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

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ASHFORD
BOROUGH COUNCIL

Audit Committee

Notice of a Meeting, to be held in Committee Room No. 2 (Bad Münstereifel Room), Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Thursday 25th September 2014 at 7.00 pm.

The Members of this Committee are:-

Cllr. Clokie (Chairman)
Cllr. Link (Vice-Chairman)
Cllrs. Buchanan, Michael, Shorter, Smith, Yeo, Conservative Vacancy

NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Cabinet 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 Liz Ratcliff of the Valuation Office Agency will be giving a briefing on the National Non-Domestic Rating (NNDR) process and how that affects the Council's budget 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:-** To declare any interests which fall under the following categories, as explained on the attached document: a) Disclosable Pecuniary Interests (DPI) b) Other Significant Interests (OSI) c) Voluntary Announcements of Other Interests See Agenda Item 2 for further details	1
3.	**Minutes** – To approve the Minutes of the Meeting of this Committee held on the 26th June 2014	

Part I – For Decision

4. Annual Governance Statement – Progress on Remedying Exceptions (to follow)

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Page Nos.

5. Statement of Accounts 2013/14 and the External Auditor's Audit Findings Report

6. Strategic Risk Management – Six Monthly Update

7. Consultation on the Future of Local Public Audit

Part II – Monitoring/Information Items

8. Report Tracker and Future Meetings

DS/VS
17th September 2014

Queries concerning this agenda? Please contact Danny Sheppard:
Telephone: 01233 330349 Email: danny.sheppard@ashford.gov.uk
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Declarations of Interest (see also "Advice to Members"below)

(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, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (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, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting 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.

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

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, 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 either an OSI or in some cases a DPI].

Advice to Members on Declarations of Interest:

(a) Government Guidance on DPI is available in DCLG's Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf plus the link sent out to Members at part of the Weekly Update email on the 3rd May 2013.

(b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, and a copy can be found in the Constitution at http://www.ashford.gov.uk/part-5---codes-and-protocols

(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.

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **26th June 2014.**

Present:

Cllr. Clokie (Chairman);
Cllr. Link (Vice-Chairman);
Cllrs. Chilton, Marriott, Michael, Smith.

In accordance with Procedure Rule 1.2(iii) Councillor Chilton attended as a Substitute Member for Councillor Yeo.

Apologies:

Cllrs. Buchanan, Shorter, Yeo.

Also Present:

Cllr. Galpin.

Deputy Chief Executive, Head of Audit Partnership, Head of Personnel & Development, Audit Partnership Manager, Finance Manager, Policy & Performance Manager, Investigations Manager, Senior Auditor, Funding & Partnerships Officer, Senior Member Services & Scrutiny Support Officer.

Andy Mack, Lisa Robertson - Grant Thornton.

51 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 18th March 2014 be approved and confirmed as a correct record.

52 Internal Audit Annual Report 2013/14

The report gave the Committee an opportunity to consider the work of the Internal Audit Team over the financial year 2013/14 and the opinion of the Head of Audit Partnership in relation to the Council's control environment. The Committee was asked whether it was satisfied that an effective Internal Audit Service operated at the Council during 2013/14.

The Chairman referred to the five areas (out of 23 audits) which had received a Limited assurance in the past year and therefore where control arrangements were below an acceptable standard, and asked what was being done to bring those up to standard? The Head of Audit Partnership explained that each audit generated an action plan and accompanying recommendations and a follow up review to examine whether the recommendations had been implemented. He said that in the context of the Authority as a whole, those five issues did not do enough to change his overall opinion that substantial reliance could be placed on the Council's control environment. Whilst there were no particular concerns on progress made against recommendations, he did consider that recommendations could be tracked and followed up upon better, which is why proposals for a refresh to the reporting arrangements had been made later on in the Agenda.

In response to a question, the Head of Audit Partnership said he was not aware of any major changes in the past year that would have affected internal control systems. The only significant change had been the roll out of the new waste management contract and whilst some weaknesses had been identified in terms of contract monitoring arrangements, recommendations had already been accepted and taken on board by Management.

A Member asked about the risks surrounding a total IT systems failure for the Council. The Head of Audit Partnership explained that business continuity had been examined during the last year and received a Limited assurance. This was however chiefly due to the lack of testing. As a result of the concerns though, there was now to be a specific review of ICT Disaster Recovery during 2014/15, which was already underway.

Resolved:

That (i) the Head of Audit Partnership's opinion that substantial reliance can be placed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control be noted.

(ii) the results of the work of the Internal Audit Team as shown in Appendix A to the report be noted and it also be noted that this is the prime evidence source of the Head of Audit Partnership's opinion.

(iii) the contents of the report provide evidence of effective Internal Audit operating at the Council during 2013/14.

53 Audit Committee Annual Report 2013/14

The report set out the Annual Report of the activity of the Audit Committee for 2013/14. The Audit Partnership Manager directed attention to the report's conclusion that the Committee could demonstrate that it had appropriately and effectively fulfilled its duties for the year.

Resolved:

That the content and format of the Annual Committee report be agreed and the Annual Report be forwarded to Full Council to demonstrate how the Committee had effectively discharged its responsibilities.

54 Internal Audit 2014/15 Reporting Refresh

The Head of Audit Partnership introduced the report which set out revisions to the Internal Audit approach for 2014/15 arising from the responses to the recent Institute of Internal Auditors review and a desire to review and refresh a process which had not been examined for some years. As the changes affected the information presented to this Committee in the future, the report was presented to inform Members in advance and give them an opportunity to comment. The principal changes affected the assurance levels, recommendation ratings and process for completing and following up audit projects. It was considered that this would also tie in better with the way the Council was moving forward.

A Member said he liked the new proposals and asked about the recommendation ratings. He thought marking them Priority 1, Priority 2 etc. was sensible but wondered if each should also have a timescale attached. The Head of Audit Partnership confirmed that this was the intention. A timescale would be attached to each recommendation based on priority however he wanted to retain some flexibility on the actual prescribed time.

There was also some discussion about at what point the Audit Committee should be presented with issues as a matter of course. Should a Priority 1 recommendation (Critical) come to the next available Audit Committee Meeting for example, or would an email advising Committee Members suffice? The Head of Audit Partnership said that the timing around this and the follow-up audit was something he would like to examine further. With the Committee meeting quarterly, it might be that some issues were too urgent to wait for three months, whilst others may benefit from further discussions with Officers/Management before they were tackled by the Committee.

Resolved:

That the Committee note and support the revised approach for undertaking and reporting the work of Internal Audit for 2014/15.

55 Annual Governance Statement 2013/14

The report explained that each year the Council must produce and approve an Annual Governance Statement that summarised the approach to governance and showed how the Council fulfilled the principles for good corporate governance in the public sector. The Statement also drew conclusions about the effectiveness of the Council’s arrangements, based on evidence throughout the past year. The Statement would be published alongside the Council’s formal audited financial statements which would be considered by the Committee in September. This year’s Statement built on previous statements, providing updated information where needed. It concluded that governance arrangements remained appropriate, effective and adaptive to change as circumstances dictated.

In response to a question the Deputy Chief Executive said that the timetable for completion of the areas for review was ultimately the end of the year. The risks of borrowing and income generation was however a topical issue and would be included within a report to Cabinet in July, reviewing the Council's financial position. The governance issues of this would begin to be addressed during discussions in the autumn.

A Member pointed out some minor typographical errors in the report that would need to be amended before final publication.

Resolved:

That the 2013/14 Annual Governance Statement be approved for signature by the Leader and Chief Executive as required by regulations.

56 Anti-Fraud and Corruption Strategy

The report provided a suite of updated policies which, when taken together, would review and strengthen the Council's approach to tackling fraud, corruption and money laundering whilst providing a framework for Officers to speak up about concerns they might have regarding the organisation. The affected policies were: - Anti-Fraud and Corruption; Money Laundering; Whistleblowing; and a new Bribery Policy. A revised recommendation had been tabled.

A Member pointed out some minor typographical errors in the policies that would need to be amended before final publication.

Resolved:

That the 'suite' of policies in the report be endorsed to the Cabinet.

57 2013/14 Financial Statements – Letters of Assurance to External Auditors

The report explained that each year, in support of the external audit of the Council's financial statements, it was necessary to provide two assurance letters to the auditors. These were important statements on which the auditors relied for their opinion work. The two completed letters were attached to the report – one from the Chairman on behalf of the Committee; and the second from the Deputy Chief Executive on behalf of management. They covered similar points to assurance letters in the past and had already been shared in draft with auditors. They covered assurances relating to such matters as disclosures of material facts affecting the statements, fraud, contingent liabilities and legal issues affecting the statements.

The Chairman said he would like to place on record his thanks to Officers who had picked up the matter of internal fraud relating to a part of the 2013 Electoral Canvass performed by two temporary staff.

In response to a question about the Impairment Allowance for Bad Debts, the Finance Manager clarified that the report contained provisional figures and the final figures on page 138 of the Agenda should be "£3,926,000 approximately 35% of the value outstanding debt".

A Member pointed out a minor typographical error on page 133 of the Agenda that would need to be amended before final publication.

Resolved:

That the Chairman's and Management's 2013/14 Assurance Letters be endorsed.

58 Annual Fraud Report 2013/14

The report provided an update on the work of the Investigation Team within Revenues and Benefits over the past year.

The item was opened up for discussion and the following responses were given to questions/comments: -

- 'Administration Penalties' referred to fines for benefit fraud.

- At present the team could still function effectively under current resources. The move to the Single Fraud Investigation Service (SFIS) would change the nature of the Service and there would be further discussions about, and a review of, the Service when that occurred.

- There would be a report to the September Cabinet Meeting about the future of the Fraud Investigation Service within the Council. This Committee had already supported the principle of the Council setting up its own corporate counter fraud team, and the Council was committed to maintaining a good level of resource. There had already been discussions with other agencies about this and there was concern that SFIS may not be as effective as the current arrangements. Representations had been made to the Welfare Minister on this point and it was very much a 'time will tell' issue.

- The Portfolio Holder said that, unlike some Local Authorities, Ashford's working relationships with the DWP were currently very strong. They were working towards a common aim and this would continue.

- With regard to referrals, each referral was examined, risk assessed and prioritised within resources. None were rejected out of hand, although most rejections were made fairly early in the process to avoid abortive work.

Resolved:

That the report be received and noted.

59 External Audit's Work Programme and Scale of Fees 2014/15

The paper provided the Committee with a report on progress in delivering Grant Thornton's responsibilities as the Council's External Auditors. The paper included a summary of emerging national issues and developments that may be relevant to Members and a number of challenge questions in respect of those emerging issues which the Committee may wish to consider. The 2014/15 Fee Letter, which was omitted from the original papers, was tabled.

Mr Mack advised that he had now personally been the Engagement Lead for Ashford for 7 years, which was the maximum allowed, therefore Grant Thornton would need to introduce somebody new during this year. Lisa Robertson would remain as Ashford's Audit Manager.

The Chairman said he was interested in the challenge questions and asked how far reaching they were for the Council. The Deputy Chief Executive said in his view some should be key considerations for this Committee, with others for the Cabinet, some for Members generally and others for Management Team. The questions should inform this Committee's work programme but they needed to decide when and in what context. The Chairman said it might be useful to provide a quick comment under each question in response and to provide some assurances. A Member said he often read Grant Thornton's website and referred to their documents.

Resolved:

That the External Auditor's Fee Proposal and Work Programme for the year be received and noted.

60 Report Tracker and Future Meetings

Officers advised that there would be an additional item to the next meeting of the Committee in September – 'Consultation on the Future of Local Public Audit'.

Resolved:

That subject to the above the report be received and noted.

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DS

Agenda Item No:	5
Report To:	Audit Committee
Date:	25 September 2014
Report Title:	Statement of Accounts 2013/14 and the Appointed Auditor's Audit Findings
Portfolio Holder	Cllr Galpin Portfolio Holder for Finance & Budget, Resource Management and Procurement
Report Author:	Maria Seddon – Principal Accountant Ben Lockwood – Finance Manager

ASHFORD
BOROUGH COUNCIL

Summary:

This report presents the 2013/14 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 Appointed Auditor has issued an unqualified opinion on the accounts.

Once approved the accounts will be published.

Key Decision: NO (delete as appropriate)

Affected Wards: All

Recommendations: **The Committee be asked to:-**

1. **consider the Appointed Auditor's Audit Findings (Appendix A)**

2. **agree the basis upon which the accounts have been prepared (Going Concern)**

3. **approve the audited 2013/14 Statement of Accounts (Appendix B)**

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 Appointed Auditor (Appendix C)**

Policy Overview: The 2013/14 Statement of Accounts complies with the requirement of various Codes of Practice and the Accounts and Audit regulations.

Financial Implications:	The 2013/14 Statement of Accounts sets out the Council's financial position as at 31 March 2014 and movement in funds during the year.
Contacts:	Maria.seddon@ashford.gov.uk – Tel: (01233) 330547

Report Title: Statement of Accounts 2013/14 and the Appointed Auditor's Findings

Purpose of the Report

1. Our external auditors (Grant Thornton) have completed the audit of the Council's 2013/2014 financial statements. The Accounts and Audit regulations require the accounts to be approved by this Committee and must be published by 30 September 2014.

2. **Appendix A** to this report is the Appointed Auditor's Audit Findings report setting out his work and conclusions in respect of the accounts. The Appointed Auditor 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 for 2013/14 in **Appendix B**, the Chairman of this committee can sign the Accounts and approve the letter of Representation. The committee is also being asked to consider the Auditor's report including proposed changes and the one recommendation.

Background

4. The 2013/14 Statement of Accounts has been completed in compliance 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 look and feel of the Statement of Accounts and with the supporting information that has allowed for an efficient audit to be carried out.

6. The Accounts and Audit regulations require the unaudited 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 materially curtailing, 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 2013/14 Financial Statements

9. The most significant amendment to the statement has been in relation to the Stanhope PFI project. The accounting treatment for this was reviewed by Grant Thornton's PFI expert this year and as a result of this a number of changes have been made to the accounting model for this contract.

10. The Council had previously calculated that the contract created a liability on the council's balance sheet of £28m which was then written off over the life of the contract, and had assumed that the fair value of services in the contract was a constant over the operational life of the project. The auditors were happy that the liability was £28m however advised the council to model the fair value of services on the operational and life cycle costs contained in the contractor's model. This was accepted and has changed the 'cash flows' within the accounting model and has led to a change in the profile that the liability is written down against. This change makes no difference to the bottom line or the amount paid to the contractor it merely affects the apportionment of the contract payment between services, interest and repayment of the liability and the rate at which the liability is written down.

11. The final change in relation to the PFI is that the note containing details of the future minimum payments for the contract are calculated at the cost of the contract at financial close excluding inflation, whereas previously inflation had been assumed at 2.5% per annum.

12. An additional note has been added to the statement for provisions balances, the introduction of business rate retention has led to an additional provision being created for appeals and this is a material balance and consequently a disclosure note is needed.

13. The auditors have highlighted a number of areas where the Accounts do not fully comply with the letter of the accounting code of practices disclosure requirements. As in recent years this has been done as a result of an effort to simplify the statement of accounts, reducing duplication and de-cluttering the notes. We have discussed this with the auditors and are content that where we have diverged from the code the reader's understanding of the accounts will not be impeded and therefore are not minded to amend the statement further.

Audit Action Plan

14. There are no recommendations in the Auditor's Report.

15. Last year's recommendation was to ensure all Councillors complete and return the related party declaration forms, the committee will be pleased to note that all forms were received back this year.

Letter of Representation

16. 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

17. The Audit of the 2013/14 Statement of Accounts is complete and that whilst there have been some changes they and have not affected the financial position of the Council.

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

Portfolio Holder's Views

19. These reports demonstrate that our approach to financial reporting is both accurate and precise. As a bonus it is also uncluttered and easy to read. The lack of qualification from the external auditors is of great credit to our finance team, whom I congratulate. This is also underscored in the risk ratings.

20. The reshaping of the Stanhope PFI element is an important technical point but does not change the bottom line in any way.

21. I am delighted to get such a clean bill of health and thank Grant Thornton on their excellent work. I therefore ask the Committee to approve or support as necessary the six recommendations.

Contact: Maria Seddon

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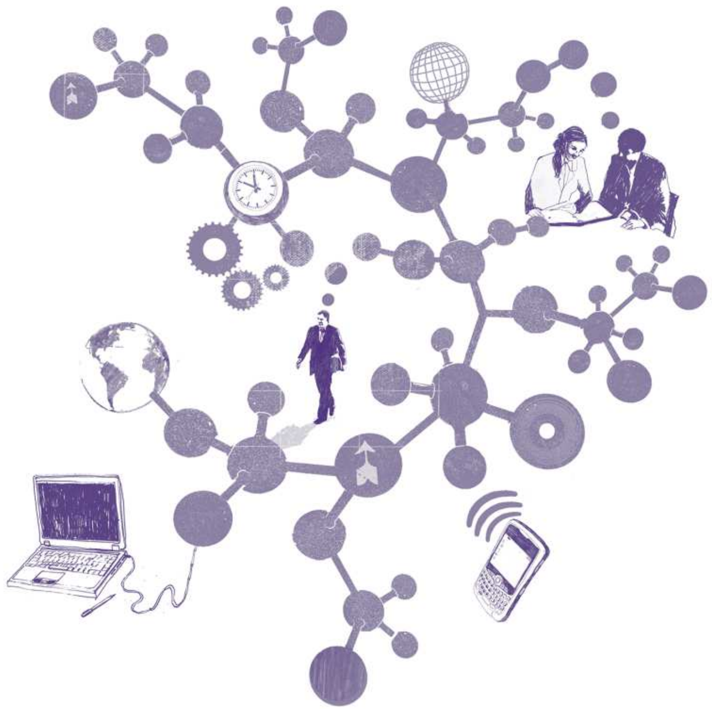
The Audit Findings for Ashford Borough Council

Year ended 31 March 2014

25 September 2014



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Ashford Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position. Our review of the PFI model did result in a material adjustment to the statements, including a Prior Period Adjustment. This increased net assets and unusable reserves by £3.2m to £97,494,000 and increased overall income and expenditure in year by £701,000 to £24,320,000. There is no net effect on the general fund and usable reserves position.

We recommended a number of adjustments to improve the presentation of the accounts. The Council agreed to amend the financial statements to correct all improvements we identified during the audit.

The key messages arising from our audit of the Council's financial statements are:

- the accounts were prepared on time and to a good standard, including significant de-cluttering of the statements in 2013/14;
- staff responded quickly and efficiently to all audit queries;
- our review of PFI has led to a number of changes across the statements, although the net effect on the general fund and HRA is zero; and
- other adjustments made to the draft statements were mainly in relation to making improvements in presentation and disclosure.

Further details are set out in section 2 of this report.

Value for Money conclusion
We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)
We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance and Head of Finance.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 25 September 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in March 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix A.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions	Our audit work has not identified any issues in respect of revenue recognition. A new policy was included during the year to reflect changes in funding arrangements in relation to localisation of non-domestic rate income.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	• We have documented and walked through the controls in place to assess whether those controls are designed effectively • We have tested large and unusual items • We have completed cut-off testing around the year-end to ensure expenditure is accounted for in the correct period	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	• We have documented and walked through the controls in place to assess whether those controls are designed effectively and implemented • We have tested the completeness of the payroll system interfaces in the general ledger and control account reconciliations • We have completed trend analysis to identify potential errors • We have performed testing on a sample of payroll payments made during the year to gain assurance that employees have been remunerated at the correct rates during 2013/14	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefit expenditure improperly computed	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively • We have completed initial Department of Work and Pensions certification testing of housing benefits, including analytical review and verification of benefits awarded on a sample basis.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Housing Rent Revenue Account	Revenue transactions not recorded	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively and are implemented. • We have completed a predictive analytical review of housing rents revenue • We have tested a sample of rental payments back to supporting evidence • We have tested the completeness of the housing rents system interfaces in the general ledger and control account reconciliation.	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	• We have documented and walked through the controls in place over this cycle to assess whether those controls are designed effectively and implemented • We have evaluated the qualifications and work of the valuation expert • We have tested re-valued assets by agreement to valuation certificates • We have reviewed the Council's assessment to ensure assets not re-valued in year are not materially misstated	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Income of goods and services provided by the end of the financial year are accrued ensuring income is accounted for in the period to which it relates. • Interest receivable on investments is accounted as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. • Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that: - the Authority will comply with the conditions attached to the payments; - the grants or contributions will be received.	• The policy is consistent with the prior year and the disclosure is in line with the requirements of the CIPFA Code.	● Green
Judgements and estimates	Our review of key judgements and estimates includes consideration of the following areas: • asset valuations • Depreciation and useful life of capital equipment • pension fund valuations and settlements • provisions • allowances for doubtful debts • expenditure accruals	• Our review of key judgements and estimates has not highlighted any issues which we wish to bring to your attention • We have reviewed the Council's business rate appeals provision, which falls due on the Council for the first time in 2013/14 following changes to the business rate system. We are satisfied that the Council has taken an appropriate approach to estimating this provision, which has been correctly recognised within the Council's Collection Fund Account.	● Green
Other accounting policies	• We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	● Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements, Misclassifications & disclosure changes

One area of non-trivial adjustment to the draft accounts has been identified during the audit process relating the PFI. There is no impact on the reported surplus. The table below provides details of the changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misstatement and disclosure	£3,172,000 increase to net assets £701,000 increase in total Comprehensive Income and expenditure	Various	Further to our review, the Council has updated its PFI model in order to fully align it with the contractors model. This increased net assets and unusable reserves by £3.2m to £97,494,000 and increased overall income and expenditure in year by £701,000 to £24,320,000. There is no net effect on the general fund and usable reserves position. The re-profiling of the model has led to the following adjustments to the accounts. • Prior period adjustment : £1.6m increase in net assets as at April 2012, increasing to £2.5m increase at 31 March 2013. • Movement in Reserves Statement: £3.2m increase in unusable reserves as at 31 March 2014 (£2.5m increase at 31 March 2013) • Balance Sheet: £3.2m increase in net assets as at 31 March 2014 (£2.4m increase at 31 March 2013) • Comprehensive Income and Expenditure Account: £701k increase in total comprehensive income and expenditure (£823k increase in 2012/13) • Cashflows: Adjustments to classification of adjustments with no change to opening and closing cash positions. • Disclosure notes: The PFI note, Financial Instruments Note and Unusable Reserves note have been adjusted to reflect changes
2	Misclassification and disclosure	-	-	A small number of minor adjustments and disclosure amendments were made in order to improve the overall presentation of the financial Statements including: - Inclusion of disclosure note for provisions - Inclusion of expected pension contributions in note 24 - Inclusion of detail in explanatory foreword for business rate changes

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

We have not identified any weaknesses in internal control to bring to the attention of those charged with governance.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit Committee . We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	• A letter of representation has been requested from the Council.
4.	Disclosures	• Our review found no material omissions in the financial statements • Our review did identify that the Movement in Reserves (MIR's) Disclosures are not fully in compliance with the code. The CIPFA Code requires disclosure of "the movement of the amounts shown in the Movement in Reserves Statement that are adjustments between accounting basis and funding basis under regulations to be debited or credited to the General Fund and Housing Revenue Account for the year." The financial statements include adjustments between accounting and funding basis under regulations by reserve. However, these are not broken down in the MIR's or in the reserve notes.
5.	Matters in relation to related parties	• We are not aware of any related party transactions which have not been disclosed. This year we are please to note that the Council received 100% returns from members.
6.	Going concern	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council 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.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that the Council has good arrangements in place to secure financial resilience. However, with continued uncertainty over the future levels of local government funding and need to address a funding gap over the medium term members will need to be prepared for further difficult decisions, to secure the financial resilience of the Council.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has good arrangements for financial planning and control, it is prioritising its resources and delivering cost reductions and efficiencies.

Overall VFM conclusion

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

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Key indicators of performance	The Council's key financial indicators demonstrate a track record of strong performance. Performance against budget this year was good with a slight surplus on both the General Fund and HRA without using reserves. Our review of the Council's key ratio's include working capital, borrowing (excluding HRA), usable reserve levels, council tax and non domestic rate collection rates and days lost to sickness indicate. This review identified that the Council are in line with expectations and there are does not highlight any areas of concern.	**Green**	**Green**
Strategic financial planning	The Council's Medium Term Financial Plan (MTFP) is a 5 year rolling budget, aligned with the Council's overall business plan. This is built around an extensive consultation with residents as a basis for setting it's key priorities. The 5 year MTFP and savings plan was taken to Cabinet in July 2014. Before being presented to Cabinet, the 2014/15 draft budget was scrutinised by the Budget Scrutiny Group, using a financial and operational risk matrix, over a series of meetings.	**Green**	**Green**
Financial governance	The Council has a well established approach to financial governance. There is an appropriate level of senior management and member engagement in the financial management process. Budgets are reported to cabinet and Council on a quarterly basis. However, we do note that the Council could improve this in line with best practice to include other financial information, such as cash flow statements, balance sheet reporting and forecasting.	**Green**	**Green**
Financial control	The Council has a strong recent track record on delivering budgets and savings plans, which is indicative of a robust financial control framework. Internal audit have given a positive opinion on controls and this has been reflected in the positive results of the external audit of accounts.	**Green**	**Green**
Prioritising resources	The Council recognises due to the reducing government grants, it can't provide the same services in the same way as they always have in the past. The Council have undertaken an external consultation with the public and an in-house savings review across the organisation to identify priority areas and potential savings.	**Not rated**	**Green**
Improving efficiency & productivity	The Council has a history of considering alternative delivery methods such as its local partnership for internal audit joint procurement for waste collection. It has developed an efficiency programme to identify 15% savings and identified potential projects to generate revenue such as International House project, working with Waitrose and the Collingbrook development.	**Not rated**	**Green**

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. and additional indicators identified by ourselves. We identified the following areas of focus in our audit plan, which form sub-sets of the overall findings in the previous slide. The table below sets out our findings and residual risks to our VFM conclusion:

Residual risk identified	Summary findings	RAG rating
Review of the medium term financial plan including the assumptions made	We have reviewed the Council's MTFP and appropriate assumptions have been included. The Council understands the need to set a balanced budget and have done so for 2014/15, with a net budget requirement of £13,762k. The Council recognises that the continual reduction in government funding is a high risk for them and that they will be required find additional savings, find new ways of generating revenue, change the way they deliver services or stop services altogether. In response to this, the Council has updated its savings plan focusing on the 3 years from 2015/16. The MTFP has identified that the level of savings needed over this period is £2.4million. As part of this, each service head was tasked with identifying 15% savings from their budgets, undertaking large scale projects to generate further revenue and looking into the possibility of further shared service arrangements. Proposals were taken to Cabinet in July 2014 to including a number of measures to enable the council to close a the projected budget gap over the next three to four years and to aim towards achieving self-sufficiency.	Green
review of 2013/14 financial performance; and	The Council continues to have a sound financial position overall, with good budgetary control and an adequate level of reserves. The Council achieved a small surplus on both its General Fund and Housing Revenue Account in 2013/14. In 2010, a 5 year savings plan was agreed and a target of £3.7m set. The Council are on target to meet this.	Green
review of arrangements for implementing new projects and the localism agenda	The Council has made appropriate arrangements to implement new projects and the localism agenda. It has set up a 'Strategic Delivery Board' to monitor and oversee progress on the 'big 6' projects. The Board includes representatives from Ashford BC, KCC, Homes and Community Agency, Arts Council England, Highways Agency and K College. It meets four times a year to ensure effective and timely delivery of projects. We have reviewed the Council's arrangements for the replacement of Council Tax Benefit by the Council Tax Support scheme and the management of the new Business Rates retention arrangements. We conclude that the Council has responded to these developments appropriately and have identified no residual risks remaining in relation to this issue.	Green

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit

Fees

	Per Audit plan £	Actual fees £
Council audit	79,515	81,915***
Grant certification	12,600	11,125** (expected)*
Total audit fees	**92,115**	**93,040**

*Certification work is on-going. The final fee will reported to the Committee later in the year in our annual certification report.

****Reduction in certification fees**
The £1,475 reduction in grant certification scale fee has been set by the Audit Commission to reflect the elements removed from the certification regime in 2013/14

*****Increase in the audit fee:**
The £900 increase in the main audit scale fee has been made to recognise the additional work required to gain assurance over non domestic rates, which in previous years was covered by the audit of the NNDR return.

Additional fees of £1,500 are included to reflect the extra time taken in reviewing and agreeing the PFI adjustments.

All fee variations are subject to final agreement by the Audit Commission.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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

Opinion on the Authority financial statements

We have audited the financial statements of Ashford Borough Council for the year ended 31 March 2014 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 2013/14.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the financial position of Ashford Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Ashford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

Andy Mack
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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Melton Street
Euston Square
LONDON
NW1 2EP

Date:

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ASHFORD
BOROUGH COUNCIL

Statement of Accounts

2013/14

Ashford
best placed in Britain

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Approval of the Statement of Accounts

The Audit Committee at its meeting on the 25 September 2014 approved the Statement of Accounts for the year ended 31 March 2014 in accordance with the Accounts and Audit Regulations 2003 (as Amended).

Signed:

Councillor Clokie
Chairman Audit Committee

Explanatory Foreword

Introduction

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

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 (2013/14), there have been very few changes to the Code with only some changes to the disclosure of financial instruments and changes to accommodate the Localisation of Business Rates.

Following a review by the Councils external auditor the Council has adjusted its model for minimum lease payments within the PFI contract. This has re-profiled the liability and resulted in the Prior year adjustment explained more fully within note 22.

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

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

Overview of 2013/14 Financial Results and Activity

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

Spending overall for the year, after income and other receipts, was below budget. Some services came in over budget, however, reflecting particular pressures mainly a result of continuing economic difficulties, timing of contracted works and the impact of the new waste and recycling contract. However in year pressures were managed well with corrective actions taken to contain overall spend within budget. Some pressures will continue through to 2014.

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

The Council set its Budget Requirement at £13.8m (amount funded by Government Grant and Council Tax) with a further £1.0m levied by Parish Councils. The Council also took advantage of a particular concession from government for low-taxing councils to have more flexibility to manage pressures, it was agreed to increase Council tax by £5 at band D to £145.45 for 2013/14 to fund the budget.

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

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

The Statement of Accounts for 2012/13 stated that the Council was seeking to

recover additional costs it had incurred in completing the refurbishment of the Stour Centre. The Council has now settled its differences with the lead consultant. The terms of settlement are confidential.

General Fund Final Outturn 2013/14

Service	Original Budget 2013/14	Revised Budget 2013/14	Final Outturn 2013/14	Variance
		A	B	B-A
	£'000	£'000	£'000	£'000
Corporate, Strategy & Personnel	1,639	1,797	1,620	(177)
Legal & Democratic Services	1,250	1,257	1,234	(23)
Planning & Development	1,462	1,645	1,830	185
Financial Services	2,189	2,199	2,047	(152)
Communications & Technology	297	328	318	(10)
Community & Housing	1,103	1,174	982	(192)
Culture & the Environment	7,546	7,780	8,187	407
Net Service Expenditure	15,486	16,180	16,218	38
Capital Charges and net interest	(2,225)	(2,225)	(2,306)	(81)
Levies and Grants	296	296	295	(1)
Contribution to Reserves	233	133	13	(120)
Net Expenditure including Parishes	13,790	14,384	14,220	(164)
Funded by:			0	0
Government grant	(5,092)	(5,686)	(5,618)	68
Business Rates	(2,708)	(2,708)	(2,704)	4
Council Tax	(5,990)	(5,990)	(5,996)	(6)
Total Financing	(13,790)	(14,384)	(14,318)	66
Outturn reported	0	0	(98)	(98)

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

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

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

Housing Revenue Account (HRA)

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

Housing Revenue Account Outturn 2013/14

Service	Revised Budget 2013/14	Final Outturn 2013/14	Variance
	A	B	B-A
	£'000	*£'000*	*£'000*
Income	(23,503)	(23,378)	125
Supervision and Management	4,234	4,172	(62)
Repairs and Maintenance	3,204	3,411	207
New Build	(21)	(67)	(46)
Other	16,074	15,861	(213)
Net Expenditure	(12)	(1)	11
Capital Works - Decent Homes	4,801	4,560	(241)
Capital works financed by:			
Major Repairs Allownance (from Self-Financing Determination)	(5,200)	(5,199)	1
Contribution to/(from) Major Repairs Reserve	399	639	240
Support costs greater than budget		0	0
	(12)	(1)	11

The accumulated HRA reserve balance at 31 March 2014 was a surplus of £4.6m. In addition, the Major Repairs Reserve stands at £4.4m, which is available to fund the Decent Homes programme, giving a total balance for HRA Reserves of £9.0m (compared with £7.0m as at 31 March 2013). These reserves are needed to balance the HRA's longer-term business plan.

Capital Expenditure

Capital expenditure is investment in the acquisition, construction, enhancement or replacement of tangible 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 2013/14, the outturn for the capital programme was:

Summary of Capital Spending and Financing

	£'000	£'000
Capital investment		
General Fund capital expenditure	3,568	
HRA capital expenditure	9,709	
Total expenditure		13,277
Sources of finance		
Prudential borrowing		2,172
Capital receipts		
- Ring fenced capital receipts	183	
- General capital receipts	144	327
Grants and contributions		
- External grants and contributions	1,720	
- Developer contributions	422	2,142
Contribution to/(from) Major Repairs Reserve		4,529
Direct revenue contributions		
- Repairs and Renewals Reserve	295	
- General Fund revenue contributions	136	
- HRA Revenue contributions	3,630	
- Other revenue contributions	46	4,107
Total financing		13,277

Treasury Management

Borrowing

At 31 March 2014, the Council had long-term borrowing of £119.7m (£119.7m at 31 March 2013). This comprised long-term loans to fund the housing subsidy buy-out payment to government, see note 16.

Investments

At 31 March 2014, the Council had investments and cash deposits of £22.7m (£25.5m at 31 March 2013). Over the year, the Council has performed a prudent treasury management strategy focusing on lending to government bodies.

Pensions

As part of the Conditions of Employment, the Council must offer staff retirement benefits under statutory requirements.
At 31 March 2014 88% of staff took part in the pension scheme, contributing between 5.5% and 12.5% of salary.
Payments into the pension scheme, investment assets and future liabilities are held and managed by the Kent County Council Pension Fund for all contributing member authorities.
For further information see note 23.

Stanhope Private Finance Initiative (PFI) Project

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

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

Local Retention of Business Rates

For 2013/14 government have introduced a scheme of localisation of business rates. In previous years the Council collected business rates and paid them to a national pool and received a formula grant. This year the Council keeps 40% (£17.8m) of the rates collected but has to pay a tariff (£14.9m) with the balance used to fund the budget instead of receiving the redistributed rates grant.

The new scheme offers an incentive for Councils who are able to increase the levy of business rates collected above government's baseline, this will be subject to a levy. Where an authorities income falls 7.5% below this baseline it will be entitled to a safety net payment.

Waste and Recycling Contract

The Council's Refuse Collection and Street Cleansing Contracts expired at 31 March 2013. The Council has implemented a new contract transforming the service offered to residents providing significant enhancements to the level of recycling within the borough. The new contract has been let in partnership with two other authorities, due to the terms of the contract there are no embedded leases for the equipment used to provide the service.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Under Law the Authority is required to:

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

The Responsibilities of the Chief Financial Officer (CFO)

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

In preparing this Statement of Accounts, the CFO has:

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

The CFO has also:

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

I certify that the Statement of Accounts between pages 8 and 76 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2014 and its income and expenditure for the year ended on that date.

Paul Naylor
Deputy Chief Executive and Chief Financial Officer
XX June 2014

Core Financial Statements

Movement in Reserves Statement

2013/14	Note	General Fund Balance	Ear-marked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 21)
	Note	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2013		(1,697)	(8,115)	(3,294)	(714)	(3,684)	(602)	(18,106)	(55,068)
Movements in Reserves during 2013/14									
Surplus or deficit on the provision of services		(3,752)		(19,667)				(23,419)	
Other Comprehensive Income & Expenditure									(901)
Total Comprehensive Income & Expenditure		(3,752)	0	(19,667)	0	0	0	(23,419)	(901)
Adjustments between accounting and funding basis under regulations									
Sources of Finance	15	1,626		0	326	4,529	94	6,575	(6,575)
Sums set-a-side for capital purposes	15	901		4,600				5,501	(5,501)
Revenue expenditure charged to capital under statute		(710)		0				(710)	710
Removal of items not chargeable to Fund Balances									
- Capital adjustment account	21	(1,259)		11,829		(5,199)		5,371	(5,371)
- Capital grants unapplied account		65		0			(65)	0	
- Capital receipts reserve (for HRA, see note 5)		(388)		2,253	(1,865)			0	
- Deferred capital receipts reserve		20			(33)			(13)	13
- Pensions reserve		(1,485)		(313)				(1,798)	1,798
- Collection fund adjustment account		(1,164)						(1,164)	1,164
- Accumulated absences account		7		(3)				4	(4)
Net increase or decrease before transfers to Earmarked Reserves		(6,139)	0	(1,301)	(1,572)	(670)	29	(9,653)	(14,667)
Transfers to/from Earmarked Reserves (Note 11)		5,973	(5,973)					0	0
Increase or decrease during 2013/14		(166)	(5,973)	(1,301)	(1,572)	(670)	29	(9,653)	(14,667)
Balance at 31st March 2014		(1,863)	(14,088)	(4,595)	(2,286)	(4,354)	(573)	(27,759)	(69,735)

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.

2012/13	Note	General Fund Balance	Ear-marked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 21)
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2012		(3,153)	(7,537)	(2,225)	(106)	(3,010)	(49)	(16,080)	(51,508)
Movements in Reserves during 2012/13									
Surplus or deficit on the provision of services		2,990		(8,920)				(5,930)	
Other Comprehensive Income & Expenditure									344
Total Comprehensive Income & Expenditure		2,990	0	(8,920)	0	0	0	(5,930)	344
Adjustments between accounting and funding basis under regulations									
Sources of Finance		1,032		0	325	4,526	23	5,906	(5,906)
Sums set-a-side for capital purposes		1,389		4,020				5,409	(5,409)
Revenue expenditure charged to capital under statute		(906)		0				(906)	906
Removal of items not chargeable to Fund Balances									
- Capital adjustment account		(2,620)		3,125		(5,200)		(4,695)	4,695
- Capital grants unapplied account		576		0			(576)	0	
- Capital receipts reserve (for HRA, see note 5)		58		864	(922)			0	
- Deferred capital receipts reserve		(17)		0	(11)			(28)	28
- Pensions reserve		(1,550)		(162)				(1,712)	1,712
- Collection fund adjustment account		(19)						(19)	19
- Accumulated absences account		(55)		4				(51)	51
Net increase or decrease before transfers to Earmarked Reserves		878	0	(1,069)	(608)	(674)	(553)	(2,026)	(3,560)
Transfers to/from Earmarked Reserves (Note 11)		578	(578)					0	0
Increase or decrease during 2012/13		1,456	(578)	(1,069)	(608)	(674)	(553)	(2,026)	(3,560)
Balance at 31st March 2013		(1,697)	(8,115)	(3,294)	(714)	(3,684)	(602)	(18,106)	(55,068)

The restatement in comparative figures is due to the changes made for changes to the PFI (note 22) disclosure.

Comprehensive Income and Expenditure Statement

2012/13 Gross Expenditure restated £'000	2012/13 Gross Income £'000	2012/13 Net Expenditure restated £'000		2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000
11,177	(9,666)	1,511	Central services to the public	2,898	(1,858)	1,040
4,433	(734)	3,699	Cultural and related services	4,652	(6,380)	(1,728)
7,247	(1,637)	5,610	Environmental and regulatory services	9,037	(3,925)	5,112
3,164	(1,965)	1,199	Planning services	3,827	(1,954)	1,873
1,739	(2,592)	(853)	Highways and transport services	1,225	(2,019)	(794)
10,969	(26,274)	(15,305)	Local authority housing (HRA)	1,497	(27,224)	(25,727)
40,298	(39,390)	908	Other housing services	40,303	(39,505)	798
3,866	(823)	3,043	Corporate and democratic core	3,933	(1,020)	2,913
1,710	0	1,710	Non distributed costs	1,699	0	1,699
84,603	(83,081)	1,522	**Cost of Services**	69,071	(83,885)	(14,814)
			Other operating expenditure			
	1,084		Parish Council Precepts & Levies		1,251	
	348		Payments to the Government Housing Capital Receipts Pool		393	
	31		Disposal of non-current assets		(726)	
	0	1,463	Other income		0	918
			Financing and investment income and expenditure			
	5,559		Interest payable		5,512	
	2,250		Net interest on the net defined benefit liability (asset)		2,227	
	(387)	7,422	Interest receivable		(367)	7,372
			Taxation and non-specific grant income			
	(7,363)		Council Tax income		(7,012)	
	(5,673)		Non-domestic rates income and expenditure		(1,541)	
	(3,301)	(16,337)	Non-ringfenced government grants (Note 10)		(8,342)	(16,895)
		(5,930)	**(Surplus) or Deficit on Provision of Services**			(23,419)
	(1,077)		Surplus or deficit on revaluation of Property, Plant and Equipment (see note 12)		(3,670)	
	51		Surplus or deficit on revaluation of Available-for-Sale financial Assets		(73)	
	1,370		Remeasurements of the net defined benefit liability (See note 24)		2,842	
		344	**Other Comprehensive Income and Expenditure**			(901)
		(5,586)	**Total Comprehensive Income and Expenditure**			(24,320)

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

The restatement in comparative figures is due to the changes made for changes to the PFI (note 22) and IAS19 disclosures.

Balance Sheet

1 April 2012	31 March 2013			31 March 2014	
£'000	*£'000*		*Notes*	*£'000*	*£'000*
247,375	249,831	Property, Plant & Equipment	12	271,483	
2,929	2,929	Heritage Assets	14	2,929	
40	155	Intangible Assets		110	
2,500	0	Long Term Investments	17	5,123	
1,703	1,683	Long Term Debtors	22	1,655	
254,547	254,598	**Long Term Assets**			281,300
18,608	19,527	Short Term Investments	17	12,037	
19	19	Inventories		16	
4,715	4,162	Short Term Debtors	19	7,165	
0	5,943	Cash and Cash Equivalents	35	10,709	
23,342	29,651	**Current Assets**			29,927
(1,762)	0	Cash and Cash Equivalents		0	
(1,501)	(193)	Short Term Borrowing		(38)	
(9,685)	(11,579)	Short Term Creditors	20	(9,570)	
(990)	(970)	Current Liabilities	23	(852)	
(15)	(5)	Grant Receipts in Advance - Capital		0	
(13,953)	(12,747)	**Current Liabilities**			(10,460)
(608)	(514)	Long-term Provisions	36	(1,671)	
(119,702)	(119,664)	Long Term Borrowing	17	(119,664)	
(50,258)	(53,340)	Pension Liability	24	(57,980)	
(25,660)	(24,690)	PFI Liability	23	(23,838)	
(120)	(120)	Finance Lease Liability	22	(120)	
(196,348)	(198,328)	**Long Term Liabilities**			(203,273)
67,588	73,174	**Net Assets**			97,494
		Financing (see MiRS)			
(16,080)	(18,106)	Usable Reserves		(27,759)	
(51,508)	(55,068)	Unusable Reserves	21	(69,735)	
(67,588)	(73,174)				(97,494)

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched to the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, and the second category of reserves is those that the Council is not able to use to provide services (see Note 20).

The restatement in comparative figures is due to the changes made for changes to the PFI (note 22) disclosure.

Cash Flow Statement

2012/13 £'000		Notes	2013/14 £'000
(5,930)	Net (surplus) or deficit on the Provision of services		(23,419)
(10,392)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	30	8,528
3,567	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	31	3,465
(12,755)	Net cash flows from operating activities		(11,426)
4,230	Investing activities	33	6,762
820	Financing activities	34	(102)
(7,705)	Net movements in year excluding non-cash items		(4,766)
(1,762)	Cash and cash equivalents at the beginning of the reporting period		5,943
7,705	Net increase or (decrease) in cash and cash equivalents		4,766
5,943	Cash and cash equivalents at the end of the reporting period	35	10,709

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

The restatement in comparative figures is due to the changes made for changes to the PFI (note 22) disclosure.

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 2013/14’ (the Code) and the ‘Service Reporting Code of Practice 2013/14’.

1. **Accounting Concepts and Conventions**

The Statement of Accounts summarises the Council’s transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets and financial instruments.

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

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

- understandability
- relevance
- reliability
- comparability

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

2. **Accruals of Income and Expenditure**

With the exception of the Cash Flow Statement, and its Notes, and the Collection Fund, the Statement of Accounts is presented on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of Accounts for the year in which those effects are experienced, and not in the year in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, where it is doubtful that debts will be settled, the balance of debtors is written down, and a charge made to revenue for the income that might not be collected. Notwithstanding this policy, some transactions are not accrued because they are of little value and, therefore, are not material to the understanding of these accounts.

Bills for Council Tax and Business Rates are recorded as issued at 31st March and no attempt is made to accrue for bills due but not processed at the year-end.

3. Estimation Techniques

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

4. Costs of Internal Support Services

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

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

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

5. Council Tax and National Non-Domestic Rates

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

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

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

6. **Charges to Revenue**

Services and Support Services, and Trading Accounts are debited with amounts to record the cost of holding non-current assets used in the provision of services. These amounts include the annual provision for depreciation, certain revaluation gains/losses and impairment losses and the amortisation of intangible assets. The amounts are subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account so that they do not impact on the amounts required from local taxation.

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

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

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

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

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

8. **Government Grants and Contributions**

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

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

9. **VAT**

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

10. **Heritage Assets**

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

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

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

12. **Intangible Assets**

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

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

13. Investment Property

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

Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. Any loss or gain on revaluation is recognised in the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement but is subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.
Depreciation is not charged against investment property. (This Council does not hold any property which meets the definition of Investment Property.)

14. Property, plant and equipment

14.1. Recognition

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

14.2. Recognition Definition

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

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

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

14.3. Council dwellings

These are held on the balance sheet at fair value but discounted to allow for the Existing Use Value for Social Housing (EUV-SH).
An annual valuation is carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institute of Chartered Surveyors (RICS) as at 1 April. Material changes will be reflected in the Accounts if they arise after the valuation.

14.4. **Other Land and Buildings**

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

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

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

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

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

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

14.6. **Infrastructure Assets**

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

14.7. **Community Assets**

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

14.8. **Assets under Construction**

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

14.9. **Valuations**

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

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

On revaluation, accumulated depreciation is written out.

14.10. **Depreciation**

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

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

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

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

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

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

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

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

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

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

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

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

15. **Leases**

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

15.1. **Finance Leases**

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

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

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

Assets recognised under a finance lease are depreciated; the depreciation policy for leased assets is consistent with the policy for other Property, plant and equipment. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset is depreciated over the shorter of the lease term and its useful economic life. After initial recognition, assets recognised under a finance lease are subject to accounting policies in the same way as any other asset.
As lessor, the Council derecognises the asset and show this as a long term debtor. Lease rentals receivable are apportioned between a charge for the acquisition of capital (applied to write down the lease debtor) and finance income – which is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The Code required this income to be treated as a capital receipt and, therefore, it is reversed out via the movement in Reserves Statement to the Capital Receipts Reserve. For finance leases that existed at 31st March 2010, regulations allow these capital receipts to remain credited to the Comprehensive Income and Expenditure Statement.

15.2. **Operating Leases**

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

15.3. **Embedded Leases**

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

Where this applies, assets are recognised in the balance sheet at the Net Book Value and offset by a Deferred Liability. The lease charge then forms part of the contract payment on behalf of these vehicles, on a straight-line basis over the life of the asset.

16. **Current Assets and Liabilities**

16.1. **Short term Debtors and Creditors**

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

16.2. **Inventories**

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

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

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

17. **Contingent Assets and Contingent Liabilities**

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

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

18. **Short term and long term Provisions**

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

19. **Reserves**

The Council holds Usable and Unusable Reserves. Usable Reserves give the Council discretion to meet expenditure without having a direct impact on Council

Tax. In contrast, Unusable Reserves do not give the Council such discretion and are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits.

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

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

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

20. Employee Benefits

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

20.1. Benefits payable during employment

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

Where considered of a material nature these are accrued.
In 2013/14, no accrual was made for any benefits earned by current employees but payable after the balance sheet as they are considered immaterial.

20.2. **Termination benefits including Exit Packages**

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

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

20.3. **Post-employment benefits**

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

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price;
  - Property – market value.
- The change in net pensions liability is analysed into five components:
  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
  - Net interest on the net defined benefit liability (asset) – the change during the period in the net liability (asset) that arises from the passage of time. This is debited/ (credited) to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of

services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.

- Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated - debited to the Comprehensive Income and Expenditure Statement.

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

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

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

21. **Financial Instruments**

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

Detailed disclosure of the Council's holding of Financial Instruments is included in Note 16 on page 46.

21.1. **Financial Liabilities**

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

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

21.2. **Financial Assets**

Financial assets are classified into two types:

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

21.3. **Loans and Receivables**

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

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

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

21.4. **Available-for-sale Assets**

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

Values are based on the following principles:

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

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

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

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

21.5. Credit Risk

The Code requires Authorities to estimate the “Fair Value” of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Council’s Financial Instruments as at 31 March 2014 and should reflect prevailing interest rates as at that date. Full details of this disclosure are included in Note 16 on page 46.

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

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

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

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

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 16 on page 46.

The Code’s disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note 18 on page 50 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 see paragraph 16.3 above).

22. Cash and Cash Equivalents

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

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

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

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

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

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

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

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

24. **Group Accounts**

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

This Council has undertaken an exercise examining all its partnership arrangements and workings with other undertakings, and has determined that it has no interests in subsidiaries, associated companies or joint ventures, however, please refer to Note 25 for the winding up of Ashford Future Company.

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

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

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

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

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

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

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

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

2. Accounting Standards that have been issued but not adopted

'The Code' requires disclosure of the impact (where material) of an accounting change required by these 'new' standards. This requirement applies to those standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2014 for 2013/14).

The following apply to these Financial Statements:

- IFRS 13: Fair Value Measurement (May 2011) - adoption has been deferred to 2014/15 at the earliest and, therefore, does not need to reported this year.
- IFRS 10: Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 27: Separate Financial Statements (as amended in 2011)
- IAS 28: Investment in Associates and Joint Ventures (as amended in 2011)
- IAS 32: Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009-2011 Cycle

3. Critical Judgements in Applying Accounting Policies

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

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

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

- In general, local authorities can recover VAT incurred on the supply of good and services. However, in certain circumstances, VAT is not recoverable. One of those relates to situations where there is a mixture of non-business and exempt business activities (such as in leisure centres) – this is known as VAT partial exemption. When this exceeds 5% of total input VAT for the authority, it must repay all of the VAT it has recovered in relation to its exempt supplies during the financial year. This situation is constantly under review and the Council does not expect the 5% limit to be exceeded.

However, should this happen, the Council will have to make provision for the repayment of VAT.

- The Council places reliance on external property valuers for the valuation and/or consideration of impairment of its property assets. Should these be found to be inaccurate, the Council faces the risk of its accounts being qualified. To mitigate this, the Council seeks advice from reputable valuers only.
- Part of the income that the Council receives from finance leases is deemed to be for the repayment of principal. Regulations require this element to be treated as capital receipts – previously, this has been credited to the Comprehensive Income and Expenditure Statement as revenue income. However, additional ‘transitional’ regulations allowed local authorities to continue the latter for all existing leases. Should these transitional regulations ever be revoked or, new leases agreed, this revenue income would be lost and the Council would be required to use the income for capital purposes only.

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

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

Item	Uncertainties	Effect if Actual Results Differ from assumptions
	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.	
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 £2.3m. A 1 year change in the mortality assumption would result in a £4.7m change in the pension liability.
NNDR appeals liability	From April 2013, the Council is. responsible for refunding successful appeals against past NNDR liabilities. An estimate of the possible effect on this Council has been taken into account in these accounts and future funding assumptions.	If the level of successful appeals exceeds the assumptions already made, the cost will fall to be met from future budgets.
Recovery of Benefit over-payments	These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.	Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts, write-offs of uncollected debt will have to be met from future budgets.
Impairment Allowance for Bad Debts	The Council has impairment allowances for bad debts totalling £3,926,000 approximately 35% of the value outstanding debt	In the current economic climate collection rates for all forms of debt have been maintained, however any decline in these rates for debt would result in a need to increase the allowance.

5. Amounts Reported for Resource Allocation Decisions

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

2012/13 Net expenditure £'000		2013/14 Expenditure £'000	Income £'000	Net expenditure £'000
1,826	Corporate Strategy & Personnel	1,649	(29)	1,620
1,113	Legal & Democratic Services	1,358	(124)	1,234
1,059	Planning & Development	3,276	(1,446)	1,830
692	Financial Services	41,582	(39,535)	2,047
294	Community & Technology	403	(85)	318
1,125	Community & Housing	6,068	(5,087)	981
8,462	Culture & the Environmnet	12,127	(3,941)	8,186
14,571	**Service Expenditure**	66,463	(50,247)	16,216
(477)	Interest			(314)
307	Levies & Grants			295
	Funded by:			
(7,402)	Government Grant			(5,618)
0	Retained Business Rates			(2,704)
(6,519)	Council Tax			(5,996)
0	Parish Precepts			0
480	**Controllable items**			1,879
0	Recharged from other accounts			0
(1,498)	Capital Charges & Interest			(1,992)
973	Transfer to/from reserves			15
(45)	**Outturn - (suplus)/deficit**			(98)

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

2012/13 Totals per CI&ES £'000		2013/14 Totals per Resources Allocations £'000	Adjustments per Acounting Code £'000	Totals per CI&ES £'000
(32,166)	Fees, charges and other service income	(11,799)	(30,877)	(42,676)
(50,915)	Grants	(38,448)	(2,761)	(41,209)
(83,081)	**Total Income**	(50,247)	(33,638)	(83,885)
14,545	Employees	13,330	1,917	15,247
8,031	Premises	3,857	4,367	8,224
55,092	Supplies and Services	49,099	2,583	51,682
629	Transport	494	146	640
9,479	Recharged from other accounts	7,665	1,003	8,668
(10,121)	Recharged to other accounts	(10,142)	(7,979)	(18,121)
6,874	Capital Charges	1,904	827	2,731
74	Transfers To/From Reserves	258	(258)	0
84,603	**Total Expenditure**	66,465	2,606	69,071
1,522	**Cost of Services**	16,218	(31,032)	(14,814)
1,084	Parish Council Precepts & Levies	295	956	1,251
348	Payments to housing capital receipts pool	0	393	393
31	Gain or loss on disposal of non-current assets	0	(726)	(726)
0	Deferred sales proceeds (long term debtors)	0	0	0
5,559	Interest payable and similar charges	(1,939)	7,451	5,512
2,250	Pension interest cost and expected return on pensions assets	0	2,227	2,227
(387)	Interest receivable and similar income	(367)	0	(367)
(7,363)	Council Tax income	(5,996)	(1,016)	(7,012)
(5,673)	Non-domestic rates	(2,704)	1,163	(1,541)
(3,301)	Non-ringfenced government grants	(5,618)	(2,724)	(8,342)
0	Capital grants and contributions	0	0	
(5,930)	**(Surplus) or Deficit on Provision of Services**	(111)	(23,308)	(23,419)
0	Recharged from other accounts	0	0	0
0	Capital Charges & Interest	0	0	0
0	Transfer to/from reserves	13	(13)	0
344	**Other Comprehensive Income and Expenditure**	0	(901)	(901)
	Totals of Resources Allocations and Code adjustments	(98)	(24,222)	
(5,586)	**Total Comprehensive Income and Expenditure**			(24,320)

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

6. Members' Allowances

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

2012/13 *£'000*		2013/14 *£'000*
282	Allowances	294
13	Expenses	13
295		307

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

7. Officers' Remuneration

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

Senior Employee Remuneration 2013/14

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

*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 2012/13 comparators

2012/13	Pay & expenses *	Benefits in kind	Total	Pension contri-butions	Total remun-eration
	restated	restated			
	£'000	£'000	£'000	£'000	£'000
Chief Executive +	117	2	119	14	133
Deputy Chief Executive & CFO +	91	5	96	12	108
Head of Cultural & Project Services	71	3	74	10	84
Head of Environmental Services	75		75	10	85
Head of Housing	74		74	10	84
Head of IT & Customer Services	74		74	10	84
Head of Legal and Democratic Services +	71	4	75	10	85
Head of Planning & Development	87	4	91	12	103
	660	18	678	88	766

Other Employee Remuneration by Band

2012/13 nos	Remuneration bands	2013/14 nos
4	£50,000 - £54,999	12
12	£55,000 - £59,999	10
1	£60,000 - £64,999	3
17		25

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

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

8. Termination Benefits

The Authority terminated the contracts of two employees in 2013/14, incurring liabilities of £35,341(£80,343 in 2012/13).

2012/13 Voluntary	2012/13 Compulsory	Exit package cost band (including special payments)	2013/14 Voluntary	2013/14 Compulsory
nos	nos		nos	nos
	2	£0 - £19,999	1	
		£20,000 - £39,999	1	
	1	£60,000 - £79,999		
0	3	Total cost included in bandings and in CIES	2	0

9. External Audit Costs

In 2013/14, Ashford Borough Council paid the following fees relating to external audit and inspection:

2012/13 £'000		2013/14 £'000
80	Fees payable with regard to external Audit services carried out by the appointed Auditor for the year	80
28	Fees payable for the certification of grant claims and returns	13
0	Fees payable in respect of other services provided by the external auditor during the year	10
108		103

10. Grant Income

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

2012/13 £'000	2012/13 £'000		2013/14 £'000	2013/14 £'000
		Credited to Cost of Services		
(50)		CLG: Homeless Initiatives	(71)	
0		DWP: Discretionary Housing Payments	(197)	
(812)		DWP: Benefit Administration Subsidy	(726)	
(44,527)		DWP: Benefits Subsidy	(36,295)	
(30)		Home Office: Community Safety	(46)	
(341)	(45,760)	Other government grants	(351)	(37,686)
(599)		KCC: Recycling Credits	(281)	
(94)	(693)	EU: Greenov funding	(39)	(320)
	(46,453)	Total credited to Cost of Services		(38,006)
		Credited to Taxation and Non-specific Grant Income		
		Non-ringfenced government grants:		
(110)		- Rate Support Grant	(3,799)	
(162)		- Council Tax Freeze Grant	0	
0		- S31 Grant NNDR	(401)	
(1,437)		- New Homes Bonus	(2,452)	
(1,592)		- Capital grants and contributions	(1,690)	
	(3,301)			(8,342)
	(49,754)			(46,348)

11. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

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

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

The Purpose of the Earmarked Reserves

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

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

- Elections reserve
- Valuation of assets
- Actuarial volatility
- Interest rate reserve
- Members' IT reserve
- Planning appeals
- Hopewell twinning reserve
- Section 106 monitoring fee

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

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

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

12. Property, Plant and Equipment

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

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

Property, Plant and Equipment continued

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

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

Property, Plant and Equipment continued

Property, plant & equipment 2012/13	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
1 April 2012	321,567	56,976	3,498	229	382,270
Additions	4,557	750	142	0	5,449
Revaluation increases/(decreases) recognised in the Revaluation Reserve	852	61	0	0	913
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	604	(28)	0	0	576
Derecognition - disposals	(636)	(713)	0	0	(1,349)
Other movements in cost or valuation	0	(3)	3	0	0
31 March 2013	326,944	57,043	3,643	229	387,859

Property, plant & equipment 2012/13	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation					
1 April 2012	625	200	111	383,206	12,093
Additions	0	0	649	6,098	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	913	533
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	576	0
Derecognition - disposals	0	0	0	(1,349)	(72)
Other movements in cost or valuation	0	0	(111)	(111)	0
31 March 2013	625	200	649	389,333	12,554

Property, Plant and Equipment continued

Property, plant & equipment 2012/13	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
Accumulated Depreciation and Impairment					
1 April 2012	(128,398)	(4,497)	(2,877)	(41)	(135,813)
Depreciation charge	(5,247)	(1,808)	(264)	(8)	(7,327)
Depreciation written out to the Revaluation Reserve		164	0	0	164
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	3,448	0		0	3,448
Derecognition - disposals	12	37	(1)	0	48
31 March 2013	(130,185)	(6,104)	(3,142)	(49)	(139,480)
Net book value					
31 March 2013	196,759	50,939	501	180	248,379
31 March 2012	193,169	52,479	621	188	246,457

Property, plant & equipment 2012/13	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
Accumulated Depreciation and Impairment					
1 April 2012	(16)	(2)	0	(135,831)	(214)
Depreciation charge	(3)	(1)	0	(7,331)	(337)
Depreciation written out to the Revaluation Reserve	0	0	0	164	213
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	3,448	0
Derecognition - disposals	0	0	0	48	0
31 March 2013	(19)	(3)	0	(139,502)	(338)
Net book value					
31 March 2013	606	197	649	249,831	12,216
31 March 2012	609	198	111	247,375	11,879

Asset Valuation

A valuation exercise and impairment review was completed by external valuers (Wilkes Head and Eve LLP). At the balance sheet date the valuers reported a rise in the year for housing property of 6%, this has been reflected in the accounts.

Depreciation

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

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

13. Revaluation gains and Impairments

There have been valuation movements of the HRA Dwellings. Please see the HRA supplementary statement, note 7 on page 71.

General Fund land and buildings were revalued as at 1st April 2013, there have been total downward valuations of £12,877,799, £8,789,048 written out through the CIES, with the remaining reversing previous year's gains through the Revaluation Reserve.

Revaluation gains amounted to £9,829,441, £6,036,301 was written to the Revaluation Reserve with the remaining £3,793,139 written through the CIES to reverse previous year gains.

Assets were valued as at 1 April 2013. A further review was conducted as at 31st March 2014 to ascertain whether there has been any 'significant' movements in values since the beginning of the year and these movements have been reflected in the accounts.

14. Heritage Assets

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

2012/13		2013/14
£'000		*£'000*
1,571	Windmills at Woodchurch & Willesborough	1,571
366	Doctor Wilkes Hall	366
750	Hubert Fountain (Victoria Park)	750
242	Mayor's regalia, including mace and badges	242
2,929		2,929

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

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

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

15. Capital Expenditure and Capital Financing

2012/13 £'000		2013/14 £'000
151,940	*Opening Capital Financing Requirement*	146,072
(1,648)	*Restatement -PFI*	
	Capital investment:	
6,098	Property, Plant and Equipment	12,557
91	Intangible Assets	10
906	Revenue Expenditure funded from Capital under Statute	710
0	HRA Subsidy Buyout	0
7,095		13,277
	Sources of Finance:	
(325)	Capital Receipts	(326)
(1,032)	Government grants and contributions (received in year)	(1,626)
(23)	Government grants and contributions (brought forward)	(94)
(4,526)	Major Repairs Reserve	(4,529)
(5,906)		(6,575)
	Sums set aside from revenue	
(1,195)	- Direct revenue contributions	(4,531)
(4,214)	- Minimum revenue provision (MRP)	(970)
(5,409)		(5,501)
146,072	*Closing Capital Financing Requirement*	147,273
	Explanation of movements in year	
9	Increase in underlying need to borrowing (unsupported by government financial assistance)	2,172
0	Grant for previous year written to CI&ES	0
(4,214)	Provision for the repayment of debt	(970)
(4,205)		1,202

Capital Commitments

At 31 March 2014, the Council has an approved capital programme for future years budgeted to cost £39.3m. The major capital commitments are:

2012/13		2013/14
£'000		*£'000*
70	Stour Centre: combined heat and plant works	355
	Housing Revenue Account - Major Projects	
0	Farrow Court Sheltered Housing Redevelopment	13,000
0	New Build Programme	3,500
	Housing Revenue Account - Existing Stock	
850	Heating programme	940
150	Kitchen Installations	1,270
300	Electrical refurbishment	400
120	Bathrooms	500
75	Water mains	300

16. Financial Instruments

Long-term	Current		Long-term	Current
31 March 2013			31 March 2014	
£'000	*£'000*		*£'000*	*£'000*
	5,943	*Cash and Cash Equivalents*		10,709
		Investments		
	17,033	Loans and receivables		12,037
	2,494	Available-for-sale financial assets	5,123	
		Unquoted equity investment at cost		
		Financial assets at fair value through profit and loss		
0	19,527	*Total Investments*	5,123	12,037
		Debtors		
	1,422	Trade Debtors		4,328
		Loans and receivables		
1,683		Financial assets carried at contract amounts	1,655	
1,683	1,422	*Total included in Debtors*	1,655	4,328
		Borrowings		
(119,471)	(193)	Financial liabilities at amortised cost	(119,664)	(38)
		Financial liabilities at fair value through profit and loss		
(119,471)	(193)	*Total included in Borrowings*	(119,664)	(38)
		Other Long-term Liabilities		
(27,862)	(269)	PFI and finance lease liabilities	(27,539)	(323)
(27,862)	(269)	*Total Other Long-term Liabilities*	(27,539)	(323)
		Creditors		
	(6,499)	Financial liabilities at amortised cost		(6,897)
(120)		Financial liabilities carried at contract amounts	(120)	
(120)	(6,499)	*Total Creditors*	(120)	(6,897)

2012/13		2013/14
£'000		*£'000*
4,293	Interest payable	5,512
(388)	Interest Income	(367)
(7)	Surplus arising from the revaluation of financial assets	(73)
3,898	Net gains/loss for the year	5,072

Fair Values of Assets and Liabilities

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

Fair Value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments using the prevailing interest rates as at 31st March 2014.

For the Council's loans the rates used to calculate fair value 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 Council had 23 loans with maturities beyond a year as at 31st March 2014 (23 as at 31st March 2013). All of these loans are with the Public Works Loan Board. The principal outstanding is £119,664,000 and the Fair Value is calculated at £123,379,300.

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

Available for sale assets 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.

17. Nature and Extent of Risks Arising from Financial Instruments

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

The Council’s Investment portfolio as at 31/03/14 was as follows:

Credit Risk

Counter party	*Maturity date*	*Amount* *£'000*	*Credit rating*
Deposit with other local authorities/government			
Rochdale MBC	30 May 2014	5,000	
Nationwide	16 Jun 2014	3,000	
Deposit with banks			
Barclays	17 Sep 2014	4,000	A
Nat West Bank	N/A	350	A
Santander	N/A	1,500	A
Bank of Scotland	N/A	3,000	A
Payden Money Market Fund	N/A	1,000	AAA
Ignis Liquidity Money Market Fund	N/A	1,000	AAA
Federated Prime Rate Money Market Fund	N/A		AAA
Investec Money Market Fund	N/A	1,000	AAA
Royal Bank of Scotland	N/A	3,050	AAA
Bonds			
Local Authority Mutual Investment Trust	N/A	5,000	AAA

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

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

Deposits are not made with banks and financial institutions unless they are rated independently with a minimum rating score of A-.

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

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

31 March 2013			31 March 2014
%		%	%
48	AAA or Local Authority's	20	68
52	A or A+	(20)	32

The overdue amount of debt held within the sundry debtors system can be analysed by age as follows:

31 March 2013 £'000		31 March 2014 £'000
423	Less than 30 days	424
201	31 days to 90 days	426
41	91 days to 364 days	436
95	More than 1 year	589
760		1,875
(500)	Impairment allowance	(335)

Liquidity Risk

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

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

Market Risk interest rates/prices/exchange rates

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

If interest rates had been 1% higher or lower during the year, this would have resulted in an increase or decrease in interest income of £0.3m and an increase or decrease in payments of £1.2m. However, the Council's long-term borrowing is predominantly fixed at current rates and therefore a material movement is not anticipated.

18. Debtors

These amounts were due to the Council:

31 March 2013			31 March 2014	
£'000	£'000		£'000	£'000
	1,388	Central government bodies		1,325
	0	Other Local Authorities		528
		Other entities and individuals:		
1,253		- Housing Tenants	1,181	
(1,020)	233	*Less* : Impairment Allowance	(872)	309
355		- Local Taxpayers/ratepayers	289	
(222)	133	*Less* : Impairment Allowance	(237)	52
4,687		- Other	7,768	
(2,279)	2,408	*Less* : Impairment Allowance	(2,817)	4,951
	4,162	Balance at 31st March		7,165

Movement in Debtors is mainly due to:

2012/13		2013/14
£'000		£'000
1,220	Benefit Subsidy owed by government	(189)
(1,132)	Other amounts owed by government	126
296	Amounts owed by housing tenants	(72)
(417)	Amounts owed by local taxpayers/ratepayers	(66)
(1,306)	Decrease in payments in advance	(104)
1,354	Amounts owed by Sundry Debtors	3,713
(568)	Change in Impairment Allowance	(405)
(553)	Movement in the year	3,003

19. Creditors

These amounts were due to be paid by the Council at 31 March 2014

31 March 2013		31 March 2014
£'000		£'000
(4,321)	Central government bodies	(897)
(416)	Other Local Authorities	(844)
	Other entities and individuals:	
(634)	- Housing Tenants	(743)
(133)	- Local Taxpayers	(163)
0	- Business Rate Payers	(441)
(2)	- Finance Leases due within one year	0
(882)	- Developer contributions	(706)
(5,191)	- Sundry Creditors	(5,776)
(11,579)		(9,570)

Movement in Creditors is mainly due to:

2012/13 £'000		2013/14 £'000
(892)	NNDR liability due to Pool	(2,826)
(842)	Other amounts owed to government	6,250
(390)	Amounts owed to Other Local Authorities	(428)
(79)	Amounts owed by housing tenants	(109)
(17)	Amounts owed by local taxpayers	(30)
0	Amounts owed by Business Rate payers	(441)
209	Change in Finance Leases	2
3,582	Change in Developer contributions	176
(3,465)	Amounts owed to Sundry Creditors	(585)
(1,894)	Movement in the year	2,009

20. Unusable Reserves

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

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

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

* Analysed in tablses (a) and (b)

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

2012/13	Revaluation balances		Adjustment accounts		
	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Sub-total
	£'000	*£'000*	*£'000*	*£'000*	
Balance at 31st March 2012	(13,537)	(44)	(86,530)	0	(100,111)
Movements in Reserves during the year					
Other comprehensive income and expenditure	(1,077)	51			(1,026)
Total comprehensive income and expenditure	(1,077)	51	0	0	(1,026)
Adjustments between accounting and funding basis under regulations			(5,714)	0	(5,714)
Net increase or decrease before transfers to/fom other reserves	(1,077)	51	(5,714)	0	(6,740)
Transfers to/from other Unusable reserves	582		(581)		1
Increase or decrease during the year	(495) *	51	(6,295) *	0	(6,739)
Balance at 31st March 2013	(14,032)	7	(92,825)	0	(106,850)

* Analysed in tablses (a) and (b)

2012/13	Adjustment accounts				
	Deferred Capital Receipts Reserve	Pensions Reserve	Collection Fund Adjustment Account	Accum -ulated Absences Account	Total Unusable Reserves
	£'000	*£'000*	*£'000*		*£'000*
Balance at 31st March 2012	(1,695)	50,258	(66)	106	(51,508)
Movements in Reserves during the year					
Other comprehensive income and expenditure		1,370			344
Total comprehensive income and expenditure	0	1,370	0	0	344
Adjustments between accounting and funding basis under regulations	28	1,712	19	51	(3,904)
Net increase or decrease before transfers to/fom other reserves	28	3,082	19	51	(3,560)
Transfers to/from other Unusable reserves	(1)				0
Increase or decrease during the year	27	3,082	19	51	(3,560)
Balance at 31st March 2013	(1,668)	53,340	(47)	157	(55,068)

(a) Revaluation Reserve:

2012/13 £'000			2013/14 £'000
	Comprehensive Income and Expenditure Statement		
(913)	Revaluation increases/(decreases) recognised in the Revaluation Reser	(6,041)	
(164)	Depreciation written out to the Revaluation Reserve	(1,707)	
0	Impairment losses/(reversals) recognised in the Revaluation Reserve	4,078	
(1,077)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(3,670)
	Transfers to/from Capital Adjustment Account		
396	Difference between fair value depreciation and historical cost depreciation	570	
186	Accumulated gains on assets sold or scrapped	72	
	Amount written off to the Capital Adjustment Account		642
(495)	Increase or decrease during year		(3,028)

(b) Capital Adjustment Account

2012/13 £'000		2013/14 £'000
(5,906)	Sources of Finance	(6,575)
(5,409)	Sums set-a-side for capital purposes	(5,501)
906	Revenue expenditure met from capital under statute	710
4,695	Removal of items not chargeable to Fund Balances	(5,371)
(5,714)	*Total accounting adjustments between funding basis under statue*	(16,737)
(582)	Adjustment with Revaluation Reserve	(642)
1	Adjustment with Deferred Capital Receipts Reserve	
(6,295)	Increase or decrease during year	(17,379)

21. Leases

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

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

The Council 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.

2012/13 £'000		2013/14 £'000
120	Other land & Buildings	120

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

	Repayment of principal	Service cost	Interest cost	Total lease payment
	£'000	*£'000*	*£'000*	*£'000*
Within 1 year	0	0	16	16
2 - 5 years	0	0	64	64
Later than 5 years	120	5	491	616
	120	5	571	696

Operating Leases

The Council has contracts for lease cars and multifunctional devices, such as photocopier/printer devices as operating leases. The Council was committed as at 31 March 2014 to making lease payments as per the following table:

2012/13		2013/14
£'000		*£'000*
132	Within 1 year	113
102	2 - 5 years	120
0	Later than 5 years	0
234		233

Council as a Lessor

Finance Leases

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

	Principal receivable	Interest	Total lease payment
	£'000	*£'000*	*£'000*
Within 1 year	18	24	42
2 - 5 years	74	94	168
Later than 5 years	1,017	453	1,470
	1,109	571	1,680

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

Operating Leases

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

2012/13		2013/14
£'000		*£'000*
261	Within 1 year	137
571	2 - 5 years	301
541	Later than 5 years	477
1,373		915

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:

2012/13		2013/14
£'000		*£'000*
255	Within 1 year	283
450	2 - 5 years	360
0	Later than 5 years	3
705		646

22. PFI and Similar Contracts

Stanhope PFI

Following discussions with the External Auditor the model for the PFI contract payments have been amended. Previously the fair value of services was assumed the same for each year of the contract, however after the discussions it has been decided to bring this into alignment with the contactors model separating out lifecycle costs. The overall value of the liability, at financial close, remains the same at £28m. This adjustment has affected the profile of the 'repayment' of the liability connected to the contract with it being written down more quickly in the early years of the contract than previously assumed, this has resulted in the prior year adjustment with a reduction in the published April 2012 balance of £1.6m. This is an accounting adjustment and makes no difference to the surplus or deficit for the year.

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

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

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

An annual unitary charge net of deductions for performance

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

These payments will be met from:

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

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

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

Analysis of minimum forecast Unitary Charge assuming 0% inflation

	Service cost	Life Cycle Costs	Repayment of liability	Interest cost	Total payment
	£'000	£'000	£'000	£'000	£'000
Within 1 year	1,099	238	852	1,464	3,653
2 - 5 years	4,597	1,439	3,089	5,395	14,520
6 - 10 years	5,857	1,401	5,101	5,570	17,929
11 - 15 years	5,796	2,917	4,882	4,070	17,665
16 - 20 years	6,073	2,199	6,638	2,465	17,375
21 - 25 years	3,683	2,158	4,128	466	10,435
	27,105	10,352	24,690	19,430	81,577

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

Extra Care Housing PFI

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

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

Other Service Contracts

The Council's contracts for refuse collection and street cleansing which include elements, expired on 31 March 2013. The new contract covers three Councils, the equipment will be used in any area, and therefore as the Council does not have exclusive use of the assets and consequently there will not be an embedded finance lease for the new contract. The total value of the contract is estimated to be £97m over 10 years to be allocated between the three contracting authorities.

23. Defined Benefit Pension Schemes

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

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

Transactions relating to retirement benefits

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

2012/13 *£'000*	Local Government Pension Scheme	2013/14 *£'000*
	Comprehensive Income & Expenditure Statement	
	Service cost comprising:	
2,258	- current service cost	2,585
159	- past service costs	81
57	Administration expenses	62
	Financing and Investment Income and Expenditure	
2,250	- net interest expense	2,227
4,724	*Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	4,955
	Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(6,404)	- return on plan assets (excluding the amount included in net interest expense)	(2,804)
1	- actuarial gains and losses arising on changes in demographic assumptions	3,097
7,483	- actuarial gains and losses arising on changes in financial assumptions	2,661
290	- other	(112)
1,370	*Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	2,842
6,094	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	7,797
	Movement in Reserves Statement	
(4,724)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(4,955)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,012	employers' contributions payable to scheme	3,157
	retirement benefits payable to pensioners	
(1,712)		(1,798)

Pension Assets and Liabilities recognised in the Balance Sheet

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

2012/13		2013/14
£'000		*£'000*
(123,765)	Present Value of Funded Obligation	(130,865)
73,661	Fair Value of Scheme Assets (bid value)	76,206
(50,104)	Net Liability	(54,659)
(3,236)	Present Value of Unfunded Obligation	(3,321)
0	Unrecognised Past Service Cost	0
(53,340)	Net Liability in Balance Sheet	(57,980)

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

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

Assets and liabilities in relation to retirement benefits

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

2012/13 £'000	Local Government Pension Scheme	2013/14 £'000
65,192	Opening fair value of scheme assets	73,661
2,979	Interest income	3,141
	Remeasurement gain/(loss)	
6,404	- return on plan assets, excluding the amount included in net interest expense	2,804
0	- other	(2,106)
3,012	Contributions from employer	3,157
619	Contributions from employees into the scheme	641
(4,221)	Benefits paid - funded	(4,764)
(267)	Benefits paid - unfunded	(266)
(57)	Administration expenses	(62)
73,661	Closing fair value of scheme assets	76,206

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

2012/13 £'000	Local Government Pension Scheme	2013/14 £'000
(115,450)	Opening balance at 1st April	(127,001)
(2,258)	Current service cost	(2,585)
(5,230)	Interest cost	(5,368)
(619)	Contributions from scheme participants	(641)
	Remeasurement (gains)/loss	
0	- actuarial gains/losses arising from changes in demographic assumptions	(3,097)
(7,483)	- actuarial gains/losses arising from changes in financial assumptions	(2,661)
(159)	Past service cost	(81)
4,221	Benefits paid - funded	4,764
267	Benefits paid - unfunded	266
(290)	Experience loss/(gain) on defined benefit obligation	2,218
(127,001)	Closing balance at 31st March	(134,186)

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

2012/13 £'000				2013/14 £'000
2946	Cash and cash equivalents	3.0%		2,286
52,300	Equity instruments:	71.0%		54,106
	Bonds			
	- gilts	1.0%	762	
9576	- other	11.0%	8,383	9,145
5,893	Property	10.0%		7,621
2,946	Target return portfolio	4.0%		3,048
73,661	Total assets			76,206

Basis for estimating assets and liabilities

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

The significant assumptions used by the actuary have been:

2012/13		2013/14
	Assumed life expectations from age 65 are:	
	Retiring today	
20.1	- Men	22.7
24.1	- Women	25.1
	Retiring in 20 years	
22.1	- Men	24.9
26.0	- Women	27.4
	Additional assumptions	
	- Members will exchange half of their commutable pension for cash at retirement	
	- Active members will retire one year later than they are first able to do so without reduction	
3.3%	Rate of inflation - Retail price index (RPI)	3.6%
2.5%	Rate of inflation - Consumer price index (CPI)	2.8%
4.7%	Rate of increase in salaries	4.6%
2.5%	Rate of increase in pensions	2.8%
4.3%	Rate for discounting scheme liabilities	4.4%

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

2012/13			2013/14	
Increase in assumption	Decrease in assumption	Local Government Pension Scheme	Increase in assumption	Decrease in assumption
£'000	*£'000*		*£'000*	*£'000*
		Longevity (increase or decrease in 1 year)		
122,279	131,780	- Present value of total obligation	129,468	138,947
2,399	2,632	- Projected service cost	2,326	2,491
		Rate for discounting scheme liabilities inflation (increase or decrease by 0.1%)		
124,439	129,650	- Present value of total obligation	131,918	136,495
2,425	2,607	- Projected service cost	2,353	2,464

The projected pension expense for the year ended 31 March 2015 are:

	2014/15
	£'000
Service Cost	2,408
Net Interest on the defined liability (asset)	2,490
Administration Expenses	64
	4,962
Employer contributions	2,830

24. Related Parties (information on elections)

Under the Accounting Standard IAS24 'Related Party Transactions' the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives. All Members and Senior Managers were written to requesting details of any relationships that could result in a related party transaction, for 2013/14, all forms were received back.

During 2013/14, no relationship declared has been considered material.

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.

25. Interest in Companies

The Council was a founding partner in the Ashford Future Company. This Company, limited by guarantee, the Council and its partners took the decision to wind down the company. All other partners resigned their directorships from the Company in June 2011 and subsequently left the partnership leaving the Council as the sole member of the company with the responsibility to wind down is affairs. The Leader of the Council was the sole director and the Deputy Chief Executive the company secretary. Both were acting in these roles at the request of the Council and did not receive any payment for the roles.

Wind down was completed during 2013/14 with the company being voluntarily dissolved and was removed from the Company House register on 11 February 2014.

The Council has formed a Building Consultancy Company and is in the process of establishing a Property Company. As at the balance sheet date, neither had commenced trading.

26. 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 £250,000 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 part of 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 can only be calculated once a set of circumstances and timescales for termination are known. See Note 22 page 58 for further disclosures.

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

The Council has 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 transferred to Homes and Communities Agency (HCA), which includes provision for the repayment of Regional Infrastructure Funding (RIF), used to pay for works to the Drovers Roundabout and the M20 junction 9 and footbridge. 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 Council's liability is limited to the total amount received in each case.

There is a risk of potential claims from Personal Search Companies in relation to fees charged for access to land charges data. This is mentioned in more detail in note 4.

The Council entered into a contract for the design and build of 44 housing units. At the time of reaching practical completion, it is the Council's view that the heating systems are defective. The Council has estimated the cost of remedying the defective heating at £119,000. The contractor disputes this and the Council is now entering in to a period of dialogue with the possibility of adjudication through the dispute resolution procedures which are provided for within the contract.

27. 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 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.

28. Events after the Balance Sheet Date

On 11 April 2014 the Council completed the purchase of International House for £10.2m; this is to be funded from unsupported borrowing and will generate a revenue stream for the Council.

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

2012/13 £'000		2013/14 £'000
	Adjustment for items that are operating activities	
(7,331)	Depreciation	(7,017)
4,024	Impairment and downward valuations	13,991
(87)	Amortisation	(55)
(1,301)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(1,548)
(4,695)	Items relating to Capital Adjustment Account	5,371
(17)	Deferred sale proceeds	
0	Increase/decrease in inventories	(3)
(639)	Increase/(decrease) in impairment for bad debts	(405)
85	Increase/decrease in debtors	3,395
(3,465)	Increase/decrease in creditors	2,929
(1,712)	Movement in pension liability	(1,798)
94	Contributions to/from Provisions	(1,157)
(43)	Other non-cash items charged to the net surplus of deficit on the provision of services	196
(10,392)	*Total non-cash adjustments of operating activities*	8,528

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

2012/13 £'000		2013/14 £'000
	Adjustment for items that are investing and financing activities	
	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	
1,311	Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	2,324
576	Capital grants and contributions applied	65
1,680	Other items for which cash effects are investing or financing cash flows	1,076
3,567	*Total non-cash adjustments of investing and financing activities*	3,465

31. Cash Flow Statement - Operating Activities

2012/13 £'000		2013/14 £'000
3,497	Interest paid	3,806
(265)	Interest received	(300)
3,232	*Net cash flows from investing activities*	3,506

32. Cash Flow Statement - Investing Activities

2012/13 *£'000*		2013/14 *£'000*
7,606	Purchase of property, plant and equipment, investment property and intangible assets	11,648
157,950	Purchase of short-term and long-term investments	178,313
1	Other payments for investing activities	0
(1,311)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,324)
(159,450)	Proceeds from short-term and long-term investments	(180,810)
(566)	Other receipts from investing activities	(65)
4,230	*Net cash flows from investing activities*	6,762

33. Cash Flow Statement - Financing Activities

2012/13 *£'000*		2013/14 *£'000*
	Other receipts from financing activities	
(1,315)	- the difference between the cash collected from NNDR taxpayers and the amount paid into the pool	(1,500)
990	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	970
1,500	Repayments of short- and long-term borrowing	0
	Other payments for financing activities	
(355)	- the difference for billing authorities in England between the preceptors' share of council tax cash collected and net cash paid to preceptors for their precept and settlement of the estimated surplus/deficit on the Collection	428
820	*Net cash flows from financing activities*	(102)

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

31 March 2013 *£'000*		31 March 2014 *£'000*
6	Cash held by the Council	17
(703)	Bank Current Accounts	(208)
6,640	Bank Call Accounts	10,900
5,943	Movement in the year	10,709

35. Provisions

2012/13 £'000		2013/14 £'000
0	NNDR Appeals	(1,200)
(297)	Municipal Mutual Insurance	(237)
(217)	Lift Renewal (Edinburgh Road)	(234)
(514)		(1,671)

The reasons for movement in provisions are:

2012/13 £'000		2013/14 £'000
(16)	Additional provision made in year	(1,217)
	Amounts used in year	60
110	Unused amounts reversed in year	
94	Movement in the year	(1,157)

Supplementary Single Entity Statements
Housing Revenue Account

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

2012/13		2013/14	
£'000		*£'000*	*£'000*
	Expenditure		
3,524	Repairs and maintenance	3,926	
4,655	Supervision and management	4,313	
0	Rents, rates, taxes and other charges	60	
1,266	Special services	1,346	
0	Negative HRA Subsidy payable	0	
5,445	Depreciation	5,441	
(4,052)	Impairment of non-current assets	(13,506)	
2	Debt management costs	95	
129	Movement in the allowance for bad debts	(83)	
	HRA self-financing - revenue expenditure funded from capital under statute		
10,969	*Total Expenditure*		1,592
	Income		
(21,457)	Dwelling rents	(22,158)	
(481)	Non-dwelling rents	(478)	
(753)	Charges for services and facilities	(742)	
(52)	Leaseholder charges for services and facilities	(136)	
(531)	Contributions towards expenditure	(610)	
	Sale of land	(10)	
(3,000)	PFI Subsidy receivable	(3,090)	
(26,274)	*Total Income*		(27,224)
(15,305)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(25,632)
518	HRA services' share of Corporate and Democratic Core		504
343	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		371
(14,444)	Net Cost for HRA Services		(24,757)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(529)	Gain or (loss) on sale of HRA non-current assets		(815)
	Other capital receipts		
348	Payment to Housing Capital Receipts Pool		
3,742	Interest payable and similar charges		5,570
1,748	Interest payable on PFI contracts and Finance Leases		
(26)	Interest and investment income		(53)
241	Net interest on the net defined benefit liability (asset)		388
(8,920)	(Surplus) or deficit for the year on HRA services		(19,667)

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 2014 is given in the table below:

31 March 2013		31 March 2014
Units	*Dwellings by type*	*Units*
3,504	Houses and bungalows	3,496
1,458	Flats, bedsits and maisonettes	1,454
80	New development dwellings	80
5,042		5,030
(320)	*Less* properties managed under Stanhope PFI	(319)
4,722		4,711

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

31 March 2013		31 March 2014
£'000		*£'000*
199,599	Operational assets - dwellings, land and buildings	213,748
12	Non-Operational assets	3
199,611		213,751

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2013 was £620,426,000 (£617,213,000 as at 1 April 2012). The difference between this and the Balance Sheet value shows the economic cost to Government of providing council housing at less than open market rents.

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

3. Major Repairs Reserve

2012/13	*Movements in year*	2013/14
£'000		*£'000*
(3,010)	Balance at the end of the previous year	(3,684)
(5,200)	Amount transferred to the Reserve during the year	(5,441)
4,526	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	4,529
	Reversal of depreciation (other than Council Dwellings)	242
(3,684)	Balance at the end of the financial year	(4,354)

4. Summary of Capital Expenditure and Financing

2012/13 £'000		2013/14 £'000
	Capital investment:	
4,526	Expenditure on Existing Dwellings	4,559
0	Expenditure on New Stock Purchases	2,363
31	Expenditure on new developments	2,787
4,557		9,709
	Sources of Finance:	
(31)	Capital Receipts	(144)
(4,526)	Major Repairs Reserve	(4,529)
0	External Contributions - HCA Grant	(1,406)
0	Revenue Contribution from the Housing Revenue Account	(3,630)
(4,557)		(9,709)

5. Capital Receipts from Disposal of Assets

2012/13 £'000		2013/14 £'000
(957)	Receipts from Right-to-buy sales	(2,264)
(122)	Receipts from the sale of Housing land	(36)
(171)	Other non right-to-buy sales	0
(1,250)	Total receipts	(2,300)
39	Costs of disposal	47
(1,211)		(2,253)

6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £5,442,000 (2012/13, £5,444,000), summarised below:

2012/13 £'000		2013/14 £'000
5,200	Council dwellings	5,200
47	Council dwellings (New Builds)	48
195	Council garages	192
2	PV panels	2
5,444		5,442

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

7. Valuations

Land and Buildings are held individually and the total housing stock had increases and decreases in valuation. A total downwad valuation of £2,378,873 was recognised and charged to the Housing Revenue Account. The Value of the

Housing stock increase was £15,958,737, with £15,884,892 being credited to the Housing Revenue Account, with the remainder increasing the Revaluation Reserve Account. Garages increased in value by £171,801.

8. Pensions

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

2012/13 *£'000*		2013/14 *£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
394	- current service cost	450
28	- past service costs	14
10	- administration expenses	11
	Financing and Investment Income and Expenditure	
392	- net interest expense cost	388
824	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	863
	Movement in Reserves Statement	
(687)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(863)
	- actual amount charged against the General Fund Balance for pensions in the year:	
525	employers' contributions payable to scheme	550

9. Rent Arrears

During the year 2013/14 arrears totalling £62,000 (£57,000 - 2012/13) were written off to the Impairment allowance for bad debts held outside the HRA as they were considered to be uncollectable. The balance on the provision at 31 March 2014 was £876,000 (£1,020,500 at 31 March 2013).

31 March 2013 *£'000*		31 March 2014 *£'000*
1,096	Gross arrears	859
(478)	*Less* Pre-payments	(421)
618		438

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.

2012/13 Business Rates £'000	2012/13 Council Tax £'000		2013/14 Business Rates £'000	2013/14 Council Tax £'000
		Income		
	(65,813)	- Council Tax		(59,023)
(44,616)		- Business Rates	(45,014)	
(44,616)	(65,813)	*Total Income*	(45,014)	(59,023)
		Expenditure		
		Precepts, Demand & Shares		
	48,277	- Kent County Council	4,008	43,148
	6,390	- Kent Police Authority		5,826
	3,131	- Kent and Medway Fire Authority	445	2,798
	7,325	- Ashford Borough Council (including Parish Precepts)	17,816	7,005
43,552		- Central Government	22,269	
43,552	65,123		44,538	58,777
		Charges to the Collection Fund		
776	(2)	- Write-Offs of uncollectable amounts	28	1
109	314	- (Increase)/Decrease in Bad Debt Provisions	66	194
		- (Increase)/Decrease in Provision for Appeals	3,000	
		- Disregarded amounts		
179		- Costs of Collection Allowance	179	
1,064	312		3,273	195
		Contributions		
	567	- Towards previous year's estimated Collection Fund Surplus		500
44,616	66,002	*Total Expenditure*	47,811	59,472
0	189	Deficit/(Surplus) in Year	2,797	449
0	(657)	Balance at 1st April	0	(468)
0	(468)	Balance at 31st March	2,797	(19)
		Apportionment of Balance to Preceptors/Borough Council		
	(352)	- Kent County Council	252	(14)
	(46)	- Kent Police Authority		(2)
	(23)	- Kent and Medway Fire Authority	28	(1)
	(47)	- Ashford Borough Council	1,119	(2)
		- Central Government	1,398	
	(468)		2,797	(19)

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.

2012/13		2013/14
£'000		*£'000*
	Total Non-Domestic Rateable Values at:	
113,176	- 1st April	114,775
114,775	- 31st March	115,478
1,599	Increase/(decrease) in year	703

2012/13		2013/14
p		*p*
	Uniform rate (multiplier) set by the government:	
45.0	For rateable values below £18,000	46.2
45.8	For rateable values £18,000 and above	47.1

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:

	2012/13			2013/14		
Band	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (a)*	*Multi-pliers (b)*	*Band D equivalents properties (a x b)*	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (c)*	*Multi-pliers (d)*	*Band D equivalents properties (c x d)*
A with disabled relief	2.50	5 /9	1.40	3.20	5 /9	1.80
A	3,018.20	6 /9	2,012.10	3,219.20	6 /9	2,146.10
B	10,370.10	7 /9	8,065.60	10,596.10	7 /9	8,241.40
C	11,127.30	8 /9	9,890.90	11,361.50	8 /9	10,099.10
D	7,682.30	9 /9	7,682.30	7,860.10	9 /9	7,860.10
E	5,843.50	11 /9	7,142.10	5,920.50	11 /9	7,236.20
F	4,769.20	13 /9	6,888.80	4,823.00	13 /9	6,966.60
G	2,851.60	15 /9	4,752.70	2,888.00	15 /9	4,813.40
H	170.70	18 /9	341.30	177.00	18 /9	353.90
Sub-total			46,777.20			47,718.60
Estimated Collection Rate			98.5%			97.5%
Tax Base before Council Tax Support						46,525.70
Less Council Tax Support						(5,345.70)
Council Tax Base			46,075.54			41,180.00

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 equivalents and this is used when authorities set their council tax. If a property is within a parished area an additional charge will be made for the Parish Council.

2012/13 £		2013/14 £
1,047.78	Kent County Council	1,047.78
138.68	Kent Police Authority	141.47
67.95	Kent and Medway Fire Authority	67.95
140.67	Ashford Borough Council	145.45
1,395.08	Council Tax - basic amount	1,402.65
18.32	(including Parish Precepts)	24.67
1,413.40	Council Tax - Borough average	1,427.32

4. Precepts

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

2012/13 *£'000*		2013/14 *£'000*
	Precepts	
48,277	- Kent County Council	43,148
6,390	- Kent Police Authority	5,826
3,131	- Kent and Medway Fire Authority	2,798
57,798		51,772
	Demand	
6,481	- Ashford Borough Council	5,990
844	- Parish Precepts	1,015
65,123		58,777

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

2012/13 *£'000*		2013/14 *£'000*
202	Tenterden Town Council	305
70	Kingsnorth	92
50	Charing	65
48	Biddenden	43
52	Great Chart with Singleton	68
43	Wye with Hixhill	54

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

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

Opinion on the Authority financial statements

We have audited the financial statements of Ashford Borough Council for the year ended 31 March 2014 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 2013/14.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer’s 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Ashford Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Ashford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

Andy Mack
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
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NW1 2EP

26 September 2014

Glossary update

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

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

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

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

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

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

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

Capital Financing – funds used to pay for capital expenditure.

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

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

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

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

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

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

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

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

Creditors – money owed by the Council to others.

Debtors – money owed to the Council by others.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outturn – actual income and expenditure in a financial year.

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

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

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

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

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

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

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

Revenue Expenditure Funded from Capital Under Statute – expenditure that does not result in the creation of a 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

Deputy Chief Executive

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25 September 2014

Dear Sirs

Ashford Borough Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Ashford Borough Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

a. Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

ii We have materially complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements, however our de-cluttering of the accounts has led to some areas where we do not comply fully to the letter of the code; this has been agreed with our external auditors iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

vii Except as stated in the financial statements:
  a there are no unrecorded liabilities, actual or contingent
  b none of the assets of the Council has been assigned, pledged or mortgaged
  c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii We believe that the Council’s financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council’s needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

b. Information Provided

xiv We have provided you with:
- a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- b additional information that you have requested from us for the purpose of your audit; and
- c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xv We have communicated to you all deficiencies in internal control of which management is aware.

xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- a management;
- b employees who have significant roles in internal control; or
- c others where the fraud could have a material effect on the financial statements.

xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

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

xxi We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

c. Annual Governance Statement

xxiii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 25 September 2014.

Signed on behalf of the Committee

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Agenda Item No:	6
Report To:	**Audit Committee**
Date:	26 September 2014
Report Title:	Six Monthly Strategic Risk Review
Report Author:	Ian Cumberworth

ASHFORD
BOROUGH COUNCIL

Summary:	This report sets out the position in respect of the Council's risk management arrangements.

Key Decision:	NO
Affected Wards:	N/A
Recommendations:	**Audit Committee is asked to:-** Members note the strategic risk management review report and approve the arrangements for managing strategic risks as set out in the report.
Policy Overview:	The report supports all of the Corporate priorities by ensuring that we are well managed, proactive and deliver value for money services. Risk management also forms part of the Corporate Governance framework.
Financial Implications:	None directly
Risk Assessment	Risk is the basis of the report
Equalities Impact Assessment	No
Other Material Implications:	None
Background Papers:	None
Contacts:	Ian.cumberworth@ashford.gov.uk – Tel: (01233)

Report Title: Strategic Risk Review

Purpose of the Report

1. The report sets out the arrangements in place for Strategic Risks and reflects the position after the recent risk refresh exercise undertaken in August 2014. Management Action Plans have been updated and amended to reflect the action being taken to manage these.

2. To fulfil our corporate governance responsibilities we must manage risk effectively. This report sets out the current position on strategic risks, reflecting changes agreed by Management Team.

Issue to be Decided

- Audit Committee is asked to approve the arrangements in place to manage the Council's strategic risks

Background

3. This report updates members on the approach to risk management within the Council and the on-going developments.

4. The Council has monitored and reviewed the Strategic Risk register during the year and has adjusted the risk profile accordingly to reflect the changing risk environment. Regular reports have been taken to Audit Committee for consideration.

5. The current risk profile of strategic risks within the organisation is shown in Appendix 1 (Strategic Risk Profile) Each risk has been scored onto the risk matrix graph. The shaded top right hand area of the matrix represents the authority's highest risks

6. Of the three risks that currently sit above the authorities risk tolerance threshold, one score has improved in respect CSR 9 Infrastructure however it still remains within this threshold.

	Corporate Strategic Risk (CSR)	Target Score	Score as at March 2014	Movement	Current score August 2014
1a	**Economic Growth**	3/2	4/3	⇔	4/3
1b	**Right mix of quality housing**	3/3	4/3	⇔	4/3
9	**Infrastructure**	5/3	6/3	⇩	5/3

7. The table below sets out the movements in the risk scores since March 2014 to the 31st August 2014.

	Corporate Strategic Risk (CSR)	Target Score	Score as at March 2014	Movement	Current score August 2014
1a	**Economic Growth**	3/2	4/3		4/3
1b	**Right mix of quality housing**	3/3	4/3		4/3
2	**Volatile Income Streams**	5/2 4/2	5/2		4/2
3a	**Community Demands**	2/2	3/2		3/2
3b	**Consequences of Welfare Reform including Universal Credit**	3/3 3/2	3/3		3/2
4	**Opportunities for Localism**	2/3 2/2	3/3		3/3
5	**Workforce Planning**	3/2	3/3		3/3
6	**Members skills, capacity & experience**	2/2	3/2		3/2
7	**Business Planning**	3/3	4/3		3/3
8	**Housing**	3/3	3/3		3/3
9	**Infrastructure (possibly reduce score RA e-mail)**	5/3	6/3		5/3

8. Four risks scores have improved since the last risk report was considered by this committee and have been amended to reflect this improvement.

CSR 2 Volatile Income Streams
CSR 3b Consequences of Welfare Reform including Universal credit
CSR 7 Business Planning
CSR 9 Infrastructure

In addition it is also proposed to reduce the target risk scores for CSR 2 Volatile Income Streams, CSR 3b Consequences of Welfare Reform including Universal Credit and CSR 4 Opportunities for Localism

9. The rationale for amending the respective risk scores is set out in summary on each of the affected Management Action Plans (CSR 2,3b,7,9 and 4 in respect of adjusted target score) (Appendix 2)

10. 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

All action plans have previously been considered and agreed by Management Team (Appendix 2)

11. The designated Heads of Service (risk owners) are responsible for keeping their action plans under review and amending them accordingly to reflect the changing risk environment.

12. Risk management is incorporated into Cabinet pro forma decision sheets that require risk to be considered as part of the decision process where appropriate.

13. Risk continues to be incorporated into Project Management arrangements

14. Periodic management reports are taken to Cabinet and Audit Committee to inform them of the actions taken by management to mitigate/manage corporate risks.

Risk Assessment

20. The Council is a complex organisation and 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 effectively managed.

Other Options Considered

22. 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.

Consultation

23. All risks have been reviewed by Management Team and considered by the Audit Committee which receives periodic reports on risk management. The Heads of service/members (the ‘risk owners’) are consulted in order to establish the actions that are being taken to manage the Strategic Risks.

Implications Assessment

24. A strategic risk register with proper arrangements in place for monitoring the management of the risks, should be seen as a key element of the Council’s governance/strategic management arrangements

Contact: Ian Cumberworth

Email: ian.cumberworth@ashford.gov.uk

CONSOLIDATED RISK PROFILE APPENDIX 1

ASHFORD BOROUGH COUNCIL
STRATEGIC RISK PROFILE August 2014
RISK MATRIX

Likelihood	1	2	3	4
6				
5			9	
4		2	1a,1b,	
3		3a, 3b,6,7	4, 5,8	
2				
1				

Impact

Likelihood
6 Very High
5 High
4 Significant
3 Low
2 Very Low
1 Almost Impossible

Impact
4 Major
3 Severe
2 Medium
1 Negligible

Risk No	Strategic Risk	Score
1a	Economic Growth	4 / 3 Significant / Severe
1b	Mix & Quality of Housing	4 / 3 Significant / Severe
2	Volatile Income Streams	4 / 2 Significant / Medium
3a	Community Demand & Expectations	3 / 2 Low / Medium
3b	Consequences of Universal Credit	3 / 2 Low / Medium
4	Opportunities for Localism	3 / 3 Low / Severe
5	Workforce Planning	3 / 3 Low / Severe
6	Members skills, capacity & experience	3 / 2 Low / Medium
7	Business Plan	3 / 3 Low / Severe
8	Housing	3 / 3 Low / Severe
9	Infrastructure	5 / 3 High / Severe

Management Action Plan Risk 1a Economic Growth Risk Owner Richard Alderton

Likelihood		Impact 1	Impact 2	Impact 3	Impact 4
	6				
	5				
	4			1a	
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
1a	4/3 Significant/ 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**.** As the market improves this risk will diminish.			

Actions/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review Frequency	
Promotion of economic development through dedicated ED team with increased staffing; planning – targeted approach to major employment schemes and 'business friendly' service, site negotiations and approvals; media and marketing activities	Adequate – additional staffing recruited and a targeted approach being taken to key projects	Continued focus on 'economic growth' approach across the Council as part of the medium term financial strategy and the Unit's own priority approach to business activity Resource levels need to be kept under review for major applications handling **following recent injection of additional staff capacity** to cope with the large peak in major schemes over the next 2 years. Carefully risk assessed approach to bring forward development in an emerging market without undue risk exposure for the Council. Management of property assets to maintain strong income flow as central Government direct grants to local authorities reduce.	Richard Alderton	Identify additional actions to promote economic activity - promote those that exist already	3 months	[Milestones/deadlines] [deadlines/milestones]
Intervention by the Council to deliver the Commercial Quarter – in process of purchasing International House and surrounding land and then committed to brining forward a phase 1 office proposal	Adequate – due diligence carried out and measures to share risk of development with private sector being pursued	Strategic Delivery Board set up to help drive project delivery. Regular meetings are **also** held to review progress and stimulate action with the HCA.	John Bunnett	Progress in bringing forward phase 1 office scheme; maximising rental income stream from well managed investment	3 months	
Range of partnership activity with the *Strategic Delivery Board*, Locate in Kent, Homes and	Adequate	East Kent Regeneration Board continues to address collective input that can be applied to economic objectives and	Richard Alderton	'Big 8' project delivery progress and	3 months	

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- injection of new ED staffing resources is now helping to deliver projects	secure maximum investment into Ashford and East Kent from the South East LEP. Regular working with LIK continues. Key areas are now being delivered **-** (e.g. the town centre through the Town Team, the Town Team Manager in post;TCAT; **the website and app; and the farmers market**); continue to apply market sensitive approach to deferred contributions (e.g. Charter House); maintain commitment to GREENOV project and continue successful promotion of rural broadband project.	 Andrew Osborne	financial support achieved through the LEP and other funding sources Concentrate resources on key priorities and apply any extra on a risk assessed basis to new opportunities		

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. The market has generally responded positively and reports to Committee routinely address this issue. **Proposed national changes, however, threaten local space standards – the Council has expressed concerns.**	Lois Jarrett	High quality living conditions and community building	Annual	
Quality Agreement’ approach being trialled at Chilmington Green with the potential to be adopted elsewhere	Adequate	Quality Agreement signed by developer team. **Work on Design Code well progressed along with a business plan to guide the work of the** Quality Monitoring Team. **Heads of terms for the s106 agreement include a significant developer contribution to costs of running CMT.** Schemes negotiated on viability grounds are reducing the supply of affordable housing – the impact needs to be kept under review (and balanced against the high levels of delivery over the last decade).	Richard Alderton	Developer team sign up to Quality Monitoring Team and completion of Design Code; Quality place making; quality build and full attention to community development	Annual	
Implications of policy relaxations and deferred payments needs to be kept under review	Adequate	An improving market increases the prospect of securing contributions that were deferred. Programme of awareness raising for officers and members on garden city principles to help refine current approach **(including recent visits to two schemes**	Richard Alderton	Adequate mix of housing delivered to address needs as far as possible	3 months	[Milestones/deadlines]

		in Sussex)***;*** member reviews of completed development underway; specific approach being taken at Chilmington Green which will be taken forward in phase master-plans.				
Master plans to help shape density plans and help quality place-making, including new focus on garden city principles	Adequate		Richard Alderton	Understanding and support for clear set of development objectives to drive high quality living environments and ‘place-making’.		

Management Action Plan Risk 2

Volatile Income Streams –

Medium Term Financial Planning Risk Owner Paul Naylor

Likelihood					
	6				
	5				
	4		**2**		
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Risk Description
2	4/2 Significant/ Medium	4/2 Significant/ Medium	The possibility that financial planning assumptions about **<u>key income steams</u>** <u>are affected by volatility</u> through the changing legislative and economic environment
Vulnerability: The Council's medium term planning assumptions about income streams are vulnerable to a number of factors including 2013 legislative change introducing local council tax support schemes, local partial retention of business rates, new homes bonus, and also economic conditions impacting on local service income and returns on investments.			

Summary: This risk is concerned with the council's approach to financial planning, with the strength and frequency of associated processes, and the robustness of key assumptions on which the plan is based. For some years the council's forward financial planning arrangements have been well-regarded and have received favourable comments from our external auditors, this continues. Since the last update (in March) the focus has further increased as the forecasts for the future show a tightening financial prospect with government grants reducing significantly, this on top of significant cuts already. However, the local economic prospects are more favourable and provide strong potential for the council to benefit from the government's relatively new and more favourable financial flexibilities (commercialism using the Localism Act, the local retention of part of the business rate, and new homes bonus). Cabinet members and the management team are intently focused on the challenges and the opportunities and some early and significant decisions about reducing the budget have already been made this year, with further decisions planned in the upcoming budget cycle. Further, the economy generally continues to improve reducing the risks of significant downside local income volatility, with greater potential now for upside variances. Taking all of this into consideration it is considered the focus and processes surrounding this whole issue allow the risk score to be reduced down one category to: **Significant Likelihood (from High)/ Medium Impact (no change). The target score is similarly revised.**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current position at September 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
1. Robust medium term financial and service planning, informed by reasonable data and assumptions	Strong	MTFP process continues to develop ensuring stronger awareness and direct input by the Leader and Cabinet in plan formulation. Given the medium term outlook an early update of the MTFP was carried out over the summer with Cabinet and the management team. This led to a first formal report to Cabinet in July including revised assumptions and plans for further significant savings in costs and greater income levels. The plans were then scrutinised by the Overview and Scrutiny Committee's Budget Task Group, and generally found to be sound, and were supported. Members will have further opportunity to assess and scrutinise plans as specific recommendations develop. Assumptions, which are made after considering a whole range of factors and external advice, remain cautious, even though economic prospects are more encouraging locally, which provides grounds for optimism over local income sources. A further formal MTFP review is to be completed in the autumn with more budget	BL and PN	Across all points, success would be measured through: • Ideally good predictions leading to good plans and not too many surprises • Effective scrutiny • Well informed organisation • External acknowledge-ment of good methods, for	Across all points PN and BL to review progress and effectiveness with MT, Leader, and portfolio holder on periodic basis. Formal reports on MTFP at least twice yearly and available for scrutiny input.	Autumn and early winder period of 2015 see the commencement of the 2015-2016 budget cycle when several key government announcements are expected and

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current position at September 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
		measures likely to be proposed as part of the upcoming 2015-2016 budget cycle. The finance team continues to develop its forecasting focus as planned earlier in the year. Business rates forecasting is enhanced considerably through the purchase of specialist software and a third party service, and also through further enhancements in information sharing by the Valuation Office Agency. Overall the MTFP process is robust, with greater staff resources deployed and regular focus devoted by the management team, portfolio holder and cabinet.		example from external auditors.		
2. Regular income monitoring through budget management (council tax, business rates yield, new homes bonus and service income)	Strong	Council tax yield (including the costs of the local council tax support scheme) and business rates yield are monitored closely on a regular basis. Results continue to inform routine budget monitoring and financial planning work through the leader and cabinet briefing process and reports to cabinet. The most recent report being to Cabinet on 4 September, highlighted an encouraging position against the current year's budget estimates.	BL and PN	see first page	See first page	
3. Development of corporate data sets that enhance knowledge of business rates growth and	Developing	The development work is still ongoing. Finance will keep all data processes under review to ensure regular monitoring works	BL/strategic planning policy team			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current position at September 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
risks, and in-year progress with the council tax base for new homes bonus purposes; plus service usage and demand trends to inform financial planning.		smoothly. A corporate information data set is agreed, with arrangements to capture data with ease currently in development; new information will be incorporated into the budget monitoring reports. Outcomes from these processes will further strengthen the basis for medium term planning and decision-making, and budget management processes.				
4. Flexible financial and service management ability to adjust priorities or to take corrective actions	Strong	Financial management controls and procedures have been kept under review to ensure decision-making protocols are appropriate if circumstances change. Cabinet has agreed certain income and investment targets, and also the decision to establish two arms length companies has been implemented. All of these arrangements have appropriate governance structures in place to ensure advice is provided, that risks and opportunities are managed, and that there is accountability for decisions. Note that our financial management arrangements continue to be well-regarded by our external auditors, as commented on in the last annual audit letter. At the time of writing, the 2013-2014 accounts and the arrangements supporting them are the subject of external audit, with the opinion due to be reported to the Audit Committee on 25 September.	BL	See first page	See first page	

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current position at September 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
5. 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)	Strong	The finance team have maintained regular briefings for the management team and members on importance of managing income opportunity and risk and of legislative developments in this area. A briefing on risk management was provided to the Audit Committee in June. Furthermore the briefings to and continued work of the council tax and welfare reform task group ensure members are well-informed on matters specifically relating to the government's welfare reforms.	BL			
6. New income generating opportunities and risk	Good	Since the last update, the council has implemented arrangements for its two arms length companies aimed at helping to achieve quality services, affordable housing growth and additional income to the budget. Further, Cabinet has agreed an asset related borrowing and investment strategy with a potential value of up to £40million utilising the council's prudential borrowing capacity and a prudent level of reserves. This strategy is an aim and has appropriate governance in place to ensure opportunities and risks are fully considered and decisions appropriately taken by Cabinet and the Full Council. These measures reflect the MTFP need for more emphasis on commercial approaches to generating new sources of income as government grants are expected to reduce to	PN and BL			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current position at September 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
		de minimis levels over the coming years.				

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	Risk Description
3a	3/2 Low/ Medium	2/2 Very Low/Medium	The possibility that **the Council fails to fully understand levels of demand / fails to manage expectations / fails to provide relevant services to the local community**
Vulnerability: The Council continues to manage a reducing resource base at a time when the needs of the community are increasing, through 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, especially when coupled with a decreased guarantee of government funding and year on year budget pressures.			

Summary

Work to mitigate against this risk currently runs at an average of ‘good’ to ‘strong’ across most actions / controls. The Council remains active in engaging with the community, from the voluntary and community sector to representatives of other relevant local public bodies and Boards. There has been further embedding of the knowledge and understanding which underpins such relationships.

Action/controls already in place	Adequacy of action/control to address risk	Current position (September 2014)	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
▪ Aligned funding to VCS with the corporate priorities of the council through SGG	Good	A Review of the VCS will be conducted once location issues have been resolved In recognition of the difficult financial situation faced by the Voluntary & Community Sector, in February 2014 Cabinet agreed to maintain discretionary rate relief allocations at current levels for two years (with potential for future reviews). This major review of funding provides a good foundation and a major step forward in the Council's understanding of the VCS.	Policy Team		Annually	**Many are ongoing, organic projects rather than milestoned** [Milestones/deadlines]
▪ Rolled out liaison officers to local communities (see 4). Much work is now embedded in service areas.	Good	Liaison officers offer ongoing communications and facilitation mechanism in certain rural areas	Paul Naylor			
▪ Updated corporate strategy (Focus 2013-15) agreed by Cabinet in October 2013	Strong	Published on the Council's website; enhanced resources agreed to enable delivery of important projects. The focus has now shifted to key deliverable projects and broader objectives	Policy Team			
▪ Community consultations are integral to the review of the Core Strategy – During 2014 a large number of community meetings have been held to help develop it	Strong		Richard Alderton	Lack of substantive objections to upcoming policy changes		

◘ The council actively engages with community groups such as the Parish Forum, Kent Associations of Local Councils (KALC) and urban community forums through various avenues (examples being the Rural Conference and breakfast meetings)	Good	Continue to liaise with residents and community representatives over any substantive changes to council operations e.g. finance through Parish Finance Working Group	Policy Team			
◘ Understanding of local economic, demographic and governance issues to incorporate into more detailed policy-setting (see 2.)	Good and improving	Ongoing – new community governance options for the Ashford urban area are currently being explored. As with the previous update, Community Urban Forums are currently undertaking consultation. Datasets are pulled together through the Economic Development and Financial Plan	Policy Team	A compliant exercise to review community governance arrangements		
◘ Used existing and new partnerships to reach out and understand better the needs of local communities	Good	Ongoing to maintain active engagement and membership of strategic partnership groups i.e. Health & Well Being Board, Community Safety Partnership, Ashford Strategic Delivery Board. These groups are now more embedded, with good governance arrangements.	Policy Team			
◘ Consulting / Implementing a new Council Tax Benefit scheme to comply with government policy	Good	Local scheme for 2014/15 implemented following Members' review and public consultation. Substantial focus on welfare reforms achieved through partnership working and a Member Task Group focus	Paul Naylor	New Business Rate Relief Scheme agreed		

Management Action Plan Risk 3b Consequences of Welfare Reform, including Universal Credit

Risk Owner Paul Naylor

Likelihood	6				
	5				
	4				
	3		**3b**		
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Risk Description
3b	3/2 Low/Medium	3/2 Low/Medium	The possibility the Council fails to anticipate **the consequences of the welfare reforms including the introduction of the Universal Credit** / 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.			

Summary: The council's work on responding to and managing the impacts of the welfare reforms for affected residents remains pro-active and strong. Plans are comprehensive with regular member and officer focus, with adjustments made to services as appropriate and reasonable according to circumstances. Recently the council has agreed to develop an operational partnership service with local Job Centre Plus, and other local partners. This pilot is aimed at testing the real scope for working in partnership on current and future welfare related issues, including the planned Universal Credit. This is a further example of the council's forward planning and approach to managing this strategic risk. As impacts are responding positively to the council's plans and with improvement in the local economy the risk is reducing, and hence it is considered appropriate to downgrade the risk score by one category to: **Low/Medium, with a similar downgrading of the target score.**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current Position at March 2014	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 Universal Credit (UC).	**Strong**	Internal officer group continues its regular focus on the welfare reforms and the impacts locally. The group has regular participation from the local DWP partnership manager, with the local Job Centre Plus manager also participating in the member and officer task group. Since March, Cabinet approved that the council work towards a co-located support service partnership with local JCP to operate out of International House. This is now in the development phase and is due to be operational in October. This is part of the council's pro-active stance on the welfare reforms, and of its forward planning for the potential support arrangements for Universal Credit when implemented (currently expected in 2016). This co-located service arrangement will involve partners from the voluntary sector also, with part-time presence of the local CAB agreed in principle. This new arrangement is an 'informal' pilot under the DWP's criteria, but will operate as far as possible to similar monitoring principles as if a formal DWP pilot.	Internal Officer Welfare Reform Working Group, and the Member Council Tax and Welfare Reform Task Group will oversee and monitor this plan.	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 2016 and then beyond assuming transition to UC starts at that point. - this is a long term issue.	**October 2014 for operational commencement of the co-located welfare HUB service at International House. First Member review of outcomes January 2015.**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current Position at March 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
2. Internal working group and the Member Council Tax and Welfare Reform Task Group to assess service and resident impacts	**Strong**	Officer group is routinely gathering data to measure welfare reform service impacts. Quarterly data are now also provided by the local CAB. The data are summarised and reported to the Cabinet's 'Council Tax and Welfare Reform Task Group'. Last April Cabinet received a comprehensive 2013-2014 annual impact report. The Member Task Group on 15 September received the first full impact report for this financial year covering the period to the end of August, including a summary of the work of our welfare intervention officers – these posts confirmed for another year. That report showed clearly that impacts are being well-managed and in several areas impacts are now reducing.	See first page	See first page	See first page	**Task Group meets approximately bi-monthly. November meeting will review the local council tax support scheme.**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control **Current Position at March 2014**	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
3 Planned briefings for Management Team and involvement of members in service action planning	**Strong**	Briefings are made regularly to the bi-monthly Member Welfare Reform Task Group, and periodically to the management team and the Cabinet as important stages occur (Management Team and Cabinet received full briefings on the latest UC programme, the support services arrangements, and the future transfer of benefit fraud responsibility to the DWP, in April and September).				**See above. Cabinet report during the budget cycle.**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current Position at March 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
4. Planned engagement with the voluntary and community sector to help develop action plans	**Good**	A strong working partnership exists between the council and the local CAB and long established arrangements with several other organisations that each have a particular community focus. Further, our relationships with the voluntary sector more generally are developing with the introduction earlier this year of 'breakfast' meetings and briefings with open invitations for voluntary organisations to meet with council officers. These occur quarterly and help with networking, sharing information and impacts of welfare reforms, and provide some ability for the sector to help shape action plans.	See first page	See first page	See first page	**October 2014, when the HUB project is due to go live, followed by a partnership review – interim report January 2015**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current Position at March 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
5. Intention to consider resource impacts and make recommendations accordingly	**Excellent**	This is a regular feature of the work of the internal officer group with various adjustments to staffing, systems and support for the local CAB being made both prior to welfare reforms introduction in April 2013 and subsequently. This included the decision to convert two posts to welfare intervention officer roles for a pilot period, now extended for another year given the demands on and success of this role. Furthermore, adjustments and investments have been made to the homelessness service, including the provision of hostel type accommodation to minimise use of bed and breakfast accommodation. The local council tax support scheme is proving effective, and with the local economy showing continuing signs of strengthening, both caseload and costs are reducing. The effective use of new technology is also assisting to reduce impacts on staffing. Indications are that measures taken continue to be effective and demands on services now stabilised with some impacts significantly reducing. Much of the funding for our various measures has not impacted on the general fund, as continuing support is provided by government, KCC and the avoidance of costs (for example bed and breakfast spending has significantly reduced).	See first page	See first page	See first page	**Ongoing**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current Position at March 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
6. Local communications strategy and plans in draft	**Excellent**	ABC has a comprehensive welfare reform communications plan approved by Cabinet. Good information and media briefings are available in various formats. This has included advice for residents regarding 'pay day' loans and publicity concerning the council tax support scheme for 2014-2015. ABC continues its proactive stance with local banks to encourage them to promote their free basic banking facilities. The next set of briefings this autumn will provide further updates about our International House HUB plans, a summary of current welfare reform impacts to highlight positive effects, and some coverage of the council tax support scheme as a new scheme must be approved for next year.	See first page	See first page	See first page	**Autumn 2014 for further briefing on impacts and December 2014 for communication re council tax support scheme.**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current Position at March 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
7. Already working with KCC on customer service and social fund transfer issues	**Good**	Demand risks for ABC have been mitigated since KCC decided to operate the social fund scheme at county level from April 2013. However KCC's position with the scheme from April 2015 is less certain as central government has announced discontinuation of its funding support. If confirmed by government KCC, after consulting districts, will need to take a decision about the future of this scheme. On council tax support KCC is providing a significant grant to each district council for three years (this expires in 2016) to help districts with pressures on administrative and customer services. ABC has used much of this grant to support extra customer and back offices processing services.	See first page	See first page	See first page	**Possible announcement from KCC late December/January 2015 re crisis fund.**

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control Current Position at March 2014	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
8. Particular attention to housing service and customer impacts, and therefore need for service, resource and policy change	**Good**	The internal working group and the member task group are closely focusing on housing and customer impacts. Specifically the impacts of the new 'welfare intervention officer' posts are reported and evaluated, with good outcomes so far achieved. Mentioned above have been changes including capital investment to the homelessness service that have helped to reduce service and cost impacts.				**Ongoing**
9. Intention to engage with the private rented sector, and to engage with younger people regarding awareness raising and signposting for assistance	**Good**	The communications plan covers all these aspects and work is currently ongoing.	See first page	See first page	See first page	

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	Risk Description
4	3/3 Low/ Severe	*Proposed 2/2*	The possibility 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: A risk that the Council is not seen to place appropriate emphasis on the localism agenda.			

Summary

Work to mitigate against this risk currently runs at an average of 'good' across most actions / controls. Local accountability and decision-making has been embedded through the Ward Member Grant Scheme, localism initiatives such as the Parish Handyman, and the Council incorporating new localism legislation into its business practices.

Upon considering this risk, it appears sensible to bring the risk closer in line with Risk 3a on community demands and expectations, as the requirements and ethos of both would appear to run closely when considered in the local Ashford context. Further, much of the work of Localism, initially driven by central government, is now embedded within the Council's approach to the local area. Neighbourhood planning is ongoing, whilst Localism liaison officers are available where needed in four areas. As a result, although there is currently no proposed change in the current risk score, the target risk score is amended to **2/2 (Very low/Medium**)to bring it in line with Risk 3a

Action/controls already in place	Adequacy of action/control to address risk	Current position (September 2014)	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
◘ Piloted a number of localism initiatives, such as the parish handyman scheme	Good	Embedded in a couple of areas, further investigation will be undertaken as part of the Council's new grounds maintenance contract	Policy Team		6-monthly	**3 months for agreed principles** [Milestones/deadlines]
◘ Increased the local influence and accountability of Ward Members through a local grant scheme (see 3a)	Good	Ward Member grants now set at £3,000 per annum, and helped over 130 local community projects	Policy Team			
◘ Fully complied with the government's transparency agenda	Strong	Ongoing – Our current arrangements go beyond the minimum requirements. A new transparency code for local government was issued in May and incorporated into transparency arrangements	Paul Naylor			
◘ Taken a collaborative officer-member approach to implementing new community rights as set out in the Localism Act (Community Right to Challenge and Bid)	Good	Following initial implementation, refinements were proposed and submitted to Cabinet in a report in April 2014. Management Team also received a report amending the delegations associated with these Rights. To date there have been no successful nominations against these Rights.	Policy Team / Legal			
◘ Maintain a focus on the rural aspects of localism, council now has a Portfolio Holder with responsibility for rural issues	Good	A variety of funding streams are available to communities, including rural ones, such as New Homes Bonus, Community Infrastructure Levy and Ward Member Grant Scheme / Single Grants Gateway NHB allocations agreed by Cabinet, with input from Members and officers	Policy Team & Planning Policy			

▪ Taken steps to begin addressing the unique challenges to localism posed by the un-parished urban area ▪ Neighbourhood Planning and other instruments brought in by government	Adequate and improving Good	[see 3a] Ongoing management and community liaison – Neighbourhood Planning has begun in Wye, Rolvenden, Bethersden and Boughton Aluph and Eastwell	Policy Team Policy Team / Planning Policy			

Management Action Plan   Risk 5 Workforce Planning   Risk Owner   Michelle Pecci

Likelihood	6				
	5				
	4				
	3			**5**	
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
5	3/3 Low/ 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	Management and leadership development heavily invested in during 2013/14 helping services prepare for future turnover and change. Service level succession plans held locally by service managers as part of resilience planning and resource planning. Some further work at Strategic Management level to commence during early 2014/15. All succession plans to be monitored and reviewed by services in light of turnover to maintain currency and in response to potential future staff reductions. 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
		The second cohort of the leadership development programme commenced in July 2013 and other management development training is cascading to officers at other levels.	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 Q1 2014/15	Cohort 2 completed April 2013

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 has been introduced and is currently being tested. IT are working on other technology solutions to support services in more efficient working and members have approved additional funding for an IT Systems Developer to help progress this work stream	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. A 'generic manager' approach has been introduced by Health, Parking & Community Safety and will be model other services will follow as opportunities arise. This will enable the team to deploy its resources as efficiently and effectively as possible to be able to respond to demands.	All Managers and Personnel & Development	All opportunities to improve flexibility of roles taken.	On going	Ongoing

		Recommendation to introduce a generic enforcement team to be bought forward during Qtr1 2014/14				On-going
		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. Skills repository to be rolled out as part of the new intranet to assist the council in deploying skills more effectively whilst providing development opportunities for staff 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	Training needs analysis Q1

Management Action Plan   Risk 6 Members skills, capacity, experience   Risk Owner Terry Mortimer

Likelihood					
	6				
	5				
	4				
	3		**6**		
	2				
	1				
		1	2	3	4
		Impact			

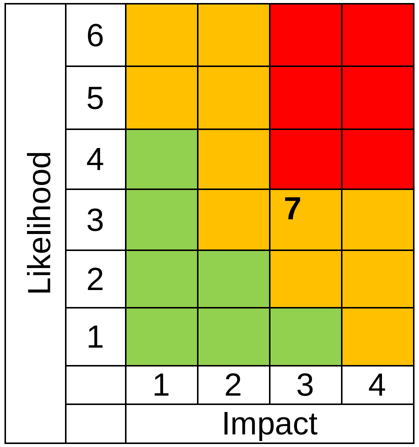
Risk Number	**Current Risk Score**	**Target Risk Score**	**Description**
6	3/2 Low/ Medium	2/2 Very Low/medium	Risk that **Members** don't have the **skills, capacity, experience** required to respond effectively to the changing agenda / Risk of a lack of an effective training and capacity building process 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 first annual report of the MTP was presented to and approved by cabinet in June 2014** 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. Annual meeting report in May/June looking back over the preceding year which will be reported onto Cabinet	TM and KF	Report taken to Selection and Constitutional Review Committee December 2013 and formal terms of reference for panel incorporated into constitution**.**	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
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. **The MTP minutes of 18/8/14 make a series of recommendations regarding induction training for 2015 which will be considered at October cabinet.**	Adequate but some minor adjustments possible.	Introduce an agreed programme of regular meetings and annual reports to review training issues (see 2 above)	TM and KF	Report to Member Training Panel - implement suggested improvements	Annually	Annual meeting of Panel and development of the 4-yearly Induction programme
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

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
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
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. 10. **Regular briefings by the Leader and Portfolio Holders are sent to all members (as at 20/8/14 49 briefings issued**	Adequate	Continue regular briefings	Service Head & Management Team	Provision of satisfactory service to Members	Ongoing	N/A

Management Action Plan **Risk 7 Business Planning** **Risk Owner** **John Bunnett**



Risk Number	Current Risk Score	Target Risk Score	Risk Description
7	*<u>3/3</u>* Low /Severe	3/3 Low/Severe	The possibility of an ongoing lack of effective prioritisation of business planning from members and officers.
Vulnerability: In the future if savings and resources cannot be matched to developing requirements (links to 3a)			

Summary

Work to mitigate against this risk currently runs at an average of 'good' or 'strong' across most actions / controls. The 'Focus 2013-15' corporate plan is embedded, and supported by a Strategic Delivery Board on the project management of the 'Big 8'. This comprehensive monitoring information is supported by performance and financial data which is being further updated. The outcomes of corporate planning during 2013/14 have been shared with residents through the first of a new-style Annual Report.

Upon considering this risk, it would appear that both the controls already in place, and subsequent action, have led to a reduction in the current risk profile –

1) We have a current, agreed and embedded corporate plan which will guide us through until the next General Election
2) This current corporate plan is on track

3) Savings supporting the work of the corporate plan have been identified and agreed until 2015-16

Thus the current corporate plan is ‘doing its job’, meaning that the likelihood of risks associated with it have also lessened. As a result, the current risk score is amended to **3/3 Low/Severe** rather than 3/4.

Action/controls already in place	Adequacy of action/control to address risk	Current position (September 2014)	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
▪ Updated business planning documents available publicly on the website Corporate Strategy set and appropriately reviewed when necessary. Refreshed Corporate Strategy (Focus 2013-15) agreed in October 2013	Strong	Available on website	Policy Team	Service Planning documents Quarterly reporting of strategic information to Management Team Content of next staff briefings	Annually	All before next review [Milestones/deadlines]
▪ Updates on Business Plan presented and discussed at Management Team when appropriate, alongside savings schedule from Finance	Good	Project Planning and monitoring continuously ongoing for priority projects. A complementary performance management arrangement for use by Management is in the process of being developed.	John Bunnett / Policy Team / Communications			
▪ Updating on the business planning represents a cornerstone of the Chief Executive's staff briefings, as well as other internal communications.	Good	New corporate strategy proposed for 2015. Town Centre Project Delivery Framework for 2014-16 agreed, alongside an Ashford Strategic Delivery Board to deliver priority projects (Big Eight)	Policy Team			
▪ Quarterly corporate performance report to members, Parish councils and residents (via website)	Strong	Ongoing. Most recent report to Cabinet was September 2014	Policy Team			
▪ Annual report on current achievement and future areas of focus finalised April 2014		New Annual Report being prepared well in advance of distribution	Policy Team			

Management Action Plan Risk 8 Housing Risk Owner Tracey Kerly

Likelihood					
	6				
	5				
	4				
	3			**8**	
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	**Current Risk Score**	**Target Risk Score**	**Description**
8	3/3 Low/ 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.	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. August 13 taken on 2 landlord liaison officers for 1 year fixed term to support the prevention of homelessness, due to growth in B&B specifically for families.	Sharon Williams	Taking on new lets each month Reduction in homeless use of Bed and Breakfast Policy to discharge duty into the private rented sector agreed at cabinet Jan 13	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. Tenants newsletter already communicating the changes to tenants of the welfare reform implications.	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.	The impact of Welfare Reform has been well managed by the Housing Service with arrears levels falling." 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 appointed to support the area managers. Modern apprentice	Rebecca Wilcox Supported by the welfare reform group and the communications plan.	99% rent collection levels. More available family units to let. Less single people seeking housing		

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
Tenancy Strategy now in place following the cabinet on the 13th Sept 1212this will address 5 year tenancies.		is working in the estate management team to assist in resilience. Implications of welfare reform will effect collection rates, flexibility on DD dates to coincide with welfare payments, to be reviewed. 2 Welfare intervention officers have been appointed to support customers effected by welfare reform, Under occupation in tenancies is being reviewed and focussed communications targeted to those effected 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] 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. Tenants targeted to				

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
		Mutual Exchange to smaller homes, ME's have increased.				
HRA Business plan priorities addresses 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. Planned maintenance programme re-balanced as income levels change 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 Stock holding authorities are now approaching the end of the second year since HRA financial reform. Ashford have reinforced the processes		Targeted communications and regular communications. HRA BP modelling to take place Aug 14 to ensure assumptions and debt repayment are on target 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. 4 year maintenance plan issued and may require communicating changes should income levels drop significantly. Regular review with the Head of accountancy. Regular quarterly meetings of officers to update and review the financial projections, an annual paper to the cabinet updating them on any	Bob Smart/Ben Lockwood Chris Tillin Tracey Kerly	older tenants taking up cash incentive to move to smaller homes. Some changes already as a result of interest rate movements	Customer satisfaction rates in the high 90's for responsive repairs, planned maintenance and general satisfaction At least quarterly	

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
management of the council's housing stock of just over 5,000 properties		changes, particularly due to external factors such as changes to Government policies and changes in inflation. In addition the council also meets the newly introduced CIPFA Voluntary Code for Self-Financed Housing Revenue Account.				

Management Action Plan Risk 9 Infrastructure Risk Owner Richard Alderton

Likelihood					
	6				
	5			9	
	4				
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
9	5/3 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.			

Summary : There is a strong case for down grading the likelihood of the risk from very high to, at worst, high in view of the Government’s commitment to bring forward the biggest single piece of infrastructure – junction 10a. On this basis it is proposed to revise the risk score to 5/3 High/Severe

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
Monitoring of use of s106 to secure contributions to deliver essential infrastructure	Adequate	This annual process will be widened to include an assessment of the strategic commitments that exist to repay transport infrastructure at J9/ 10 of the M20 through the Regional Infrastructure Fund and South of Ashford Transport Study	Lois Jarrett	Clear picture of level of commitments and impact on other requirements	Annual to Cabinet – June cycle	
Review of transition from s106 funding to Community Infrastructure Levy/ s106 and the implications	Required	Further reports to Planning Task Group will continue to debate on this issue, in parallel with the wider debate on Local Plan review timetable	Simon Cole	Agreed position and way forward based on good understanding of the issues	6 months	
Preparation of infrastructure plan and process for prioritising provision	Required	Underway – to be discussed with Planning Task Group and partner agencies	Richard Alderton/ Simon Cole	Explicit, agreed plan to enable clear decision making and spend of CIL	Late 2013	
Preparation of draft CIL 'charging schedule' as a basis for consultation, submission and independent examination.	Required	Underway - to be discussed with Planning Task Group and then formally agreed by the Council – linked to timing of the Core Strategy review	Simon Cole	Robust basis for rolling out CIL and collecting future contributions	Ongoing	
Work with private sector and other agencies to seek to secure improved motorway access at junction 10A	Adequate	**Preliminary LEP funding secured for an interim scheme leading subsequently to the decision by Government to bring forward the full junction 10a scheme. Survey and detailed design work underway – the scheme being promoted by the Highways Agency through the Nationally Significant infrastructure Project**	Simon Cole/ Richard Alderton	**Progress on scheme design taking account of need for mitigation of impacts and local concerns and wider progress to delivery of new junction to timetable set by the HA. Progress on agreement on funding, including that derived from development contributions locally**.	Ongoing	

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
		regime. Discussions underway on funding package – including the developer funding element. Target opening date in in 2018.				
Work with East Kent districts and the County Council to promote strategic infrastructure investment needed an maximise funding from the South East LEP and other sources	Adequate	Working with the East Kent Regeneration Board to make the strategic case for sub-regional investment; feeding into the emerging Strategic Economic Plan for the LEP; and identifying priority projects	John Bunnett	Priority status given to investments in the Borough and success in securing grant funding / reflection of priorities in economic strategy for the region	Ongoing	[Milestones/deadlines] [deadlines/milestones]

Agenda Item No:	7	
Report To:	**Audit Committee**	ASHFORD BOROUGH COUNCIL
Date:	26 September 2014	
Report Title:	Local Audit Consultation Response	
Report Author:	Rich Clarke	

Summary: This report brings to Members' attention the Government's proposals for secondary legislation accompanying the Local Audit & Accountability Act, and the Council's response to those proposals.

Key Decision:	NO
Affected Wards:	N/A
Recommendations:	**Audit Committee is asked to:-** Members note the Government's proposals and the Council's response.
Policy Overview:	The report concerns proposals made by CLG on future external audit provision and arrangements of the Council.
Financial Implications:	None directly
Risk Assessment	This is a consultation response, so no direct implications at this stage.
Equalities Impact Assessment	No
Other Material Implications:	None
Background Papers:	The full CLG consultation document is at https://www.gov.uk/government/consultations/local-audit-regulations which also includes links to primary legislation and other relevant resources.
Contacts:	rich.clarke@midkent.gov.uk

Agenda Item No. 7

Report Title: Local Audit Consultation

Purpose of the Report

1. This report brings to Members' attention both the Government's proposals for secondary legislation following passage of the Local Audit & Accountability Act 2014 and the Council's response to those proposals.

2. The consultation ran from 19 June to 18 July 2014 and the Government plans to respond in late September/early October.

Issue to be Decided

- Audit Committee is asked to note the proposals and the Council's response.

Background

3. The Local Audit & Accountability Act became law in early 2014 and made a number of changes to how the audit of local authorities is managed.

4. The most prominent change is the abolition of the Audit Commission (although a residual body persists until 31 March 2015) and allowing local authorities to select their own external audit provider once the current audit contracts expire. The current contracts were awarded to start with the audit of the 2012/13 financial statements and run for 5 years with a 2 year option, exercisable at the discretion of CLG. Consequently the earliest the Council would have its own selected external audit provider in place is the audit of the 2017/18 financial statements, suggesting that the decision to select an audit provider would likely be required no earlier than autumn 2016.

5. In June 2014 CLG launched a consultation on secondary legislation consequent to the primary act. This sought to clarify existing and propose new arrangements in a number of areas, including:

   - Applying the legislation to smaller authorities (such as parishes),
   - Arrangements for allowing collective procurement including the rules around using a 'specified person' to arrange and monitor audit provision,
   - Timetable for accounts publication including bringing the publication date forward from 30 September to 31 July,
   - Rights of access for local authority electors, including harmonising a single inspection window and
   - Transparency Code for smaller bodies.

6. The full consultation proposals, with links to supporting legislation and other documents are included on CLG's website at: https://www.gov.uk/government/consultations/local-audit-regulations.

7. The Council, in common with the other three authorities who make up the Mid Kent Audit Partnership, wished to respond to the consultation. The consultation response, submitted on 17 July 2014, is included in full as an appendix to this report but makes the following headline points:

- Any change to the date of the sign off accounts must balance the benefits against the costs. In a continuing time of financial restraint in the public sector, it is timely to consider the complexity of accounts while proposing earlier closedown. Reduced timescales are difficult but achievable, however will require assistance from CIPFA to stem and turn back the growth of local authority financial statements.
- The Regulations will need to ensure authorities are sufficiently informed to take the irrevocable opt-in/out decision [to allow a specified individual to select an auditor and audit fee on its behalf], including setting out clearly how a specified person will manage and control its costs.
- We feel there is no pressing need to alter current public inspection arrangements, save the moves to online advertisement and streamlining to remove auditor involvement.
- The present publication of expenditure by local authorities is working well and enforcing through regulation will risk disrupting an effective process.
- We welcome general moves towards increasing 'online default' in information publishing.

Risk Assessment

8. At present, these are proposals and so pose no direct risk. However, the Council is monitoring progress on arrangements for external audit to ensure it is in place to respond appropriately.

Other Options Considered

9. We await CLG's response to the consultation, expected later this year.

Consultation

10. The response was compiled alongside partners in the Mid Kent Audit Partnership, including relevant directors and officers in Swale, Tunbridge Wells and Maidstone. We also sought input from Chairs of Audit Committees at each authority prior to submission.

Implications Assessment

11. No current implications, but the Council will need to consider next steps once the complete regulations are published.

Contact: Rich Clarke

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Local Audit Consultation
Department for Communities and Local Government

Joint Response from:
- **Ashford Borough Council**
- **Maidstone Borough Council**
- **Swale Borough Council**
- **Tunbridge Wells Borough Council**

17 July 2014

We are four district authorities in Mid-Kent who together serve a population of more than half a million people, with annual service expenditure of £74 million and around £185 million of net assets. We work in partnership in a number of configurations to deliver services, including a shared internal audit service operating in partnership since 2010.

We are grateful for the opportunity to respond to the consultation and welcome the Government seeking our input into draft regulations. We share the Government's overall concern for maintaining the high standards of governance in local authorities while enabling local people to be able to hold local public bodies to account.

We have provided a response to each question set out in the consultation but wish to draw out the following main points by way of summary:

- Any change to the date of the sign off accounts must balance the benefits against the costs. In a continuing time of financial restraint in the public sector, it is timely to consider the complexity of accounts while proposing earlier closedown. Reduced timescales are difficult but achievable, however will require assistance from CIPFA to stem and turn back the growth of local authority financial statements.
- The Regulations will need to ensure authorities are sufficiently informed to take the irrevocable opt-in/out decision, including setting out clearly how a specified person will manage and control its costs.
- We feel there is no pressing need to alter current public inspection arrangements, save the moves to online advertisement and streamlining to remove auditor involvement.
- The present publication of expenditure by local authorities is working well and enforcing through regulation will risk disrupting an effective process.
- We welcome general moves towards increasing 'online default' in information publishing.

Detailed consultation response

Smaller Authorities

These regulations do not apply to district councils and so we provide no response.

Collective Procurement

Q4. Should regulations require that the decision to opt-in to sector-led arrangements is made by full council?

As proposed, this decision should be made by full council.

Although not specified in the Act itself, there is a common understanding that the decision to appoint a particular auditor ought to be made by full council on advice of its independent panel. That Schedule 3 of the Act bars a council's executive from taking the decision to appoint a particular auditor, reinforces that understanding.

The decision to opt-in is, in governance terms, the effective equivalent of a decision to appoint a particular auditor as it is the final formal decision in the process. Consequently it should be taken at no lesser a level.

Q5. Do you agree that the maximum length appointing period should be restricted to five years?

This is a reasonable restriction, balancing the need for commercial security of auditors with authorities retaining a degree of control over the process.

Q6. Do you have any other comments on the proposed collective procurement regulations?

Information made available to authorities

We note that, following invitation to opt-in; the Regulations propose councils have eight weeks to take what is essentially an irrevocable decision for the duration of the contract. We are uncertain why the Regulations propose eight weeks, and ask whether a longer window ought to be allowed, particularly if the timing of the offer is difficult for an authority's committee cycle to readily accommodate.

That notwithstanding, given the limited time available we are surprised that the Regulations are silent on the question of what information a specified person (or persons) should provide to a council to inform its decision. The list below is incomplete, but we would want to know before taking the decision as a minimum:

- The criteria by which the specified person will select an auditor;
- The process for consultation with authorities at key points in the selection and throughout the contractual period;
- Proposals for how the specified person would monitor independence and adjudicate in the event of dispute;
- How the specified person will go about setting the fee, and
- How the specified person will recover its own costs.

We believe it is vital that the Secretary of State set out in regulation his expectations on how a specified person should shape his offer to authorities. This will help to ensure that the authority can exercise an informed choice in its audit provision and so retain the policy benefits outlined by the Secretary of State in his introduction to the Act. In order to maintain appropriate governance, authorities should have the power to opt-out of the arrangement should the result be materially at odds to that intention conveyed by the specified person.

Costs of the specified person

Further to the above, it is inevitable that the specified person will incur both one-off project and on-going monitoring costs associated with their responsibilities, as distinct from the fee charged by the auditor for his or her services. Authorities will want to know both the quantum and means of recovery proposed and have a means of calling the specified person to account for those costs.

Removal of a specified person

The proposed Regulations 36-38 grant the Secretary of State the power to revoke (after appropriate consultation) the rights of a specified person and to exercise those rights himself or transfer them to another body. We suggest that such an action would constitute a fundamental change in the circumstances of the appointment, equivalent to those outlined in paragraph 3.11 of the consultation, and so should be added to that list as a point where authorities may ‘opt-in’ mid contract or elect to ‘opt-out’ and make their own arrangements.

Accounts and Audit Regulations

Q7. Is 30 working days a suitable period for the accounts to be available?

We have not noted an issue with the current 20 working day period. Councils have in the past shown reasonable flexibility in accommodating those enquiries which continue beyond the 20 day window, or where reasonable, could not begin during that time. The majority of those wishing to inspect are waiting for the window to open and so we do not believe an extension will increase the number of requests we receive. I agree with this comment. It is worth noting that with the transparency information available together with the use of Freedom of Information requests means that a great deal more detail is now available all year round than was previously the case.

Consequently we believe this change will have little impact and so have no strong view on its implementation.

Q8. Do you agree this information should be published electronically?

Yes. We are moving in the direction of ‘digital by default’ and so welcome any Government moves that help us to achieve that goal.

Q9. Do you agree that a common period for the exercise of public rights should be included in the regulations?

Currently the rights extend only to electors in the local authority areas, although interested parties from outside the area can act through local nominees. That notwithstanding, we have seen no evidence of the confusion cited in the consultation at 4.10 regarding variations in inspection times. We note that inspection periods may vary, but still fall within a three month window during the summer and so believe few local government electors of a mind to inspect the accounts, are currently frustrated in their attempts to do so by the timetable.

Moreover, we note that auditors will be reluctant to issue their final opinion until the local electorate have had the chance to inspect the statements and ask their questions. This will mean the, presumably unintended consequence that those authorities who currently publish significantly ahead of the timetable (such as Oldham MBC) will be prevented from continuing to do so. This seems a perverse outcome at a time when encouraging early closure is the aim.

Consequently we see little merit in harmonising inspection periods across a common window. Should the deadline move to 31 July, there will in any event be only 84 working days in which the 30 day inspection window might conceivably be held. For those authorities working on the 31 May-31 July accounts deadlines there will be only 44 working days. Therefore, in practice, the inspection windows will be harmonised as a by-product of the moving deadlines without need for specific regulatory provision.

Q10. Do you have any views on the intentions for exempt authorities set out above?

These regulations do not apply to district councils and so we provide no response.

Q11. Do you have any other comments on the proposed Accounts and Audit Regulations?

Timetable and accounting requirements

We have a strong record of producing financial statements on time and working with our auditors to ensure timely completion of the opinion. However, any change to the date for sign off of the accounts must balance the benefits against the costs and additional effort involved. The complexity of accounts for all sizes of local authorities has increased in recent years, which is an approach contra to the aim of these Regulations in seeking to achieve an earlier closedown, through a simplified accounts process. The earlier timetable can only be practically achieved at a higher cost to budgets, in a continuing time of financial restraint in the public sector.

We share the view expressed in the consultation (4.6) on the length and complexity of local authority accounts prepared according to proper practices, as currently defined. Therefore, while we welcome the addition of a separate narrative to aid the reader, we are disappointed that this comes as an additional requirement at a time of shortening deadlines. We would welcome CIPFA/CLG introducing a concept similar to the Governments ‘one-in, two-out’ position on business regulation.

Whilst local authorities do have an excellent track record in producing financial statements to time and quality requirements, there is also the risk that bringing the timetable forward will lead to more statements received of qualified audit opinions; as experienced by central government departments such as CLG.

Internal audit

We note the changes proposed to section 5 in the Regulations on internal audit from its equivalent (section 6) in the 2011 Regulations. We expect that the removal of 2011 Regulations sections (3) and (4) is because these have become redundant with the advent of Public Sector Internal Audit Standards (PSIAS) review and reporting requirements.

However, we are uncertain why the Regulations then go on to apparently miss the opportunity to reaffirm PSIAS as the standard to which internal audit must operate, moving from "**in accordance with** proper practices" in the 2011 Regulations to "**taking into account** Public Sector Internal Auditing Standards or guidance" in the 2014 proposed Regulations (emphasis added). We suggest that the Regulations ought to emphasise the importance of effective internal audit by combining the two into "in accordance with Public Sector Internal Auditing Standards".

Transparency Code

Q12. Do you agree that the Code should be mandatory for internal drainage boards, charter trustees and port health authorities with an annual turnover not exceeding £25,000?

We agree. These bodies precept significant sums which have to be recovered from local council tax payers. They should therefore be subject to the same level of central control and obligations as local authorities.

Q13. Should there be a threshold above which individual item of expenditure must be published? If yes what should this threshold be (e.g. £50, £100)?

We feel that the currently operating voluntary disclosure by authorities is working well in delivering information to the public, to help inform them as to the council's activities. Voluntary disclosure has led to all but one authority making this information available. Consequently we do not think there is merit in making this the subject of regulation as it will potentially ossify publication around a 'legal requirement' and so stifle those councils who wish to respond to the particular needs of their populations by varying the extent, format and frequency of publication.

Q14. What exemptions – if any – would need to be made to information published to explain negative responses to the internal controls objectives (e.g. information relating to a current fraud case)?

We are unaware of any local authority that does not at present publish its annual internal audit report, not least because it will be discussed during the public part of the relevant committee meeting (usually audit committee).

The nature of any exemptions will be difficult to define as they will inevitably be shaped by local circumstances. Consequently we believe there is a substantial risk of unintended consequences if the Transparency Code were to attempt to elucidate a single set of 'exempt information', or even set out a principles based approach to deciding what information might be withheld.

Consequently we feel that the current arrangements for publishing internal audit reports are working well and so would not benefit from a regulatory backing which could lead to lack of clarity and potentially even reduce transparency.

Q15. The Government proposes that internal drainage boards will be exempt from publishing the details of public land and infrastructure assets. Do you agree?

We do not agree. As noted in the response to Q12, as these bodies precept significant sums we believe they ought to be subject to the same obligations as local authorities.

Q16. The Government proposes that charter trustees will be exempt from publishing the details of public land and building assets. Do you agree?

No response.

Q17. Do you agree this information should be published electronically?

Yes. We as councils are moving in the direction of 'digital by default' and so welcome any Government moves that help us to achieve that goal.

Q18. How much additional staff time and cost will be involved for authorities in publishing the required data online?

Given that the Code allows for publication requirements to be fulfilled through electronic issue of the existing document (the asset register) we do not believe there will be substantial additional cost associated with online publication.

Agenda Item No. 8

Audit Committee - Future Meetings

Date 2/12/2014			
Publish by 24/11/14			
Reports to Management Team by 20th November	**Council 11/12/14**		
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/MB	
2	Annual Audit Letter 2013/14	Gr Th (cover by PN)	
3	Internal Audit Interim Report	IC	
4	Report Tracker & Future Meetings	DS	

Date 03/03/2015			
Publish by 23/02/15			
Reports to Management Team by 19th February	**Council 16/04/15**		
1	The Audit Plan for Ashford Borough Council	Gr Th (cover by ABC)	
2	Certification of Grant Claims – Annual Report	Gr Th (cover by ABC)	
3	Presentation of Financial Statements	MS	
4	Strategic Risk Management – 6 Monthly Update	RC	
5	Annual Governance Statement – Progress on Remedying Exceptions	PN/MB	
6	Internal Audit Operational Plan 2015/16	RC	
7	Report Tracker for Future Meetings	DS	

Date 30/06/2015			
Publish by 22/06/15			
Reports to Management Team by 18th June	**Council 16/07/15**		
1	Fraud Annual Report 2014/15	PN/HD	
2	Internal Audit Annual Report 2014/15	RC/IC	
3	Annual Report of the Audit Committee 2014/15	IC	
4	Approval of Annual Governance Statement 2014/15	PN/MB	
5	Audit Commission Work Programme and Scale of Fees 2015/16	PN	
6	Report Tracker for Future Meetings	DS	

Date 29/09/2015			
Publish by 21/09/14			
Reports to Management Team by 17th September		**Council 15/10/15**	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/MB	
2	Statement of Accounts 2014/15 and the External Auditor’s Audit Findings Report	Gr Th (cover by PN/BL)	
3	Strategic Risk Management – 6 Monthly Update	IC	
4	Report Tracker & Future Meetings	DS	

17/9/2014