E4 Officers’ training needs are determined through a combination of staff performance development discussions, and assessments by the Management Team of corporate needs recommended by the Head of Personnel and Development.

E5 A central training budget for staff needs is available and a programme then set up. After some early delay a new automated appraisal method was fully completed, linking assessments of behavioural and technical competencies to performance, as part of the council’s wider performance and talent management framework.

Principle F – engaging with local people and other stakeholders to ensure robust public accountability

F1 Following the extensive public consultation work carried out in the previous year to inform new business plan priorities, project specific consultation continued on implementation of the business plan.

F2 The website review, to be completed in summer 2012, will provide for clearer and easier access to information, news and consultations, and will provide for easier reporting of issues to the council's services.

F3 Also consolidated over the past year was the council's on-line magazine, which replaced the former hard copy 'Ashford Voice' publication.

F4 The council continues to support various forums to discuss issues relevant to representative groups across the community. For example, involved discussions have taken place through the parish forum and direct with parish council representatives over matters about issues and managing responsibilities with localism as an aim. The council continued to engage with local stakeholders through various means including its forums. These include: the parish forum; the community forums; the tenants' forum, and youth forum, as important means to engage with local people.

Is the framework effective?

12. Once a year the council has responsibility for conducting a review of the effectiveness of its governance framework, including the system of internal control. This report summarises the position for this committee to draw its conclusion.

13. The review informed by the work of managers who have responsibility for developing and upholding the governance environment. It is further informed by the Head of Internal Audit's annual report, and by reports from our external auditors (the Audit Commission) and, where applicable, from other review agencies. Effectiveness is also informed by the work and findings of the 'governance' committees (Standards, Audit, and Overview and Scrutiny committees).

External audit

14. As regularly reported to the council the past year has seen changes for our external auditors, the Audit Commission, as it prepared for its outsourcing. From next November new private sector auditors will take over from the Audit Commission. Nevertheless, our existing external audit team continued its responsibility to provide a good audit service over the past year, and regularly attended Audit Committee meetings and informal meetings with senior management.

15. During the past year our external auditor reported an unqualified opinion on the council's 2010/2011 financial statements. He continued to be of the opinion that financial governance and internal controls were good, the council is strategic in setting priorities, and it has good arrangements for securing value for money.

Internal audit

16. Internal audit is responsible for checking the quality and effectiveness of the system of governance and internal control, through a risk-based work plan. The reporting arrangements for Internal Audit require a report of each audit to the relevant Head of Service with a copy to the Chief Executive and Deputy Chief Executive. Reports include suitable recommendations for improvements to internal controls and action plans for agreement, or rejection, by Heads of Service. An Internal Audit Annual Report contains the Head of the (Internal) Audit Partnership's opinion on the overall levels of internal control (a view based on the relative significance of the systems reviewed during the year).

17. This year's report, once again, draws the conclusion that internal controls provide a substantial level of assurance.

> "It is the opinion of the Head of Internal Audit that substantial reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes that are in place to achieve the objectives of the Council. The evidence to support the opinion is contained within this report."
>
> Internal Audit Annual Report to the Audit Committee, 25 June 2012

18. Our internal audit work continued to be carried out as part of the four-council Mid-Kent Audit Partnership. This arrangement has worked well and has provided good ability to strengthen audit, as well as the opportunity to share in combined learning.

Overview and Scrutiny Committee

19. This committee provides means for a scrutiny role over decisions made by the Executive as well as providing public reviews (the overview) of issues or council services that affect local people. The committee produces and publishes an Annual Report, which summarises its work over the previous year. The 2011/2012 annual report was considered by the Cabinet on 22 May and will be considered at the full Council on 19 July 2012. The report highlighted the committee's work in several areas, including: the 2011/2012 budget; a post-May 2011 elections procedure review, and a review of proposed events for the 2012 Jubilee and Olympics, among other topics.

Standards Committee

20. As mentioned at C2, the future role of the committee is under review due to the legislative changes. Nevertheless, this committee has Terms of Reference which comply with the guidance set out by the Standards Board for England, including the statutory roles about the local Code of Conduct for members. The full committee met on one occasion during 2011/2012, to consider the annual report for the previous year). Its 'assessment panel' met on three occasions to consider exempt local conduct issues referred by the Monitoring Officer (the Head of Legal and Democratic Services), all about parish council matters.

21. This year's annual report will be considered at a future meeting of the Standards Committee. As normal, the report will also include a summary of complaints considered by the local government ombudsman.

Audit Committee

22. The Audit Committee is responsible for overseeing and reviewing governance issues related to internal control, financial and risk management arrangements. The committee considers and approves the annual accounts for the council, and adopts the Annual Governance Statement. The committee is the principal forum for consideration of our external auditor's reports. During 2011/2012 the committee met on five occasions, plus a specific induction session for the new committee. Its work included:

- considered various annual reports
- considered and approved the 2010/11 audited financial statements
- further work on new approaches to risk management, and principles of good partnership governance
- recommended the council's response to the government's consultations on the future of local public (external) audit
- considered various reports from the external auditor including the annual audit letter.

Selection & Constitutional Review Committee

23. This committee is responsible for reviewing and considering amendments to the constitution, and considers the representation for committees and outside bodies. Between May 2011 and April 2012 the committee met on four occasions. Mostly its work was routine. It did adopt new contract standing order procedures about the buying-in of external expertise (consultants) following amendments that resulted from audit and past Overview and Scrutiny Committee reviews. It also adopted the principle of providing the Audit Committee with the ability to co-opt a non-elected representative to its committee should it wish to do so.

Management Team

24. The Management Team works to provide collective input to the strategic direction for the council and its internal governance arrangements, as well as its management. It works as a senior officer forum for participative decision-making on matters of process and internal management. The management team had full input to the work of committees and groups.

Areas of significance governance for review

25. Last year two areas were highlighted as warranting further attention (risk management approach, and the principles of good partnership governance in expectation of more partnership working emerging). On both the Audit Committee has taken the work forward and the work will be completed this year. Already the Cabinet has approved a new policy for partnership governance principles; the final stage is for this committee to review arrangements for the more significant partnerships against the principles it recommended for approval.

26. Only one new area is highlighted resulting from a 'limited assurance' conclusion from the Head of the Audit Partnership, who considers it merits inclusion in this statement. This concerns some aspects of procedural compliance with the council's arrangements under the Data Protection Act. It is the subject of an agreed action plan and progress on this will be reported to the Audit Committee.

Conclusion

27. Governance arrangements were under regular review and remain strong. 2011/2012 saw a new council, following the May 2011 election, and a new Cabinet long-term policy framework to help steer the council's strategic work. Good progress was made in carrying out several important business plan projects, following work in the previous year to consult and decide on priorities. Financial management was sound and good progress made on achieving the budget and delivering the savings needed. Financial governance continues to receive good endorsement from the council's external auditor. Progress was made on the two governance matters highlighted for further review in last year's annual statement (risk management, and governance arrangements for partnership working).

28. In conclusion governance arrangements are appropriate and effective, and responsive to change and adaptation as circumstances dictate. ***They offer <u>substantial</u> assurance that the council's governance arrangements remain fit for purpose, whilst any limiting factors are noted within this report, to be addressed before publication of the next Annual Governance Statement.***

Signed

Leader of the Council ……………………..

Chief Executive ……………………….

Agenda Item No:	5	ASHFORD BOROUGH COUNCIL
Report To:	**Audit Committee**	
Date:	**27 September 2012**	
Report Title:	**Statement of Accounts 2011/12 and the District Auditor's Annual Governance Report**	
Report Author:	Ben Lockwood – Finance Manager Maria Nunn - Principal Accountant	

Summary:

This report presents the 2011/12 Statement of Accounts for approval.

The Auditor's Report is appended and he will be present at the meeting to introduce this and take questions. The audit has identified a few presentational errors as detailed in the report.

The District Auditor has issued an unqualified opinion on the accounts.

Once approved the accounts will be published with an accompanying simple summary of the key facts and outcomes for the year.

Key Decision: No

Affected Wards: All

Recommendations: **The Audit Committee resolves to:-**

1. **consider the District Auditor's Annual Governance Report (Annex 2)**
2. **agree the basis upon which the accounts have been prepared (Going Concern)**
3. **approve the audited 2011/12 Statement of Accounts (Annex 1)**
4. **approve that the Chairman of this Committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approval by the Council.**
5. **approve the Chief Financial Officer's Letter of Representation to the District Auditor (Annex 3)**

Policy Overview:	The 2011/12 Statement of Accounts complies with the requirement of various Codes of Practice and the Accounts and Audit regulations.
Financial Implications:	The 2011/12 Statement of Accounts sets out the Council's financial position as at 31st March 2012 and movement in funds during the year.
Risk Assessment	NO
Equalities Impact Assessment	NO
Other Material Implications:	None
Background Papers:	None
Contacts:	Ben.Lockwood@ashford.gov.uk – Tel: (01233) 330540 Maria.nunn@ashford.gov.uk – Tel: (01233) 330547

Report Title:

Purpose of the Report

1. Our external auditors (the Audit Commission) have completed the audit of the Council’s 2011/2012 financial statements. The accounts require approval from this Committee and must be published by 30 September 2012.

2. Attached to this report is the District Auditor’s Annual Governance Report setting out his findings and conclusions in respect of the accounts. The District Auditor’s representatives will be present at the meeting and will wish to introduce the report and take questions.

Issue to be Decided

3. The Committee is being asked to approve the Statement of Accounts and consider the Auditor’s report including proposed changes and the two recommendations.

Background

4. The 2011/12 Statement of Accounts has been completed and complies (with the exception of one error, please see paragraph 15) with the International Financial Reporting Standards (IFRS), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom and relevant Standards.

5. The Auditor has issued an unqualified opinion and has commented favourably on the further improvements made in processes and with the supporting information that has allowed for an efficient audit to be carried out.

6. The Accounts and Audit regulations require the un-audited accounts to be signed by the Chief Financial Officer (the Deputy Chief Executive) by 30 June, which was achieved, and that member approval of the audited statements must happen post-audit and before 30 September. The Audit Committee has the authority to approve the accounts on behalf of the Council.

Basis of Preparation

7. The Statement of Accounts has been prepared on a ‘Going Concern’ basis, in accordance with recommended accounting practice. This means, for accounting purposes, that the organisation is expected to be in existence for the medium to long term and that the Council has no intention in the foreseeable future of curtailing, materially, the extent of its operations.

8. This basis has been adopted as there are no plans to reorganise local government and no other factors exist that will materially affect the council’s operations in the foreseeable future.

The Amended 2011/2012 Financial Statements

9. As stated above a number of classification errors and other required amendments to disclosure notes have been highlighted by the audit. These are explained on **Page 5** and **Appendix 3** of the District Auditor’s Report

setting out the accounting adjustments. Auditors required one change to the statement for the following:

Municipal Mutual Insurance – Annex 4

10. In previous years the Council has carried a contingent liability (a note to the accounts) for the risk associated with the claw-back of the possible liabilities under the scheme of arrangement with the council's former insurers MMI. MMI was a predominant insurer of public sector bodies however after they stopped operations in September 1992 a Scheme of Arrangements was implemented, this means the Council, along with other clients of MMI, can be called upon if MMI fail to cover creditor amounts into the scheme.

11. Due to a Supreme Court ruling concerning potential mesothelioma claims, MMI have notified the Council of the possibility of an insolvent run-off. The current position is that our potential exposure has been assessed by MMI and the amount the Council may need to pay into this scheme is £397,000 and therefore auditors required a provision of this amount to be set aside for this liability. This is expenditure to the Consolidated Income & Expenditure Statement and a reduction to the carried forward General Reserve.

12. In the past 24 months there has been one claim, which was significant, made on the Council which was settled by our insurers.

13. Proposed changes have been adjusted in the revised financial statements enclosed with this report. None of these adjustments affects the cash position of the Council and overall has an unqualified opinion. The Committee is asked to approve the statement and agree that the Chairman sign them to show they have been adopted by the Council.

Unadjusted Misstatements

14. The Auditor's report highlights one item that has not been amended in the Accounts. This is explained below:

New Homes Bonus Allocation received during 2011/12 relating to 2012/13

15. The Auditor noted that the New Homes Bonus allocation received during 2011/12 relating to 2012/13 was not in line with the requirements of the Code (IAS20 – Accounting for Government Grant and Disclosure of Government Assistance). The accounts show this grant as a receipt in advance, however the amount should be recognised in the Consolidated Income & Expenditure Statement.

16. Our justification for not amending this is due to the amount not being material and complications in reporting and presenting budget information during 2012/13.

Audit Action Plan

17. There are two recommendations in the Auditor's report to be addressed this year, the first is to ensure the Annual Governance Statement meets the requirements of the Code of Practice on Local Authority Accounting. The 2011/12 AGS has been revised to meet the Code and the Council will ensure that the Code requirements are fully met going forward. This is reported separately on the committee's agenda.

18. The second recommendation asks the Council to review the process of annual member declarations, to ensure they are all received for consideration of related party transactions. The Finance team will liaise closely with Member Services to improve the declaration process and harmonise with the declaration of interest process.

Letter of Representation

19. The Deputy Chief Executive is required by the Auditor to compile a Letter of Representation, to provide further assurance to the auditors. This is appended and the Committee is asked to approve the letter.

Conclusion

20. The Audit of the 2011/12 Statement of Accounts is complete and that whilst there have been some changes most of these are mainly of a classification nature and have not affected the financial position of the Council.

21. A provision was set up for the Municipal Mutual Insurance as per audit recommendation changing the financial position by £397,000, details in paragraph 10.

22. The auditor is issuing an unqualified opinion to the statement of accounts and an unqualified 'Value for Money' conclusion.

Contact: Ben Lockwood or Maria Nunn
Email: ben.lockwood@ashford.gov.uk or maria.nunn@ashford.gov.uk

ASHFORD
BOROUGH COUNCIL

Statement of Accounts

2011-2012

Ashford
best placed in Britain

Table of Contents

Approval of the Statement of Accounts

The Audit Committee at its meeting on the 27 September 2012 approved the Statement of Accounts for the year ended 31 March 2011 in accordance with the Accounts and Audit Regulations 2003 (as Amended).

Signed:

Councillor Clokie
Chairman Audit Committee

Explanatory Foreword

Introduction

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

Local Authority accounts are subject to a number of regulatory requirements and accounting standards. This results in a complex format, which requires the reader to have a reasonable knowledge of accounting terms and presentation. Where the use of technical terms is unavoidable, an explanation is provided in the Glossary (Page 113).

The Statement of Accounts

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

For this year (2011/12) there has been one change requiring the restatement of previous year balances for Heritage Assets, these include:

- Change in Classification of some Assets to Heritage Assets
- Bringing some assets onto the balance sheet.

These changes are detailed in note 20 (Heritage Assets)

The service analysis for the Comprehensive Income and Expenditure Statement has been changed to bring it in line with new discolure requirements.

For 2011/12 the Authority has reverted to account for pension strain payments on an to an as paid basis in accordance with regulation 30 of the Local Authorities (Capital Finance and accounting) (England) regulations 2003.

The Core Financial Statements (Page 10 to 16) comprise:

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

Overview of 2011/2012 Financial Results and Activity

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

The Comprehensive Income and Expenditure Statement (page 10) includes the General Fund, upon which the Council Tax is set, and the Housing Revenue Account. The General Fund outturn detailed overleaf excludes the Housing Revenue Account and for this reason does not agree with the statutory presentation of the Comprehensive Income and Expenditure Statement. See note 5 for reconciliation.

The financial year 2011/2012 was the first in the government's deficit reduction programme when large cuts in public spending occurred, including grants to local authorities. Our business planning and budget for the year had expected much of this and therefore the council entered 2011/2012 with priorities agreed and plans to reduce its forecast budget requirement by £1.5 million.

The Council set its Budget Requirement at £13.2m (amount to be funded by Government Grant and Council Tax) with a further £0.8m levied by Parish Councils.

The general economic climate presented challenges, with impacts locally in various ways, including, for example, housing benefit caseload rising to its highest level for many years.

Spending overall, after income and other receipts was below budget. Some services came in over budget, these pressures are being reviewed to assess whether any have particular impacts for current and future budgets. In the main, there was continued restraint on spending.

Reserves remain healthy and have slightly increased at the year-end, despite over £1.3 million being used to support planned needs. This position provides both the flexibility and opportunity to manage pressures and risks, and to consider suitable further investment to support council priorities.

General Fund Final Outturn 2011/12

Service	Revised Budget A £'000	Outturn to 31/03/12 B £'000	Variance (B-A) £'000
Net Service Expenditure	**14,112**	**14,052**	**(60)**
Capital Charges and net interest	(1,425)	(1,590)	(165)
Levies, Grants and Precepts	1,148	1,124	(24)
Other non Service Grants and Levies	219	219	-
Net Expenditure including Parishes	**14,054**	**13,805**	**(249)**
Adjust for Support Cost	-	(55)	(55)
Impairment Allowance for Bad Debts	-	(4)	(4)
Rent Deposits Provision	-	73	73
Funded By:			
Government Grant	(6,859)	(6,860)	(1)
Parish Precepts	(816)	(816)	-
Council Tax	(6,379)	(6,379)	-
Total Financing	**(14,054)**	**(14,055)**	**(1)**
Outturn Reported	**-**	**(236)**	**(236)**

Comparison of Budget to General Fund Final Outturn – Major Variances	
	£'000
Planning Fee Income due to changes in legislation not coming into force	200
Public Conveniences	43
Car park income	(98)
Ground maintenance contract (includes grass cutting & general maintenance)	(70)
Bus shelter maintenance (timing of works)	(35)
Waste contracts	(96)
Ashford Future Income built into the budget but not received	155
Concessionary Fares	(160)
Increase liability for Private Sector Housing rent deposit scheme	73
Increase in industrial estates income	(38)
Interest receiving	(165)
Other	(45)
Net underspend against budget	**(236)**

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

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

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

Housing Revenue Account (HRA)

For 2011/12, the Council planned a surplus of £81,000 on the HRA to be put into reserves to fund future projects and capital expenditure. The final outturn was in line with this plan.

Housing Revenue Account Outturn 2011/12

	Original Budget A £'000	Outturn to 31/03/11 B £'000	Variance (B-A) £'000
Income	(21,299)	(21,436)	(137)
Supervision and Management	3,003	2,959	(44)
Repairs and Maintenance	3,407	3,094	(313)
New Development Costs	301	370	69
Net Service Expenditure	**(14,588)**	**(15,013)**	**(425)**
Capital Charges and Net Interest	7,716	8,356	640
HRA Subsidy	4,752	4,675	(77)
Impairment Allowance for Bad Debts	200	21	(179)
Support Costs	1,839	1,889	50
(Surplus)/Deficit for year	**(81)**	**(72)**	**9**

The main items of variance, in regards to service expenditure, were:

Comparison of Budget to Final Outturn	**£'000**
Contribution to the General Fund in respect of the sustainable energy project	30
More accurate reporting has led to a reduced contribution to the impairment allowance for bad debts	(179)
Rent income from new builds, omitted from the original budget	(138)
Increased interest charges and brokers fees, as a result of a higher average cost of borrowing than budgeted	240
Revenue contribution to capital in regard to the new build programme	368
Expenditure on voids is lower than anticipated due to an improved standard of returning properties	(312)
Net under spend against budget	**9**

The accumulated HRA reserve balance at 31 March 2012 was a surplus of £2,225,000. In addition, the Major Repairs Reserve stands at £3,010,000, which is available to fund the Decent Homes programme, giving a total balance for HRA Reserves of £5,235,000 (compared with £6,065,000 as at 31 March 2011). These reserves are needed to balance the HRA's longer-term business plan.

- **Capital Expenditure**

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

In the financial year 2011/12 the budget and outturn for the capital programme was:

Summary of Capital Spending and Financing

	Budget £'000	**Actual £'000**
General Fund Capital Expenditure	2,467	3,558
HRA Capital Expenditure	11,434	11,367
Total Expenditure	**13,901**	**14,925**
Funding		
Capital Receipts		1,329
Ring-fenced capital receipts		147
Growth Area Funding		646
Homes & Communities Agency (New Build)		3,676
Repairs and Renewals reserve		309
External Grants and Contributions		887
Developer Contributions		113
GF Revenue Contributions		274
Housing Subsidy		343
Major Repairs Reserve		4,310
Prudential Borrowing		2,891
Total Funding		**14,925**

Treasury Management

Borrowing

At 31 March 2012 the Council had long-term borrowing of £119.6m (£5.9m 2010/2011). This has increased due to the national reform of the Housing Revenue Account whereby Government transferred £113.7m of Housing debt to this Council, see note 11 to HRA for more information.

The Council undertakes short-term borrowing and lending (i.e. less than 365 days) on the money markets to manage its day-to-day cash flow. As at 31 March 2012 the Council's temporary borrowing stood at £1.5m.

Investments

At 31 March 2012, the Council had investments and cash deposits of £24.3m (£35.4m 2010/2011).

As a result of the global economic climate the Council restricted investments to Government Bonds, other Local Authorities, and Government Bodies. During the year in response to the crisis in the Euro zone, the Council decided to reduce its Euro Sterling Bond portfolio from £9.0m to £2.5m.

As a consequence of this reduced investment, lower returns were achieved; however, the security of the Council's cash was maintained. For 2011/12 an average investment return of 1.703% was achieved (2010/11 1.89%).

Pensions

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

There has been a significant actuarial adjustment in the value of scheme liabilities and assets (shown on the face of the CI&ES page 10). This is primarily due to the changes in the discount rate linked to the iBoxx corporate bond market.

For further information see note 31

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 (a consortium comprising Gleeson Homes, Dennes and Moat Housing). The aim of the contract was the refurbishment of properties on the estate and the related housing management function. Together with improvement to the properties on the estate, associated environmental and highway improvements have also been carried out in the first five years of the project.

The contract, allowed for a benchmarking exercise to assess the housing management costs on a five yearly basis. This was completed last year reducing the overall modelled contract cost for the remainder of the contract (27 years),
At the end of the contract the properties will be handed back to the Council.

Ashford's Future

In 2003, Ashford was designated as one of the sustainable community growth areas in the South East of England. After the 2010 election the Coalition Government announced it was scrapping the policy of national housing targets in favour of allowing local communities to determine suitable levels of growth.

During 2011/12 the Council worked to bring the projects relating to the Growth Agenda to an end, including working to wind-down Ashford Future Company Ltd.

In response to abolition of the area plan and previous funding of the growth agenda the Cabinet decided to clearly set out the Cabinet's expectations, strategic targets and preferred options in respect of the next 20 years. This strategic steer is contained in the Cabinets framework document Ashford 2030.

Housing Revenue Account Reform

During 2011/12 the Government introduced a major reform of the Housing Revenue Account. This sought to abolish the subsidy regime and replace it with a self-financing system, where-by the national housing debt is apportioned to stock holding councils.

Ashford's share of the debt was £113.7m. The Council undertook extensive financial modelling to assess the impact of financing and carrying this debt on the Housing Revenue Account. Plans showed the debt affordable and the reform will potentially allow for greater investment in the housing stock in the long-term.

On the 28 March 2012 the Council borrowed £113.7m from the Public Works Loans Board, comprising of a number of loans, with a range of maturities from 5-25 years. Details of the loans are reported in note 11 to HRA.

Municipal Mutual Insurance

In previous years the Counci has carried a contingent liability for the risk associated with claw-back of the possible liabilities of the scheme. Due to a Supreme Court ruling the probability that the Council will have to pay into this scheme has changed and therefore a provision of £397,000 has been set aside for this liability.

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 Chief Financial Officer (Deputy Chief Executive).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Responsibilities of the 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.

The Statement of Accounts present a true and fair view of the financial position of Ashford Borough Council at 31 March 2012 and its income and expenditure for the year ended on that date.

[redacted]

Paul Naylor
Deputy Chief Executive and Chief Financial Officer
29 June 2012

Core Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting 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.

2010/2011 (restated)				2011/2012		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
10,411	(9,515)	896	Central Services to the Public	10,663	(9,445)	1,218
3,251	(1,031)	2,220	Cultural and Related	949	(589)	360
6,525	(1,484)	5,041	Environmental & Regulatory	6,240	(1,043)	5,197
3,843	(1,851)	1,992	Planning Services	3,707	(1,742)	1,965
2,524	(2,093)	431	Highways and Transport services	1,329	(2,032)	(703)
22,668	(23,294)	(626)	Local Authority Housing (HRA)	21,926	(24,436)	(2,510)
105,290	-	105,290	Exceptional Item –HRA (see note 10 & 11 to the HRA)	128,080	-	128,080
35,444	(32,085)	3,359	Other Housing Services	36,927	(35,658)	1,269
3,549	(869)	2,680	Corporate and Democratic Core	3,290	(641)	2,649
(9,332)	-	(9,332)	Exceptional Item*	-	-	-
1,156	-	1,156	Non Distributed Costs	1,552	-	1,552
185,329	**(72,222)**	**113,107**	**Cost of Services**	**214,663**	**(75,586)**	**139,077**
		15,756	Other operating expenditure (note 13)			1,300
		2,427	Financing and Investment Income (note 14)			1,389
		(20,606)	Taxation and non-specific grant income (note 15)			(20,095)
		110,684	**(Surplus)/Deficit on provision of services**			**121,671**
		3,194	Surplus or deficit on revaluation of Property, Plant and Equipment assets (notes 17 & 28)			(3,288)
		119	Surplus or deficit on revaluation of available for sale financial assets			368
		(23,375)	Actuarial gains/losses on pension assets/liabilities (note 31)			16,235
		90,622	**Total Comprehensive Income and Expenditure**			**134,986**

*Actuarial change from RPI to CPI inflation when measuring pensions liability.

Movement in Reserves Statement

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

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
Balance at 31 March 2011	**(3,812)**	**(3,341)**	**(2,152)**	**(3,913)**	**(1,015)**	**(14,233)**	**(182,722)**	**(196,955)**
Movement in reserves during 2011/12								
(Surplus) or deficit on the provision of services	(6,795)	-	128,466	-	-	121,671	-	121,671
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	13,315	13,315
Total Comprehensive Income and Expenditure (as per core statement)	**(6,795)**	**-**	**128,466**	**-**	**-**	**121,671**	**13,315**	**134,986**
Other items	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 16)	7,178	-	(128,539)	903	909	(119,549)	119,549	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**383**	**-**	**(73)**	**903**	**909**	**2,122**	**132,864**	**134,986**
Transfers to/from Earmarked Reserves (note 12)	276	(276)	-	-	-	-	-	-
Increase/Decrease 2011/12	**659**	**(276)**	**(73)**	**903**	**909**	**2,122**	**132,864**	**134,986**
Balance at 31 March 2012	**(3,153)**	**(3,617)**	**(2,225)**	**(3,010)**	**(106)**	**(12,111)**	**(49,858)**	**(61,969)**

Restated	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
Balance at 31 March 2010	**(3,420)**	**(2,876)**	**(1,670)**	**(4,753)**	**(1,088)**	**(13,807)**	**(273,770)**	**(287,577)**
Movement in reserves during 2010/11								
Surplus or (deficit) on the provision of services	(10,772)	-	121,456	-	-	110,684	-	110,684
Other Comprehensive Income and Expenditure	-	-	-	-	-		(20,062)	(20,062)
Total Comprehensive Income and Expenditure	**(10,772)**		**121,456**	**-**	**-**	**110,684**	**(20,062)**	**90,622**
Other Items	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (note 16)	9,915	-	(121,938)	840	73	(111,110)	111,110	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(857)**	**-**	**(482)**	**840**	**73**	**(426)**	**91,048**	**90,622**
Transfers to/from Earmarked Reserves (note 12)	465	(465)	-	-	-	-	-	-
Increase/Decrease 2010/11	**(392)**	**(465)**	**(482)**	**840**	**73**	**(426)**	**91,048**	**90,622**
Balance at 31 March 2011	**(3,812)**	**(3,341)**	**(2,152)**	**(3,913)**	**(1,015)**	**(14,233)**	**(182,722)**	**(196,955)**

Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched to the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve, that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

1 April 2010 (Restated) £'000	31 March 2011 (Restated) £'000		Notes	31 March 2012 £'000	£'000
368,244	247,710	Property, Plant & Equipment	17	247,374	
2,929	2,929	Heritage Assets	20	2,929	
76	69	Intangible Assets		40	
12,773	18,084	Long Term Investments	23	2,500	
1,658	1,671	Long Term Debtors		1,703	
385,680	**270,463**	**Long Term Assets**			**254,546**
13,342	13,313	Short Term Investments	23	18,608	
29	16	Inventories		19	
11,228	6,222	Short Term Debtors	26	4,715	
4,064	4,228	Cash and Cash Equivalents	25	3,313	
49	-	Assets Held for Sale		-	
28,712	**23,779**	**Current Assets**			**26,655**
(9,014)	(10,305)	Short Term Borrowing	23	(1,501)	
(23,329)	(15,416)	Short Term Creditors	27	(13,167)	
(219)	(2,487)	Capital Grants Received in Advance	11 & 27	(503)	
-	-	Bank Overdraft	25	(5,075)	
(32,562)	**(28,208)**	**Current Liabilities**			**(20,246)**
(179)	(195)	Provisions		(608)	
(65,835)	(34,352)	Pension Liability	31	(50,258)	
(27,698)	(28,249)	PFI Liability	30	(28,298)	
(541)	(331)	Finance Lease Liability	29 & 30	(120)	
-	(5,951)	Long Term Borrowing	23	(119,702)	
(94,253)	**(69,078)**	**Long Term Liabilities**			**(198,986)**
287,577	**196,956**	**Net Assets**			**61,969**
		Financing (see MiRS)			
13,807	14,234	Usable Reserves		12,111	
273,770	182,722	Unusable Reserves	28	49,858	
287,577	**196,956**	**Total Reserves**			**61,969**

Cash Flow Statement

A statement of the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement summarises, in simple terms, where the money came from and how it was spent.

2010/2011 £'000		2011/2012 £'000	2011/2012 £'000
(112,893)	Net surplus or (deficit) on the provision of services	(121,671)	
151,556	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 37)	84,889	
(35,315)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 38)	(71,964)	
3,348	**Net cash flows from Operating Activities**		**(108,746)**
(8,064)	Investing Activities (Note 40)	389	
14,850	Financing Activities (Note 41)	102,367	
10,134	**Net increase or (decrease) in cash and cash equivalents**		**(5,990)**
(5,906)	Cash and cash equivalents at the beginning of the reporting period		4,228
4,228	**Cash and cash equivalents at the end of the reporting period (Note 42)**		**(1,762)**

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 2011/12: Based on 'International Financial Reporting Standards'. The Code is based on approved accounting standards, comprising International Accounting Standards (IAS); International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board, International Public Sector Accounting Standards (IPSAS) and the Urgent Issues Task Force's (UITF) Abstracts.

1. **Accounting Concepts and Conventions**

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets.

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

Qualitative characteristics are the attributes that make the information provided within this statement of accounts useful to users (IASB Framework, paragraph 24). The IASB Framework sets out the four principal qualitative characteristics of financial statements, which have been adopted by the Code:

- understandability
- relevance
- reliability
- comparability

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

2. **Accruals of Income and Expenditure**

With the exception of the Cash Flow Statement, the Statement of Accounts is presented on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of

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

3. Estimation Techniques

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

4. Costs of Internal Support Services

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

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

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

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 on behalf of the major precepting authorities, Kent County Council, Kent Police Authority, and Kent Fire Authority, for Council Tax and the Government for National Non-Domestic (Business) Rates.

Therefore, the accounts only show the amount owed to/from taxpayers in respect of Council Tax. Major precepting authorities are shown as net debtors or creditors on the balance sheet. Similarly, the accounts only show the net debtor of creditor in respect of National Non-Domestic (Business) Rates received and paid over to the Government.

The amount shown in the Comprehensive Income and Expenditure Account as the demand on the Collection Fund includes the accrued amount of Council Tax collected, as well as amounts from the previous year’s estimates. This adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

6. **Capital Charges to Revenue**

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

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

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

External interest payable and amounts set aside from revenue for the repayment of external loans are charged to the Income and Expenditure Account. The reversal of capital charges is credited to the Statement of

Movement of General Fund balance. Capital charges do not, therefore, impact on the amounts required from local taxation.

7. Revenue Expenditure Funded from Capital Under Statute

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

Such expenditure is charged to the Comprehensive Income and Expenditure Account in year. A Statutory Provision allows that capital resources that meet the expenditure be debited to the Capital Adjustment Account, credited to the General Fund Balance and shown in the Movement in Reserves Statement.

8. Government Grants and Contributions

Revenue grants received are accrued and credited to the Comprehensive Income and Expenditure Account in the same period as the related expenditure is incurred.

Grants specific to a particular service will be shown against the service expenditure line. General grant in the form of Revenue Support Grant and the contribution from the National Non-Domestic Rate Pool are credited and disclosed separately in the Comprehensive Income and Expenditure Account under General Government Grants.

Capital grants and capital contributions (such as Section 106 Developer Contributions) received will be credited to the Comprehensive Income and Expenditure Account in the year that the capital expenditure is incurred, or once conditions have been met. This income will subsequently be transferred to the Capital Adjustment Account or the Grants Unapplied Account if expenditure has not been incurred through the Movement in Reserves Statement. If conditions have not been met grants will be held as a creditor on the Balance Sheet until conditions are met or grants are repaid.

9. VAT

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

10. **Heritage Assets**

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

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

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

12. **Intangible Fixed Assets**

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

An intangible asset shall initially be measured at cost and is not subject to revaluation. It is, however, subject to amortisation over their useful economic life. The accounting policies practiced will be the same for all fixed assets as stated below.

13. **Investment Properties**

Investment property is property (land and/or buildings) held solely to earn rental income, or for capital appreciation, or both.

Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period, losses or gains shall be recognised in the Comprehensive Income and Expenditure statement.

Depreciation will not be charged against investment property.

14. **Fixed Assets**
14.1. **Recognition**

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

14.2. Property Plant and Equipment

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 five sub categories.

- Land and Buildings
- Vehicles, Plant and Equipment
- Community Assets
- Infrastructure Assets
- Assets under Construction

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

Council dwellings

These are held on the balance sheet on a market value basis but discounted to allow for the Existing Use Value – Social Housing (EUV-SH) valuations.

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.

Land and Buildings

These are held on the balance sheet at cost with revaluations happening throughout a 5 year period. All property and land will be valued at least once within the 5 year cycle, therefore 20% of the assets were valued as at 1 April 2011.

The valuations are carried out by a qualified surveyor in accordance with the latest guidance issued by RICS on a market value for existing use, unless it is felt the property is of a specialist nature where depreciated replacement cost may be used. The method for the current year's valuation will be explained in notes 17-19 and HRA note 2. Items of plant that are functional to the operation of a building are included in the valuation for that building unless they of a material value and component accounting is applied (see below).

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

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

Vehicles, Plant and Equipment

Major items of plant are included within the valuation of buildings above (unless subject to componentisation). Other items of plant are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

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.

Assets under Construction

This covers assets currently not yet ready for operational purposes. The Council does not depreciate or revalue assets under construction.

15. Depreciation

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

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

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

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

15.1. Impairment of Fixed Assets

A review for impairment of a fixed asset, whether carried at historical cost or valuation, should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in a fixed asset's market value during the period;
- evidence of obsolescence or physical damage to the fixed 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 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 revenue through the Comprehensive Income and Expenditure Account. 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. On revaluation, accumulated depreciation will be written back to the asset using the revaluation reserve.

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

When an asset is disposed of or de-commissioned, the value of the asset and the income from the sale are both charged to the Comprehensive Income and Expenditure Account, which therefore, bears a net gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The receipt is credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve via the Movement in Reserves Statement.

The loss on disposal is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement on Reserves Statement.

17. **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.

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 shall be apportioned between the finance charge (interest) and the reduction of the outstanding liability. The finance charge shall be calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

As lessor, the Council shall derecognise the asset and show this as a long term debtor. For existing leases, which would be treated as finance leases, an adjustment will be made transferring the capital receipt into the General Reserve.

Operating Leases

Lease payments under an operating lease shall be 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 an authority.

Embedded Leases

These are assets, which although not owned by the Council, are used primarily by the authority for service provision. An example of this would be vehicles used by the Council's Street Cleansing and Refuse and Recycling Collection contractor. In this case an estimated value for the vehicles has been used along with a leased term in line with the contract period. Assets will be recognised in the balance sheet at the Net Book Value and offset by a Deferred Liability. The lease charge will then form part of the contract payment on behalf of these vehicles, on a straight-line basis over the life of the asset.

18. Current Assets and Liabilities

18.1. Debtors and Creditors

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.

18.2. Stocks

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

18.3. Investments and Loans

See the accounting Policy on Financial Instruments

18.4. Impairment Allowance for Bad 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.

19. 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 should 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 Authority should disclose the nature of the contingency, 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.

20. 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.

21. Reserves

The Council maintains both general and earmarked reserves. The General reserve is designed to act 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. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Account;

this is then offset by a reserve appropriation within the Movement in Reserves Statement.

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

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

22. **Pension Costs**

The amount charged to the Comprehensive Income and Expenditure Account for employees pensions should be in accordance with IAS19 Retirement Benefits, subject to the interpretations set out in the Code.

Employees can elect to be members of the Local Government Pension Scheme administered by Kent County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned in relation to their qualifying public service. This is accounted for in the following ways:

- Pension scheme liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% based on the indicative rate of return.

- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:

    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

- The change in net pensions liability is analysed into six components:

    - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Account as part of the Non Distributable costs.

- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. Debited to the Comprehensive Income and Expenditure Account under net operating expenditure.

- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the average expected long term return – credited to the Comprehensive Income and Expenditure Account under net operating expenditure.

- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the 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 Account.

A prerequisite of the introduction of IAS19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the Authority's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. Actuarial gains/losses are shown as movements on the pensions asset/liability account and pensions reserve. There is no impact on the Comprehensive Income and Expenditure Account. The Balance Sheet shows the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Council Pension Fund for funding purposes was at 31 March 2010 and changes to contribution rates as a result of that valuation will take effect from 1 April 2011.

For further details see Note 31.

23. Employee Benefits

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

Benefits payable during employment

This covers:

a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
b) Benefits earned by current employees but payable twelve months or more after the end of the reporting period such as, long-service leave or jubilee payments and long-term disability benefits.

Where considered of a material nature these are accrued.

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.

Post-employment benefits

This not only covers pensions, but would include other benefits payable post-employment such as life insurance and medical care. These type of benefit are not offered to staff at this Council.

As part of the terms and conditions of employment of its employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Local Government Pension Scheme is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

IAS 19 the employer recognises as an asset or liability the surplus/deficit in a pension scheme. The surplus/deficit in a pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A prerequisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the authority's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from a pension reserve. Actuarial gains/losses are shown as movements on the pensions asset/liability account and pensions reserve. There is no impact on the Comprehensive Income and Expenditure Account. The balance sheet is to show the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Council Pension Fund for funding purposes was at 31 March 2010 and changes to contribution rates as a result of that valuation will take effect from 1 April 2011.

24. **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 23 on page 69.

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments, but are not quoted in an active market; and,

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

Available-for-sale Assets

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

Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-For-Sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement. The exception is where impairment losses have been incurred –

these are debited to the Comprehensive Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

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

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

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 2012. The discount rate should reflect prevailing interest rates as at 31 March 2012. Full details of this disclosure are included Note 23 on page 69.

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

(a) Credit risk relates to the possibility of counterparties defaulting on their financial obligations.

(b) Liquidity risk relates to the possibility of funds being unavailable to meet financial commitments.

(c) Market risk relates to possible exposure to adverse interest rate movements, or changes in other market conditions e.g. foreign exchange rates.

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 24 on page 73.

The Code's disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note 24 on page 73 includes an age analysis of overdue debtors at the balance sheet date. In addition to this a provision for bad debts is also included in the Statement of Accounts (Statement of Accounting Policies 16.4).

25. **Cash and Cash Equivalents**

Cash and Cash Equivalents are 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 a call accounts.

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

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

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

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

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

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

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

27. **Group Accounts**

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

This Council has undertaken an exercise examining all its partnership arrangements and workings with other undertakings, and has determined that it has no interests in subsidiaries, associated companies or joint ventures, however please refer to Note 33 for the winding up of Ashford Future Company.

28. **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 should be given within the notes to the accounts.

29. **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 Issued, Not Adopted

A small number of IFRSs are only expected to apply to local authorities in limited circumstances. As such, the Code does not include detailed accounting requirements for these IFRSs. Where an IFRS is relevant to a local authority, the authority shall comply with the requirements of the relevant IFRS. The standards not covered in detail in the Code are:

- IAS 12 *Income Taxes*
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- IAS 29 *Financial Reporting in Hyperinflationary Economies*
- IAS 41 *Agriculture*
- IFRS 2 *Share-based Payment*
- IFRS 4 *Insurance Contracts*
- IFRS 6 *Exploration for and Evaluation of Mineral Resources*
- IFRS 7 Financial Instruments; the effective date of this standard was 1 July 2011 but not required by the Code for implementation until 1 April 2012 and this authority has decided to follow the Code recommendation.

Further details of these standards and the appropriate treatment of items relating to these standards are contained in appendix A & C of the Code.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note1, the Authority 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 authority is preparing for potential legal proceedings against a contractor of the Stour Centre project. No assumption has been made in the accounts for any cost recovery. For more Information see note 35

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Land Searches	The Government has changed the interpretation of the regulations for setting charges for Private Search Fees. A reasonable estimate has been made of potential claims and an amount has been set aside into a reserve.	A Grant has been paid to the Council to cover the cost of this change of £34,000 which has been added to a reserve to cover potential claims. The total claims could exceed £110,000
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 £2.1m. A 1 year change in the mortality assumption would result in a £2.1m change in the pension liability.
Sundry Impairment Allowance for Bad Debts	The Council has an impairment allowance for bad debts of £330,000 approximately 34% of the value outstanding debt	In the current economic climate collection rates have been maintained, however any decline in collection rates for debt would result in a need to increase the allowance.

5. Amounts Reported for Resource Allocation Decisions

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

2011/12	Corporate Management £'000	Audit Partnership £'000	Strategy, P'Ships & Comms £'000	Personnel & Development £'000	Legal & Democratic Services £'000	Planning & Development £'000	Financial Services £'000	Business Change & Tech £'000	Housing (General Fund) £'000	Sub Total £'000
Expenditure										
Employees	317	86	386	295	1,027	2,233	3,418	681	1,425	**9,868**
Premises	2	-	-	-	24	3	-	1	883	**913**
Supplies and Services	144	47	467	34	601	314	42,954	285	1,115	**45,961**
Transport	10	-	3	21	13	27	14	3	15	**106**
Total Expenditure	**473**	**133**	**856**	**350**	**1,665**	**2,577**	**46,386**	**970**	**3,438**	**56,848**
Income	**(20)**	**-**	**(103)**	**(3)**	**(223)**	**(1,891)**	**(43,888)**	**(28)**	**(1,898)**	**(48,054)**
Net Controllable Expenditure	**453**	**133**	**753**	**347**	**1,442**	**686**	**2,498**	**942**	**1,540**	**8,794**
Non Controllable Items										
Recharged from other Accounts	89	(133)	(73)	(347)	(243)	546	(662)	(809)	(1,509)	**(3,141)**
Capital Charges	-	-	10	-	10	-	-	-	525	**545**
Transfer to/from Reserves	(22)	-	-	-	(62)	(83)	61	-	104	**(2)**
Total Non-Controllable Items	**67**	**(133)**	**(63)**	**(347)**	**(295)**	**463**	**(601)**	**(809)**	**(880)**	**(2,598)**
Net Expenditure	**520**	**-**	**690**	**-**	**1,147**	**1,149**	**1,897**	**133**	**660**	**6,196**

2011/12	Sub Total £'000	Environmental Services £'000	Cultural Services £'000	Capital Charges £'000	Net Interest £'000	Grants and Levies £'000	Gov Grants £'000	Council Tax £'000	Transfers To Reserves £'000	Total £'000
Expenditure										
Employees	9,868	2,533	855	-	-	-	-	-	-	13,256
Premises	913	1,876	418	-	-	-	-	-	-	3,207
Supplies and Services	45,961	4,695	710	-	781	308	-	-	-	52,455
Transport	106	65	21	-	-	-	-	-	-	192
Total Expenditure	**56,848**	**9,169**	**2,004**	**-**	**781**	**308**	**-**	**-**	**-**	**69,110**
Income	**(48,054)**	**(3,890)**	**(437)**	**-**	**(1,465)**	**-**	**(6,882)**	**(6,379)**	**-**	**(67,107)**
Net Controllable Expenditure	**8,794**	**5,279**	**1,567**	**-**	**(684)**	**308**	**(6,882)**	**(6,379)**	**-**	**2,003**
Non Controllable Items										
Recharged from other Accounts	(3,141)	230	298	-	-	-	-	-	-	(2,613)
Capital Charges	545	387	1,164	(2,096)	-	-	-	-	-	-
Transfer to/from Reserves	(2)	31	236		297		21		(210)	373
Total Non-Controllable Items	**(2,598)**	**648**	**1,698**	**(2,096)**	**297**	**-**	**21**	**-**	**(210)**	**(2,240)**
Net Expenditure	**6,196**	**5,927**	**3,265**	**(2,096)**	**(387)**	**308**	**(6,861)**	**(6,379)**	**(210)**	**(237)**

2010/11	Corporate Management £'000	Audit Partnership £'000	Strategy, P'Ships & Comms £'000	Personnel & Development £'000	Legal & Democratic Services £'000	Planning & Development £'000	Financial Services £'000	Business Change & Tech £'000	Housing (General Fund) £'000	Sub Total £'000
Expenditure										
Employees	361	85	446	319	1,069	2,413	3,434	493	1,548	**10,168**
Premises	1	-	-	-	-	6	-	1	784	**792**
Supplies and Services	209	55	152	24	491	587	35,920	306	1,016	**38,760**
Transport	15	-	1	16	28	46	19	7	19	**151**
Total Expenditure	**586**	**140**	**599**	**359**	**1,588**	**3,052**	**39,373**	**807**	**3,367**	**49,871**
Income	**(18)**	**(2)**	**(144)**	**(22)**	**(230)**	**(2,029)**	**(40,533)**	**(42)**	**(1,868)**	**(44,888)**
Net Controllable Expenditure	**568**	**138**	**455**	**337**	**1,358**	**1,023**	**(1,160)**	**765**	**1,499**	**4,983**
Non Controllable Items										
Recharged from other Accounts	3	(138)	(61)	(252)	(205)	612	(669)	(795)	(1,412)	**(2,917)**
Capital Charges	7	-	32	-	10	487	42	74	2,932	**3,584**
Transfer to/from Reserves	-	-	-	-	-	-	-	-	-	**-**
Total Non-Controllable Items	**10**	**(138)**	**(29)**	**(252)**	**(195)**	**1,099**	**(627)**	**(721)**	**1,520**	**667**
Net Expenditure	**578**	**-**	**426**	**85**	**1,163**	**2,122**	**(1,787)**	**44**	**3,019**	**5,650**

2010/11	Sub Total £'000	Environmental Services £'000	Cultural Services £'000	Capital Charges £'000	Net Interest £'000	Grants and Levies £'000	Gov Grants £'000	Council Tax £'000	Transfers To Reserves £'000	Total £'000
Expenditure										
Employees	10,168	2,541	1,077	-	-	-	-	-	-	**13,786**
Premises	792	1,893	491	-	-	-	-	-	-	**3,176**
Supplies and Services	38,760	4,033	650	4,629	-	316	-	-	-	**48,388**
Transport	151	60	26	-	-	-	-	-	-	**237**
Total Expenditure	**49,871**	**8,527**	**2,244**	**4,629**	**-**	**316**	**-**	**-**	**-**	**65,587**
Income	**(44,888)**	**(3,745)**	**(320)**	**-**	**(16)**	**-**	**(8,437)**	**(6,347)**	**-**	**(63,753)**
Net Controllable Expenditure	**4,983**	**4,782**	**1,924**	**4,629**	**(16)**	**316**	**(8,437)**	**(6,347)**	**-**	**1,834**
Non Controllable Items										
Recharged from other Accounts	(2,917)	179	212	-	(5)	-	-	-	-	**(2,531)**
Capital Charges	3,584	589	(377)	(3,828)	(124)	-	-	-	-	**(156)**
Transfer to/from Reserves	-	13	(72)	-	56	-	-	-	611	**608**
Total Non-Controllable Items	**667**	**781**	**(237)**	**(3,828)**	**(73)**	**-**	**-**	**-**	**611**	**(2,079)**
Net Expenditure	**5,650**	**5,563**	**1,687**	**801**	**(89)**	**316**	**(8,437)**	**(6,347)**	**611**	**(245)**

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

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.

2010/2011 £'000		2011/12 £'000
(245)	Net expenditure in the Directorate Analysis	(237)
(482)	Net expenditure of services and support services not included in the Analysis	(75)
114,384	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	129,118
(23,035)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	6,180
90,622	**Cost of services in Comprehensive Income and Expenditure statement**	**134,986**

Cost of Services Subjective Analysis

2010/11				2011/12		
General Fund £'000	**Housing Revenue Account £'000**	**Total £'000**		**General Fund £'000**	**Housing Revenue Account £'000**	**Total £'000**
			Expenditure			
3,846	2,020	5,866	Employees	12,115	1,962	14,077
3,176	4,173	7,349	Premises	3,207	4,113	7,320
48,210	11,025	59,235	Supplies and Services	51,201	8,204	59,405
238	62	300	Transport	193	47	240
55,470	**17,280**	**72,750**	**Total Expenditure**	**66,716**	**14,326**	**81,042**
(48,928)	**(23,714)**	**(72,642)**	**Income**	**(51,149)**	**(24,767)**	**(75,916)**
6,542	**(6,434)**	**108**	**Net Controllable Expenditure**	**15,567**	**(10,441)**	**5,126**
(1,751)	758	(993)	Recharged from other Accounts	(2,613)	1,888	(725)
3,793	110,340	114,133	Capital Charges	(274)	134,950	134,676
(141)	-	(141)	Transfer to/from Reserves	-	-	-
1,901	**111,098**	**112,999**	**Total Non-Controllable Items**	**(2,887)**	**136,838**	**133,951**
8,443	**104,664**	**113,107**	**Net Expenditure**	**12,680**	**126,397**	**139,077**

6. Trading Operations

The Council operates some trading operations, including leased shop premises, industrial sites and markets included within Cultural, Environmental and Planning Services on the face of the Comprehensive Income and Expenditure Statement page 10. The details of expenditure and income are shown below:

2010/2011	Service	2011/12		
(Surplus) / Deficit £'000		Expenditure £'000	Income £'000	(Surplus) / Deficit £'000
45	Leased Shop Premises	137	(87)	50
(199)	Industrial Estates	182	(401)	(219)
(10)	Street Markets	33	(37)	(4)
(164)		**352**	**(525)**	**(173)**

7. Members' Allowances

Members were each paid a basic allowance of £4,292.28 and in addition some received Special Responsibility Allowance depending on the level of responsibility held, and were also paid travel allowances re attendance at meetings etc. There were Borough Elections in May 2011. With the exception of travel and subsistence allowances, the allowances are subject to tax and National Insurance Contributions.

A. COUNCILLORS ELECTED MAY 2011

Councillor	Basic Allowance £	Special Responsibility Allowance £	Travel Allowance £	Subsistence £	Carers' Allowance £	Total before Tax and N. I. £
Adby	3,876.90	-	-	-	-	3,876.90
Adley	3,876.90	-	-	-	-	3,876.90
Apps	-	-	552.00	-	-	552.00
Bartlett	4,292.28	-	16.20	-	-	4,308.48
Bell	4,292.28	5,938.71	-	-	-	10,230.99
Mrs Bell	4,292.28	-	603.90	-	-	4,896.18
Bennett	3,876.90	2,163.03	465.60	-	-	6,505.53
Mrs Blanford	4,292.28	5,359.54	1,346.58	-	-	10,998.40
Buchanan	3,876.90	-	-	-	-	3,876.90
Burgess	4,292.28	1,402.89	1772.55	-	-	7,467.72
Chilton	3,876.90	50.00	118.80	-	-	4,045.70
Clark	3,876.90	-	12.25	-	-	3,889.15
Clarkson	4,292.28	9,344.79	1,279.65	-	-	14,916.72
Claughton	4,292.28	7,014.44	53.00	-	-	11,359.72
Clokie	4,292.28	5,221.60	1,104.29	-	-	10,618.17
Davey	3,876.90	-	38.25	-	-	3,915.15
Davidson	4,292.28	4,639.92	46.55	-	-	8,978.75
Davison	4,292.28	2,927.84	352.80	-	-	7,572.92
Dyer	3,876.90	-	467.54	-	-	4,344.44

Councillor	Basic Allowance £	Special Responsibility Allowance £	Travel Allowance £	Subsistence £	Carers' Allowance £	Total before Tax and N. I. £
Feacey	4,292.28	-	-	-	-	4,292.28
French	4,292.28	-	67.60	-	-	4,359.88
Galpin	3,876.90	50.00	184.95	-	-	4,111.85
Goddard	4,292.28	1,402.89	446.80	-	-	6,141.97
Heyes	4,292.28	7,014.44	77.50	-	-	11,384.22
Mrs Heyes	4,292.28	-	29.70	-	-	4,321.98
Mrs Hicks	4,292.28	5,359.54	195.55	-	-	9,847.37
Hodgkinson	4,292.28	-	-	-	-	4,292.28
Howard	4,292.28	5,577.77	64.25	-	-	9,934.30
Link	4,292.28	1,195.17	298.80	-	-	5,786.25
Marriott	3,876.90	-	337.75	-	-	4,214.65
Mrs Martin	4,292.28	-	75.80	-	-	4,368.08
Michael	3,876.90	-	181.95	-	-	4,058.85
Mortimer	3,876.90	-	91.80	-	-	3,968.70
Naughton	2,146.14	80.10	15.20	-	-	2,241.44
Robey	3,876.90	-	614.90	-	-	4,491.80
Rutter	1,502.30	-	81.90	-	-	1,584.20
Shorter	3,876.90	-	64.80	-	-	3,941.70
Sims	3,876.90	-	143.30	2.20	-	4,022.40
Smith	4,292.28	123.00	381.75	-	-	4,797.03
Taylor	4,292.28	6,014.01	739.42	-	-	11,045.71
Wedgbury	4,292.28	1,870.53	12.00	-	-	6,174.81
Wood	4,292.28	20,517.46	-	-	-	24,809.74
Wright	3,876.90	-	9.90	-	-	3,886.80
Yeo	3,876.90	899.41	21.60	-	-	4,797.91
SUB TOTAL	**172,570.46**	**94,167.08**	**12,367.18**	**2.20**	**-**	**279,106.92**

B. Councillors Ceasing Office End of April 2011

Councillor	Basic Allowance £	Special Responsibility Allowance £	Travel Allowance £	Subsistence £	Carers' Allowance £	Total before Tax and N. I. £
Ayres	415.38	-	-	-	-	415.38
Bradberry	415.38	-	-	-	-	415.38
Cowley	415.38	-	35.90	-	-	451.28
Ellison	415.38	279.68	10.00	-	-	705.06
Mrs Hawes	415.38	1,288.99	41.60	-	-	1,745.97
Mrs Heaton	415.38	-	-	-	-	415.38
Holland	415.38	-	41.46	-	-	456.84
Honey	415.38	1,258.58	20.40	-	-	1,694.36
Mrs Hutchinson	415.38	503.44	54.40	-	-	973.22
Koowaree	415.38	-	-	-	-	415.38
Mrs Laughton	415.38	-	-	-	-	415.38
Mrs Marriott	415.38	1,006.86	56.00	-	-	1,478.24
Norris	415.38	-	9.60	-	-	424.98
Packham	415.38	-	29.60	-	-	444.98
Wallace	415.38	839.05	-	-	-	1,254.43
Wells	415.38	-	51.92	-	-	467.30
Woodford	415.38	-	63.40	-	-	478.78
SUB TOTAL	**7,061.46**	**5,176.60**	**414.28**	**-**	**-**	**12,652.34**
TOTAL	**179,631.92**	**99,343.68**	**12,781.46**	**2.20**	**-**	**291,759.26**

8. 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 2011/12

Post	Salary (Including Fees & Allow-ances) *	Bonus	Expense Allow-ances	Comp-ensation for Loss of Office	Benefits in Kind (EG Car Allow-ance)*	Total	Pension Contri-butions	Total Remuner-ation 2011/12
	£	£	£	£	£	£	£	£
Chief Executive+	115,885.57	-	450.00	-	5,213.08	121,548.65	15,528.68	137,077.33
Deputy Chief Executive+	90,449.76	-	420.00	-	4,957.69	95,827.45	12,120.24	107,947.69
Head Of Cultural & Project Services	71,013.00	-	-	-	2,885.96	73,898.96	9,515.76	83,414.72
Head of Environmental Services	74,065.74	-	-	-	-	74,065.74	9,515.76	83,581.50
Head of Housing	74,065.74	-	-	-	-	74,065.74	9,515.76	83,581.50
Head of ICT & Customer Services	74,065.74	-	-	-	-	74,065.74	9,515.76	83,581.50
Head of Legal and Democratic Services+	71,013.00	-	-	-	4,006.55	75,019.55	9,515.76	84,535.31
Head of Planning & Development	86,574.48	-	-	-	4,281.20	90,855.68	11,524.83	102,380.51
	657,133.03	**-**	**870.00**	**-**	**21,344.48**	**679,347.51**	**86,752.55**	**766,100.06**

*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 2010/11 comparators

Post	Salary (Including Fees & Allow-ances) * £	Bonus £	Expense Allow-ances £	Comp-ensation for Loss of Office £	Benefits in Kind (EG Car Allow-ance)* £	Total £	Pension Contrib-utions £	Total Remuner-ation 2010/11 £
Chief Executive+	104,854.91	-	-	-	2,797.24	107,652.15	27,700.64	135,352.79
Deputy Chief Executive+	90,337.56	-	-	-	4,724.45	95,062.01	24,300.78	119,362.79
Head Of Cultural & Project Services	70,924.50	-	-	-	2,716.56	73,641.06	19,927.41	93,568.47
Head of Environmental Services	74,313.42	-	-	-	-	74,313.42	19,078.65	93,392.07
Head of Housing	74,313.42	-	-	-	-	74,313.42	19,078.65	93,392.07
Head of ICT & Customer Services	74,313.42	-	-	-	-	74,313.42	19,078.65	93,392.07
Head of Legal and Democratic Services+	70,864.95	-	-	-	3,750.70	74,615.65	19,078.65	93,694.30
Head of Planning & Development	86,490.75	-	-	-	4,086.60	90,577.35	23,196.24	113,773.59
	646,412.93	**-**	**-**	**-**	**18,075.55**	**664,488.48**	**171,439.67**	**835,928.15**

* 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

Other Officer Remuneration by Band

2010/11	Remuneration Band	2011/12
5	50,000 – 54,999	5*
11	55,000 – 59,999	12*
1*	60,000 – 64,999	-
1	65,000 – 69,999	-
18		**17**

Figures marked with an * indicate bands which include officers who have received redundancy payments within their remuneration for the year.
The bandings only include the remuneration of senior employees and relevant officers which have not been disclosed individually above.

9. Termination Benefits

The Authority terminated the contracts of 5 employees in 2011/12, incurring liabilities of £47,064 (£138,119 in 2010/11).

Band	2011/12		2010/11	
	Voluntary	Compulsory	Voluntary	Compulsory
0 – 19,999	1	3	3	3
20,000-39,999	1	-	-	-
80,000-99,999	-	-	-	1

10. External Audit Costs

In 2011/12 Ashford Borough Council incurred the following fees relating to external audit and inspection:

2010/11 £'000		2011/12 £'000
138	Fees payable to the Audit Commission with regard to external Audit services carried out by the appointed Auditor	122
12	Fees Payable to the Audit Commission in respect of Statutory inspections	-
34	Fees payable to the Audit Commission for the certification of grant claims and returns	28
-	Fees payable in respect of other services provided by the Audit Commission during the year	-
184		**150**

11. Grant Income

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

2010/11 £'000		2011/12 £'000
37,510	DWP: Rebates Subsidy	40,893
180	CLG: Business Rate Collection Allowance	177
232	CLG: Ashford Future's Projects	-
-	EU: Greenov Funding	32
32	CLG: Homeless Initiatives	50
107	CLG: Housing Trailblazer Program	17
729	DWP Benefit Administration	781
247	Home Office: Community Safety and Anti Social Behaviour	71
87	Future Job Fund Grants	77
477	Recycling Credits	582
169	DfT Concessionary Bus Travel	-
39,770		**42,680**

For details of the General Grants received see note 15 and for the Housing Revenue Account see note 7.

The Authority has received a number of capital grants, contributions that are yet to be applied. The balances at the year-end are as follows:

2010/11 Restated £'000	Capital Grants	2011/12 £'000
219	Receipts in Advance b/f	2,487
7,299	Grants Added during the year	3,373
(5,031)	Grants applied to the CI&E	(5,357)
2,487	**Total**	**503**

12. 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 2011/12.

General Fund	Balance at 01/04/10 £’000	Additions £’000	Payments £’000	Balance at 31/03/11 £’000	Additions £’000	Payments £’000	Balance at 31/03/12 £’000
General Fund	**3,420**	**503**	**(111)**	**3,812**	**455**	**(1,114)**	**3,153**
Earmarked Reserves							
Elections	**136**	61	-	**197**	60	(109)	**148**
Repairs & Renewals	**679**	103	(36)	**746**	243	(308)	**681**
Insurance	**1**	-	(1)		-	-	**-**
Planning Appeals	**391**	-	(56)	**335**	-	-	**335**
Interest Rate Reserve	**-**	-	-	**-**	297	-	**297**
Stour Centre	**301**	73	(145)	**229**	72	-	**301**
Community Grant Fund	**8**	-	(2)	**6**	-	(1)	**5**
Planning Delivery Grant	**534**	-	(23)	**511**	-	(47)	**464**
Transport Initiatives	**81**	41	-	**122**	41	-	**163**
People Mover (Designer outlet)	**216**	4	(79)	**141**	2	(51)	**92**
Members’ IT	**19**	10	-	**29**	-	(12)	**17**
Valuation of Assets	**12**	3	-	**15**	-	-	**15**
Hopewell Twinning Reserve	**1**	3	-	**4**	1	-	**5**
Netball Centre Reserve	**18**	-	-	**18**	10	-	**28**
Singleton Environment Centre	**32**	11	-	**43**	10	-	**53**
Section 106 Monitoring Fee	**22**	24	-	**46**	-	(20)	**26**
Actuarial Volatility Reserve	**160**	93	-	**253**	61	-	**314**
Service Pressure Reserve	**238**	-	(118)	**120**	-	(22)	**98**
Building Control Reserve	**22**	-	(5)	**17**	-	(17)	**-**
Green Transport Initiatives	**-**	30	-	**30**	-	-	**30**
Land Adoption Reserve	**-**	398	-	**398**	-	(17)	**381**
Land Searches Reserve	**-**	76	-	**76**	21	-	**97**
Waterside Reserve	**-**	-	-	**-**	5	-	**5**
New Homes Bonus	**-**	-	-	**-**	21	-	**21**
Footway Maintenance	**-**	-	-	**-**	36	-	**36**
St Mary's Church Ruin	**5**	-	-	**5**	-	-	**5**
Total Earmarked Reserves	**2,876**	**930**	**(465)**	**3,341**	**880**	**(604)**	**3,617**
Total	**5,296**	**1,433**	**(576)**	**7,153**	**1,335**	**(1,718)**	**6,770**

The Purpose of the Earmarked Reserves

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

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

The purposes of other reserves are as follows:

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

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

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

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

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

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

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

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

St Mary’s Church (Little Chart) Ruin Reserve; was set up to fund maintenance costs of this ancient monument in Little Chart.

The **Land Adoption** Reserve was set up with income received for S38 adoption work which is to be held to cover the cost of land adoption.

The **Green Transport** Reserve was set up to fund Green transport initiatives from money collected from Staff parking charges.

The **Land Searches** Reserve was established to ensure that the service breaks even over a 3 year period with surpluses and deficits transferred into the reserve. In addition to this there is the potential that income collected in the past could be reclaimed and this reserve holds a grant provided by the Government to cover these claims.

HRA	**Balance at 01/04/10 £’000**	**Additions £’000**	**Payments £’000**	**Balance at 31/03/11 £’000**	**Additions £’000**	**Payments £’000**	**Balan at 31/03/1 £’00**
Housing Revenue Account	**1,670**	482	-	**2,152**	73	-	**2,2**
Major Repairs Reserve	**4,753**	3,540	(4,380)	**3,913**	3,571	(4,474)	**3,0**
Total	**6,423**	**4,022**	**(4,380)**	**6,065**	**3,644**	**(4,474)**	**5,2**

13. Other Operating Expenditure

2010/2011 £’000		**2011/2012 £’000**
756	Parish council precepts	816
239	Levies	236
296	Payments to the Government Housing Capital Receipts Pool	825
14,465	Gains/losses on the disposal of non-current assets	(577)
15,756	**Total**	**1,300**

14. Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
60	Interest payable and similar charges	457
1,037	Interest Payable on PFI Contracts and Finance leases	954
1,906	Pensions interest cost and expected return on Pension fund assets	976
(576)	Interest receivable and similar income	(998)
-	Income and expenditure in relation to investment properties and changes in their fair value	-
-	Other investment income	-
2,427	**Total**	**1,389**

15. Taxation and Non-Specific Grant Income

2010/11 £'000		2011/12 £'000
(7,138)	Council tax income	(7,256)
(7,287)	Non domestic rates	(4,895)
(1,150)	Non-ring fenced government grants	(2,587)
(5,031)	Capital grants and contributions	(5,357)
(20,606)	**Total**	**(20,095)**

16. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2011/12	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
Adjustments involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	**-**	-	**-**
Charges for depreciation and impairment of non current assets	(2,066)	-	(220)	-	-	**(2,286)**	2,286	**-**
Revaluation losses on Property Plant and equipment	4,405	-	(14,367)	-	-	**(9,962)**	9,962	**-**
Movement in the market value of Investment Properties	-	-	-	-	-	-	-	**-**
Amortisation of intangible assets	(29)	-	-	-	-	**(29)**	29	**-**
Capital grants and contributions applied	5,357	-	-	-	-	**5,357**	(5,357)	**-**
Revenue expenditure funded from capital under statute	(2,020)	-	-	-	-	**(2,020)**	2,020	**-**
HRA Reform Adjustment	-	-	(113,713)	-	-	**(113,713)**	113,713	**-**

2011/12	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(13)	-	(861)	-	-	**(874)**	874	**-**
Inclusion of items not debited or credited to the CIES:								
Statutory provision for the financing of capital investment (MRP)	229	-	(5)	-	-	**224**	(224)	**-**
Annual Leave Accrual	-	-	-	-	-	**-**	-	**-**
Capital expenditure charged against the GF and HRA balances	583	-	343	-	-	**926**	(926)	**-**
Adjustments involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	**-**	-	**-**
Application of grants to capital financing transferred to the CAA	-	-	-	-	-	**-**	-	**-**
Adjustments involving the Capital Receipts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	354	-	1,097	-	(1,392)	**59**	(59)	**-**
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	1,476	**1,476**	(1,476)	**-**

2011/12	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
Contributions from the Capital Receipts Reserve towards admin costs of disposal	-	-	-	-	-	**-**	-	**-**
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	(825)	-	825	**-**	-	**-**
Adjustment involving the Major Repairs Reserve:								
Reversal of MRA credited to the HRA	-	-	-	(3,407)	-	**(3,407)**	3,407	**-**
Use of MRR to finance new capital expenditure	-	-	-	4,310	-	**4,310**	(4,310)	**-**
Adjustments involving the FIAA:								
Revaluation of Available for Sale Financial Instruments	-	-	-	-	-	-	-	**-**
Financial Instruments Premiums W/O	-	-	-	-	-	**-**	-	**-**
Adjustments involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,318)	-	(434)	-	-	**(2,752)**	2,752	**-**
Employer's pension contributions and direct payments to pensioners payable in the year	2,635	-	446	-	-	**3,081**	(3,081)	**-**

2011/12	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
Adjustments involving the CFAA Amount by which CT income credited to the CIES is different from CT income calculated for the year in accordance with statutory requirements	61	-	-	-	-	**61**	(61)	**-**
	7,178	**-**	**(128,539)**	**903**	**909**	**(119,549)**	**119,549**	**-**

2010/11 As restated	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
Adjustments involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	**-**	-	**-**
Charges for depreciation and impairment of non current assets	(1,657)	-	(202)	-	-	**(1,859)**	1,859	**-**
Revaluation losses on Property Plant and equipment	2,157	-	(106, 744)	-	-	**(104,587)**	104,587	**-**
Movement in the market value of Investment Properties	-	-	-	-	-	**-**	-	**-**
Amortisation of intangible assets	(39)	-	-	-	-	**(39)**	39	**-**
Capital grants and contributions applied	5,031	-	-	-	-	**5,031**	(5,031)	**-**
Revenue expenditure funded from capital under statute	(4,214)	-	-	-	-	**(4,214)**	4,214	**-**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(59)	-	(16,754)	-	-	**(16,813)**	16,813	**-**
Inclusion of items not debited or credited to the CIES:								
Statutory provision for the financing of capital investment (MRP)	220	-	(56)	-	-	**164**	(164)	**-**
Annual Leave Accrual	-	-	-	-	-	**-**	-	**-**
Capital expenditure charged against the GF and HRA balances	56	-	36	-	-	**92**	(92)	**-**

2010/11 As restated	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total £'000
Adjustments involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to CIES	-	-	-	-	-	**-**	-	**-**
Application of grants to capital financing transferred to the CAA	-	-	-	-	-	**-**	-	**-**
Adjustments involving the Capital Receipts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	373	-	1,975	-	(2,323)	**25**	(25)	**-**
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	2,100	**2,100**	(2,100)	**-**
Contributions from the Capital Receipts Reserve towards admin costs of disposal	-	-	-	-	-	**-**	-	**-**
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(296)	-	-	-	296	**-**	-	**-**
Adjustment involving the Major Repairs Reserve:								
Reversal of MRA credited to the HRA	-	-	-	(3,349)	-	**(3,349)**	3,349	**-**
Use of MRR to finance new capital expenditure	-	-	-	4,189	-	**4,189**	(4,189)	**-**

2010/11 **As restated**	**General Fund Balance** **£'000**	**Earmarked General Fund Reserves** **£'000**	**Housing Revenue Account** **£'000**	**Earmarked HRA Reserves** **£'000**	**Capital Receipts Reserve** **£'000**	**Total Usable Reserves** **£'000**	**Unusable Reserves** **£'000**	**Total** **£'000**
Adjustments involving the FIAA:								
Revaluation of Available for Sale Financial Instruments	-	-	-	-	-	**-**	-	**-**
Financial Instruments Premiums W/O	-	-	12	-	-	**12**	(12)	**-**
Adjustments involving the Pension Reserve:								
Reversal of items relating to retirement benefits debited or credited to the CIES	5,630	-	(621)	-	-	**5,009**	(5,009)	**-**
Employer's pension contributions and direct payments to pensioners payable in the year	2,683	-	416	-	-	**3,099**	(3,099)	**-**
Adjustments involving the CFAA								
Amount by which CT income credited to the CIES is different from CT income calculated for the year in accordance with statutory requirements	30	-	-	-	-	**30**	(30)	**-**
	9,915	**-**	**(121,938)**	**840**	**73**	**(111,110)**	**111,110**	**-**

17. Property, Plant and Equipment

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Con-struction £'000	Total Property, Plant and Equip-ment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or valuation									
At 1 April 2011	312,970	48,688	3,329	229	625	199	1,298	**367,338**	25,393
Additions	11,345	1,273	175	-	-	-	111	**12,904**	-
Depreciation W/B	(3,359)	(1,885)	(3)	-	-	-	-	**(5,247)**	(221)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	3,707	-	-	-	-	-	**3,707**	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	174	5,201	-	-	-	-	-	**5,375**	-
De-recognition – disposals	(861)	(12)	(1)	-	-	-	-	**(874)**	(414)
Reclassification	1,298	-	-	-	-	-	(1,298)	**-**	-
At 31 March 2012	**321,567**	**56,972**	**3,500**	**229**	**625**	**199**	**111**	**383,203**	**24,758**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Con-struction £'000	Total Property, Plant and Equip-ment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment									
As at 1 April 2011	(113,362)	(3,593)	(2,627)	(32)	(13)	(1)	-	**(119,628)**	(12,265)
Depreciation charge	(3,461)	(1,968)	(253)	(8)	(3)	(1)	-	**(5,694)**	(214)
Depreciation WB	3,359	1,885	3	-	-	-	-	**5,247**	221
Impairment (losses)/reversals recognised in the Revaluation Reserve	(368)	(50)	-	-	-	-	-	**(418)**	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	(14,566)	(771)	-	-	-	-	-	**(15, 337)**	(621)
At 31 March 2012	**(128,398)**	**(4,497)**	**(2,877)**	**(40)**	**(16)**	**(2)**	**-**	**(135,830)**	**(12,879)**
Net Book value									
at 31 March 2011	**199,608**	**45,096**	**702**	**197**	**612**	**198**	**1,298**	**247,711**	**13,128**
at 31 March 2012	**193,169**	**52,476**	**623**	**189**	**609**	**197**	**111**	**247,374**	**11,879**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Con-struction £'000	Total Property, Plant and Equip-ment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or valuation									
At 1 April 2010	322,338	45,540	3,176	229	625	210	107	**372,225**	40,938
Additions	6,965	1,083	153	-	-	-	1,016	**9,217**	495
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	279	(104)	-	-	-	-	282	**457**	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	2,204	-	-	-	-	-	**2,204**	-
De-recognition – disposals	(154)	-	-	-	-	(11)	-	**(165)**	-
De-recognition – transfer & demolition	(16,458)	(142)	-	-	-	-	-	**(16,600)**	(16,040)
Reclassification of Assets	-	107	-	-	-	-	(107)	**-**	-
At 31 March 2011	**312,970**	**48,688**	**3,329**	**229**	**625**	**199**	**1,298**	**367,338**	**25,393**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Con-struction £'000	Total Property, Plant and Equip-ment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment									
at 1 April 2010	-	(1,554)	(2,393)	(24)	(10)	(1)	-	(3,982)	-
Depreciation charge	(3,360)	(1,602)	(234)	(8)	(3)	-	-	(5,207)	(221)
Depreciation written out to the CIES	-	506	-	-	-	-	-	506	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	(3,567)	(588)	-	-	-	-	-	(4,155)	(2,608)
Other movements in depreciation and impairment	(106,435)	(355)	-	-	-	-	-	(106,790)	(9,436)
At 31 March 2011	**(113,362)**	**(3,593)**	**(2,627)**	**(32)**	**(13)**	**(1)**	**-**	**(119,628)**	**(12,265)**
Net Book value									
at 31 March 2010	**322,338**	**43,986**	**783**	**205**	**615**	**209**	**107**	**368,243**	**40,938**
at 31 March 2011	**199,608**	**45,095**	**702**	**197**	**612**	**198**	**1,298**	**247,710**	**13,128**

Asset Valuation

A valuation exercise and impairment review was completed by an external valuer (Wilks, Head and Eve) as at the balance sheet date. For information on the HRA stock valuation see notes to the Housing Revenue account.

Depreciation

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

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

18. Impairment Losses

There was a change in the valuation of HRA Dwellings and impairment to the value. Please see the HRA supplementary statement, note 10 on page 103.

In addition to the above assets the Civic Centre, sports centres, car parks and some open space were also revalued and an impairment of £15,755,000 for 2011/12 is reported. Due to upward revaluation in previous years £418,000 reversed gains in the Revaluation Reverse and the remaining £15,337,000 was written to the CIES increasing the cost of services. Assets were valued as at 1 April 2011.

19. Revaluation Gains

Gains of £9,364,000 have been reported within the Accounts. Due to previous year impairments a gain of £5,657,000 was written back to the CIES, reducing past revaluation losses. The remaining gains increased the revaluation reserve balance by £3,707,000.

20. 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:

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

	1 April £'000	Additions/ (Disposals) £'000	Revaluation Gains/(losses) £'000	31 March £'000
2011/12	2,929	-	-	2,929
2010/11	2,929	-	-	2,929
2009/10	2,929	-	-	2,929
2008/09	2,929	-	-	2,929
2007/08	2,929	-	-	2,929

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

21. Capital Expenditure and Capital Financing

2010/11 £'000		2011/12 £'000
32,332	Opening Capital Financing Requirement	34,440
	Capital investment:	
8,722	Property, Plant & Equipment	12,904
32	Intangible Assets	-
4,214	Revenue Expenditure Funded from Capital Under Statute	2,020
495	PFI Additional liability	-
	HRA Subsidy Buyout	113,713
	Sources of finance:	
(2,100)	Capital receipts	(1,475)
(4,810)	Government grants & contributions	(5,357)
(4,189)	Major repairs reserve	(4,310)
(256)	Sums set aside from revenue NB includes direct revenue financing, MRP and any Voluntary set aside	(1,152)
34,440	**Closing Capital Financing Requirement**	**150,783**
	Explanation of movements in year	
2,272	Increase in underlying need to borrow unsupported by Government financial assistance	116,603
-	Grant for previous year written to CIES	(35)
(164)	Provision for the repayment of debt	(225)
2,108	**Increase/(decrease) in capital financing requirement**	**116,343**

22. Capital Commitments

At 31 March 2012 the Authority had the following capital commitments:

	£'000
General Fund Account	
Stour Centre – New Fire Alarm and commissioning	34
Housing Revenue Account	
Heating Installation Programme (2 year contract)	1,690
Heating Maintenance Programme (2 years contract)	1,784
Kitchen installation Contract (continuation of contract)	93

2010/11 capital commitments were £9,415,000 for the Housing Revenue Account.

23. Financial Instruments

Long Term 31-Mar-11 £'000	Short Term 31-Mar-11 £'000	Category of Financial Instrument	Long Term 31-Mar-12 £'000	Short Term 31-Mar-12 £'000
-	**4,228**	**Total Cash and Cash Equivalents**	**-**	**3,313**
6,015	13,094	Loans and Receivables	-	18,563
12,069	219	Available for Sale Financial Assets	2,500	45
18,084	**13,313**	**Total Investments**	**2,500**	**18,608**
-	7,103	Trade Debtors	-	4,700
1,159	-	Financial Assets carried at contract amount (E.g. Finance and Embedded Leases)	1,143	-
512	-	Financial assets carried at contract amounts	560	-
1,671	**7,103**	**Total Debtors**	**1,703**	**4,700**
(5,951)	(10,305)	Financial Liabilities at Amortised Cost	(119,702)	(1,501)
-	(10,095)	Trade Creditors at Amortised Cost	-	(10,175)
(5,951)	**(20,400)**	**Total Borrowings**	**(119,702)**	**(11,676)**
(28,249)	-	PFI liabilities	(28,292)	(6)
-	-	Finance lease liabilities	-	-
(28,249)	**-**	**Total other long term liabilities**	**(28,292)**	**(6)**
-	-	Financial liabilities at amortised cost	-	-
(532)	-	Financial liabilities carried at contract amount (E.g. Finance and Embedded Leases)	(120)	(211)
(532)	**-**	**Total creditors**	**(120)**	**(211)**

2011/12 Income, Expense, Gains and Losses

	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for sale assets £'000
Interest expense	457	-	-
Losses/Gains on derecognition	-	-	-
Interest payable and Similar Charges	**457**	**-**	**-**
Interest Income	-	(684)	-
Losses/Gains on derecognition	-	(270)	-
Interest and Investment Income	**-**	**(954)**	**-**
Surplus arising from the revaluation of financial assets	**-**	**(44)**	**-**
Net gains/loss for the year	**457**	**(998)**	**-**

2010/11 Income, Expense, Gains and Losses

	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for sale assets £'000
Interest expense	81	-	-
Losses/Gains on derecognition	-	-	-
Interest payable and Similar Charges	**81**	**-**	**-**
Interest Income	-	(574)	-
Losses/Gains on derecognition	-	63	-
Interest and Investment Income	**-**	**(511)**	**-**
Surplus arising from the revaluation of financial assets	**-**	**(413)**	**-**
Net gains/loss for the year	**81**	**(924)**	**-**

Fair Values of Assets and Liabilities

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

The Code requires that the Council calculates the Fair Value of these instruments and includes a comparison with the carrying amount. The Fair Value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the Instruments using the prevailing interest rates as at 31st March 2012.

The table below shows, for comparison, the difference between the amortised cost and fair value of the Councils cash and bond holdings.

Fair Value of Investments carried at amortised cost:

	Amortised Cost £'000	Fair Value £'000
Less than 1 year	18,563	18,684
1 year to 2 years	-	-
2 years to 5 years	-	-
More than 5 years	-	-
Fair Value of Investments held at amortised cost	**18,563**	**18,684**
Unquoted Equity Investments held at Fair Value		2,545
Total investments at Fair Value		**21,229**

The rates used depend on the remaining life of the loan and range from 0.5% to 5.26%. No early repayments or impairments are assumed. For Instruments that will mature within 1 year of the Balance Sheet date the carrying amount is assumed to approximate to Fair Value. The Fair Value of trade and other receivables (e.g. debtors) is taken to be the invoiced or billed amount.
The Council had 23 loans with maturities beyond a year as at 31st March 2012 (one as at 31st March 2011). All of these loans were with the Public Works Loan Board. The principal outstanding was £ 119,664,000 and the Fair Value was calculated at £126,800,000

This increase in debt was due to the Government’s introduction of Housing Revenue Account Self Financing, which has resulted in the council taking on £113.7m of debt additional to the £5.9m of debt that was held at the end of

2010/11. All of the Council's long term debt relates to the Housing stock, the loans are detailed in the table below.

Loan Reference	Deal Date	Amount £	Rate %
498502 (49 years)	01/04/2011	5,951,150	5.2600
499500 (10 Year Variable)	28/03/2012	7,000,000	0.6200
499517 (5 Years)	28/03/2012	2,000,000	1.2400
499508 (6 Years)	28/03/2012	3,000,000	1.5000
499504 (7 Years)	28/03/2012	1,000,000	1.7600
499502 (8 Years)	28/03/2012	5,000,000	1.9900
499501 (9 Years)	28/03/2012	2,000,000	2.2100
499516 (10 Years)	28/03/2012	2,000,000	2.4000
499514 (11 years)	28/03/2012	2,000,000	2.5600
499507 (12 years)	28/03/2012	3,000,000	2.7000
499503 (13 years)	28/03/2012	3,000,000	2.8200
499505 (14 years)	28/03/2012	1,000,000	2.9200
499496 (15 years)	28/03/2012	1,000,000	3.0100
499509 (16 years)	28/03/2012	2,000,000	3.0800
499497 (17 years)	28/03/2012	2,000,000	3.1500
499510 (18 years)	28/03/2012	2,000,000	3.2100
499498 (19 years)	28/03/2012	8,000,000	3.2600
499511 (20 years)	28/03/2012	9,000,000	3.3000
499499 (21 years)	28/03/2012	10,000,000	3.3400
499512 (22 years)	28/03/2012	11,000,000	3.3700
499506 (23 years)	28/03/2012	12,000,000	3.4000
499513 (24 years)	28/03/2012	9,000,000	3.4200
499515 (25 years)	28/03/2012	16,713,000	3.4400
		119,664,150	

Available for sale assets and assets and liabilities at fair value through profit or loss 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.

24. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

The Council's Investment portfolio as at 31/03/12 was as follows:

Counter Party	Maturity Date	Amount £	Credit Rating
Cash deposits with:			
RBS London	14 May 2012	3,000,000	A
Lloyds TSB	3 September 12	3,000,000	A
Barclays Bank	15 February 2013	3,000,000	A+
Newcastle City Council	29 October 2012	2,000,000	Local Authority
Greater Manchester Police Authority	13 April 2012	4,000,000	Local Authority
Barnsley Metropolitan Borough Council	24 April 2012	1,500,000	Local Authority
Lancashire County Council	12 March 2013	2,000,000	Local Authority
The Royal Bank of Scotland - MMF	Deposit Account	2,300,000	AAA
National Westminster Bank plc	Deposit Account	999,787	A
Bonds			
European Investment Bank (SONIA*)	Maturity Date - 18/03/2014	2,500,000	AAA

Credit Risk

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

Credit risk arises from investments and some of the Council's customers commercial rent and trade debtors excluding Council Tax and Business Rate debts. As discussed in the Explaintary Foreward the Council reduced its exposure to Euro Sterling Bonds to manage credit risk.

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

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

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

Credit Rating	**Percentage of Portfolio 31/03/11**	**Percentage of Portfolio 31/03/12**	**Change**
AAA or Local Authority Bonds	31%	59%	28%
AA+ or Aa1	-	-	-
AA or Aa2	-	-	-
AA- or Aa3	69%	-	(69)%
A or A+ all Building Societies	-	41%	41%

The Council does not generally allow credit for commercial rent and trade debtors, however £0.2m of the £0.6m debtors balance is past its due date for payment. The overdue amount can be analysed by age as follows:

31 March 2011 £'000	**Overdue Debtor Amount**	**31 March 2012 £'000**
292	Less than 30 Days	409
48	31 days to 90 Days	35
118	91 Days to 364 days	64
155	More than 1 year	82
613	**Total Overdue Debtors**	**590**
301	Impairment Allowance	333

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.

	Investments £'000
Cash and cash equivalents*	3,330
Less than 1 year	18,563
1 year to 2 years	-
2 years to 5 years	-
More than 5 years	-
	21,893

*includes cash held on an agency basis

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

Market Risk interest rates/prices/exchange rates

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

If interest rates had been 1% higher or lower during the year, this would have resulted in an increase or decrease in interest income of £392,000 and an increase or decrease in payments of £83,000 (calculation excludes debt incurred as part of the HRA buyout on 28th March 2012).

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

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

25. Cash and Cash Equivalents

2010/2011 £'000		2011/2012 £'000
12	Cash held by the Authority	13
(1,173)	Bank current accounts	(5,075)
5,389	Bank Call Accounts	3,300
4,228	**Total Cash and Cash Equivalents**	**(1,762)**

26. Debtors

These amounts were due to the Council.

31 March 2011			31 March 2012	
£'000	£'000		£'000	£'000
	1,300	Government Departments		2,562
	-	Other Local Authorities		-
957		Housing Tenants	989	
(969)	(12)	Less: Impairment Allowance	(948)	41
6,146		Sundry Debtors	3,711	
(1,867)	4,279	Less: Impairment Allowance	(1,775)	1,936
772		Local Taxpayers/ Ratepayers	335	
(117)	655	Less: Impairment Allowance	(159)	176
	6,222			**4,715**

Movement in Debtors is mainly due to:

	£'000
Decrease in council tax debtors	(438)
Housing Benefit payment owed to us by government	1,220
Decrease in payments received in advance	(1,306)
Decrease in year end debtors	(821)

27. Creditors

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

31 March 2011 £'000		31 March 2012 £'000
(4,970)	Government Departments	(2,587)
(20)	Other Local Authorities	(26)
(431)	Housing Tenants	(555)
(130)	Local Taxpayers/ Ratepayers	(168)
(6,031)	Sundry Creditors	(5,156)
(201)	Finance Leases due with one year	(211)
(3,633)	Developer Contributions	(4,464)
(15,416)		**(13,167)**

Movement in Creditors is mainly due to:

	£'000
Decrease in liability to NNDR pool	(3,642)
Increase in Open Space funding	(415)
Increase in Sats Contribution	(456)
Increase in year end creditors	(738)

28. Unusable Reserves

Reserve	Balance 1 April 2011 £'000	Net Move-ment in year £'000	Balance 31 March 2012 £'000	Further Detail of Movement	Purpose of Reserve
Revaluation Reserve	10,689	2,848	13,537	See note (a) below	Store of gains on revaluation of fixed assets not yet realised through sales
Capital Adjustment Account	205,579	(119,555)	86,024	See note (b) below	Store of capital resources set aside to meet past expenditure
Available-for - Sale Financial Instruments Reserve	413	(369)	44	See note (c) below	Store of gains on revaluation of investments not yet realised through sales
Financial Instruments Adjustment Account	-	-	-	See note (d) below	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Pensions Reserve	(34,352)	(15,906)	(50,258)	See Note 31 to the Core Financial Statements	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
Deferred Capital Receipts	494	58	552	See note (e) below	

Reserve	Balance 1 April 2011 £'000	Net Move-ment in year £'000	Balance 31 March 2012 £'000	Further Detail of Movement	Purpose of Reserve
Accumulated absences reserve	(106)	-	(106)		The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward
Collection Fund	5	61	66		
Total Unusable Reserves	**182,722**	**(132,863)**	**49,859**		

a. Movement on Revaluation Reserve		
2010/11 £'000		**2011/12 £'000**
457	Revaluation Gains (Including Available for Sale Assets)	3,708
(3,648)	Revaluation Loss Reversals	(418)
(102)	Less Value of Disposals	-
(305)	Less Historic Cost Depreciation	(442)
(3,598)		**2,848**

b. Movement on Capital Adjustment Account		
2010/11 £'000		**2011/12 £'000**
-	HRA Debt Reform	(113,713)
	Financing Capital Expenditure:	
2,100	Capital Receipts Reserve	1,475
4,189	Major Repairs Reserve	4,310
92	Revenue Reserves	927
(5,209)	Less Depreciation	(5,694)
(39)	Less Amortisation	(29)
(4,214)	Less Revenue Expenditure Funded From Capital Under Statue	(2,020)
5,031	Grants Applied	5,357
305	Historic cost depreciation	442
(16,813)	Less Net Book Value of disposals	(874)
102	Revaluation Reserve Write out for Disposals	-
(104,587)	Impairments	(15,619)
-	Gain (reversal of impairment to CIES)	5,658
164	Minimum Revenue Provision	225
(118,879)		**(119,555)**

c. Movement on Available for Sale Financial Instruments Reserve		
2010/11 £'000		**2011/12 £'000**
(119)	Adjustment for Fair Value Bonds	(369)
(119)		**(369)**

d. Movement on Financial Instruments Adjustment Account		
2010/11 £'000		**2011/12 £'000**
12	Less Write off of Premiums and Discounts	-
12		**-**

e. Movement on Deferred Credits		
2010/11 £'000		**2011/12 £'000**
26	Repayments received	(10)
-	Add revaluation of assets	68
26		**58**

29. Leases

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

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

Authority as a Lessee

Finance Leases

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

2010/11 £'000		2011/12 £'000
120	Other Land and Buildings	120
120	**Total**	**120**

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

	Lease Payment £'000	Service Cost £'000	Interest Cost £'000	Repayment of Principal £'000
Within 1 Year	16	-	16	-
2 – 5 Years	64	-	63	1
Later than 5 Years	648	5	524	119
	728	**5**	**603**	**120**

Operating Leases

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

2010/11 £'000		2011/12 £'000
189	Within 1 Year	165
312	2-5 Years	184
-	Later than five years	-

Authority as a Lessor

Finance Leases

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

	Principal receivable £'000	Interest £'000	Total £'000
Within 1 year	16	26	42
2 – 5 Years	88	122	210
Later than 5 Years	1,055	499	1,554
	1,159	**647**	**1,806**

Operating Leases

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

2010/11 £'000		2011/12 £'000
158	Within 1 Year	268
377	2 – 5 Years	569
191	Later than 5 Years	65

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:

2010/11 £'000		2011/12 £'000
157	Within 1 Year	296
105	2 – 5 Years	286
-	Later than 5 Years	-

30. PFI and Similar Contracts

Stanhope PFI

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

The total value of the contract was £140m, which included construction costs of £27m. The contract made provision for the Council to benchmark the housing management costs and re-negotiate the payments to the contractor; as a result of this benchmarking process the value of the contract is now £127m. Details of the PFI assets held on the balance sheet are included in note 17.

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

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

These payments will be met from:

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

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

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

Analysis of Forecast Unitary Charge

	Repayment of Liability £'000	Interest Cost £'000	Service Cost £'000	Total £'000
Within 1 Year	167	1,100	2,659	3,926
2-5 years	1,411	4,108	10,636	16,155
6-10 years	3,198	4,747	13,295	21,241
11-15 Years	5,164	4,014	13,295	22,474
16-20 Years	7,596	2,882	13,295	23,773
21-25 Years	10,572	1,260	13,295	25,127
26-30 Years	190	7	47	244
	28,298	**18,118**	**66,523**	**112,940**

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 entered into contracts for refuse collection and street cleansing which include elements, that under International Financial Reporting

Standards, are considered as Finance Leases. These leases, included within the contracts, for vehicles and equipment solely used on the Councils contract. Under the new Code these assets are included within the authority's balance sheet:

2010/11 £'000		**2011/12 £'000**
412	Property, Plant and Equipment	211
412	**Total**	**211**

The Authority is committed to making the following payments under the terms of the contracts:

	Lease Payment £'000	**Service Cost £'000**	**Interest Cost £'000**	**Repayment of Principle £'000**
Within 1 Year	3,944	3,722	11	211
2 – 5 Years	-	-	-	-
Later than 5 Years	-	-	-	-
	3,944	**3,722**	**11**	**211**

Both contracts are due to end in March 2013.

31. Defined Benefit Pension Schemes

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

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

Transactions relating to retirement benefits

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

2010/11 £'000	Local Government Pension Scheme	2011/12 £'000
	Comprehensive Income and Expenditure Statememt	
	Net Cost of Services:	
2,340	current service cost	1,770
(9,332)	past service costs	-
78	Curtailments and Settlements	5
-	Financing and Investment Income	
5,984	interest cost	5,365
(4,079)	expected return on scheme assets	(4,388)
(5,009)	**Net Charge to the Income and Expenditure Account**	**2,752**
(23,375)	Actuarial (Gains)/Losses	16,235
5,016	Actual Return on Scheme Assets	1,578

2010/11 £'000	Movement in Reserves Statement:	2011/12 £'000
5,009	Reversal of net charges made for retirement benefits in accordance with IAS 19	(2,752)
3,099	**Employer's contributions payable to scheme**	**3,081**

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2010/11 £'000	Funded liabilities: Local Government Pension Scheme	2011/12 £'000
119,912	**1 April**	**98,400**
2,340	Current service cost	1,770
5,984	Interest cost	5,365
649	Contributions by scheme participants	628
(16,811)	Actuarial (gains) and losses	13,425
(9,332)	Past service costs	
78	Settlements and Curtailments	5
-	Liabilities extinguished on settlement	
(257)	Unfunded Benefits Paid	(261)
(4,163)	Benefits paid	(3,882)
98,400	**Accounting Value of Liabilities as at 31 March**	**115,450**

Reconciliation of fair value of the scheme assets:

2010/11 £'000	Local Government Pension Scheme	2011/12 £'000
54,077	**1 April**	**64,048**
4,079	Expected value of return	4,388
3,099	Employer contributions	3,081
649	Contributions by scheme participants	628
6,564	Actuarial gains and losses	(2,810)
-	Unfunded Benefits Paid	-
-	Payment/(receipt) of bulk transfer values	-
(4,420)	Benefits paid	(4,143)
64,048	**Accounting value of scheme assets as at 31 March**	**65,192**

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

Balance Sheet Disclosure

Balance Sheet as at:	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Present Value of Funded Obligation	112,438	95,401	116,484
Less Fair Value of Scheme assets (bid Value)	(65,192)	(64,048)	(54,077)
Net Liability	**47,246**	**31,353**	**62,407**
Present Value of Unfunded Obligation	3,012	2,999	3,428
Unrecognised Past Service Cost	-	-	-
Net Liability in Balance Sheet	**50,258**	**34,352**	**65,835**

Scheme history

	2011/12 £'000,s	2010/11 £'000,s	2009/10 £'000,s	2008/09 £'000	2007/08 £'000
Fair value of assets	65,192	64,048	54,077	42,410	52,720
Present value of liabilities:	(115,450)	(98,400)	(119,912)	(80,800)	(83,220)
Surplus/(deficit) in the scheme:	**(50,258)**	**(34,352)**	**(65,835)**	**(38,390)**	**(30,500)**
Experience adjustments on scheme liabilities	41	4,040	605	70	1,970
Percentage of Liabilities	0.0%	4.1%	0.5%	0.1%	2.4%
Experience adjustments on scheme assets	(2,810)	6,564	11,896	(14,020)	(9,490)
Percentage of Assets	(4.3)%	10.2%	22.0%	(33.1)%	(18.0)%

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

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary were:

2010/11	Funded liabilities: Local Government Pension Scheme	2011/12
	Long-term expected rate of return on assets in the scheme:	
7.4%	Equity Investments	6.3%
4.4%	Gilts	3.3%
5.5%	Other Bonds	4.6%
5.4%	Property	4.3%
3.0%	Cash	3.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
19.8 Years	Men	20.0
23.9 Years	Women	24.0
	Longevity at 65 for future pensioners:	
21.9 Years	Men	22.0
25.8 Years	Women	25.9
3.5%	Price Increases (RPI)	3.3%
2.7%	Price Increases (CPI)	2.5%
5.0%	Salary Increases	4.7%
2.7%	Pension Increases	2.5%
5.5%	Discount Rate	4.6%
50.0%	Proportion of employees opting to take a commuted lump sum	50.0%

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

31 March 2011 £'000		31 March 2012 £'000
48,677	Equity investments	48,242
640	Gilts	652
7,686	Bonds	6,519
5,764	Property	5,867
1,281	Cash	2,608
-	Target Return Portfolio	1,304
64,048	**Total**	**65,192**

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 As restated £'000	2007/08 As restated £'000
Actuarial Gains/ (Losses)	(16,235)	23,375	(25,445)	(6,810)	6,260
Cumulative Actuarial Gains and (Losses)	(31,666)	(15,431)	(38,806)	(13,361)	(6,551)
Gain/Loss as a percentage of net assets/liability	32.3%	(68.0)%	38.6%	17.7%	(20.5)%

Projected Pension Expense for the Year to 31 March 2013

	£'000
Service Cost	2,239
Interest Cost	5,288
Return on Assets	(3,740)
Total	**3,787**
Employer Contributions	2,627

32. Related Parties (information on elections)

Under the Accounting Standard IAS24 'Related Party Transactions' the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives. All Members (including those that stood down at the election) and Senior Managers were written to requesting details of any relationships that could result in a related party transaction (For 2011/12 1 current Councillors and 12 former councillors did not submit a return).

During 2011/12, the only relationship that was declared and considered material was as a result of the Councils Governance arrangement with Ashford Future Company. Transactions totalling £1.6m have ocurred, further details of the relationship with the company are included in the Explanatory forward, and notes 33 & 34.(2010/11 £nil).

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.

33. Interest in Companies

The Council is a 25% founding partner in the Ashford Future Company. This Company, limited by guarantee, has been established to deliver the Government's growth agenda for Ashford. Following the ending of the Government's Growth Area Funding, the Council and its partners have taken the decision to wind down the company. All other partners resigned from the Company in June 2011 leaving the Council as the sole member of the company with the responsibility to wind down is affairs. The Leader of the Council is the sole director and the Deputy Chief Executive is acting as company secretary. Both are acting in these roles at the request of the Council and do not receive any payment for these roles.

The company's management accounts shows income of £48,300 and expenditure of £48,300 for the period April 2011 to February 2012. Due to the low value of these transactions Group accounts will not be completed.

Wind down is currently being undertaken, and was anticipated to be completed by the summer 2012. However the company is in complex discussions with HM Revenue and Customs, and as a result is taking longer than originally anticipated to wind down

The Council holds a long-standing 10% minority stake in Orbital Park Ltd with the majority share being owned by Eurotunnel Ltd. The Company managed the development of Orbital Park in Ashford, which is now largely complete and the company is currently being wound down. During the year the Council was paid its share of remaining assets; this totalled £286,000, and has been treated as a capital receipt.

34. Contingent Liabilities

The Council has entered into an agreement with KCC relating to the provision of a Recuperative Care Centre at Farrow Court, Ashford. If the property ceases to be used for this purpose at any time during the 35-year life of the agreement, the Council will be liable to pay a proportion of the construction costs. The maximum possible liability was £350,000 but this reduces by £10k annually and currently stands at £270,000 and will reduce over the remaining period of the Agreement. There is no reason to believe that these circumstances will arise, and no provision has been made in the Statement of Accounts for any future payments under this Agreement.

The Council is accepting the risk for the Sheltered Housing PFI jointly procured with KCC. The risk to the Council in the event of early termination of the contract is circa £4m. See Note 30 page 85 for further disclosures.

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

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

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

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

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

35. Contingent Assets

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

The Council has submitted a further claim to HM Revenue and Customs for VAT in regards to off street parking income, covering the period April 1974-

March 1996, this totals £1,174,340. The case is currently subject to an appeal by HM Revenue and Customs.

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

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

36. Events After The Balance Sheet Date

There were no events after the balance sheet date.

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

2010/11 £'000		2011/12 £'000
112,224	Depeciation, Amortisation & Impairment	15,684
(6,470)	Increase/(Decrease) in Creditors	1,903
3,151	(Increase)/Decrease in Debtors	1,189
13	(Increase)/Decrease in Inventories	(3)
(2,024)	Pension Liability	(329)
16	Contribution to/from Provisions	413
16,712	Carrying Amount Non-current Assets Sold	874
(66)	Issuing of Deferred Capital Receipts	(68)
28,000	Carrying Amount of Investments Sold	65,226
151,556	**Non cash items adjustment**	**84,889**

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

2010/11 £'000		2011/12 £'000
(5,032)	Capital Grants	(5,357)
(28,000)	Proceeds from Sale of Investments	(65,226)
(2,283)	Proceeds from Sale of Assets	(1,381)
(35,315)	**Financing & Investment adjustment**	**(71,964)**

39. Cash Flow Statement - Operating Activities

2010/11 £'000		2011/12 £'000
(1,113)	Interest paid	(2,363)
1,342	Interest received	1,261
-	Dividends received	-

40. Cash Flow Statement - Investing Activities

2010/11 £'000		2011/12 £'000
(12,199)	Purchase of property, plant and equipment, investment property and intangible assets	(14,473)
(33,500)	Purchase of short-term and long-term investments	(55,300)
2,323	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,391
28,000	Proceeds from shot-term and long-term investments	65,226
7,312	Other receipts from investing activities	3,545
(8,064)	**Net cash flows from investing activities**	**389**

41. Cash Flow Statement - Financing Activities

2010/11 £'000		2011/12 £'000
21,251	Cash receipts of short and long-term borrowing	126,213
7,912	Adjustments to financing activities	(2,164)
(191)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(147)
(14,000)	Repayments of short and long-term borrowing	(21,300)
(122)	Other payments for financing activities	(235)
14,850	**Net cash flows from financing activities**	**102,367**

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

2010/11 £'000		2011/12 £'000
(12,392)	Cash and Bank Balances	13
16,620	Cash Investments - regarded as cash equivalents*	3,300
-	Bank Overdraft	(5,075)
4,228		**(1,762)**

* This item includes a £3m adjustment (2010/11 £11.2m) for Growth Area funding held by the Council as an agent and therefore excluded from our accounts.

Supplementary Single Entity Statements
Housing Revenue Account

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

2010/11 £'000	HRA Income and Expenditure Account	2011/12 £'000
	Expenditure	
2,972	Repairs and maintenance	3,069
4,636	Supervision and management	4,206
43	Rents, rates, taxes and other charges	44
2,970	PFI Contractor	3,210
6,998	Negative HRA Subsidy payable	7,675
5,006	Depreciation of non current assets	3,627
105,289	Exceptional Item – (Revaluation Gain)/Impairment of HRA assets	14,367
-	Exceptional Item – Settlement payment to the Secretary of State	113,713
44	Debt management costs	74
-	Movement in the impairment allowance for bad debts	21
127,958	**Total Expenditure**	**150,006**
	Income	
(18,868)	Dwelling rents	(20,042)
(526)	Non-dwelling rents	(491)
(568)	Charges for services and facilities	(571)
(333)	Contributions towards expenditure	(332)
(3,000)	PFI Subsidy receivable	(3,000)
(23,295)	**Total Income**	**(24,436)**
104,663	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**125,570**
486	HRA services' share of Corporate and Democratic Core	512
289	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	315
105,438	**Net (Income)/Cost for HRA Services**	**126,397**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
14,779	(Gain)/Loss on sale of HRA non-current assets	589
1,025	Interest payable and similar charges	1,381
(65)	Interest and investment income	(55)
279	Pensions interest cost and expected return on pensions assets	154
121,456	**(Surplus) or deficit for the year on HRA services**	**128,466**

Movement on the Housing Revenue Account Statement		
2010/11 £'000		**2011/12 £'000**
(1,670)	Balance on the HRA at the end of the previous year	**(2,151)**
121,456	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	128,466
(121,937)	Adjustments between accounting basis under statute	(128,540)
(481)	Net (increase)/decrease in year on the HRA	(74)
(2,151)	**Balance on the HRA at the end of the current year**	**(2,225)**

Note on Statement of Movement on the Housing Revenue Account Balance		
2010/11 £'000		**2011/12 £'000**
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
(44)	Difference between interest payable and similar charges (including amortisation of premiums and discounts)	(6)
(106,756)	Difference between any other item of income and expenditure determined in accordance with the code	(14,367)
(14,779)	(Gain) or loss on sale of HRA non-current assets	(589)
36	Capital expenditure funded by the HRA	343
(205)	HRA Share of contributions to or from the pension reserve	12
(189)	Transfer to/(from) the Major Repairs Reserve	(220)
-	Transfer to/(from) the Capital Adjustment Account	(113,713)
(121,937)		**(128,540)**

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 2011 is given in the table below:

31 March 2011 Units	Dwellings By Type	31 March 2012 Units
3,528	Houses/Bungalows	3,517
1,460	Flats/Bedsits/Maisonettes	1,461
20	New Development Dwellings	80
5,008	**Total Number of Dwellings**	**5,058**
(324)	Properties Managed under the Stanhope PFI	(323)
4,684	**Revised Total Number of Dwellings**	**4,735**

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

1 April 2011 £'000		31 March 2012 £'000
202,309	Operational assets - dwellings, land and buildings	196,180
303	Non-operational assets	22
202,612		**196,202**

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2011 was £593,833,000 (£619,337,000 as at 1 April 2010); the reduction is partly due to the disposal of a number of PFI properties. The difference between this and the Balance Sheet value shows the economic cost to Government of providing council housing at less than open market rents.

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

3. Major Repairs Reserve

2010/11 £'000		2011/12 £'000
4,753	Balance on 1 April	3,913
3,540	Depreciation	3,627
(191)	Transfer to/(from) Major Repairs Reserve	(220)
(4,189)	Less: Use of Reserve for HRA Capital Expenditure	(4,310)
3,913	**Balance at 31 March**	**3,010**

4. Summary of Capital Expenditure and Financing

2010/11 £'000		2011/12 £'000
4,189	Expenditure on Dwellings	4,310
3,297	Expenditure on new developments	7,037
495	Expenditure on PFI	-
36	Expenditure on pilot PV panels project	20
-	Payment to Secretary of State (see note 11)	113,713
8,017		**125,080**
	Financed By:	
-	Capital Receipts	147
4,189	Major Repairs Reserve	4,310
1,520	External Contribution (Housing Communities Agency)	3,676
1,777	Borrowing	116,604
531	Revenue Contribution	343
8,017		**125,080**

5. Capital Receipts from Disposal of Assets

2010/11 £'000		2011/12 £'000
306	Receipts from Right to Buy Sales	1,116
1,721	Receipts from Housing Land	19
(53)	Costs of disposal	(45)
1,974	**Total Capital Receipts less deductions**	**1,090**

6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £3,627,067 (2010/2011, £3,550,847), summarised below:

2010/11 £'000		2011/12 £'000
3,349	Council Dwellings	3,408
190	Council Garages	164
11	New Development	53
1	PV Panels	2
3,551		**3,627**

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

7. HRA Subsidy

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

2010/11 £'000		2011/12 £'000
2,344	Allowance for Management	2,360
5,505	Allowance for Maintenance	5,432
3,349	Allowance for Major Repairs	3,407
73	Charges for Capital	220
(18,269)	Rent	(19,112)
(1)	Interest on Receipts	(1)
1	Adjustment for previous years	19
(6,998)	**Subsidy as per Income and Expenditure Account**	**(7,675)**
3,000	PFI Subsidy	3,000
(3,998)	**Negative Subsidy payable to Central Government**	**(4,675)**

8. Pensions

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

2010/11 £'000		2011/12 £'000
	Income and Expenditure Account	
	Net Cost of Services	
343	Current Service Cost	-
-	Past Service Cost	280
	Net Operating Expenditure	
876	Interest cost	848
(597)	Expected return on assets	(694)
622	Net Charge to the Income and Expenditure Account	434
	Statement of Movement in the Housing Revenue Account Balance	
(622)	Reversal of net charges made for retirement benefits in accordance with IAS19	(434)
416	**Actual amount charged against the Housing Revenue Account for pensions in the year**	**446**

9. Rent Arrears

During the year 2011/12 arrears totalling £41,988 (£2,160 - 2010/11) were written off to the Impairment allowance for bad debts held outside the HRA as they were considered to be uncollectable. A contribution of £21,013 (no contribution was made in 2010/11) has been made to the provision in the year.

The balance on the provision at 31 March 2012 was £947,901 (£968,714 at 31 March 2011).

31 March 2011 £'000		31 March 2012 £'000
957	Gross Arrears	989
(267)	Less Pre-Payments	(318)
690	**Net Position**	**671**

10. Exceptional Item (Impairment)

In 2011/12 impairments of £14,567,620 (£105,290,000 – 2010/11) were charged to the Housing Revenue Account, this is due to a general fall in market value. However there were some gains of £199,887 reducing the charge to the Comprehensive Income and Expenditure Account to £14,366,733.

11. Payment to the Secretary of State

The Housing Revenue Account reform required a settlement payment to the Secretary of State of £113m on, or before, 28 March 2012. To finance this payment new debt was taken on from the Public Works Loan Board (PWLB). The payment to the Secretary of State is shown on the income and expenditure statement as a net cost of HRA services. The revenue transaction is then written out of the HRA, as it is defined by statute as capital expenditure.

The borrowing portfolio, from the PWLB, for the £113m of debt is as follows:

Loan Amount £'000	Start Date	Interest Type	Interest Rate %	Repayment Type	Redemption Date
7,000	28/03/2012	Variable	0.6200	Maturity	27/03/2022
2,000	28/03/2012	Fixed	1.2400	Maturity	27/03/2017
3,000	28/03/2012	Fixed	1.5000	Maturity	27/03/2018
1,000	28/03/2012	Fixed	1.7600	Maturity	27/03/2019
5,000	28/03/2012	Fixed	1.9900	Maturity	27/03/2020
2,000	28/03/2012	Fixed	2.2100	Maturity	27/03/2021
2,000	28/03/2012	Fixed	2.4000	Maturity	27/03/2022
2,000	28/03/2012	Fixed	2.5600	Maturity	27/03/2023
3,000	28/03/2012	Fixed	2.7000	Maturity	27/03/2024
3,000	28/03/2012	Fixed	2.8200	Maturity	27/03/2025
1,000	28/03/2012	Fixed	2.9200	Maturity	27/03/2026
1,000	28/03/2012	Fixed	3.0100	Maturity	27/03/2027
2,000	28/03/2012	Fixed	3.0800	Maturity	27/03/2028
2,000	28/03/2012	Fixed	3.1500	Maturity	27/03/2029
2,000	28/03/2012	Fixed	3.2100	Maturity	27/03/2030
8,000	28/03/2012	Fixed	3.2600	Maturity	27/03/2031
9,000	28/03/2012	Fixed	3.3000	Maturity	27/03/2032
10,000	28/03/2012	Fixed	3.3400	Maturity	27/03/2033
11,000	28/03/2012	Fixed	3.3700	Maturity	27/03/2034
12,000	28/03/2012	Fixed	3.4000	Maturity	27/03/2035
9,000	28/03/2012	Fixed	3.4200	Maturity	27/03/2036
16,713	28/03/2012	Fixed	3.4400	Maturity	27/03/2037
113,713					

12. Directions by the Secretary of State

Ashford Borough Council has agreed with the Secretary of State, under section 80B of the Local Government and Housing Act 1989, to exclude the 'New Build' schemes from the Housing Revenue Account Subsidy System. This decision does not affect the way in which the properties have been treated in the accounts, but it does impact the level of subsidy and Major Repairs Allowance paid to/by the Government.

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.

2010/11 £'000	Income and Expenditure Account	2011/12 £'000	2011/12 £'000
	Income		
(40,141)	Income from Business Taxpayers	(43,610)	
(56,736)	Council Tax	(57,556)	
(7,460)	Council Tax Benefits	(7,700)	
(104,337)	**Total Income**		**(108,866)**
	Expenditure		
	Precepts and Demands		
47,038	Kent County Council	47,512	
6,226	Kent Police Authority	6,289	
3,050	Kent and Medway Fire Authority	3,081	
7,075	Ashford Borough Council inc Parish Precepts	7,195	64,077
	Business Rates		
38,770	Payment to National Pool	41,743	
172	Costs of Collection	177	41,920
	Bad and Doubtful Debts		
648	Write-offs	1,071	
746	Allowance for Impairment	1,190	2,261
	Contributions		
	Surplus Distribution/(Contributions to Deficit)		
246	- Kent County Council	-	
32	- Kent Police	-	
16	- Kent Fire	-	
32	- Ashford Borough Council	-	-
104,051	**Total Expenditure**		**108,258**
(286)	**Deficit / (Surplus) in Year**		**(608)**
237	Balance as at 1 April		(49)
(49)	**Balance as at 31 March**		**(657)**
	Apportionment to Major Preceptors		
37	- Kent County Council		494
5	- Kent Police		65
2	- Kent Fire		32
(5)	**Ashford Borough Council Share of (surplus)/deficit**		**(66)**

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.

Total non-Domestic Rateable Value:	**£**
1 April 2011	112,771,541
31 March 2012	113,176,216
Increase/ decrease for year	**404,675**

The Uniform Rate in the pound set by Government in 2011/12 was: -	
For rateable values below £18,000	42.6p
For rateable values £18,000 and above	43.3p

The increase in rateable values was mainly due to the opening of Dobbies Garden Centre.

2. Council Tax Base

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

	2010/11			2011/12		
Band	**Estimated no properties (net of discounts and reliefs) (a)**	**Multiplier (b)**	**Band D Equivalent properties (a x b)**	**Estimated no properties (net of discounts and reliefs) (c)**	**Multiplier (d)**	**Band D Equivalent properties (c x d)**
Unbanded (Incl disabled relief)	5.76	5/9	3.20	3.24	5/9	1.80
A	2,956.95	6/9	1,971.30	2,943.60	6/9	1,962.40
B	9,996.81	7/9	7,775.30	10,116.39	7/9	7,868.30
C	10,836.00	8/9	9,632.00	10,987.82	8/9	9,766.95
D	7,304.94	1	7,304.94	7,428.39	1	7,428.39
E	5,838.22	11/9	7,135.60	5,827.99	11/9	7,123.10
F	4,666.29	13/9	6,740.20	4,709.77	13/9	6,803.00
G	2,814.78	15/9	4,691.30	2,842.62	15/9	4,737.70
H	161.15	2	322.30	172.20	2	344.40
Sub Total			**45,576.14**			**46,036.04**
Estimated Collection Rate			98.50%			98.50%
Council Tax Base			**44,892.50**			**45,345.50**

3. Band D Council Tax

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

Authority	**2010/11 £**	**2011/12 £**
Ashford Borough Council	140.67	140.67
Kent County Council	1,047.78	1,047.78
Kent Police	138.68	138.68
Kent Fire and Rescue	67.95	67.95
Basic amount	**1,395.08**	**1,395.08**
Parish Councils (average)	27.11	28.75
Total	**1,422.19**	**1,423.83**

4. Precepts

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

Authority	Precept £'000	Distribution of prior years surplus £'000	Total £'000
Ashford Borough Council	6,379	-	6,379
Kent County Council	47,512	-	47,512
Kent Police	6,289	-	6,289
Kent Fire and Rescue	3,081	-	3,081
Sub Total	**63,261**	**-**	**63,261**
Parish Precepts*	816	-	816
Total	**64,077**	**-**	**64,077**

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

Parish	Precept £'000
Tenterden Town Council	197
Kingsnorth	64
Charing	48
Biddenden	48
Great Chart with Singleton	44
Wye with Hinxhill	43

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

Opinion on the Authority accounting statements

DRAFT INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ASHFORD BOROUGH COUNCIL

I have audited the financial statements of Ashford Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Ashford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer (Deputy Chief Executive) and auditor

As explained more fully in the Statement of the Chief Financial Officer Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 Chief Financial Officer and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Ashford Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my 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 I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am 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 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Andy Mack
District Auditor

1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Glossary update

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

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

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

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

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

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

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

Capital Financing – funds used to pay for capital expenditure.

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

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

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

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

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

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

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

Creditors – money owed by the Council to others.

Debtors – money owed to the Council by others.

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.

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

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.

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

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

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

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

Outturn – actual income and expenditure in a financial year.

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 and Parish Councils are precepting authorities.

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

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

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

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

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

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

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

UK GAAP – United Kingdome Generally Accepted Accounting Practice – this was the set of accounting rules that were developed for the United Kingdom. This has largely been replaced by International Financial Reporting Standards.

Appendix Restatement of 2010/11 and 2009/10 Comparitors

The adjustments for Heritage assets and Pension strain are discussed within the Explainatory forward, see page 2. The remaining adjustments have been identified when bringing prior years balances forward.

Restatement of 2010/11 Comparators **Consolidated Income & Expenditure Account**	Final Accounts £'000	Heritage Assets FRS 30 £'000	Revaluation of PFI Adjustment £'000	Garage Impairment Adjustment £'000	Pension Strain Adjustment £'000	Total £'000
Central Services to the Public	896					896
Cultural, Environmental & Planning	9,253					9,253
Highways	431					431
Local Authority Housing (HRA)	(626)					(626)
Exceptional Item - HRA stock impairment	107,637		(2,608)			105,029
Housing	3,359			261		3,620
Corporate & Democratic Core	2,680					2,680
Exceptional Item - Pension revaluation	(9,332)					(9,332)
Non-distributable	1,014				142	1,156
Cost of Services	**115,312**	**-**	**(2,608)**	**261**	**142**	**113,107**
Other operating expenditure	15,760					15,760
Financing & Investing Income	2,427					2,427
Taxation & non-specific grant income	(20,606)					(20,606)
(Surplus)/Deficit on provision of services	**112,893**	**-**	**(2,608)**	**261**	**142**	**110,688**
Surplus or deficit on revaluation of PPE assets	584		2,608			3,192
Surplus or deficit on revaluation of available for sale	119					119
Actuarial gains/losses on pension assets/liabilities	(23,375)					(23,375)
Total Surplus/Deficit for year	**90,221**	**-**	**-**	**261**	**142**	**90,624**
Statement of Movement on General Fund Balance	Final Accounts £'000	Heritage Assets FRS 30 £'000	Revaluation of PFI Adjustment £'000	Garage Impairment Adjustment £'000	Pension Strain Adjustment £'000	Total £'000
Balance at 31 March 2010	**(284,384)**	**(3,193)**				**(287,577)**
Surplus/(Deficit) on provision of services	112,893		(2,608)	261	142	110,688
Other CI&E	(22,672)		2,608			(20,064)
Total CI&E	90,221	-	-	261	142	90,624
(Surplus)/Deficit on provision of services	-					-
Adjustments between accounting basis & funding basis under regulation	-					-
Net increase/decrease before transfers to earmarked reserves	90,221	-	-	261	142	90,624
Transfers to/from earmarked reserves	-					-

Increase/decrease 2010/11	90,221	-	-	261	142	90,624
Balance C/fwd	**(194,163)**	**(3,193)**	**-**	**261**	**142**	**(196,953)**

Restatement of 2010/11 Comparators **Balance Sheet as at 31 March 2011**	Final Accounts £'000	Heritage Assets FRS 30 £'000	Revaluation of PFI Adjustment £'000	Garage Impairment Adjustment £'000	Pension Strain Adjustment £'000	Total £'000
Property Plant & Equipment	248,525	(555)		(261)		247,709
Heritage Assets	-	2,929				2,929
Investment Properties	-					-
Intangible Fixed Assets	69					69
Surplus Assets for Resale	-					-
Long-Term Investments	18,084					18,084
Long-Term Debtors	1,671					1,671
Short Term Investments	13,313					13,313
Inventories	16					16
Short Term Debtors	6,222					6,222
Cash and Cash Equivalents	4,228					4,228
Assets Held for Sale	-					-
Short Term Borrowing	(10,305)					(10,305)
Short Term Creditors	(15,215)					(15,215)
Capital Grants Received in advance	(2,487)					(2,487)
Provisions	(195)					(195)
Pension Liability	(34,352)					(34,352)
Pension Strain creditor	(679)				679	-
Long Term PFI Liability	(28,249)					(28,249)
Long Term Finance Lease Liability	(532)					(532)
Long Term Borrowing	(5,951)					(5,951)
TOTAL ASSETS LESS LIABILITIES	**194,163**	**2,374**	**-**	**(261)**	**679**	**196,955**
Capital Adjustment Account	203,230		2,608	(261)		205,577
Revaluation Reserve	10,924	2,374	(2,608)			10,690
Available for Sale Financial Instruments Reserve	413					413
Financial Instruments Adjustment Account	-					-
Unapplied Capital Grants	-					-
Deferred Credits	494					494
Accum Annual Leave Reserve	(106)					(106)
Collection Fund Balance	5					5
Pensions Reserve	(35,031)				679	(34,352)
General Fund Balance	3,812					3,812
Housing Revenue Account Balance	2,152					2,152
Major Repairs Reserve (HRA)	3,913					3,913

Usable Capital Receipts Reserve	1,016					1,016
Other Reserves Balances	3,341					3,341
TOTAL EQUITY	**194,163**	**2,374**	**-**	**(261)**	**679**	**196,955**

Restatement of 2009/10 Comparators Balance Sheet	Final Accounts £'000	Heritage Assets FRS 30 £'000	Pension Strain Adjustment £'000	Total £'000
Property Plant & Equipment	368,799	(555)		368,244
Heritage Assets	-	2,929		2,929
Investment Properties	-			-
Intangible Fixed Assets	76			76
Surplus Assets for Resale	-			-
Long-Term Investments	12,773			12,773
Long-Term Debtors	1,658			1,658
Short Term Investments	13,342			13,342
Inventories	29			29
Short Term Debtors	11,228			11,228
Cash and Cash Equivalents	4,064			4,064
Assets Held for Sale	49			49
Short Term Borrowing	(9,014)			(9,014)
Short Term Creditors	(23,147)			(23,147)
Capital Grants Received in advance	(219)			(219)
Bank Overdraft	-			-
Provisions	(179)			(179)
Pension Liability	(65,835)			(65,835)
Pension Strain creditor	(821)		821	-
Long Term PFI Liability	(27,698)			(27,698)
Long Term Finance Lease Liability	(723)			(723)
Long Term Borrowing	-			-
TOTAL ASSETS LESS LIABILITIES	**284,382**	**2,374**	**821**	**287,577**
				-
Capital Adjustment Account	324,458			324,458
Revaluation Reserve	11,915	2,374		14,289
AFS Financial Instruments Reserve	532			532
Financial Instruments Adjustment Account	(12)			(12)
Unapplied Capital Grants	-			-
Deferred Credits	468			468
Accum Annual Leave Reserve	(106)			(106)
Collection Fund Balance	(24)			(24)
Pensions Reserve	(66,656)		821	(65,835)
General Fund Balance	3,420			3,420
Housing Revenue Account Balance	1,670			1,670
Major Repairs Reserve (HRA)	4,753			4,753
Usable Capital Receipts Reserve	1,088			1,088
Other Reserves Balances	2,876			2,876
TOTAL EQUITY	**284,382**	**2,374**	**821**	**287,577**

Annual governance report

Ashford Borough Council

Audit 2011/12

audit commission

Contents

Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 30th of August I plan to issue an unqualified opinion on the financial statements before the statutory deadline of 30 September 2011.

The financial statements submitted for audit were complete and supported by comprehensive electronic working papers. Officers have worked hard to improve further the internal consistency of the statements with improved checking of the draft accounts. The accounts were prepared to a sound standard overall. I identified some amendments to the year-end financial statements, and I have highlighted the most important of these in Appendices 2 and 3. None of these amendments impacted on the reported financial performance.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

The Council has good financial governance and sound arrangements for financial control. It continues to strengthen its financial planning to ensure it is well-placed to address the financial pressures it faces over the medium term

The Council takes a strategic approach to setting priorities and achieving cost cuts through improved efficiency and productivity.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3);
- approve the letter of representation (appendix 4), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Uncorrected errors

The Council have chosen not to correct one error identified and this is outlined in Appendix 2. I am satisfied that the impact of this is not material. I have asked management to confirm their reasons for not amending the financial statements in their letter of representation.

Corrected errors

I identified six material disclosure note errors, and a total of 16 non-trivial disclosure errors, amendments have been agreed to the financial statements, the most important of these are set out in Appendix 3. None of the amendments have an impact on the overall financial position reported in the statements.

Significant risks and my findings

I reported to you in my 1st February Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 1 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

Risk	Finding
Housing property There have been major redevelopments at Stanhope which have resulted in a number of asset disposals in 2010/11 and additions in 2011/12. Our 2010/11 grant claim work identified property disposals which had not been processed in the fixed asset register. The Council needs to ensure the accounts accurately reflect the number and value of properties, incorporating any valuation changes. Any other material variations to the PFI arrangement also need to be considered and reflected as appropriate. Given the material nature of potential transactions there is a risk the financial statements are materially misstated.	I carried out tests of detail on the accuracy, completeness and valuation of housing property. I considered the impact of amendments made to the financial model as a result of benchmarking of non-property related costs. This has resulted in a saving to the Council of £11m over the life of the contract. My testing identified amendments to Note 1 to the HRA 'Number and type of Housing Stock, Balance Sheet Opening and Closing Values' and note 30 'PFI and similar contracts'. These amendments did not change the core statements and are detailed in Appendix 3.
HRA reform The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. The Council's provisional settlement payment is £114.3 million. This will adjust the HRA debt of the Authority. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by the Authority. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.	I have evaluated management's oversight of HRA reforms and the transactions required by the Authority. I have agreed the detail on the settlement payment or receipt to the DCLG notification. My testing has not identified any significant issues to bring to your attention.

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and following amendment (see below), I can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

Table 2: **Other matters**

Issue	Finding
Annual Governance Statement A local authority shall undertake a review of its system of internal control in accordance with best practice. *Delivering Good Governance in Local Government*, published by CIPFA and SOLACE, recommends that the review be reported in an Annual Governance Statement. The Code of Practice on Local Authority Accounting sets out the information to be included in the Annual Governance Statement.	The Annual Governance Statement has been amended to explicitly cover the following requirements: - An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide; or - A specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework; and, where they do not, an explanation of how they deliver the same impact.

Issue	Finding
Related party disclosures The Council has to disclose any member related party transactions in its accounts. The Council needs to set up processes to identify any relevant disclosures.	Officers send out annual declarations to all members seeking confirmation of all related parties. Members need to complete the declarations so officers can identify any related party transactions for disclosure in the accounts. In 2011/12 one current member and 13 prior members did not complete their annual declarations, despite several reminders. Officers therefore had to carry out additional procedures to ensure there were no missing disclosures in the accounts.
Working papers From 2012/13 the Council will be audited by Grant Thornton, the new auditors will have a different audit methodology and high expectations about the quality of working papers to be provided. The audit next year may or may not be resourced with the same team and therefore it is important that good quality, working papers are in place to ensure a smooth transition for the Council. In the longer term the Council will be able to appoint its own auditors and a key aspect of achieving good procurement will be providing robust working papers.	The Council has provided a full set of electronic working papers for 2011/12 and we have seen further improvements in the quality of working papers provided. We will work with officers to ensure any areas for improvement are identified and fed into the working papers produced for 2012/13.

Recommendation
R1 Ensure the Annual Governance Statement meets the requirements of the Code of Practice on Local Authority Accounting on an annual basis.
R2 Review the process for annual Members declarations to ensure that all declarations are received for consideration of any related party disclosures.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 30 August 2012 I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 5th October 2012.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my 1st February Audit Plan I reported to you the significant risk that was relevant to my conclusion. The external financial environment remains a very challenging one across local government. Members and officers are continuing to explore new ways of working and to identify efficiencies in business planning and in service delivery. I have set out below my conclusion on the two criteria, including the findings of my work addressing the risk I identified.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 3: **Value for money conclusion criteria and my findings**

Criteria	Findings
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience. Focus for 2011/12: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	Officers have undertaken work on the 2012/13 budget to reduce the £1m budget gap through business plan projects and additional funding streams. The Council has reduced net expenditure by over £800k in 2011/12. The MTFP has been revisited and updated for the impact of national changes such as the Council Tax freeze, Benefits changes, localisation of NNDR, changes to the HRA finance system and cuts to funding, The Council has continued to strengthen budget monitoring and has achieved a net underspend of £236k on the general fund and a surplus of £71k on the HRA. General fund balances and reserves currently stand at £7.167m a slight increase on 2010/11.

Criteria	Findings
	The Council has revisited the strategic risk register and through workshop sessions with staff has identified its key strategic risks. In addition, the Council has considered the principles of good governance of partnership arrangements. The Council plans to review its own partnerships against the principles in 2012/13.
2. Securing economy efficiency and effectiveness The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. Focus for 2011/12: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.	The Council is now in the second year of the five year business plan and is monitoring and reporting on progress with priorities both internally and externally. However, further links need to be made between performance management and risk management and will be taken forward in 2012/13 once the revised strategic risk register is adopted. Following the decision by government to abolish the policy of national housing targets the Council has wound up Ashford's Future and is working to bring the remaining projects to a close. The Council has set out the Cabinet's expectations, strategic targets and preferred options for the next 20 years in a framework document 'Ashford 2030'. The Council is continuing to consider methods of service delivery and has recently entered into a joint procurement exercise for a new waste contract with a view to improving recycling and composting rates (in line with local priorities) and saving £0.5m per year on waste collection services. Through the O&S Committee's review of the impact on budget cuts on service delivery/staff capacity, the Council have considered the impact of cost reductions.

Fees

I reported my planned audit fee in the 1st February 2012 Audit Plan.

I will complete the audit within the planned fee.

Table 4: **Fees**

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	132,525	132,525
Claims and returns	37,000	37,000
Total	**169,525**	**169,525**

The expected fee is the same as the planned fee because no significant additional work was required.

Appendix 1 – Draft independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHFORD BOROUGH COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Ashford Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Ashford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer (Deputy Chief Executive) and auditor

As explained more fully in the Statement of the **Chief Financial Officer** Responsibilities, the **Chief Financial Officer** is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 **Chief Financial Officer** and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Ashford Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my 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 I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am 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 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Andy Mack
District Auditor

1st Floor, Millbank Tower, Millbank, London SW1P 4HQ
28 September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Balance Sheet Comprehensive Income and Expenditure Statement (CIES)	In 2011/12 the Council received grant in relation to the New Homes Bonus Allocation. This is a non-ringfenced grant without conditions and therefore in line with the requirements of the Code of Practice (based on IAS20 - Accounting for Government Grant and Disclosure of Government Assistance), this should be recognised immediately in the CIES. However, the Council has included this within receipts in advance on the basis that it relates to 2012/13 and to comply with the requirements of the Code would create difficulties in reporting and budgeting, as the amount is not material the accounts have not been amended.				
	Balance sheet – receipts in advance			130	
	CIES – taxation and non specific grant income		130		

Appendix 3 – Corrected errors

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

The following table sets out the misstatements and disclosure errors I identified during my audit, which management agreed to adjust in the financial statements.

Misstatement	Nature of adjustment	Value £ 000's
Heritage assets For 2011/12 auditing standards required the Council to separately identify and value Heritage assets. These should be presented on the balance sheet as a separate class of assets. The Council included Heritage assets in property, plant and equipment on the face of the balance sheet, in its accounting policy on property, plant and equipment and in note 17 'Property, plant and equipment'	The Council has: • separately identified Heritage assets on the face of the balance sheet; • amended its accounting policies; • excluded Heritage Assets from note 17 'property, plant and equipment'; and • provided further disclosure in note 20 'Heritage Assets'.	2,929
PFI and similar contracts (note 30) Following benchmarking of non-property related costs undertaken in February 2012 the Council renegotiated the contract and made a £11m saving on service costs over the lifetime of the contract. The Analysis of Forecast Unitary Charge disclosed in note 30 was recalculated to reflect this; however, the revised calculation of £124,352,000 did not accurately reflect the total forecast unitary charge over the remaining life of the contract.	The calculation was reperformed and the analysis of forecast unitary charge updated to reflect a total charge of £112,940,000. This only impacted the note.	11,412

Misstatement	Nature of adjustment	Value £ 000's
Financial Instruments The disclosure in note 23 'Financial Instruments' did not include all debtors and creditors balances which meet the definition of financial instruments. The Council also amended the 2010/11 values. This did not effect the core statements.	**2011/12** Trade debtors increased from £988,000 to £4,700,000 Trade creditors increased from £6,010,000 to £10,175,000 **2010/11** Trade debtors increased from £1,214,000 to £7,103,000 Trade creditors increased from £8,519,000 to £10,095,000	 £3,712 £4,165 £5,889 £1,576
HRA note 1 'Number and type of Housing Stock, Balance Sheet Opening and Closing Values' The closing value of HRA assets of £193,063,000 did not agree to supporting documentation.	Closing value of HRA assets amended to £196,202,000	£3,139
2011/12 and 2010/11 HRA impairment The 2011/12 exceptional impairment value stated in note 10 to the HRA 'Exceptional Item (Impairment)' of £14,366,733 did not agree to the supporting working papers.	The value was amended to £14,935,060	568
The 2010/11 Exceptional item – HRA reported on the face of the Comprehensive Income and Expenditure Statement of £105,290,000 did not agree to the figure reported in note 10 to the HRA value of £107,113,771.	The value in note 10 to the HRA had not been updated to reflect the prior period adjustment to correct the value of impairments reported in the CIES. Note 10 has been updated	1,824
Opening balances The 2010/11 capital commitments value provided in note 22 of £600,000 for General Fund and £6,700,000 for the HRA did not agree to the values in the 2010/11 financial statements.	The disclosure note has been reviewed and amounts amended to reflect the 2010/11 financial statements value of £9,415,000 for the HRA.	

Misstatement	Nature of adjustment	Value £ 000's
Movement in Reserves Statement (MIRS)		
The 'contribution from the capital receipt reserve to finance the payments to the Government capital receipts pool' is included in the General Fund balance in the statement and in note 16 'Adjustments between accounting basis and funding basis under regulations'.	The Council has moved the contribution to the Government capital receipts pool to the Housing Revenue Account.	825
Revaluation of HRA development land		
Development land has been revalued and transferred to the HRA. The revaluation has been included in note 17 'Property, plant and equipment' twice. This also impacts on the values presented in note 18 'Impairment losses' and note 19 'Revaluations gains'	The revaluation increase in note 17 has been reduced as has the associated impairment loss. The values reported in note 18 and 19 have been reduced by the same amount.	282
Contingent liabilities and assets		
Following a review of the disclosures made in note 24 'Contingent liabilities' and note 35 'Contingent assets', we identified:		
• one liability which no longer applies in relation to planning conditions for County Square;	The contingent liability in relation to planning conditions attached to the County Square development has been removed.	
• one liability that ought to be treated as a provision in relation to Municipal Mutual Insurance; and	The provision was added to the balance sheet, thus reducing the General Fund balance.	397
• the value of claims to recover VAT paid on sports services, sports tuition and parking excess charges had not been disclosed.	The value of claims to recover VAT has been added to the disclosure.	460

I also recommended several presentational changes to the financial statements, to amend or expand the disclosures in some areas. The Council amended the explanatory forward, disclosure on the face of the CIES, officers' remuneration (note 8), Property plant and equipment (note 17), Heritage asset (note 20), pensions disclosures (note 31), contingent liabilities (note 34) and added a note explaining the prior period adjustments made.

Appendix 4 – Draft letter of management representation

Ashford Borough Council - Audit for the year ended 31 March 2012

Andy Mack
Audit Commission
1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Dear Andy

I confirm to the best of my knowledge and belief, having made appropriate enquiries of members and officers of Ashford Borough Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For each accounting estimate, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Ashford Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 27 September 2012

Paul Naylor

Chief Financial Officer (Deputy Chief Executive)

27 September 2012

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 6 – Action plan

Recommendations	
Recommendation 1	
Ensure the Annual Governance Statement meets the requirements of the Code of Practice on Local Authority Accounting on an annual basis.	
Responsibility	Chief Financial Officer
Priority	High
Date	2012/13
Comments	The 2011/12 AGS has been revised to cross-reference and fully meet the Code and the Council will ensure that the Code requirements are fully met going forward.
Recommendation 2	
Review the process for annual Members declarations to ensure that all declarations are received for consideration of any related party disclosures.	
Responsibility	Member Services
Priority	High
Date	2012/13
Comments	The Finance team will liaise closely with Member Services to improve the declaration process and harmonise with the declaration of interest process.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

www.audit-commission.gov.uk **September 2012**

Deputy Chief Executive, Paul Naylor CPFA MBA

Ask For: Mr Paul Naylor
Email: paul.naylor@ashford.gov.uk
Direct Line: (01233) 330436

ASHFORD
BOROUGH COUNCIL
Civic Centre
Tannery Lane
Ashford
Kent TN23 1PL
(01233) 331111
Typetalk (01233) 330744
www.ashford.gov.uk
DX 151140 Ashford (Kent) 7

Andy Mack
Audit Commission
1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ

Date: 27 September 2012

Dear Andy

ASHFORD BOROUGH COUNCIL - AUDIT FOR THE YEAR ENDED 31 MARCH 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of members and officers of Ashford Borough Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom, which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule in the audit report are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For each accounting estimate, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed	[redacted]
Name	Paul Naylor
Position	Deputy Chief Executive
Date	27 September 2012

Signed on behalf of Ashford Borough Council
I confirm that the this letter has been discussed and agreed by the Audit Committee on 27 September 2012

MUNICIPAL MUTUAL

Deputy Borough Treasurer
Ashford Borough Council
Civic Centre
Tannery Lane
Ashford
Kent
TN23 1PL

02 May 2012

Dear Scheme Creditor

MMI Scheme of Arrangement

I enclose your Scheme Statement of claims activity for the six months ending 31 March 2012.

Also enclosed is a copy of the Report of the Twenty-second Meeting of the Creditors' Committee which was held on Tuesday, 22 November 2011.

Following the decision of the Supreme Court in the Employers Liability Policy Trigger Litigation the Chairman wrote to the members of Municipal Mutual Insurance Limited outlining the steps being taken by the Company to determine the implications of the judgement. A copy of that letter is enclosed for the benefit of Scheme Creditors.

A meeting of the Creditors' Committee has been scheduled for 22 May and further information will follow in due course.

Yours sincerely

Ian Willett

Claims Director

MUNICIPAL MUTUAL INSURANCE LIMITED

SCHEME OF ARRANGEMENT

Six Monthly Statement of Payments/Recoveries and Estimated Outstanding Claims

Ashford Borough Council

MMI Scheme No: 16

Ledger Code: 17H061

Claims Payments

Brought forward as at 01-Oct-2011			£446,180.80
Paid in six months ending 31-Mar-2012			
Policy No	**Business Class**	**Amount**	**Total**
17H0610043	EL	£701.25	
Total			**£701.25**
Carried forward as at 31-Mar-2012			**£446,882.05**

Estimated Outstanding Claims as at 31-Mar-2012

Policy No	Business Class	No of Claims	Amount
17H0610043	EL	1	£2.00
Total		**1**	**£2.00**

Note 1 The information given is on the basis of details supplied by Zurich Municipal.

Note 2 The estimated amount liable to clawback, if the scheme is triggered, is the total carried forward claim payments, less £50,000.

MUNICIPAL MUTUAL INSURANCE LIMITED

SCHEME OF ARRANGEMENT

Report to Scheme Creditors of the Twenty-second Meeting of the Creditors' Committee on Tuesday, 22 November 2011

1. Introduction

The twenty-second meeting of the Scheme Creditors' Committee took place on 22 November 2011. Five members of the Committee attended, with the Scheme Administrator, the Company's Chairman and four other Directors, three executives and one non-executive, present.

This report of the proceedings has been cleared with Gareth Hughes, Scheme Administrator and Bill Church, Chairman of the Scheme Creditors' Committee, for distribution to Scheme Creditors.

2. Minutes

The minutes of the meeting held on 17 November 2010, having been circulated previously, were taken as read, approved and signed by the Chairman.

3. Matters arising

Future communication of information to Scheme Creditors

Each Scheme Creditor had been sent a copy of the Annual Report and Accounts of the Company for the year ended 30 June 2011. The Chairman's Statement included therein had provided an update regarding the Employers' Liability Policy Trigger litigation. As the hearing of the Company's appeal to the Supreme Court was not scheduled until December 2011, there was at this stage no new information which could be passed on by the Company to Scheme Creditors.

It was agreed by the Committee that, after the decision of the Supreme Court had been handed down, an explanatory letter should be sent to each Scheme Creditor, marked for the personal attention of the Finance Director.

4. Appointment of Mr David Marshall-Rowan as a member of the Committee in place of Mrs Elizabeth McCalla

Mrs Elizabeth McCalla had left her employment as County Solicitor of Leicestershire County Council in October 2011. Further to discussions within the local authority, it had been agreed with the Head of Strategic Finance that Mr David Marshall-Rowan, Insurance Manager, should replace Mrs McCalla as a member of the Creditors Committee, subject to the Committee's approval.

The Committee unanimously approved the appointment of Mr Marshall-Rowan, Insurance Manager of Leicestershire County Council, to replace Mrs Elizabeth McCalla as a member of the Creditors Committee.

5. Review of strategic direction

This item was introduced by the Chairman of the Board, Sir John Lovill.

He informed the Committee that it was hoped that the Company would be successful in its appeal to the Supreme Court in the Employers Liability Policy Trigger Litigation, but until that judgement was handed down the existing uncertainty would remain. Whilst the judgement would provide legal certainty, the huge uncertainties inherent in the actuarial assumptions made in estimating future liabilities for mesothelioma claims would remain.

If the Supreme Court judgement was unfavourable to the Company, the Chairman stated that, in all probability, a solvent run-off could not be achieved and there would be no payment of the commission for risk of up to £30 million to Scheme Creditors.

After the Supreme Court judgement was handed down, the Chairman explained that it would be necessary to obtain an up to date actuarial valuation of IBNR claims by KPMG, and this could well be as at the usual date of 30 June. The Company would also seek advice from its corporate lawyers, who were being kept informed of events. If a solvent run-off could no longer be foreseen following the judgement, the Board had a duty to inform the Scheme Administrator accordingly.

The Scheme Administrator explained to the Committee that, if the Directors agreed at some future date that the Company could no longer pay agreed claims in full, the Scheme of Arrangement would be triggered and responsibility for the Company's management would pass to him. He would then meet the members of the Committee to discuss the imposition of a percentage levy based on claims payments made to Scheme Creditors during the run-off period, but he would be unable to do this until an up to date actuarial review of IBNR claims by KPMG was performed.

The Chairman went on to say that, in the event of a successful appeal to the Supreme Court, efforts would be resumed to try and achieve a transfer of the Company's remaining liabilities to an alternative carrier.

The Committee members noted with interest the remarks made by the Chairman of the Board, and the Chairman of the Committee thanked him for his presentation.

6. Scheme administration and claims issues

6.1 Scheme administration

The Claims Director gave a progress report on the administration of the Scheme of Arrangement.

Total claims payments to Scheme Creditors up to 30 September 2011 amounted to £700.2 million. The number of Scheme Creditors who had received over £50,000 was

575 out of the total number of 729. The figure for clawback in the event of the Scheme being triggered amounted to £667.8 million at 30 September 2011. Of this amount, the Financial Services Compensation Scheme (FSCS) had a potential liability of £15.0 million in respect of claims relating to housing associations and similar protected bodies that were Scheme Creditors. At 30 September 2011 outstanding claims made by Scheme Creditors totalled £47.2million (excluding the provision for claims incurred but not reported) against £44.7 million at 30 September 2010, which represented 95.2% of the total reported claims of £49.6 million.

The Claims Director informed the Committee that half-yearly statements of claims payments were issued to each Scheme Creditor on 31 March and 30 September. The March mailing also included a report on the proceedings at the Creditors' Committee meeting held in the preceding November/December, whilst the September mailing included a copy of the latest Annual Report and Accounts. Every effort was made to keep the mailing database up to date.

The Committee noted the remarks made by the Claims Director relating to Scheme administration.

6.2 Significant heads of claim

The Claims Director then referred to certain major categories of claim which comprised a significant part of the Company's outstanding claims book, as follows:

(a) Abuse claims

This was the most significant category of claim remaining on the Public Liability account.

As a result of the decision in the Hoare case, which had had a significant impact on the defence previously afforded by the Statute of Limitations, there were now few opportunities to raise limitation as a defence to late claim notification. Claims could therefore arise a considerable time after a claimant had suffered abuse and closure on this account remained some way off.

(b) Pleural plaques - Scotland

The Supreme Court had now ruled that the Damages Act 2009 enacted by the Scottish Parliament was not unlawful and that as a consequence claims for pleural plaques could be brought in Scotland. This was in contrast to the earlier decision of the House of Lords that the condition of pleural plaques per se did not constitute a basis for compensation.

It was unclear how these claims would be quantified and advice from both the ABI and Zurich was awaited, but it seemed likely that a tariff based system would be developed. The Company currently had 32 claims stayed in respect of pleural plaques in Scotland at an estimated cost of £520,000, together with an IBNR provision of £0.7 million. Previously, such claims had been settled at between £5,000 and £10,000.

(c) Deafness

The Claims Director reported that the Company was experiencing an increase in both numbers and values of deafness claims.

The increase in the number of new deafness claims appeared to be associated with a growing number of individuals who were having hearing tests after retirement and claiming for hearing loss after the test results. Further, local authority staff such as highways personnel who were being made redundant in an effort to reduce costs in the present difficult economic climate, might also be submitting claims for hearing loss because of the deterioration in their financial circumstances.

(d) Mesothelioma

The Claims Director reported that the Board had a duty to obtain certainty with regard to the interpretation of Employers Liability policy wordings for mesothelioma claims. The Court of Appeal judgement, although giving the Company partial success, did not provide the ultimate certainty required and therefore the decision had been taken to appeal to the Supreme Court.

The Claims Director emphasised that on no account was the Company seeking to try and avoid its liabilities. It was proceeding solely on the basis of obtaining certainty with regard to interpretation of its policy wordings. Although local authorities were exempt from the provisions of the Compulsory Insurance (Employers Liability) Act 1969, the Company had provided cover for these risks since 1948. Its policy wordings in use from that date until 1958 and from 1958 to 1974 no longer responded to mesothelioma liabilities arising in the 21st century, but the wording in use from 1974 to 1992 had been held by the Court of Appeal to apply on a causation basis and the appeal to the Supreme Court would concentrate on this central issue.

The incurred cost of mesothelioma claims to date was £45 million, of which around 50% had been paid.

The hearings in the Supreme Court were scheduled to commence on 5 December 2011, and 9 full days had been set aside for the purpose. A panel of 5 law lords would be hearing the appeal and it was anticipated that the judgement would be handed down 3 to 4 months later.

The Committee members heard the report by the Claims Director on significant heads of claim with interest and the Chairman of the Committee thanked him for his report.

7. Financial information for the quarter ended 30 September 2011

The Finance Director presented the financial information for the quarter ended 30 September 2011.

It was reported that the overall result shown by the technical and non-technical accounts for the first quarter to 30 September 2011 was a loss of £1,819,000.

The balance sheet at 30 September 2011 showed a net liability of £73.8 million, which compared to £72.0 million at 30 June 2011. The provision for commission for risk remained at nil.

Technical account

The technical account showed a loss for the quarter to 30 September 2011 of £4.23 million (2010: loss £2.12 million). This was mainly due to the EL and PL accounts, which sustained losses of £3.8 million and £0.3 million respectively. In accordance with the Company's normal practice, no release from the IBNR provision as at 30 June 2011 was made during the quarter, any change to that provision being made only on an annual basis.

The incurred cost of mesothelioma claims had fallen over the past three years by 10% which was encouraging. However, over the same period, the IBNR provision for mesothelioma claims had been increased by some £30 million in accordance with the actuarial reviews carried out by KPMG.

Non-technical account

The non-technical account showed a profit for the quarter to 30 September 2011 of £2.41 million (2010: £2.04 million).

The investment return for the first quarter of £2.85 million (2010: £2.46 million) included investment income of £1.12 million, and a net realised and unrealised gain on quoted securities of £1.73 million.

The Finance Director reminded the Committee that management of the Company's investment portfolio was outsourced to Aviva Investors. Since the commencement of the run-off, the Company had not suffered any losses on its investments arising from the failure of a bank or other corporate body. At the present time the duration of the Company's investment portfolio was much shorter than that of its liabilities. The risk of investing in 40 year gilts was considered undesirable and the average length of holdings at present was between 4 and 4 ½ years.

Run-off projection

The Finance Director referred to the latest projection, which was based on the management accounts for the quarter to 30 September 2011.

It was assumed for the purposes of the projection that the Company's fixed interest securities would be held until maturity, when repayment would take place at par. The current low interest rates pertaining in the financial markets had affected the rates which the Company was able to achieve on cash deposits.

Based upon the figures at 30 September 2011, the Finance Director reported that the run-off projection did not show a break-even point. The Company's solvency was dependent upon a successful result to the Policy Trigger Litigation which would remove many uncertainties surrounding the IBNR provision, including numbers of future claims and inflation rates as well as future investment returns. The projection of income and expenditure over 40 years was a highly subjective exercise.

The run-off projection would change significantly dependent upon the outcome of the appeal to the Supreme Court in the Employers Liability Policy Trigger Litigation. A successful outcome should enable the Company to achieve a solvent run-off.

8. Directors and staffing

The Chairman of the Board reported that there had been no changes in the composition of the Board during the last year. The Board continued to hold nine meetings each year, and the Board Executive Committee (BEC) met regularly throughout the year to monitor progress and in particular to be updated on the mesothelioma litigation. In addition, the BEC met with representatives from the FSA once annually to keep the regulator informed of progress and to deal with any queries which might be raised on the Annual Regulatory Return.

It was reported that current staffing levels were at the minimum level necessary to carry on the day-to-day business of the Company. The Chairman paid tribute to the tremendous efforts made by all employees during the past year.

9. Future membership of the Committee

The Scheme Administrator gave his views on the future membership of the Creditors Committee. There were currently six members compared to the maximum of 10 permitted by the Scheme of Arrangement. Until the Scheme of Arrangement was triggered, the Creditors Committee fulfilled a role as observers and the Scheme Administrator considered that there was no need to appoint any further members to the Committee whilst this position was maintained. However, if the Scheme of Arrangement were triggered by the Board following the judgement of the Supreme Court, then the Scheme Administrator was of the opinion that additional members should be appointed to bring the Committee closer to the maximum number of 10 members. He also pointed out that, in the event of a levy being imposed, there would eventually have to be some form of process to bring the Company's affairs to an ultimate conclusion.

The Committee noted the remarks of the Scheme Administrator concerning future membership.

10. Any other business

Municipal General Insurance Limited (MGI)

In reply to a query it was confirmed that the Company's wholly-owned subsidiary MGI remained in provisional liquidation. Whilst creditors of MGI had now received 100p in the £, the Company's investment remained at nil value. Future profits of MGI would be distributed to its creditors by way of interest and the Company was not entitled to receive any monies from the provisional liquidators.

11. Date of next meeting

It was agreed that, following the handing down of the judgement by the Supreme Court in the Employers Liability Policy Trigger Litigation, the Secretary would liaise with the Chairman of the Committee and the Scheme Administrator over possible dates for the next Committee meeting.

MUNICIPAL MUTUAL

26 April 2012

Dear Member

Supreme Court judgement in the Employers' Liability Policy Trigger Litigation relating to mesothelioma claims

Further to my letter dated 22 February 2012, I am now writing to inform you of the judgement reached by the Supreme Court in the Employers' Liability Policy Trigger Litigation relating to mesothelioma claims.

Judgement was handed down on 28 March 2012 and I regret to say that the Supreme Court found against the Company. The judges ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma. This judgement, although disappointing from the Company's point of view, provides the clarification sought in respect of the Company's liability for mesothelioma claims under Employers Liability policies written in the period up to 30 September 1992, when the Company ceased writing insurance business and went into run-off. From the outset this was the main objective sought by the Board of Directors in bringing the litigation.

The judgement has significant implications not only for the Company itself and its members but also for the 729 Scheme Creditors who are party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. The Board of Directors is now seeking legal, financial and actuarial advice from its professional advisers in order to determine the full implications of the judgement and the most appropriate way forward for the Company. The Scheme Administrator and the Creditors' Committee will also be involved in this process as will the Company's regulator, the Financial Services Authority.

I am sure you will appreciate that this process is complex and will take some time but I will provide you with further information on the next steps which the Board of Directors is proposing to take as soon as I am able.

Yours sincerely

[redacted]

Sir John Lovill
Chairman

Municipal Mutual Insurance Limited 29 Buckingham Gate Westminster London SW1E 6NF
Tel No: 020 7821 6444 Fax No: 020 7821 1556 www.mminsurance.co.uk
Registered Office: 29 Buckingham Gate Westminster London SW1E 6NF Registered No: 76678 England

Agenda Item No:	6
Report To:	**Audit Committee**
Date:	**27 September 2012**
Report Title:	**Strategic Risk Register – Action Plans**
Report Author:	Brian Parsons, Head of Audit Partnership

ASHFORD BOROUGH COUNCIL

Summary:

The report sets out the draft Strategic Risk Register and the Action Plans which have been completed by the respective 'risk owners'.

Audit Committee is asked to note the Action Plans and confirm that it is satisfied with the action that is being taken to manage the Council's strategic risks.

Key Decision:	No
Affected Wards:	N/A
Recommendations:	**Audit Committee is asked to:-** **1. Note the strategic risk management action plans** **2. Confirm that it is satisfied with the action that is being taken to manage the Council's strategic risks** **3. Consider whether the risk score for Risk 6 should be amended from 4/2 to 3/2. (see Para 9)**
Policy Overview:	The Strategic Risk Register provides a means for monitoring the risks to the delivery of the Council's strategic objectives and for ensuring that appropriate action is taken to manage them. This review of strategic risks also deals with a significant governance issues raised in the 2010/2011 Annual Governance Report.
Financial Implications:	None directly
Risk Assessment	Risk is the basis for the report
Equalities Impact Assessment	No
Other Material Implications:	None
Background Papers:	None
Contacts:	Brian.parsons@ashford.gov.uk – Tel: (01233 330442)

Report Title: Strategic Risk Register – Action Plans

Purpose of the Report

1. The report sets out the Strategic Risk Register which was agreed at the meeting of the Committee on 25 June 2012 and the Management Action Plans that have since been completed to show the action that is being taken to manage the risks.

2. The Audit Committee is responsible for ensuring the effective development and operation of risk management. The Committee therefore needs to be satisfied with the action that is being taken to manage the Council's strategic risks

Issue to be Decided

3. Audit Committee is asked to:

   - Note the strategic risk management action plans
   - Confirm that it is satisfied with the action that is being taken to manage the Council's strategic risks
   - Consider whether the risk score for Risk 6 should be amended from 4/2 to 3/2.

Background

4. The Audit Committee, meeting on 25 June 2012 endorsed:

   - The draft Strategic Risk Register and the wording used to describe the risks
   - The 'ownership' of the risks

   and agreed:

   - The process for monitoring and reporting action on the risk register
   - The respective responsibilities for risk management

5. It was also agreed that the Audit Committee should receive risk reports first and add their comments before reports went to the Cabinet, so that Cabinet was not exposed and the comments of the Audit Committee can be taken onboard. It was agreed that the risk reports to the Committee would incorporate the use of the 'traffic light' system.

6. The Strategic Risk Register is shown at Appendix 1, and is endorsed by the Management Team (subject to the comment overleaf at Paragraph 9).

7. The 'risk owners' are senior managers whose role makes them best placed to manage the identified risk. The Management Action Plan shows the risk and the risk owner, the current risk score and the target score, a description of the risk and the 'vulnerability' i.e. the context for the risk. The 'current risk score' incorporates a traffic light approach (red, amber, green) to reflect where the risk appears on the risk matrix. The risk matrix is shown at Appendix 2.

8. The completed action plans are shown at Appendix 3. The detailed action plans show:

- The action/control that is already in place – these are the controls that already mitigate the potential effect of the risk
- Whether the action/control is adequate to address the risk
- The further action that needs to be taken to adequately manage the risk
- Critical success factors – how we will know that the risk is being addressed
- Review frequency – how often the risk management action needs to be reviewed
- Key dates – the key dates affecting the management of the risk

9. In the course of completing the Action Plan, the Head of Legal & Democratic Services concluded that, in his opinion, the risk score for Risk 6 (Members skills, capacity and experience) is currently not 4 (significant likelihood)/2(medium impact) as stated, but is now 3(low likelihood)/2(medium impact) at the worst. Members are asked to consider whether this risk should be amended accordingly.

10. Following consideration by the Audit Committee, the Strategic Risk Register will be reported to Cabinet for adoption. The action plans will accompany the report.

11. Six-monthly action plan updates will be sought from the risk owners. This will result in a report to Management Team followed by a report to the Audit Committee and subsequently a report to Cabinet.

12. It is important that the strategic risk process becomes an embedded part of the governance and strategic management cycle and that it remains fresh and meaningful. New strategic risks will need to be added to the register as they emerge and older risks may no longer need to be managed at a strategic level and therefore can instead be dealt with operationally. The changes to the risk register need to occur as part of the six-monthly reporting process.

13. When the strategic risk process has become embedded, consideration will be given to whether resources are sufficient to introduce risk management into service planning, in order to cover operational (service based) risk.

Risk Assessment

14. The Council is a complex organisation responsible for many £ millions of public expenditure. It is also a tax collector and a landlord receiving substantial levels of income. The actions of the Council have a major impact on the community for which it is responsible. It is therefore vital that the strategic risks to the Council's objectives are identified and properly managed.

15. Risk, where managed correctly, is not necessarily undesirable. Riskier models of delivery can often be the most innovative and effective. The key to setting a positive risk appetite is the knowledge that the organisation is able to manage risks effectively.

Other Options Considered

16. The Audit Committee is responsible for ensuring the effective development and operation of risk management. The Committee therefore needs to be satisfied that the action taken to manage risks is adequate. No other option could be advocated.

Consultation

17. The creation of a strategic risk register has been the subject of considerable consultation so far. The current report has been considered by Management Team

Implications Assessment

18. A strategic risk register, with proper arrangements in place for monitoring the management of the risks, should be seen as a vital element of the Council's governance/strategic management arrangements.

Contact: Brian Parsons Tel: 01233 330442

Email: Brian.Parsons@ashford.gov.uk

Appendix 1

Ashford BC Strategic Risk Register – 2012 to 2015

Risk No.	Vulnerability	Trigger	Consequences	Current Risk Rating Likelihood / Impact	Risk Owner
1	The Council needs to work with and influence developers, businesses and other agencies to ensure that the right quality and mix of housing, infrastructure and investment in the borough is delivered.	**1a)** Risk of a lack of economic growth in the borough / lack of facilitation of job creation / an inappropriate balance of jobs leading to a decline in average earnings.	• Investment not attracted to the area • Local economy declines • Housing fails to meet community needs • Potential increase in homelessness • Loss of community confidence in the quality agenda • New communities not attracted to the area • Strategy undermined	High (5) / Severe (3)	RA
		1b) Risk of failing to get the right mix and quality of housing - fail to get the right units in the right places.		Significant (4) / Severe (3)	RA
2	The Council's income streams are vulnerable to a number of factors including new legislation e.g. localising support for Council Tax, local collection of business rates, new homes bonus and also adverse economic conditions e.g. impacting on the return on investments.	Risk that key income streams are volatile and significantly adversely affected by the changing legislative and economic environment.	• Financial plans undermined • Further savings have be made • Service delivery adversely • affected • Business Plan undermined	Very High (6) / Severe (3)	PN

3	The Council is managing a reducing resource base at a time when the needs of the community are increasing e.g. people are living longer and many young people are not able to access employment. This is heightened by factors such as adverse economic conditions, and the introduction of the Universal Credit. There are also high expectations as to what the Council can deliver.	**3a)** Risk that the Council fails to fully understand levels of demand / fails to manage expectations / fails to remain relevant to the local community	• Increase in vulnerable people / vulnerable people at risk • Service mis-match • Financial implications • Business Plan undermined • Reputation undermined	Low (3) / Medium (2)	JB
		3b) Risk that the Council fails to anticipate the consequences of the introduction of the Universal Credit / fails to fully prepare and manage the budget consequences.		Significant (4) / Severe (3)	PN
4	The Council needs to continue to drive the localism agenda in a constructive way.	Risk of failing to continue to recognise opportunities for localism for the community / fail to take a clear leadership role / fail to be consistent around managing opportunities.	• Opportunities missed • Resources not allocated effectively • Residual elements of service delivery become more expensive • Community lose confidence • Reputation undermined	Low (3) / Severe (3)	JB
5	The Council needs to develop a more flexible workforce and in doing so assess what skills are required to meet current and future needs. It also needs to undertake effective succession planning to avoid being over reliant on key managers / staff who are	Risk of a lack of effective workforce planning / Risk that key managers / staff leave and no obvious replacements are found.	• Adverse impact service delivery • Momentum lost / Loss of strategic direction • Pressure on remaining staff increases • Staff morale declines	Significant (4) / Severe (3)	MP

	responsible for leading the delivery and implementation of the Council's strategic plan.				
6	Members are being asked to make decisions against a backdrop of an increasingly complex local government agenda e.g. new legislation, new ways of working, commercial opportunities etc. This is at a time when a number of new members have joined the Council.	Risk that Members don't have the skills, capacity, experience required to respond effectively to the changing agenda / Risk of a lack of an effective training and capacity building process in place / Risk of a lack of an assessment of skills.	• Impact on the decision making process / wrong decisions made • Potential tensions between members and officers • Opportunities missed • Business Plan undermined	Significant (4) / Medium (2)	TM
7	The risk there is a perception that the Business Plan is not a living document and that there is a lack of effective prioritisation from members and officers - they find it hard to say 'no' and therefore new priorities are competing with existing priorities for resources.	Risk of an ongoing lack of effective prioritisation from members and officers.	• Anticipated savings are not delivered • Staff fail to buy-in to changes • Confusion about what is a priority • Loss of strategic direction	Significant (4) / Severe (3)	JB
8	The Council is a major landlord and has recently taken on a significant loan in order to gain complete control of the 'landlord account'. There are considerable demands on the housing waiting	Risk of failing to manage the housing landlord role and the demands for housing.	• The landlord account becomes increasingly difficult to balance, as income reduces and expenditure increases • Housing quality decreases due to reduced maintenance	Significant (4) / Severe (3)	TK

	list and a requirement to meet the housing needs of an expanding population and an ageing demographic. The government's welfare reforms will have a number of impacts on the housing service. There are risks inherent in the delivery of the solutions to meet demand and maintain a good and effective housing service.		• The waiting list increases • Homelessness responsibilities can't be met • Additional demand as a result of government welfare reforms.		
9	The Council is planning the timely implementation of infrastructure in a volatile funding context / difficult economic climate.	Risk of not having the right funding at the right time for the right infrastructure / Risk of over focussing on physical infrastructure at cost of social infrastructure. .	• Dissatisfied community • Lack of the right social infrastructure • Long term problems stored up • Potential long term financial liability builds up • Reputation undermined	Very High (6) / Severe (3)	RA

Appendix 2

Ashford BC Strategic Risk Register – 2012 to 2015

Risk Prioritisation Matrix

The preparatory work with Management Team and Members to Appendix 1 identified eleven Strategic Risks (including the two split risks) which were ranked and prioritised using the matrix below. Appendix 1 therefore represents the key risks the Council faces in delivering its objectives, which will be managed by the nominated Senior Managers, and regularly reviewed by the Cabinet and the Audit Committee. The subject topics in Appendix 1 remain consistent with the April report to the Committee.

The risks were prioritised in terms of residual risk by taking account of actions and controls which are already in place to manage the risks.

Likelihood	Impact 1	Impact 2	Impact 3	Impact 4
6			**2, 9**	
5			**1a,**	
4		**6**	**1b, 3b, 5, 7,8**	
3		**3a**	**4**	
2				
1				

Likelihood:
6 = Very High
5 = High
4 = Significant
3 = Low
2 = Very Low
1 = Minimal

Impact:
4 = Major
3 = Severe
2 = Medium
1 = Negligible

Ashford Borough Council Strategic Risks:

Risk Scenario 1a	=	Lack of economic growth in the borough
Risk Scenario 1b	=	Failure to get the right mix and quality of housing
Risk Scenario 2	=	Volatility of key income streams
Risk Scenario 3a	=	Failure to understand levels of demand/Failure to manage expectations
Risk Scenario 3b	=	Failure to anticipate the consequences of the introduction on Universal Credit
Risk Scenario 4	=	Failure to continue to recognise opportunities for localism in the community
Risk Scenario 5	=	Lack of effective workforce planning
Risk Scenario 6	=	Members don't have the skills, capacity, experience required to respond effectively to the changing agenda
Risk Scenario 7	=	Lack of effective prioritisation from members and officers (Business Plan)
Risk Scenario 8	=	Failure to manage the housing landlord role and the demands for housing
Risk Scenario 9	=	Not having the right funding at the right time for the right infrastructure

Appendix 3

Ashford BC Strategic Risk Register – 2012 to 2015 – Action Plans

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Management Action Plan Risk 1a Economic Growth Risk Owner Richard Alderton

Likelihood					
	6				
	5			1a	
	4				
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
1a	5/3 High/Severe	3/2 Low/Medium	Risk of **lack of economic growth** in the borough / lack of facilitation of job creation / an inappropriate balance of jobs leading to a decline in average earnings
Vulnerability: The Council needs to work with and influence developers, businesses and other agencies to ensure that the right mix of housing, infrastructure and investment in the borough is delivered.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
Promotion of economic development through dedicated ED team; planning – allocations, site negotiations and approvals; media and marketing activities Range of partnership activity with the Locality Board, Locate in Kent, Homes and Communities Agency and others Specific initiatives such as Portas funding; deferred developer contributions; broadband access to rural areas; GREENOV support for sustainable energy sector; etc	Adequate but further progress sensitive to levels of staff and other resource available Adequate Adequate but quality of achievements sensitive to levels of staff and other resource available	Continued focus on 'economy-first' approach across the Council. Strategic audit of current approach and re-assessment of economic development capacity, priorities and resource levels Maintain commitment to joint working; take stock and agree a set of site and topic specific objectives and identify clear responsibilities for each Clarify a realistic set of objectives across key areas so that priorities can be agreed within resources available – identify opportunities that could be taken with increased resources	Richard Alderton for Management Team John Bunnett Andrew Osborne	Identify additional actions to promote economic activity -promote those that exist already Clarify objectives and help drive achievement of priorities Concentrate resources on priorities and apply any extra to new opportunities	3 months 3 months 3 months	Milestones/deadlines

Management Action Plan — Risk 1b — Mix and quality of housing

Risk Owner — Richard Alderton

Likelihood					
	6				
	5				
	4			1b	
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
1b	4/3 Significant/ Severe	3/3 Low/Severe	Risk of failure to get **the right mix and quality of housing** – fail to get the right units in the right places
Vulnerability: The Council needs to work with and influence developers, businesses and other agencies to ensure that the right mix of housing, infrastructure and investment in the borough is delivered.			

Action/controls already in place	Adequacy of action/ control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
SPD adopted to drive space standards and quality environments	Adequate	Continued vigilance in application of the SPD and approach to high quality urban design	Lois Jarrett	High quality development and community building	Annual	[Milestones/deadlines]
Masterplans to help shape density plans and help quality place-making, including new focus on garden city principles	Adequate	Programme of awareness raising for officers and members on garden city principles to help refine current approach	Richard Alderton	Understanding and support for clear set of development objectives	3 months	

Management Action Plan — Risk 2: Volatile Income Streams

Risk Owner: Paul Naylor

Likelihood					
	6			2	
	5				
	4				
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
2	6/3 Very High/ Severe	5/2 High/Medium	Risk that **key income steams are volatile** and significantly adversely affected by the changing legislative and economic environment

Vulnerability:
The Council's income streams are vulnerable to a number of factors including new legislation e.g. localising support for Council Tax, local collection of business rates, new homes bonus and also adverse economic conditions e.g. impacting on the return on investments.

Action/controls already in place	Adequacy of action/ control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
1. Regular income monitoring through budget management 2. development of data sets that inform usage and demand trends as part of financial management 3. more strategic corporate data sets that has pan-service ownerships that acts as a predictive modelling tool for positions on major income flows (business rates, council tax, new homes bonus, parking etc) 4. Flexible financial and service management ability to adjust priorities or to take corrective actions 5. Robust medium term financial and service planning, informed by reasonable data and assumptions 6. Keeping up-to-date with legislative reforms and how this impacts on income levels and having actions in place (for example council tax support scheme)	Good Good Developing Good Good foundation to build on with current MTFP arrangements	1. Keep process under scrutiny to ensure works smoothly and any risks highlighted at the earliest reasonable opportunity 2. Refine the corporate data set needed for more strategic pan-service discussion, and then set up short review discussions bi-monthly as minimum 3. Keep financial management controls and procedures under review to ensure decision-making protocols are appropriate if circumstances change 4. Ensure management team and members are well briefed on the importance of managing income opportunity and risk, as central to the operation and funding for the council – this will require some special briefings on financial and welfare reforms and how they impact corporately 5. MTFP processes to develop accordingly	BL and PN BL and PN BL BL BL	Across all points, success would be measured through: • Ideally good predictions leading to good plans and not too many surprises • Well informed organisation • External acknowledgement of good methods, for example from external auditors	Across all points. PN and BL to review progress and effectiveness with MT, portfolio holder and MTFP Task Group on quarterly basis.	Initial work to be completed late autumn 2012

Management Action Plan Risk 3a Community demands/expectations
Risk Owner John Bunnett

Likelihood					
	6				
	5				
	4				
	3		**3a**		
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
3a	3/2 Low/ Medium	2/2 Very Low/Medium	Risk that **the Council fails to fully understand levels of demand / fails to manage expectations / fails to remain relevant to the local community**
Vulnerability: The Council is managing a reducing resource base at a time when the needs of the community are increasing e.g. people are living longer and many young people are not able to access employment. This is heightened by factors such as adverse economic conditions, and the introduction of the Universal Credit. There are also high expectations as to what the Council can deliver.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
▪ Gathered core financial assistance to the Voluntary and Community Sector under the Single Grants Gateway, ensuring that funding aligns with the corporate priorities of the council	Adequate but under continued pressure	Finalise and agree a new Discretionary Business Rate Relief Scheme for the Voluntary and Community Sector	Policy Team	▪ Lack of substantive objections to upcoming policy changes	Annually	Many are ongoing, organic projects rather than milestones [Milestones/deadlines]
▪ Developed role for a number of officers (see 4) to address the unique needs of a number of local communities	Adequate but need reviewing	Provide an annual review against the effectiveness of these arrangements	Paul Naylor	▪ New governance structure in urban area		
▪ Large-scale community consultations are integral to the review of the Core Strategy	Good	Continue to liaise with residents and community representatives over any substantive changes to council operations	Richard Alderton	▪ New Business Rate Scheme agreed		
▪ The council actively engages with community groups such as the Parish Forum and Kent Associations of Local Councils (KALC)	Good		Kirsty Hogarth / Michelle Byrne			
▪ Gaining a stronger corporate picture of local economic, demographic and social factors to incorporate into more detailed policy-setting	Adequate but improving	Produce alternatives to current governance in unparished area, in order to manage community demands more effectively and democratically	Nicholas Clayton			
▪ Used existing and new partnerships to reach out and understand better the needs of local communities	Adequate	Agree a single set of Principles to govern any further work with communities (see 4)	Policy Team			
▪ Consulting / Implementing a new Council Tax Benefit scheme to comply with government policy	Good	Finalise consultation and implement policy in a transparent and fair manner	Paul Naylor			
▪ Begun implementation of wider Welfare Reform agenda.	Good		Paul Naylor			

Management Action Plan Risk 3b Consequences of Universal Credit

Risk Owner Paul Naylor

Likelihood				
6				
5				
4			3b	
3				
2				
1				
	1	2	3	4
	Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
3b	4/3 Significant/ Severe	3/3 Low/Severe	Risk that the Council fails to anticipate **<u>the consequences of the introduction of the Universal Credit</u>** / fails to fully prepare and manage the budget consequences
Vulnerability: The Council is managing a reducing resource base at a time when the needs of the community are increasing e.g. people are living longer and many young people are not able to access employment. This is heightened by factors such as adverse economic conditions, and the introduction of the Universal Credit. There are also high expectations as to what the Council can deliver.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
1. Proactive involvement with government departments and other local authorities to understand and also help to inform development of UC. 2. Internal working group to assess service and resident impacts 3. Planned briefings for Management Team and involvement of members in service action planning 4. Planned engagement with the voluntary and community sector to help develop action plans 5. Intention to consider resource impacts and make recommendations accordingly 6. Local communications strategy and plans in draft 7. Already working with KCC on customer service and social fund transfer issues 8. Particular attention to housing service and customer impacts, and therefore need for service, resource and policy change 9. Intention to engage with the private rented sector, and to engage with younger people regarding awareness raising and signposting for assistance	Very well as the engagement gives ABC opportunities not open to many and provides some 'early warnings'. Officer working group established and working well, but needs now to engage in briefing and involving members. Foundation for VCS engagement established Capacity to do all that could be done will be challenging, so some prioritising needed. Platforms for engaging with tenants and private rented sector are present.	Internal officer group to summarise all the issues and options into summary reports for MT and members (establish a task group following consultation with cabinet) Use the VCS engagement to inform service options and action planning Consider extent the council should and can enhance the VCS and its capacity to respond. Use the assessments to inform MTFP resource planning Take communications plans to members for consideration and then implement agreed plans - consider resource needs Agree with KCC the operation of the social fund and additional staff need Agree with KCC the service consequences for the Gateways and resources needed Continue to engage in national and representative group processes (such as the Local Government Delivery Council, the UC Impact Assessment Group, and the UC Operational Assessment Group - for all three ABC is in a privileged position as representing district councils), and learn from the pilot councils. Use the various consultation platforms we have to engage with residents and other stakeholders	Internal Officer Welfare Reform Working Group to oversee this plan, but then to transfer oversight to member task group. .	UC is not a council reform, but a reform that will impact on many residents, who may well turn to the council for support in a number of ways, or to the VCS for advice and support. Success of UC is dependent on government and its design of the system. Success for the council will mean: * being well informed and transferring this to residents and other stakeholders * being seen to be supportive where possible * minimising disruption to affected residents where feasible * good contingency plans	Ongoing throughout the UC development programme to late 2013 and then beyond to full operation post 2015 - this is a long term issue	[Milestones/deadlines]

Management Action Plan Risk 4 Opportunities for Localism

Risk Owner John Bunnett

Likelihood				
6				
5				
4				
3			4	
2				
1				
	1	2	3	4
	Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
4	3/3 Low/ Severe	2/3 Very Low/Severe	Risk of failing to continue to recognise **opportunities for localism** for the community / fail to take a clear leadership role/fail to be consistent around managing opportunities.
Vulnerability: It becomes a risk that the Council is not seen to facilitate the localism agenda in a constructive way, whilst ensuring that appropriate emphasis is attributed to the agenda.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
▪ Officers assigned to 5 areas(Parishes) with particular local issues to help break down barriers and facilitate change	Adequate but need reviewing	Review this work during 2013	Policy Team	Set of principles to underpin all further discussions related to the localism agenda	6-monthly	3 months for agreed principles [Milestones/deadlines]
▪ Piloted a number of localism initiatives, such as the parish handyman scheme	Adequate but need reviewing	Develop key guiding principles for any further implementation of localist measures, or substantive community engagement e.g. financial assistance, procurement and long-term contractual obligations	Policy Team			
▪ Increased the local influence and accountability of Ward Members through a local grant scheme	Good	Review during 2013	Policy Team			
▪ Fully complied with the government's transparency agenda	Good	Maintain compliance with any further or amended guidance	Paul Naylor			
▪ Taken a collaborative offer-member approach to implementing new community rights as set out in the Localism Act (Community Right to Challenge and Bid)	Good	Ensure that implementation is successful	Nicholas Clayton			
▪ Maintain a focus on the rural aspects of localism, as laid out in the Ashford 2030 framework	Good	Ongoing community expectation management (see 3a)	Management Team			
▪ Taken steps to begin addressing the unique challenges to localism posed by the unparished urban area	Adequate and ongoing	Specific proposals needed during 2013	Paul Naylor			
▪ Neighbourhood Planning and other instruments brought in by government	Good	Ongoing management and community liaison	Richard Alderton			

Management Action Plan **Risk 5** **Workforce Planning**
Risk Owner **Michelle Pecci**

Likelihood					
	6				
	5				
	4			**5**	
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
5	4/3 Significant/ Severe	3/2 Low/medium	Risk of a lack of effective **workforce planning** / risk that key managers / staff leave and no obvious replacements are found.
Vulnerability: The Council needs to develop a more flexible workforce and in doing so assess what skills are required to meet current and future needs. It also needs to undertake effective succession planning to avoid being over reliant on key managers / staff who are leading the delivery and implementation of the Council's strategic plan.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
Some isolated succession plans are in place to deal with short term specific service based risks.	Adequate some improvement needed	Succession plans at service level- services will be supported in identifying posts that are key risks and potential successors and development needs during 2012 and 2013. This will become a process that needs monitoring and reviewing in light of turnover to maintain currency. NB- in light of the volume of projects in CH&P team this will be the first service to be supported in formalising a longer term approach to service succession	Personnel & Development and Services	All services have identified key posts and where there are no successors	Ongoing updates in response to people/role changes. Annual formal review	End Q2 first draft of CH&Ps available

		Delivery of a leadership development programme in early 2013 will mark the commencement of a formal approach to succession planning at senior management level. This approach will inform general management succession planning for the council.	Personnel & Development	Delegates, and the organisation are able to explain how their work had been positively impacted by the leadership programme	Course Evaluation throughout programme, formal review of impact of overall programme by December 2013.	Autumn 2012 delegates selected
Generic working is being implemented in areas where this risk has been identified as part of a general acceptance of the changing nature of the skills required within specific disciplines.	Adequate some improvement needed	Greater formalised generic and flexible working across teams and services. The introduction of the 'Eyes and Ears' reporting tool will open up opportunities for more flexible working practices.	Business Change and Technology	Improved responsiveness to customers, better use of resources.	Monthly as part of corporate project monitoring	April 2013
		More stringent job description review at recruitment stage to look for opportunities to introduce more flexible roles.	All Managers and Personnel & Development	All opportunities to improve flexibility of roles taken.	On going	Ongoing
		Skills audit which identifies current skills base and future skills requirements. This will inform a development needs analysis that will be delivered through the training budget. NB Immediate/short term Learning & Development needs are identified annually during the appraisal process and this process.	Personnel & Development and Services	Critical skills identified and development plans in place to address gaps	Annually as part of appraisal reviews	October 2012 proposal to MT on recommended method of audit

Management Action Plan | Risk 6 | Members skills, capacity, experience

Risk Owner **Terry Mortimer**

Likelihood					
	6				
	5				
	4		**6**		
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
6	4/2 Significant/ Medium	3/2 Low/Medium	Risk that **Members** don't have the **skills, capacity, experience** required to respond effectively to the changing agenda / Risk of a lack of an effective training and capacity building process in place / Risk of a lack of assessment of skills.
Vulnerability: Members are being asked to make decisions against a backdrop of an increasingly complex local government agenda e.g. new legislation, new ways of working, commercial opportunities etc. This is at a time when a number of new Members have joined the Council.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key Dates
1. All key decisions by Members are taken with the benefit of professional advice from Officers.	Adequate	Ongoing provision of professional advice	Management Team	Successful outcomes from decisions	Ongoing	Ongoing
2. The Council has a dedicated Member Training Panel of eight elected members supported by senior officers which reports to Cabinet as required. The principal role of the Panel is to develop the post-election training and induction programme every four years to ensure new and returned Councillors are kept fully up to date on important Local Government and ABC issues. Councillors elected mid-term in by-elections also receive all written material provided as part of the normal induction process, and some specialist training e.g. on planning matters is also offered.	Adequate but some minor adjustments possible.	Raise profile of Member Training Panel by formally constituting it within ABC Constitution and introducing an agreed programme of regular meetings and annual reports to review training issues.	TM and KF	Report to Selection and Constitutional Review Committee to implement suggested improvement.	Annually	Annual meeting of Panel and development of the 4-yearly Induction programme.
3. The effectiveness of induction training and wider ongoing individual member training needs are reviewed after the first year to establish whether Members consider they require particular further training etc.	Adequate but some minor adjustments possible.	Introduce an agreed programme of regular meetings and annual reports to review training issues	TM and KF	Report to Member Training Panel - implement suggested improvements	Annually	Annual meeting of Panel and development of the 4-yearly Induction programme

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key Dates
4. ABC has a dedicated budget of £15K over the four year period to fund external training costs for members.	Adequate	Maintain current budget level	TM and KF	Adequate training provided from budget	Annually as part of budget setting process	Sept of each year
5. The most significant and high-profile potential risk in terms of Members lacking the necessary skills for decision-making arises in the field of town planning. In order to address this issue, ABC has a strict rule which requires all Councillors who sit on the Planning Committee (including substitutes) to have first undertaken specialist training on planning and probity matters.	Adequate	Continued, ongoing training to reflect changes in legislation and planning guidance.	TM & KF (and RA)	Number of successful planning appeals against decisions of the Planning Committee	Ongoing	N/A
6. ABC provides an IT allowance for every Councillor which supports the provision of good quality software to facilitate good communications and access to all relevant news and information services on the Internet.	Adequate	Ongoing provision of IT support.	TM & KF (and RN)	Provision of satisfactory service to Members	Annually as part of budget setting process	Sept of each year
7. Weekly electronic newsletters and media updates are provided to all Councillors which include links to enable Members to access relevant up-to-date material. (recent initiative)	Adequate	Maintain regular Members Update	TM & KF	Provision of satisfactory service to Members	After six months	N/A

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key Dates
8. Regular Officer briefings are held for all Councillors on a range of matters including major planning issues, ethical conduct, risk management procedures, major strategic projects etc.	Adequate	All Senior Manager to maintain briefings and updates as necessary	Management Team	Provision of satisfactory service to Members	Ongoing	N/A
9. All Service Heads hold regular Portfolio Holder briefings with their Portfolio Holder (and lead members where relevant) and Committee Chairmen to ensure he/she is up to date on all key issues relating to the Service/Committee.	Adequate	Continue regular briefings	Service Head & Management Team	Provision of satisfactory service to Members	Ongoing	N/A

Management Action Plan **Risk 7** **Business Plan**
Risk Owner **John Bunnett**

Likelihood					
	6				
	5			7	
	4				
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
7	5/3 High/ Severe	3/3 Low/Severe	Risk of an ongoing lack of effective prioritisation of **the Business Plan** from members and officers.
Vulnerability: It becomes a perception that the Business Plan is not a living document and that there is a lack of effective prioritisation from members and officers – they find it hard to say 'no' and therefore new priorities are competing with existing priorities for resources.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
▪ Business Plan summary document available publically on the website ▪ Monthly update report on Business Plan presented and discussed at Management Team, alongside savings schedule from Finance ▪ Updating on the Business Plan represents a cornerstone of the Chief Executive's staff briefings, as well as other internal communications. ▪ Ongoing dialogue within management team and with cabinet members to focus on priorities ▪ Quarterly performance report to members, Parish councils and residents (via website)	Adequate Good Good Adequate Good	Comprehensive service planning process to ensure BP priorities are reflected and acknowledged in individual services Annual report on current achievement and future areas of focus; including a commitment to ensure completion of the business plan by 2015. Align Business Plan Priorities, Ashford 2030, Core Strategy Review and other strategic documents to present a coherent overarching framework for council operations Consider annual report from 2013	Policy Team John Bunnett / Communications Management Team / Policy Team Nicholas Clayton	Service Planning documents Report to Management Team on a strategic overview Content of next staff briefings	Annually	All before next review [Milestones/deadlines]

Management Action Plan Risk 8 Housing Risk Owner Tracey Kerly

Likelihood					
	6				
	5				
	4			8	
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
8	4/2 Significant/ Severe	3/3 Low/Severe	Risk of failing to manage the **housing landlord role and the demands for housing.**
Vulnerability: The Council is a major landlord and has recently taken on a significant loan in order to gain complete control of the 'landlord account'. There are considerable demands on the housing waiting list and a requirement to meet the housing needs of an expanding population and an ageing demographic. The government's welfare reforms will have a number of impacts on the housing service. There are risks inherent in the delivery of the solutions to meet demand and maintain a good and effective housing service.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates

Private Sector Leasing scheme still working to provide additional units for homeless, now extended to ABC lettings a focus on private sector homes for an alternative for waiting list applicants. Ability to discharge our duty to Homeless applicants into the private sector as a result of the Localism bill likely to be agreed in the Autumn this year Homeless prevention work continues with young single as part of the house project. Focus by the HOO's to prevent homelessness and negotiate with LL and family intervention, focus on supporting applicants in to work and training.	Regular monitoring and included on monthly statics reported to CHAPS managers meeting Biggest issue will be control of families migrating from other expensive areas such as London. Working as part of the corporate officers working group and to effectively engage with members through the mini PAG for welfare reform and the VS.	Team resources moved to support the ABC lettings scheme. The business plan is monitored to ensure we are meeting our criteria. Advice to applicants to be provided by the HOO's at time of taking homelessness applications, less pressure on stock for waiting list and transfer applicants Numbers of homeless monitored closely and reasons for homeless to ensure prevention work and resources targeted in correct areas.	Sharon Williams	Taking on 9 new lets per month Reduction in homeless use of Bed and Breakfast	Quarterly management meetings	
Area management team monitors current tenant rent accounts and arrears on a F/N bases Communications strategy and plan in place to manage the welfare reform changes. Tenant's newsletter already communicating the changes to tenants of the welfare reform implications. Tenancy Strategy will be in place following the cabinet on the 13th Sept this will address 5 year tenancies.		Structure of the Estate management team is reviewed regularly, and resources may need to be re-balanced from estate management to income control. Trainee post has been agreed and out to recruitment to support the area managers. Modern apprentice is working in the estate management team to assist in resilience. Implications of welfare reform will affect collection rates, flexibility on DD dates to coincide with welfare payments, to be reviewed. Under occupation in tenancies is being reviewed and focussed communications targeted to those affected by the bedroom tax. Direct payment pilots being monitored closely to indentify the potential impacts and mitigate against loss of income [new actions/controls required to manage the risk down to its target score]	Rebecca Wilcox Supported by the welfare reform group and the communications plan.	99% rent collection levels.		April 2013

		Under occupation will be addressed as part of the 5 year renewal and larger properties will be released for waiting list applicants. Options to support those under occupying to take in Lodgers to occupy vacant bedroom space. Targeted communications and regular communications.		More available family units to let. Less single people seeking housing		
HRA Business plan priorities address aging population, energy efficiency, adaptations, and environmental improvements. Resources within the HRA are reviewed and matched to areas of pressure. Business reviews are undertaken twice yearly with each CHAP's manager.		Increasing/improving sheltered housing schemes, opportunity to manage the needs of the aging population and encouraging downsizing. More energy efficient homes to gives tenants more affordability.	Bob Smart	Older tenants taking up cash incentive to move to smaller homes.	Customer satisfaction rates in the high 90's for responsive repairs, planned maintenance and general satisfaction.	
Planned maintenance programme re-balanced as income levels change		4 year maintenance plan issued and may require communicating changes should income levels drop significantly.	Chris Tillin			
Control of the loans to manage the debt are shared between Finance and HRA and loans fixed for varying periods to maximise use of debt		Regular review with the Head of accountancy.	Tracey Kerly	Some changes already as a result of interest rate movements	At least quarterly	

Management Action Plan Risk 9 Infrastructure Risk Owner Richard Alderton

Likelihood					
	6			9	
	5				
	4				
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
9	6/3 Very High/ Severe	5/3 High/Severe	Risk of not having the right funding at the right time for the right **infrastructure** / Risk of over focussing on physical infrastructure at cost of social infrastructure.
Vulnerability: The Council is planning the timely implementation of infrastructure in a volatile funding context / difficult economic climate.			

Action/controls already in place	Adequacy of action/ control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
Use of s106 and planned use of Community Infrastructure Levy with infrastructure plans to secure facilities needed	Adequate	Preparation of infrastructure plan in line with core strategy review; roll out of CIL regime; negotiations of infrastructure packages at Chilmington Green and elsewhere, supported by strong viability advice	Simon Cole	Infrastructure plan to support CIL and robust draft charging schedule; phased infrastructure plan for Chilmington Green	6 months	Milestones/deadlines

Agenda Item No:	7
Report To:	Audit Committee
Date:	27th September 2012
Report Title:	Principles of Good Partnership Governance – 6-month Review
Report Author:	Policy and Performance Officer

Summary: This review follows a report to the Audit Committee in April which set out those principles of good governance the council would expect all key operational partnerships to generally adhere to. The need for the review was highlighted in the 2010/2011 Annual Governance Statement and is carried over to the 2011/2012 Statement. Assurance has been given that over 90% of the principles set out in the governance framework are being exhibited already by these partnerships, whilst none of the gaps identified are considered of immediate risk to the partnerships as a whole.

Key Decision:	NO
Affected Wards:	
Recommendations:	**The Audit Committee be asked to:-** **Note progress with the review of operational partnerships, and offer comment ahead of relevant officers continuing the review process**
Policy Overview:	The report reviews the effectiveness of key operational partnerships, ensuring that the transparency and accountability set out in the governance framework is being met by these partnerships in an appropriate and proportionate manner
Financial Implications:	None
Risk Assessment	The framework is designed to safeguard the council's interests in its partnership working through the design of good governance and accountability arrangements.
Equalities Impact Assessment	Not applicable
Other Material Implications:	None
Background Papers:	Report to April Audit Committee – *Principles of good partnership governance*
Contacts:	Nicholas.clayton@ashford.gov.uk – Tel: (01233 330208)

Agenda Item No. 7

Report Title: Principles of Good Partnership Governance – six month review

Purpose of the Report and background

1. To conduct a baseline review of the council's key operational partnerships, against the principles of good governance agreed by the Audit Committee in April.

2. Earlier this year, a small task and finish group of the Audit Committee was constructed to formulate a new set of partnership governance principles to address a weakness in this area, as identified in the Annual Governance Statement 2010-11. This governance framework, and a commitment to review the council's partnerships against it, begins to address this weakness.

3. This report reviewing the council's partnership governance arrangements is of work-in-progress. As noted in the exceptions section below, some of the partnerships listed in the previous report are evolving and are in their infancy, and will need to be reviewed once appropriate structures are in place.

Methodology

4. At the Audit Committee in April, the committee recommended that a 6-month review be conducted against the partnership framework, in order to give a baseline indication of the current state of those key partnerships identified. This would allow for any significant gaps to be identified regarding individual partnerships, but also give members a flavour of overall adherence to good governance principles across the range of partnerships in operation.

5. In order to keep the review light-touch and proportionate, an 'Assurance Checklist' was drawn up, to be completed by the lead officer for each partnership. This would allow for comparability across partnerships as well as giving clear indications of any gaps against the agreed governance principles. These checklists are attached as Appendix A to this report, but are summarised below.

Summary of Review

6. The checklists submitted confirm that a large majority of good governance principles are being met already. In total, 91% of the questions asked received a positive response, indicating that almost all of the features one would expect to find in an effective partnership are in place.

7. The most common feature missing from current partnerships is that of an agreed formal mechanism whereby partners can join or exit the partnership. This does not mean, however, that it would be impossible to join or leave these partnerships – merely that there is no statement in terms of reference or elsewhere regarding this.

8. Executive decision-making authority for the officer or member involved with the partnership is another area where mixed responses were gathered. This

offers an example of where further review is appropriate, as it is necessary to fully understand the nature and scope of any executive decision-making powers that can be exercised in the pursuit of partnership working, without recourse to the cabinet or council. The diverse nature of the partnerships the council is involved in is reflected here – some very strategic and others more operational or based upon a specific 'watching' brief, such as with the Ashford Clinical Commissioning Group.

9. The transparency of partnerships remains a key principle of their governance, bearing in mind the government's push for local government to publicise as much information on its operations as possible. As part of the ongoing review process, the transparency of partnerships through the publication of minutes, agendas and other reports – in an appropriate and accessible manner – is one of continued importance. As such more work may well be needed, especially with those partnerships currently in their infancy.

Exceptions

10. As stated above, the intention was to complete a full suite of 'Assurance Checklists' for those current partnership arrangements set out in the April report. However upon beginning the review process a number of issues became apparent.

<u>South East Local Enterprise Partnership</u>

11. Although this is, and shall be, an important strategic partnership for the council in terms of finance, infrastructure and the addressing of cross-borough issues, at present the South East LEP remains in its infancy. The council has yet to hold any formal meetings or discussions with the LEP. Such interactions are planned for the near future - indeed the lack of interaction so far is due to the lack of formal LEP structures to engage with. Once a more formal involvement from the council is established with the LEP a review of these governance will take place.

<u>East Kent Regeneration</u>

12. The council has been involved in a number of discussions with other east Kent authorities, specifically over managing the future of the Pfizer site which has a cross-border impact on the economies and workforce of these boroughs. At present these discussions do not constitute a formal partnership – the council's standpoint being based solely upon informal attendance at roundtable meetings whilst maintaining a watching brief on the ongoing issues. If a more formal arrangement does develop a review of this against good partnership principles will be conducted.

<u>Ashford Town Centre Partnership and Visit Kent</u>

13. When reviewing these partnerships, it was concluded that the named lead officer – in both cases the Chief Executive – was not the appropriate person to return an Assurance Checklist. Checklists are now with relevant officers but this has not allowed sufficient time for these to be completed. These will be included in the next report.

Risk Assessment

14. Without assessing the strength of its partnership governance, the council is at risk of involvement in partnerships which are not operating with sufficiently efficiency or transparency, which in turn may undermine the strategic objectives of the authority.

Conclusion

15. Officers have given assurance, through the completion of the attached checklists, that almost all of the good governance principles set out in the previous report are being exhibited already by the council's key operational partnerships.

16. Moreover, none of the gaps identified are considered of immediate risk to the partnerships as a whole. Consideration will be given by those council representatives involved with each partnership on responding to those gaps identified.

Contact email: nicholas.clayton@ashford.gov.uk

Appendix A – Partnership Assurance Checklists

Partnerships Governance Assurance Checklist		
Ashford Locality Board		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	Yes
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes
	Is it clear what decisions do not require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	Yes
3. Accountability	Is there an annual, or other, progress report?	Yes
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	No
	Is necessary information provided in the public interest?	Not operating on this basis yet, but this is the intention
	Are there arrangements to deal with FOI or similar requests?	Yes
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	No

Partnerships Governance Assurance Checklist		
Kent Forum		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	Yes
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	No
	Is it clear what decisions do not require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	Yes
3. Accountability	Is there an annual, or other, progress report?	Yes
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes
	Is necessary information provided in the public interest?	Yes
	Are there arrangements to deal with FOI or similar requests?	Yes
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	Yes

Partnerships Governance Assurance Checklist		
ASHFORD LOCAL CHILDREN'S PARTNERSHIP		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	yes
	Can new partners join?	no
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	yes
	Is it clear what decisions do not require approval by partner organisations?	yes
	Does the council representative have executive decision-making authority?	no
3. Accountability	Is there an annual, or other, progress report?	yes
	Is administration of the partnership proportionate to its' needs?	yes
4. Sustained commitment	Is there consistent attendance at the right level?	yes
	Does the partnership have the ability to trigger a review if its' actions stall for any reason?	yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its' stated purpose?	yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	yes
7. Innovation and risk-management	Is there a commitment to problem solving?	yes
	Is there a proportionate approach to risk awareness / management?	yes
8. Effective Communications	Does the partnership operate in a transparent manner?	yes
	Is necessary information provided in the public interest?	yes
	Are there arrangements to deal with FOI or similar requests?	yes
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	yes

Partnerships Governance Assurance Checklist		
Kent Housing Group		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	Yes
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes
	Is it clear what decisions do not require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	Yes
3. Accountability	Is there an annual, or other, progress report?	Yes – Annual Conference
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes
	Is necessary information provided in the public interest?	Yes
	Are there arrangements to deal with FOI or similar requests?	Yes
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	No

Partnerships Governance Assurance Checklist

Joint Policy Planning Board (Housing)

Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	Yes
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes
	Is it clear what decisions <u>do not</u> require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	Yes
3. Accountability	Is there an annual, or other, progress report?	Yes – Annual Workshop
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes
	Is necessary information provided in the public interest?	Yes
	Are there arrangements to deal with FOI or similar requests?	Yes
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	No

Partnerships Governance Assurance Checklist		
Choice Based Lettings Partnerships		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	Yes
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes
	Is it clear what decisions do not require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	Yes
3. Accountability	Is there an annual, or other, progress report?	Yes
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes
	Is necessary information provided in the public interest?	Yes
	Are there arrangements to deal with FOI or similar requests?	Yes
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	Yes

Partnerships Governance Assurance Checklist		
KCC Supporting People Commissioning Body		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	No
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes
	Is it clear what decisions do not require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	Yes
3. Accountability	Is there an annual, or other, progress report?	Yes
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes
	Is necessary information provided in the public interest?	Yes
	Are there arrangements to deal with FOI or similar requests?	Yes
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	Yes

Partnerships Governance Assurance Checklist		
[Kent Waste Partnership]		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	No
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes
	Is it clear what decisions do not require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	No
3. Accountability	Is there an annual, or other, progress report?	Yes
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes
	Is necessary information provided in the public interest?	Yes
	Are there arrangements to deal with FOI or similar requests?	Yes
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	Yes

Partnerships Governance Assurance Checklist

Community Safety Partnership

Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	No
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes
	Is it clear what decisions <u>do not</u> require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	No
3. Accountability	Is there an annual, or other, progress report?	Yes
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes
	Is necessary information provided in the public interest?	Yes
	Are there arrangements to deal with FOI or similar requests?	N/A
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	No

Partnerships Governance Assurance Checklist		
[Mid Kent Audit Partnership]		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes – see Note 1
	Can new partners join?	Possibly – see Note 2
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes – Note 3
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes – Note 3
	Is it clear what decisions <u>do not</u> require approval by partner organisations?	Yes – Note 3
	Does the council representative have executive decision-making authority?	No – Note 3
3. Accountability	Is there an annual, or other, progress report?	No – Note 4
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes – Note 5
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes – Note 5
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	Yes – Note 6
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes – Note 7
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes – Note 7
	Is there a proportionate approach to risk awareness / management?	Yes – Note 7
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes – Note 7
	Is necessary information provided in the public interest?	Yes – Note 7
	Are there arrangements to deal with FOI or similar requests?	Yes – Note 7
9. Exit Strategy	Are exit arrangements stated as part of the partnership's formal constitution or Terms of Reference?	Yes – Note 7

Mid Kent Audit Partnership - Notes to accompany completed checklist

1. The business case for the partnership covered the shared purpose, its direction and terms of reference. This was reported to and approved by the four councils between June 2009 and February 2010. Ashford's report was considered by the Executive on 26 March 2009 and 14 January 2010.

2. Not specifically covered by the business case or collaboration agreement, but any proposal to expand the partnership, or change its form or direction in some other way would be considered by each of the four councils Audit Committees and Cabinets and the case considered on its merits against the interests of the partner councils.

3. A formal Collaboration Agreement was completed and signed by the four councils in 2012. This formalises many issues relating to the operation and governance of the partnership, and the relationships and responsibilities between partner councils. As an operational partnership decision-making is undertaken at various levels. Councils' Audit Committees (on behalf of each council) maintain control of the strategic audit plan. It is the full councils that would decide on termination issues, not officers. Councils individually will agree the budget. A strategic senior officer management team with a representative from each council operates to guide the Audit Partnership Manager and to make recommendations to the four councils about future direction and development of the partnership.

4. Although each council receives an annual internal audit report, there is not an annual partnership report as such. This is an improvement that has been suggested to the Audit Partnership Manager and will be considered by the operational management team, with a view to the first report next July.

5. Attendance at operational management team (meets bi-annually) is expected to be consistent, as is attendance at Audit Committees. Through these meetings the ability to trigger reviews is there.

6. Evidence about each council's audit work is reported each year to the Audit Committees. The point made above about an Annual Report will strengthen and complement these reports through providing an evaluation of progress more generally against the partnership's objectives.

7. These points are covered within the Collaboration Agreement.

Partnerships Governance Assurance Checklist		
Ashford Clinical Commissioning Group – currently running in ‘shadow’ form		
Principle	Question	Yes / No?
1. Shared purpose and direction	Are purpose and outcomes clearly stated in a Terms of Reference?	Yes
	Can new partners join?	Yes
2. Focus on delivery	Is there an agreed set of priorities/outcomes?	Yes
	Is there a formal decision-making route, both within the partnership body and by partner organisations?	Yes
	Is it clear what decisions do not require approval by partner organisations?	Yes
	Does the council representative have executive decision-making authority?	No
3. Accountability	Is there an annual, or other, progress report?	N/A – 1st year
	Is administration of the partnership proportionate to its needs?	Yes
4. Sustained commitment	Is there consistent attendance at the right level?	Yes
	Does the partnership have the ability to trigger a review if its actions stall for any reason?	Yes
5. Tracking Performance	Is evidence produced and made available to all partners that the partnership is achieving its stated purpose?	N/A – 1st year
6. Cost-effectiveness	Have resource / budget contributions been made as required?	Yes
7. Innovation and risk-management	Is there a commitment to problem solving?	Yes
	Is there a proportionate approach to risk awareness / management?	Yes
8. Effective Communications	Does the partnership operate in a transparent manner?	Yes
	Is necessary information provided in the public interest?	Yes
	Are there arrangements to deal with FOI or similar requests?	Yes – Public Meeting
9. Exit Strategy	Are exit arrangements stated as part of the partnership’s formal constitution or Terms of Reference?	N/A – 1st year

Agenda Item 8

Report to: Audit Committee 27 September 2012

Fraud Investigation Team Update

Introduction

1. Following on from questions raised at the last meeting and in subsequent discussions with some members of the committee, this note is aimed at addressing the value for money point raised, and explains the options under consideration for the future, given that government has announced that a single fraud investigation service is being established in tandem with the introduction of Universal Credit and other welfare reforms.

The Fraud Investigation Team

2. The council has had a fraud investigation team for over ten years, as councils were encouraged and incentivised by government to establish such teams, given the relatively significant level of fraudulent benefit claims in the welfare system. Council fraud investigation teams are typically small, but act as a valuable resource and deterrent.

3. Ashford's fraud team is part of the Fraud and Visiting Team and with the team leader has two other investigator posts, plus some clerical support. Additionally, there are two council tax and business rates visiting officers, managed by the team leader, with wider responsibility than counter fraud.

4. Actual levels of fraud resource have been below the three posts principally focused on counter fraud counter due to vacancy management and maternity leave arising. Excluding the team leader post, over the last financial year (April 2011 to March 2012) one full-time equivalent (FTE) Investigator Post was vacant, leaving one FTE Investigator in post. A new Investigator started in March 2012 and has nearly completed the full training needed. One FTE Investigator started maternity leave in April 2012. A temporary member of staff is employed to cover this and started in June 2012. So, there are currently 2 FTE Investigators, plus the Team Leader.

5. The budget for staffing, including overheads is £157,270.

Housing & Council Tax Benefit

6. At the previous meeting and in reply to a member's question there was some discussion about how the monetary value of the team's work could be assessed to provide a value-for-money comparison.

7. This report uses the method previously adopted by the Department of Work and Pensions, which formed the basis of their value-for-money judgements, and incentive reward payments to councils in the past (this was called 'weekly benefit savings - WBS). Although the WBS incentive

and reward payments no longer apply the method was well established and used the basis that fraudulently claimed payments would, on average, run undetected for a period of 32 weeks – this being the DWP's assessment following national research.

8. Therefore, for all claims cancelled or amended over last financial year an amount of weekly benefit saving was calculated by multiplying the cancelled amount by 32 to provide a 'weekly benefit saving' equivalent. This results in the following savings:

   April 2011 to March 2012 - Total WBS = £128,729.16

   April 2012 to August 2012 – Total WBS = £23,263.00 (the reasons for this being lower at this time is partly due to the staffing position, and to the emphasis given on tenancy fraud – see below).

9. The WBS calculation is a notional saving, but nevertheless a good indicator of the value of a fraud team.

10. As explained in the report to the last meeting a varying proportion of the monies recovered through successful identification of an overpayment relating to a fraudulent claim is retained by the council. The council also has the power of Caution; the ability to issue Administration Penalties, and the ability to prosecute. It has been successful in this regard. Further details are set out in the June report.

11. Other non-monetary benefits would also need to be taken into account, including the unquantifiable benefits of the presence of an expert counter fraud team, the publicity provided in the local press to successful prosecution work, and how all of this is perceived and valued by residents, landlords, and claimants.

Tenancy Fraud

12. The calculation used in this report for tenancy fraud savings is that applied by the Audit Commission (Audit Commission Report - 'Protecting the Public Purse', November 2011) which states that it typically costs a local authority a minimum of £18,000 per year to administer and house a family in Bed & Breakfast/or a minimum of £110,000 for a new build.

13. Due to the national economic position the number of people currently accommodated in Bed & Breakfast in Ashford is higher than seen in recent years.

   April 2011 to March 2012
   2 properties recovered following investigation by the fraud team
   2 applications for Housing refused following investigation by the fraud team

   April 2012 to August 2012
   5 properties recovered
   2 cases under notice for keys to be returned

1 case, arrest & search, joint HB & Tenancy Fraud, in court 27/09/12
14 cases currently under investigation

14. Tenancy fraud investigations take more time and resource than Housing & Council Tax Benefit investigations, but the potential financial loss and opportunity to the Council is greater if not tackled. Also the issue of tenancy fraud has gained even greater emphasis with the current government and its welfare reforms. Investigation should be made more efficient when tenancy fraud is criminalised in the coming months
.
15. This is also an area that can be expanded into Registered Social Landlords (RSLs) with their agreement. Whilst RSLs would benefit, the council would also gain from such action with RSLs as we have nomination rights, thus potentially reducing our Bed & Breakfast placements or waiting list.

Summary

16. April 2011 to March 2012 - Total savings £200,729.16

    Housing & Council Tax Benefit savings (notional WBS) = **£128,729.16**
    Properties recovered (notional) = 2 x £18,000 = **£36,000**
    Housing applications refused (notional) = 2 x £18,000 = **£36,000**

17. **April 2012 to August 2012 (5 months) = Total savings £116,263.00**

    Housing & Council Tax Benefit savings Notional WBS = **£23,263.00**
    Properties recovered (notional) = 5 x £18,000 = **£90,000**
    Housing applications refused (notional) = 0

18. The combination of this report with its approach to assessing value-for-money, and the previous report demonstrate that the staffing effort is giving good value to the council and its taxpayers. Indeed there is a question, particularly with the welfare reforms (including, a new localised council tax support scheme, and changes to housing tenancy conditions) and the forthcoming business rates retention scheme for more emphasis on counter fraud to be considered.

19. This, however, comes at a time when with the government's welfare reforms, part of the fraud team's work will transfer to central government into the proposed Single Fraud Investigation Service (currently expected from 2015).

Future options under consideration

20. With all of the above change happening, management is considering the future options for the counter fraud team. It is clear the team has worked well for the benefit of the council and the taxpayer and there is a larger scope of work it could tackle. Accordingly, the following options are under consideration with conclusions expected to be reported to management team in the New Year.

a) Devote more resource to tenancy fraud (including with RSLs) and other fraud investigation work (council tax and business rates related)

b) Combine the fraud team with another or other councils' fraud teams

c) As 2 above, but as part of the Mid-Kent Audit Partnership

d) To consider creating an arms-length staff mutual or company style arrangement to permit the development of an even wider focus

e) See a transfer of resource to the Single Fraud Investigation Service and downsize the team and its work accordingly.

21. As stated, conclusions will be reported to the management team and its recommendations may then need to be reported to cabinet during the first quarter of 2013.

Jo Fox - Fraud and Investigation Manager
Paul Naylor – Deputy Chief Executive

Agenda Item No. 9

Audit Committee - Future Meetings

Date 4/12/2012			
Publish by 26/11/12			
Reports to Management Team by 22nd November	**Council 13/12/12**		
1	Minimal/Limited Audits	BP	
2	Annual Governance Statement – Progress on Remedying Exceptions	PN	
3	Corporate Performance Report	NC	
4	Annual Audit Letter 2011/12	AComm (cover by PN)	
5	Report Tracker & Future Meetings	DS	

Date 05/03/2013			
Publish by 25/02/13			
Reports to Management Team by 21st February	**Council 18/04/13**		
1	Grant Thornton's Proposed Audit Plan for the 2012/2013 Audit	Gr Th	
2	Certification of Grant Claims – Annual Report	Gr Th	
3	Presentation of Financial Statements	MN	
4	Annual Governance Statement – Progress on Remedying Exceptions	PN	
5	Internal Audit Operational Plan 2013/14	BP	
6	Report Tracker for Future Meetings	DS	

Date 04/06/2013			
Publish by 24/05/13			
Reports to Management Team by 23rd May	**Council 18/07/13**		
1	Minimal/Limited Audits	BP	
2	Internal Audit Annual Report 2012/13	BP	
3	Annual Report of the Audit Committee 2012/13	BP/IC	
4	Approval of Annual Governance Statement	PN	
5	Report Tracker for Future Meetings	DS	

Date 24/06/2013			
Publish by 14/06/13			
Reports to Management Team by 13th June		**Council 18/07/13**	
1	Minimal/Limited Audits	BP	
2	Benefit Fraud Annual Report 2012/13	Jo Fox	
3	Annual Audit Fee Letter 2013/14	Gr Th (cover by PN)	
4	Compliance with International Standards for Auditing – Letter of Assurance	BP	
5	Report Tracker for Future Meetings	DS	

Date 26/09/2013			
Publish by 18/09/13			
Reports to Management Team by 12th September		**Council 17/10/13**	
1	Minimal/Limited Audits	BP	
2	Annual Governance Statement – Progress on Remedying Exceptions	PN/NC	
3	Statement of Accounts 2012/13 and the District Auditor's Annual Governance Report	AComm (cover by PN/BL)	
4	Strategic Risk Management – Update Report	BP	
5	Report Tracker & Future Meetings	DS	

19/9/2012