Corporate Director (Law and Governance) and Monitoring Officer, T W Mortimer LLB Solicitor AU

ASHFORD
BOROUGH COUNCIL

Audit Committee

Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Thursday 16th June 2016 at 7.00 pm.

The Members of this Committee are:-

Cllr. Waters (Chairman)
Cllr. Buchanan (Vice-Chairman)
Cllrs. Farrell, Link, Powell, Shorter, Smith, White

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)

Agenda

Part II – Monitoring/Information Items

DS/AEH
8th June 2016

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

(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 Corporate Director (Law and Governance) 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 **15th March 2016.**

Present:

Cllr. Link (Chairman);
Cllr. Waters (Vice-Chairman);
Cllrs. Buchanan, Smith, White

Apologies:

Cllrs. Chilton, Powell.

Also Present:

Deputy Chief Executive, Head of Audit Partnership, Head of Legal & Democratic Services, Head of Finance, Head of Communications & Technology, Head of Personnel & Development, Audit Manager, Principal Accountant, Policy & Performance Officer, Senior Member Services & Scrutiny Support Officer.

Emily Hill, Lisa Robertson - Grant Thornton UK.

369 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 1st December 2015 be approved and confirmed as a correct record.

370 Data Protection Audit Report

The Deputy Chief Executive advised that pages 15-18 of the hard copy agenda had become mixed up in printing and advised of the correct order.

The Head of Audit Partnership introduced the report which set out the findings and the brief of the recent audit into controls designed and operated by the Council to ensure it met its data protection obligations. The audit had received a ‘weak’ assurance rating. The findings and recommendations of the audit report had been accepted by Officers and a management action plan had been completed wherein plans for improvements to the service had been set out. Given that the majority of the implementation dates in the plan referred to June/July 2016, it was expected that there would be a report back on progress later in the year.

In terms of the management response specifically, the Head of Legal & Democratic Services advised that Management Team had been disappointed and concerned with the ‘weak’ assurance rating and it was fair to say that they had taken collective responsibility for the shortcomings identified. Under the Council's new emerging structure he had worked with a small number of senior colleagues in order to develop the management response. A key principle of this had been that whilst data protection was the responsibility of each member of staff, in such a large organisation it was corporate leadership that would be needed to drive forward the necessary improvements and keep it on the corporate radar. In terms of future arrangements, he said he did not think Data Protection should be considered in isolation from other data management issues such as Freedom of Information and data security and therefore it would take some time to design a full solution. However he considered there were a number of interim steps that could be taken in the shorter term to improve the situation. The Head of Legal & Democratic Services advised that the Action Plan included reference to the introduction of a Management Team Champion for Data Protection, that Management Team would receive regular reports from the Data Protection Officer, the commencement of a rolling programme of training and awareness and the creation of a Subject Access Request log. These could all be implemented in the short-term. In the longer term the plan also proposed a review of policies and procedures, a review of roles and responsibilities (including resources), the introduction of a key worker regime and better use of the intranet to offer support and advice to staff.

The following responses were given to Members questions/comments on the Management Action Plan: -

- Management Team had accepted collective responsibility for the 'weak' assurance rating. Looking at the situation objectively there had been a number of contributing factors. The number of data protection issues the Council dealt with (Subject Access Requests and the number of potential breaches to be identified) was traditionally very low and as a result it had slipped off the corporate radar somewhat in terms of importance. Combined with staff turnover it was fair to say that staff were not dealing with the situation very often and it had led to a loss of some corporate history and intelligence. Data Protection had traditionally sat within the IT Service and it had no dedicated resource as a function. The outcome of the audit was recognised as disappointing but it was considered that the Management Action Plan would address the issues, especially in terms of awareness and keeping the issue at the forefront of everyone's minds. The training programme that had been lacking for the last three or four years would also help greatly.

- Recommendations 1 and 2 had been rated as Priority 3 – Medium and it was accepted that this was a matter of judgment that could have been viewed differently by someone else. Internal Audit had taken account of the extent of the mitigating controls that were in place and higher emphasis had been placed on the recommendations such as 5 and 6 where such mitigation was lacking. It was however important to point out that the Council had accepted all of the recommendations and Internal Audit would follow them up regardless of priority and continue to follow them up until they were implemented.

- Many Councillors were not registered with the Information Commissioner as data controllers for the purpose of the Data Protection Act, despite it being a requirement of the Council's Members Allowances IT Scheme. It was considered there needed to be better guidance on this for Councillors, in terms of exactly what needed to be done and which email addresses needed to be registered. The Head of Legal & Democratic Services advised he was pursuing a block registration of all Members.

- An update report on this audit was expected to be submitted to the September meeting of this Committee.

Resolved:

That the findings of the Data Protection audit be noted and the Management Action Plan be endorsed.

371 Presentation of Financial Statements

The Principal Accountant introduced the report which advised that the Council was required to follow statutory guidance for the publication of its accounts. Each year the guidance was reviewed and updated and this report looked at the impact of those updates on the Council's accounts for 2015/16. In addition the report reviewed the lessons learnt from the accounts process in 2014/15. She also advised that the Council had completed a review of its accounting policies that would be used for the publication of the statement of accounts and these were presented at Appendix A to the report.

The Committee was reminded that following the new Accounts and Audit Regulations the Council had agreed to close early this year to aid the transition to earlier closing. This would result in the annual Statement of Accounts for the financial year ending 31st March 2016 being produced by the end of May. The Accounts would then be audited by Grant Thornton during June with an opinion issued by the end of July.

In response to a question the Principal Accountant advised that some of the web links throughout the larger statement document had been displayed in the printed version which may have caused some confusion, but there was no missing information.

Resolved:

That (i) the report be received and noted.

(ii) the accounting policies for the 2015/16 Accounts, contained at Appendix A to the report, be approved.

372 Internal Audit Charter 2016/17

The Head of Audit Partnership introduced the report which set out the Internal Audit Charter covering the work undertaken by Mid Kent Audit at Ashford Borough Council. The Charter, and its annual review, was a requirement of Public Sector Internal Audit Standards. Aside from minor updates, for 2016/17 the most significant change was the expansion of the potential scope of audit's work as outlined by guidance issued by the Institute of Internal Audit. He re-iterated that these were only safeguards against a potential position at this stage though as the additional work was not in the current plan.

A Member referred to the 'three lines of defence' model and emphasised the importance of Senior Management Team playing their part in picking up some of the more obvious weaknesses.

Resolved:

That (i) the Internal Audit Charter 2016/17 be approved.

(ii) the Head of Audit Partnership's view that the Partnership is operating with sufficient independence and freedom from managerial interference to fulfil its responsibilities in line with Public Sector Internal Audit Standards, and will continue to do so, be noted.

373 Internal Audit Plan 2016/17

The Head of Audit Partnership introduced Alison Blake, the Partnership's Audit Manager for Ashford, and she presented the report which set out the detail of the proposed plan for Mid Kent Audit's work at Ashford Borough Council during 2016/17, along with an outline plan for further years up to 2018/19. The plan was a development of the four year plan approved by this Committee in March 2015, updated following continuing risk assessment, discussions with Officers and feedback from Members. She advised that as a result of the Partnership's re-shuffle they had been able to increase capacity and the total audit allocation for Ashford had increased from 370 days in 2015/16 to 395 days in 2016/17.

With reference to the audit of the new Appraisal system, a Member advised that the Committee had previously aired some concerns about this and requested a report back. The Head of Personnel & Development advised that they did now have the data to prepare a meaningful report back and she proposed that this happen at the next meeting of this Committee in June.

A Member referred to page 82, paragraph 19 of the report which stated that Senior Managers 'may be invited to provide further explanation to Members at the Audit Committee' when failings were identified. He reminded Officers that this Committee had previously said it was a requirement for Heads of Service to attend in these circumstances and that remained the position going forward.

Resolved:

That (i) the Internal Audit Plan 2016/17 be approved.

(ii) the longer term plan to 2018/19 and the Head of Audit Partnership's view that the Service is sufficiently resourced to deliver the plan be noted.

374 Strategic Risk Management

The Policy and Performance Officer introduced the report and directed Members' attention to a tabled paper which contained an updated summary Strategic Risk Register. He advised that since the September 2015 meeting of this Committee where a new and refreshed risk management process had been agreed, Officers had been working to review the Council's Risk Register, particularly in light of the adoption of a new Corporate Plan. This report presented a refreshed Corporate Risk Register which was designed to collate the headline strategic risks identified by Management as potentially affecting achievement of the Council's corporate aims, in one place and on a common structure. The register clearly represented a view at a particular point in time, but it would be dynamic with content changing over time. The initial work had produced seven thematic risks which were outlined in the summary register and for each risk included: - a description; examples of risk elements in scope; a risk owner; key existing controls and a risk rating. Although a number of different risks had been identified and discussed in Officers' work, the paper summarised those regarded as most likely to present the greatest threat to the Authority being able to achieve its corporate objectives.

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

- The rating system was based on the traditional risk matrix system of likelihood multiplied by impact. At present all of the risks fell within the 'amber' or 'medium' section of the matrix, but this was always based on a moment in time and it was important to note that the risk scores could change and there was always an element of objectivity involved.

- The Committee would continue to receive a six monthly update on risk, but Officers would be assessing these on a weekly if not daily basis and Management Team would also receive quarterly update reports. The Committee should be assured that the Council was doing everything it could to manage risk.

- The Risk Owners for Risks 1 and 6 had changed since the earlier publication of the Register, largely due to recent changes in the Council's management structure. For Risk 1- Workforce, Skills & Capacity – Terry Mortimer would be the Corporate Director responsible for this area so would give a wider view. With regard to Risk 6 – Community Capacity – it had been agreed that Christina Fuller, as Head of Cultural Services, would be a better fit as Risk Owner, than Tracey Kerly as Chief Executive because she would be in a better position to liaise with those integral to the risk and be able to challenge and be in touch with the risks and issues on a day to day basis.

Resolved:

That the Strategic Risk Register be endorsed and the Committee receive a review of the Register in six months.

375 External Auditor Reports

Three reports had been submitted by the Council's External Auditor Grant Thornton UK.

(a) 2014/2015 Grant Certification Letter

Emily Hill presented the certification letter following completion of the audit of the housing benefit grant claim. The grant claim was significant (£36.7m) and following further sample testing, the auditors made no amendment or qualification to the claim. This was regarded as a particularly good performance by the Council.

(b) 2015/16 Audit Plan Update

Lisa Robertson introduced the report which updated the Committee on the External Auditor's work and plans for the current year's financial audit. It highlighted some key areas of focus for the auditor and the assurance testing to be applied and of approaches to materiality, risk identification and the value for money assessment. The report also summarised the auditor's interim findings where no matters of concern had been identified for reporting.

In response to a question, Lisa Robertson explained that the External Auditors wanted to be clear in understanding the management restructure at the Council and to keep an eye on developments.

A Member asked about payroll payments and if there were any bonus payments linked to the appraisal system which had been mentioned before as in need of review. It was confirmed that the Council did not have performance related cash bonuses.

(c) 2015/16 Audit Committee Update

Lisa Robertson introduced the latest in the usual series of general updates on recent developments and topical issues. She advised that she had brought copies of Grant Thornton's latest publication entitled 'Reforging Local Government' and they would be issued to Committee Members.

A Member asked if the National Audit Office had given Grant Thornton any guidance on examining Councils' financing plans in the coming years in the face of the loss of Revenue Support Grant. Emily Hill advised there was no specific guidance and she considered this would be a local issue for each individual Local Authority to determine their own strategies in the face of their own circumstances. There may be a role for the National Audit Office to share best practice, but from Grant Thornton's point of view as an External Auditor, their focus would be on making sure Councils were following standard accounting practices whatever route they decided to take. The Member said this whole area was interesting as Local Authorities were inevitably going to have to be more commercial and he considered there would need to be a focus on corporate governance from both External and Internal Audit.

The Deputy Chief Executive drew attention to mention of Audit Panels in the report in the context of the requirement for Local Authorities to appoint their own External Auditors. It had originally been intended to report on this issue at this meeting, however this would now happen at one of the meetings in the summer.

Resolved:

That the three reports from Grant Thornton UK be received and noted.

376 Report Tracker and Future Meetings

The Senior Member Services & Scrutiny Support Officer advised of two additional Audit Committee meeting dates that had been arranged to ensure the new deadlines for the Statement of Accounts work were met. The dates for Committee meetings for 2016/17 were therefore as follows (all at 7pm in the Council Chamber): -

Thursday 16th June 2016
Thursday 30th June 2016
Thursday 28th July 2016
Thursday 29th September 2016
Tuesday 6th December 2016
Tuesday 21st March 2017

Resolved:

That subject to the additions to the Tracker mentioned at this meeting, the report be received and noted.

ASHFORD
BOROUGH COUNCIL

Agenda Item No:	4
Report To:	Audit Committee
Date:	16 June 2016
Report Title:	Statement of Accounts Training
Report Author:	Maria Seddon – Accountancy Manager

Summary: This report introduces the Statement of Accounts training and includes:

1. Draft Statement of Account 2015/16 sent for Audit
2. Presentation on Statement of Accounts
3. Grant Thornton – A guide to local authority accounts

Key Decision:	No
Affected Wards:	None specifically
Recommendations:	**The Audit Committee be asked to:-** **i. Note the training**
Financial Implications:	None
Risk Assessment	NA
Equalities Impact Assessment	No
Other Material Implications:	None
Contacts:	Maria.seddon@ashford.gov.uk – Tel: (01233) 330547

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Approval of the Statement of Accounts

The Audit Committee at its meeting on the 28th July 2016 approved the Statement of Accounts for the year ended 31 March 2016 in accordance with the Accounts and Audit Regulations 2011.

Signed:

Councillor Waters
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 74).

The Statement of Accounts

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

For this year (2015/16), there have been very few changes to the Code with only some changes that do not affect this Council.

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

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

These statements include a group position, which includes the Council's property company.

The Council has appointed a new Chief Finance Officer from 1 April 2016. The S151 Officer was the Deputy Chief Exective for the 2015/16 financial year, the Head of Finance is now the Section 151 Officer.

Overview of 2015/16 Financial Results and Activity

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

Spending overall for the year, after income and other receipts, was a little above budget, however there were variances within the Services resulting in an underspend of £600,000. These surpluses have been transferred to reserves to fund future revenue commitments following the purchase of property in the town during the year and during 2014/15.

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 £13.7m (amount funded by Government Grant and Council Tax) with a further £1.2m levied by Parish Councils. The Council took the decision to freeze Council Tax leaving the band D at £145.45 for 2015/16.

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

Reserves increased during the year, although there were some major purchases the Council has also set aside funds to offset future maintenance liabilities. Overall, revenue reserves remain at an appropriate level and afford some flexibility to help with investments to support local growth.

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

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

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

General Fund Final Outturn 2015/16

Service	Original Budget 2015/16	Revised Budget 2015/16	Final Outturn 2015/16	Variance
		A	B	B-A
	£'000	*£'000*	*£'000*	*£'000*
Corporate, Strategy & Personnel	1,744	1,789	1,592	(197)
Legal & Democratic Services	1,311	1,302	1,317	15
Planning & Development	1,822	1,876	2,138	262
Financial Services	2,167	2,179	1,928	(251)
Communications & Technology	299	310	289	(21)
Housing Services	889	876	791	(85)
Environmental & Customer Servs	3,595	3,580	3,305	(275)
Health, Parking & Comm Safety	891	801	522	(279)
Corporate Property & Projects	(1,096)	(1,198)	(1,325)	(127)
Culture & the Environment	3,671	3,810	4,170	360
Net Service Expenditure	15,293	15,325	14,727	(598)
Capital Charges and net interest	(2,106)	(2,305)	(2,341)	(36)
Levies and Grants	281	281	281	0
Contribution to Reserves	265	1,259	2,366	1,107
Other	0	0	(58)	(58)
Net Expenditure including Parishes	13,733	14,560	14,975	415
Funded by:				
Government grant	(4,389)	(5,216)	(5,469)	(253)
Business Rates	(3,182)	(3,182)	(3,216)	(34)
Council Tax	(6,162)	(6,162)	(6,263)	(101)
Total Financing	(13,733)	(14,560)	(14,948)	(388)
Outturn reported	0	0	27	27

Housing Revenue Account (HRA)

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

The accumulated HRA reserve balance at 31 March 2016 was a surplus of £7.9m. In addition, the Major Repairs Reserve stands at £449k, which is available to fund the Decent Homes programme, giving a total balance for HRA Reserves of £8.4m (compared with £5.8m as at 31 March 2015). This increase in reserves was due to a number of factors including a reduction in expenditure on capital spend, which will be allocated in future years. Rents and collection rates were also better than budgeted. This year's underspend will be allocated to resource the HRA's longer-term business plan.

Council dwellings are revalued at the end of each financial year, this year there was a significant movement during the year resulting in a net valuation increase of £12.9m (£16.9m in 2014/15).

Housing Revenue Account Outturn 2015/16

Service	Revised Budget 2015/16	Final Outturn 2015/16	Variance
	A	B	B-A
	£'000	*£'000*	*£'000*
Income	(23,901)	(24,244)	(343)
Supervision and Management	4,693	4,678	(15)
Repairs and Maintenance	3,548	3,274	(274)
New Build	(46)	(257)	(211)
Other	16,076	14,428	(1,648)
Net Expenditure	370	(2,121)	(2,491)
Capital Works - Decent Homes	5,589	4,862	(727)
Capital works financed by:			
Major Repairs Allownance (from Self-Financing Determination)	(5,192)	(4,816)	376
Contribution to/(from) Major Repairs Reserve	(397)	0	397
Support costs greater than budget	0	(46)	(46)
	370	(2,121)	(2,491)

Capital Expenditure

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

Major projects during 2015/16 included:

- the Park Mall shopping Centre plus the Wilko store was purchased during the year. Strategies to regenerate the centre are underway.
- 21 new development properties at Charing were purchased at a total cost of £3.1m, eight of these properties are for shared ownership.
- £3.8m was spent on the Farrow Court Sheltered Housing redevelopment. Phase one is now complete and phase two has now started. This redevelopment is ongoing with a total budget of £15.4m, with an expected completion date in 2017/18.
- £4.9m was spent on the existing housing stock to ensure Decent Home Standards are maintained.

In the financial year 2015/16, the outturn for the capital programme was:

Summary of Capital Spending and Financing

	£'000	*£'000*
Capital investment		
General Fund capital expenditure	7,539	
HRA capital expenditure	12,051	
Total expenditure		19,590
Sources of finance		
Prudential borrowing		3,614
Capital receipts		
- Ring fenced capital receipts	982	
- General capital receipts	298	1,280
Grants and contributions		
- External grants and contributions	1,830	
- Developer contributions	551	2,381
Contribution to/(from) Major Repairs Reserve		4,816
Direct revenue contributions		
- Repairs and Renewals Reserve	146	
- General Fund revenue contributions	378	
- New Inititive Reserve contribution	3,006	
- HRA Revenue contributions	3,427	
- Other revenue contributions	542	7,499
Total financing		19,590

Treasury Management

Borrowing

At 31 March 2016, the Council had long-term and short-term borrowing of £119.7m (£119.7m long term borrowing at 31 March 2015). These long-term loans were used to fund the housing subsidy buy-out payment to government, see note 18.

Investments

At 31 March 2016, the Council had investments and cash deposits of £25.7m (£20.1m at 31 March 2015). In 2015/16 the Council has diversified its investment portfolio in terms of counterparties and duration of investments, with more long-term investments being made, these changes were in accordance with the objectives of the Treasury Management Strategy adopted by the Council.

Pensions

As part of the Conditions of Employment, the Council must offer staff retirement benefits under statutory requirements. At 31 March 2016, 90% of staff were part of 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 26.

Stanhope Private Finance Initiative (PFI) Project

The PFI agreement for the regeneration of the Stanhope Estate has been ongoing since 2007 the details are in note 23.

Council owned Companies

The CIPFA Code of Practice requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.

The Council has two wholly owned subsidiaries, A Better Choice for Property Ltd, and A Better Choice for Building Consultancy Ltd. The interest in the Property Company is now considered material and therefore group accounts have been prepared in accordance with IFRS 10

The Corporate Plan

The Council approved the new Corporate Plan during this financial year, covering the years 2015-2020. The plan includes looking at how the Council can investment in opportunities to become less reliant on Government funding. During this financial year, the Council has continued to increase its property portfolio, this has a dual purpose, firstly to regenerate the town and secondly to generate returns.

The Corporate Plan includes four key themes and future projects look to compliment these themes:

a. Enterprising Ashford
b. Living Ashford
c. Active and Creative Ashford
d. Attractive Ashford

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, the 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 Chief Finance Officer 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 72 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2016 and its income and expenditure for the year ended on that date.

Ben Lockwood
Head of Finance and Chief Financial Officer
28 July 2016

Core Financial Statements

Movement in Reserves Statement

2015/16	Note	General Fund Balance £'000	Ear-marked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Grants Unapplied Account £'000	Total Usable Reserves (excluding company) £'000	Unusable Reserves (Note 21) (excluding company) £'000	Total Usable Reserves (group) £'000
Balance at 31st March 2015		(1,359)	(15,604)	(5,725)	(3,477)	(82)	(554)	(26,801)	(91,717)	(26,771)
Movements in Reserves during 2015/16										
Surplus or deficit on the provision of services		(6,452)		(2,347)				(8,799)		(8,889)
Other Comprehensive Income & Expenditure									(23,006)	
Total Comprehensive Income & Expenditure		(6,452)	0	(2,347)	0	0	0	(8,799)	(23,006)	(8,889)
Adjustments between accounting and funding basis under regulations										
Sources of Finance	15	436		1,392	1280	4817	80	8,005	(8,005)	8,005
Sums set-a-side for capital purposes		5,467		4,199				9,666	(9,666)	9,666
Revenue expenditure charged to capital under statute		(1,021)		0				(1,021)	1,021	(1,021)
Removal of items not chargeable to Fund Balances										0
- Capital adjustment account		3,291		(10,335)		(5,184)		(12,228)	12228	(12,228)
- Capital grants unapplied account		0		1,154			(1,154)	0		0
- Capital receipts reserve (for HRA, see note 5)		(446)		4,246	(3,800)			0		0
- Deferred capital receipts reserve		0			(59)			(59)	59	(59)
- Pensions reserve		(1,824)		(426)				(2,250)	2,250	(2,250)
- Collection fund adjustment account		(155)						(155)	155	(155)
- Accumulated absences account		(41)		(26)				(67)	67	(67)
Net increase or decrease before transfers to Earmarked Reserves		(745)	0	(2,143)	(2,579)	(367)	(1,074)	(6,908)	(24,897)	(6,998)
Transfers to/from Earmarked Reserves		213	(213)					0	0	0
Increase or decrease during 2015/16		(532)	(213)	(2,143)	(2,579)	(367)	(1,074)	(6,908)	(24,897)	(6,998)
Balance at 31st March 2016		(1,891)	(15,817)	(7,868)	(6,056)	(449)	(1,628)	(33,709)	(116,614)	(33,769)

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.

2014/15		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)	Total Usable Reserves (group)
	Note	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2014		(1,863)	(14,088)	(4,595)	(2,286)	(4,354)	(573)	(27,759)	(69,735)	(27,759)
Movements in Reserves										
Surplus or deficit on the provision of services		(1,475)		(23,294)				(24,769)		(24,739)
Other Comprehensive Income & Expenditure									3,745	
Total Comprehensive Income & Expenditure		(1,475)	0	(23,294)	0	0	0	(24,769)	3,745	(24,739)
Adjustments between accounting and funding basis under regulations										
Sources of Finance		1,316		0	1,465	9,464	10	12,255	(12,255)	12,255
Sums set-a-side for capital purposes		2,111		4,825				6,936	(6,936)	6,936
Revenue expenditure charged to capital under statute		(838)		0				(838)	838	(838)
Removal of items not chargeable to Fund Balances										
- Capital adjustment account		(358)		14,730		(5,192)		9,180	(9,180)	9,180
- Capital grants unapplied account		(9)		0			9	0		0
- Capital receipts reserve (for HRA, see note 5)		(362)		2,959	(2,597)			0		0
- Deferred capital receipts reserve		0			(59)			(59)	59	(59)
- Pensions reserve		(1,680)		(368)				(2,048)	2,048	(2,048)
- Collection fund adjustment account		267						267	(267)	267
- Accumulated absences account		16		18				34	(34)	34
Net increase or decrease before transfers to Earmarked Reserves		(1,012)	0	(1,130)	(1,191)	4,272	19	958	(21,982)	988
Transfers to/from Earmarked Reserves		1,516	(1,516)					0	0	0
Increase or decrease during 2014/15		504	(1,516)	(1,130)	(1,191)	4,272	19	958	(21,982)	988
Balance at 31st March 2015		(1,359)	(15,604)	(5,725)	(3,477)	(82)	(554)	(26,801)	(91,717)	(26,771)

Comprehensive Income and Expenditure Statement

ABC 2014/15 Gross Expenditure £'000	ABC 2014/15 Gross Income £'000	ABC 2014/15 Net Expenditure £'000	Group 2014/15 Net Expenditure £'000		ABC 2015/16 Gross Expenditure £'000	ABC 2015/16 Gross Income £'000	ABC 2015/16 Net Expenditure £'000	Group 2015/16 Net Expenditure £'000
3,223	(1,916)	1,307	1,307	Central services to the public	3,670	(2,005)	1,665	1,665
2,059	(412)	1,647	1,647	Cultural and related services	(413)	(577)	(990)	(990)
5,933	(1,404)	4,529	4,529	Environmental and regulatory services	6,114	(3,312)	2,802	2,802
5,294	(3,642)	1,652	1,652	Planning services	5,139	(4,252)	887	887
1,026	(2,190)	(1,164)	(1,164)	Highways and transport services	1,753	(2,306)	(553)	(553)
(79)	(28,283)	(28,362)	(28,362)	Local authority housing (HRA)	23,390	(28,517)	(5,127)	(5,127)
40,664	(39,657)	1,007	1,010	Other housing services	41,229	(42,276)	(1,047)	(1,074)
3,547	(460)	3,087	3,087	Corporate and democratic core	3,863	(483)	3,380	3,380
1,923	0	1,923	1,923	Non distributed costs	1,757	0	1,757	1,757
63,590	(77,964)	(14,374)	(14,371)	**Cost of Services**	86,502	(83,728)	2,774	2,747
				Other operating expenditure				
	1,372		1,372	Parish Council Precepts & Levies		1,475		1,475
	432		432	Payments to the Government Housing Capital Receipts Pool		494		494
	(1,405)	399	(1,405)	Disposal of non-current assets		(1,022)	947	(1,022)
				Financing and investment income and expenditure				
	4,983		4,993	Interest payable		4,922		4,971
	2,482		2,482	Net interest on the net defined benefit liability (asset)		2,319		2,319
	(472)		(472)	Interest receivable		(713)		(713)
	0	6,993	17	Income, Expenditure and Changes in fair value of Investment Property		0	6,528	(112)
				Taxation and non-specific grant income				
	(7,268)		(7,268)	Council Tax income		(7,586)		(7,586)
	(2,322)		(2,322)	Non-domestic rates income and expenditure		(2,329)		(2,329)
	(6,878)		(6,878)	Non-ringfenced government grants (Note 10)		(6,151)		(6,151)
	(1,319)	(17,787)	(1,319)	Capital grants received in year		(2,982)	(19,048)	(2,982)
		(24,769)	(24,739)	**(Surplus) or Deficit on Provision of Services**			(8,799)	(8,889)
	(7,492)		(7,492)	Surplus or deficit on revaluation of Property, Plant and Equipment (see note 12)		(14,107)		(14,107)
	(718)		(718)	Surplus or deficit on revaluation of Available-for-Sale financial Assets		(380)		(380)
	11,955		11,955	Remeasurements of the net defined benefit liability (See note 26)		(8,519)		(8,519)
		3,745	3,745	**Other Comprehensive Income and Expenditure**			(23,006)	(23,006)
		(21,024)	(20,994)	**Total Comprehensive Income and Expenditure**			(31,805)	(31,895)

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

Balance Sheet

ABC 31 March 2015 £'000	Group 31 March 2015 £'000		Notes	ABC 31 March 2016 £'000	ABC 31 March 2016 £'000	Group 31 March 2016 £'000
315,291	315,291	Property, Plant & Equipment	12	335,569		335,569
2,929	2,929	Heritage Assets	15	2,414		2,414
0	1,096	Investment Property	14	0		3,227
76	76	Intangible Assets		12		12
12,330	12,330	Long Term Investments	17	16,742		16,642
2,715	1,597	Long Term Debtors	17	4,600		1,538
333,341	333,319	**Long Term Assets**			359,337	359,402
0	0	Current held for sale		750		750
5,051	5,051	Short Term Investments	18	3,047		3,047
12	12	Inventories		0		0
5,411	5,422	Short Term Debtors	20	5,790		5,795
5,073	5,099	Cash and Cash Equivalents	36	5,993		6,029
15,547	15,585	**Current Assets**			15,580	15,621
(38)	(43)	Short Term Borrowing		(2,038)		(2,038)
(12,929)	(12,969)	Short Term Creditors	21	(14,222)		(14,267)
(773)	(773)	Current Liabilities	25	(626)		(626)
(13,740)	(13,785)	**Current Liabilities**			(16,886)	(16,931)
(1,799)	(1,799)	Long-term Provisions	24	(1,771)		(1,771)
(119,664)	(119,664)	Long Term Borrowing	18	(117,664)		(117,664)
(71,983)	(71,983)	Pension Liability	26	(65,715)		(65,715)
(23,065)	(23,065)	PFI Liability	25	(22,439)		(22,439)
(119)	(119)	Finance Lease Liability	23	(119)		(119)
(216,630)	(216,630)	**Long Term Liabilities**			(207,708)	(207,708)
118,518	118,489	**Net Assets**			150,323	150,384
		Financing (see MiRS)				
(26,801)	(26,772)	Usable Reserves		(33,709)		(33,770)
(91,717)	(91,717)	Unusable Reserves	22	(116,614)		(116,614)
(118,518)	(118,489)				(150,323)	(150,384)

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 22).

These financial statements replace the unaudited financial statements certified by Ben Lockwood on ?????? 2016. (ben to sign)

Cash Flow Statement

ABC Restated 2014/15 £'000	Group 2014/15 £'000		Notes	ABC 2015/16 £'000	Group 2015/16 £'000
(24,769)	(24,739)	Net (surplus) or deficit on the Provision of services		(8,799)	(8,889)
2,705	2,709	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	31	(13,523)	(13,411)
(647)	(671)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	32	5,526	5,402
(22,711)	(22,701)	Net cash flows from operating activities		(16,796)	(16,898)
25,393	26,476	Investing activities	34	15,103	17,235
2,954	1,835	Financing activities	35	773	(1,267)
5,636	5,610	Net movements in year excluding non-cash items		(920)	(930)
10,709	10,709	Cash and cash equivalents at the beginning of the reporting period		5,073	5,099
(5,636)	(5,610)	Net increase or (decrease) in cash and cash equivalents		920	930
5,073	5,099	Cash and cash equivalents at the end of the reporting period	36	5,993	6,029

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

Notes to the Core Financial Statements

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authorities transactions for the 2015/16 financial year and its position at the year ending 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require being prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/16' (the Code) and the 'Service Reporting Code of Practice 2015/16', supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1. **Accounting Concepts and Conventions**

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

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

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

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

2. **Accruals of Income and Expenditure**

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

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

Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. There is a de minimis limit for manual accruals (not automatic accruals) of £5,000 to aid faster closing, transactions below this limit are not accrued for as they are deemed not material to the understanding of these accounts.

3. **Estimation Techniques**

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

4. **Costs of Internal Support Services**

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

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

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

Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue is recognised when it is probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year, which consists of:

- The Council's council tax precept and business rate share from the Collection Fund i.e. the amount billed for the year; and
- The Council's share of the actual council tax and business rates surplus or deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the General Fund and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves on the General Fund balance.

The Council, as billing authority, recognises the creditor in its balance sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors.

6. **Charges to Revenue**

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

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

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

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

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

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

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

8. **Government Grants and Contributions**

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

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

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

9. **VAT**

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

10. **Heritage Assets**

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

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

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

12. **Intangible Assets**

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

An intangible asset is initially measured at cost but will be revalued where the fair value of the asset differs significantly from its carrying value. The depreciable amount is amortised over its useful economic life to the relevant service line in the

Comprehensive Income and Expenditure Statement but subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

13. **Investment Assets**

These assets are held solely to earn rentals and/or capital appreciation . The property cannot be used for any other purpose to be classed as an investment asset.

They are held initially at cost and subsequently at fair value being the price that would be received to sell such an asset.

Properties are not depreciated but are revalued annually according to market conditions at the year-end.

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

An annual valuation is carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institute of Chartered Surveyors (RICS) as at 31 March. Material changes will be reflected in the accounts if they arise after the valuation.

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

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

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

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

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. These asset are held at cost on the balance sheet.

14.9. **Surplus Assets**
These assets are not being used to deliver services and are held at fair value which is the price that would be receivable if sold.

14.10. **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.

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

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

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

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

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

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

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

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

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

14.13. **Gains or Losses on Disposal of Property Plant and Equipment**

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.

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 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.

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 IAS 2, which requires stocks to be shown at actual cost or net realisable value if lower. The effect of the different treatment is immaterial given the low stock levels held.

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

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

Where considered of a material nature these are accrued.

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 committed to the termination of employment.

20.3. **Post-employment benefits**

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

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate 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 18 on page 45.

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 and are given a 'fair value level' based on the accuracy of the valuation (Level 1 being the most reliable estimate):

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than those quoted prices that are observable for the asset or liability
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated credit worthiness

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 and should reflect prevailing interest rates as at that date.

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

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

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 18 on page 45.

These disclosure requirements are equally applicable to outstanding debtors, see Note 20 on page 49 for an analysis of debtors. In addition to this, a provision for bad debts is also included in the Statement.

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 Property Plant and Equipment, needed to provide the services, passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as the ownership of the Property Plant and Equipment will pass to the Council at the end of the contract at no charge, the Council carries the Property Plant and Equipment used under the contract on the Balance Sheet.

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

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

Property Plant and Equipment 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**

Group Accounts will be prepared in accordance with IFRS 10 (consolidated financial statements) and IFRS 12 (disclosure of interest in other entities), where it is considered that the Council has a material interest in subsidiaries.

Where applicable the following principles will be followed:

Basis of Consolidation
Group Accounts will be prepared on the basis of a full consolidation of the financial transactions and balances of the Council and a relevant subsidiary. Any gains and losses arising from a subsidiary will be fully reflected in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement within the Group column.

Accounting Policies
Group Accounts will be prepared using consistent accounting policies where possible, where there are conflicting policies with IFRS requirements then the requirements of the Code of practice for Local Authority accounting will be adopted for consolidation purposes.

Where Intra-group charges occur they will be removed during consolidation of the accounts

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 2016 for 2015/16).

The following apply to these Financial Statements:

- Amendments to IAS 19, Employee Benefits
- Annual Improvements to IFRSs 2010-2012 Cycle
- Amendments to IFR 11 Joint Arrangements
- Amendments to IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendment to IAS 1 Presentation to Financial Statements

3. Critical Judgements in Applying Accounting Policies

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

- The Council has set budgets, and its medium term financial plans, on the basis of central funding already announced by the Government. If these were to change in the near future, it may well arise that an adjustment in local services will be required to enable the Council to continue as a 'going concern'.
- From April 2013, changes in the accounting for business rates means that the Council is at risk if income is lower than the threshold set by government. In particular, this will be affected by the level of successful appeals by ratepayers against their rateable value, last determined by the Valuation Office Agency with effect from 2010 (some appeals may also be against the 2005 Valuation List). The Council's budget takes into account the possible effect of these changes but, if these exceed estimates made, the Council will need to make future provision. The Council has not made a provision for unlodged appeals, the Council believe that larger businesses will be equipped to lodge appeals at the earliest opportunity and only smaller business will delay in appealing, based on this it is estimated that any appeal will not be material to the accounts.
- The accounts have been prepared on the basis that local authorities can recover VAT incurred on the supply of good and services. However, in certain circumstances, VAT is not recoverable. e.g. VAT partial exemption. When this exceeds 5% of total input VAT for the authority, it must repay all of the VAT it has recovered in relation to its exempt supplies during the

financial year. This situation is constantly under review and the Council does not expect the 5% limit to be exceeded.

- The Council places reliance on external property valuers, actuaries and other professional for valuations and/or consideration of impairment of its property assets, pension valuations and business rate appeals calculations. 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 professionals 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% change in the discount rate (the iBoxx Corporate Bond Index) would result in a change in the liability of £2.6m. A 1 year change in the mortality assumption would result in a £4.6m change in the pension liability.
NNDR appeals liability	From April 2013, the Council was. responsible for refunding successful appeals against past NNDR liabilities. An estimate of the possible effect on this Council has been taken into account in these accounts and future funding assumptions.	If the level of successful appeals exceeds the assumptions already made, the cost will be met from future budgets.
Recovery of Benefit over-payments	These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.	Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts, write-offs of uncollected debt will have to be met from future budgets.

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Impairment Allowance for Bad Debts	The Council has impairment allowances for bad debts totalling £3,493,000 approximately 47% of the value outstanding debt, compared to £4,126,000 approximately 44% in 2014/15.	Any decline in rates of collection for debt would result in a need to increase the allowance.

5. Amounts Reported for Resource Allocation Decisions

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

2014/15 Net expenditure £'000		2015/16 Expenditure £'000	2015/16 Income £'000	2015/16 Net expenditure £'000
1,603	Corporate, Strategy & Personnel	1,658	(65)	1,592
1,190	Legal & Democratic Services	1,490	(173)	1,317
2,024	Planning & Development	4,045	(1,907)	2,138
2,092	Financial Services	43,705	(41,777)	1,928
240	Communications and Technology	356	(67)	289
1,361	Housing Services	2,498	(1,706)	791
3,353	Environmental & Customer Services	4,310	(1,004)	3,305
119	Health, Parking & Community Safety	3,364	(2,842)	522
178	Corporate Property & Projects	2,002	(3,327)	(1,325)
1,616	Culture and the Environment	4,541	(371)	4,170
13,776	**Service Expenditure**	67,969	(53,239)	14,727
287	Levies & Grants			281
	Funded by:			
(5,780)	Government Grant			(5,469)
(3,137)	Retained Business Rates			(3,216)
(6,086)	Council Tax			(6,263)
(940)	**Controllable items**			60
(938)	Capital Charges & Interest			(2,341)
1,734	Transfer to/from reserves			2,366
160	Other			(58)
16	**Outturn - (suplus)/deficit**			27

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

2014/15 Totals per CI&ES £'000		2015/16 Totals per Resources Allocations £'000	2015/16 Adjustments per Acounting Code £'000	2015/16 Totals per CI&ES £'000
(39,598)	Fees, charges and other service income	(15,101)	(28,512)	(43,613)
(38,366)	Grants	(38,139)	(1,976)	(40,115)
(77,964)	**Total Income**	(53,240)	(30,488)	(83,728)
15,465	Employees	14,058	2,591	16,649
8,588	Premises	4,773	4,100	8,873
49,854	Supplies and Services	48,189	3,152	51,341
654	Transport	509	197	706
8,911	Recharged from other accounts	(11,758)	1,024	(10,734)
(18,451)	Recharged to other accounts	9,093	12,299	21,392
1,290	Capital Charges	1,668	(3,488)	(1,820)
(2,721)	Transfers To/From Reserves	1,436	(1,341)	95
63,590	**Total Expenditure**	67,968	18,534	86,502
(14,374)	**Cost of Services**	14,728	(11,954)	2,774
1,372	Parish Council Precepts & Levies	281	1,194	1,475
432	Payments to housing capital receipts pool	0	494	494
(1,405)	Gain or loss on disposal of non-current assets	0	(1,022)	(1,022)
4,983	Interest payable and similar charges	(1,628)	6,550	4,922
2,482	Pension interest cost and expected return on pensions assets	0	2,319	2,319
(472)	Interest receivable and similar income	(713)	0	(713)
(7,268)	Council Tax income	(6,264)	(1,322)	(7,586)
(2,322)	Non-domestic rates	(3,216)	887	(2,329)
(6,878)	Non-ringfenced government grants	(5,469)	(682)	(6,151)
(1,319)	Capital grants and contributions	0	(2,982)	(2,982)
(24,769)	**(Surplus) or Deficit on Provision of Services**	(2,281)	(6,518)	(8,799)
0	Capital Charges & Interest	(58)	58	0
0	Transfer to/from reserves	2,366	(2,366)	0
3,745	**Other Comprehensive Income and Expenditure**	0	(23,006)	(23,006)
	Totals of Resources Allocations and Code adjustments	27	(31,832)	
(21,024)	**Total Comprehensive Income and Expenditure**			(31,805)

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:

2014/15 £'000		2015/16 £'000
314	Allowances	312
13	Expenses	11
327		323

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 2015/16

2015/16		Pay & expenses *	Compensation for Loss of Office	Benefits in kind	Total	Pension contri-butions	Total remun-eration
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive +	**	117			117	15	132
Chief Executive +	***	11			11	1	12
Deputy Chief Executive & CFO +		83		5	88	8	96
Corporate Director(Operations)	****	28			28	3	31
Head of Culture & the Environment		86		1	87	10	97
Head of Community & Housing		47			47	6	53
Head of Corporate Property & Projects	*****	27		1	28	4	32
Head of Communications & Technology		83	30		113	10	123
Head of Legal and Democratic Services +		79		5	84	10	94
Head of Planning & Development		94		4	98	12	110
		655	30	16	701	79	780

*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.
**The Chief Executive resigned with effect from 20 February 2016 on an annualised salary of £121,413.
***New Chief Executive started with effect from 20 February 2016 on an annualised salary of £99,357.
****Head of Community & Housing appointed Corporate Director (Operations) from 1 November 2015 on an annualised salary of £81,852.

*****Head of Corporate property & Projects appointed with effect from 1st November 2015 on an annualised salary of £61,503

+ Officers that also fulfil statutory roles.

Senior Employee Remuneration 2014/15 comparators

2014/15	Pay & expenses * restated	Compensation for Loss of Office	Benefits in kind restated	Total	Pension contri-butions	Total remun-eration
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive +	129			129	17	146
Deputy Chief Executive & CFO +	94		5	99	13	112
Head of Culture & the Environment	88		1	89	10	99
Head of Community & Housing	82			82	10	92
Head of Communications & Technology	76			76	10	86
Head of Legal and Democratic Services +	73		5	78	10	88
Head of Planning & Development	89		4	93	12	105
	631	0	15	646	82	728

Other Employee Remuneration by Band

2014/15 nos	Remuneration bands	2015/16 nos
16	£50,000 - £54,999	18 *
10	£55,000 - £59,999	7
6	£60,000 - £64,999	5
1 *	£65,000 - £69,999	4 *
33		34

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 eight employees in 2015/16 incurring liabilities of £147,451 (£116,594 in 2014/15).

2014/15 Voluntary nos	2014/15 Compulsory nos	Exit package cost band (including special payments	2015/16 Voluntary nos	2015/16 Compulsory nos
	3	£0 - £19,999		4
1		£20,000 - £39,999		4
	1	£40,000 - £59,999		
1	4	Total number included in bandings and in CIES	0	8

9. External Audit Costs

In 2015/16, Ashford Borough Council paid the following fees relating to external audit and inspection:

2014/15 £'000		2015/16 £'000
80	Fees payable with regard to external Audit services carried out by the appointed Auditor for the year	60
14	Fees payable for the certification of grant claims and returns	8
94		68

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.

2014/15			2015/16	
£'000	*£'000*		*£'000*	*£'000*
		Credited to Cost of Services		
42		CLG: Homeless Initiatives	0	
100		CLG: Major Sites Planning Grant	95	
204		DWP: Discretionary Housing Payments	149	
548		DWP: Benefit Administration Subsidy	469	
36,230		DWP: Benefits Subsidy	36,123	
30		Home Office: Community Safety	0	
606	37,760	Other government grants	658	37,494
288		KCC: Recycling Credits	272	
118	406	Preceptor Funding For CT Support Scheme	119	391
	38,166	Total credited to Cost of Services		37,885
		Credited to Taxation and Non-specific Grant Income		
		Non-ringfenced government grants:		
2,879		- Rate Support Grant	2,046	
1,036		- S31 Grant NNDR	886	
69		- Council Tax Freeze Grant	69	
2,875		- New Homes Bonus	3,150	
1,319		- Capital grants and contributions	2,982	
	8,178			9,133
	46,344			47,018

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 2015/16.

	Balance at 31st March 2015	2015/16 Transfers In	Transfers Out	Balance at 31st March 2016
	£'000	£'000	£'000	£'000
Fund future expenditure	(5,931)	(2,258)	980	(7,209)
Provide for the maintenance of an asset	(3,950)	(438)	3,193	(1,195)
Required by statute reserves	(223)	(75)	0	(298)
Developer contributions	(5,500)	(2,726)	1,111	(7,115)
	(15,604)	(5,497)	5,284	(15,817)

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

The Purpose of the Earmarked Reserves

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

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

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

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

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

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

12. Property, Plant and Equipment

Property, Plant & Equipment 2015/16	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Sub-total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
1 April 2015	367,633	85,217	4,098	2,181	459,129
Additions	10,967	4,903	333	17	16,220
Revaluation increases/(decreases) recognised in the Revaluation Reserve	301	12,324	0	0	12,625
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(396)	4,397	0	0	4,001
Derecognition - disposals	(3,221)	(52)	0	0	(3,273)
Transfer of Assets Under Construction	3,081	1,831	0	1	4,913
31 March 2016	378,365	108,620	4,431	2,199	493,615

Property, Plant & Equipment 2015/16	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 2015	1,048	985	5,400	466,562	13,797
Additions	0	384	1,963	18,567	5
Revaluation increases/(decreases) recognised in the Revaluation Reserve	669	1,528	0	14,822	
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	4,001	(3)
Derecognition - disposals	0	0	0	(3,273)	43
Transfer of Assets Under Construction	0	(368)	(5,295)	(750)	0
31 March 2016	1,717	2,529	2,068	499,929	13,842

Property, Plant and Equipment continued

Property, Plant & Equipment 2015/16	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 2015	(134,633)	(13,090)	(3,300)	0	(151,023)
Depreciation charge	(5,367)	(1,522)	(116)	0	(7,005)
Depreciation written out to the Revaluation Reserve	24	1,502	0	0	1,526
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,343	898	0	0	6,241
Impairment losses/(reversals) recognised in the Revaluation Reserve	(24)	(1,708)	0	0	(1,732)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	(11,847)	(277)	0	0	(12,124)
Derecognition - disposals	0	3	0	0	3
31 March 2016	(146,504)	(14,194)	(3,416)	0	(164,114)
Net book value					
31 March 2016	231,861	94,426	1,015	2,199	329,501
31 March 2015	233,000	72,127	798	2,181	308,106

Property, Plant & Equipment 2015/16	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 2015	(232)	(16)	0	(151,271)	1
Depreciation charge	(6)	0	0	(7,011)	(340)
Depreciation written out to the Revaluation Reserve	8	0	0	1,534	
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	0	0	0	6,241	340
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	(1,732)	
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	0	0	0	(12,124)	(4)
Derecognition - disposals	0	0	0	3	
31 March 2016	(230)	(16)	0	(164,360)	(3)
Net book value					
31 March 2016	1,487	2,513	2,068	335,569	13,839
31 March 2015	816	969	5,400	315,291	13,798

Property, Plant and Equipment continued

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

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

Property, Plant and Equipment continued

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

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

Surplus Assets

During the year the Council purchased development land at Elwick Road to enable the Elwick Place development. This project will consist of a multiplex cinema, hotel and restaurants. This land is currently classed as Surplus as at this time it is non operational, this treatment is set out in the Code of Practice on Local Authority Accounting and is an interim classification until the project commences.

2014/15		2015/16
£'000		*£'000*
0	Land at Elwick Road	1,875
583	Land at Coneybeare, Torrington Road	607
386	Various other land sites	31
969		2,513

Movement of Surplus Assets	1st April	Additions & disposals	Transfer between classes of assets	Revaluation gains/ losses	31st March
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
2015/16	969	384	(368)	1,528	2,513
2014/15	968	0	0	1	969

Asset Valuation

A valuation exercise and impairment review was completed by external valuers (Wilkes Head and Eve LLP).

Depreciation

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

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

13. Revaluation Gains and Impairments

There have been valuation movements of the HRA Dwellings. Please see the HRA supplementary statement, note 7 on page 68.

General Fund land and buildings were revalued as at 31st March 2016 (based on 31st January 2016 information), there have been total downward valuations of £1,850,988, for which £265,185 written out through the CIES, with the remaining reversing previous year's gains through the Revaluation Reserve.

Revaluation gains amounted to £19,610,249, of which £14,323,577 was written to the Revaluation Reserve with the remaining £5,286,672 written through the CIES to reverse previous year gains.

Assets were valued using information available at 31 January 2016 based on expected valuations as at 31 March 2016. The valuers have reported that there no further material changes required.

14. Investment Properties (Group Accounts)

Investment properties are wholly owned with the A Better Choice for Property Ltd. Property valuations were made by an independent valuer TaylorRiley Stafford and are reflected in the group statement and the tables below.

The accuracy of the fair value measurement is classified by 'fair value levels' which are shown under financial instruments at note 19, the valuation of the property portfolio are assessed at level 2.

Group Position 2014/15		Group Position 2015/16
£'000		*£'000*
1,096	Property Portfolio - Dwellings (A Better Choice for Property)	3,227
1,096		3,227

Movements in Investment Property (A Better Choice for Property)	1st April	Additions & disposals	Revaluation gains/ losses	31st March
	£'000	*£'000*	*£'000*	*£'000*
2015/16	1,096	2,019	112	3,227
2014/15	0	1,113	(17)	1,096

15. 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:

2014/15		2015/16
£'000		*£'000*
1,571	Windmills at Woodchurch & Willesborough	1,001
366	Doctor Wilkes Hall	403
750	Hubert Fountain (Victoria Park)	750
242	Mayor's regalia, including mace and badges	261
2,929		2,415

During 2015/16 insurance valuations on the above assets were sought and this resulted in Woodchurch and Willesborough windmills downward revaluation of £570,000. Doctor Wilkes Hall increased in value by £37,000 and the Major's regalia increased by £19,000.

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

16. Capital Expenditure and Capital Financing

2014/15 £'000		2015/16 £'000
147,273	*Opening Capital Financing Requirement*	156,021
	Capital investment:	
27,069	Property, Plant and Equipment	18,567
32	Intangible Assets	3
838	Revenue Expenditure funded from Capital under Statute	1,021
27,939		19,591
	Sources of Finance:	
(1,465)	Capital Receipts	(1,280)
(1,316)	Government grants and contributions (received in year)	(1,828)
(10)	Government grants and contributions (brought forward)	(80)
(9,464)	Major Repairs Reserve	(4,816)
(12,255)		(8,004)
	Sums set aside from revenue	
(6,084)	- Direct revenue contributions	(8,722)
(852)	- Minimum revenue provision (MRP)	(944)
(6,936)		(9,666)
156,021	*Closing Capital Financing Requirement*	157,942
	Explanation of movements in year	
9,599	Increase in underlying need to borrowing (unsupported by government financial assistance)	2,864
(852)	Provision for the repayment of debt	(944)
8,747		1,920

17. Capital Commitments

At 31 March 2016, the Council has an approved capital programme for future years budgeted to cost £38.9m. The major capital commitments are:

2014/15 £'000		2015/16 £'000
0	Spearpoint pavilion	605
	Housing Revenue Account - Major Projects	
10,700	Farrow Court Sheltered Housing Redevelopment	6,600
3,500	New Build Programme	0
	Housing Revenue Account - Existing Stock	
560	Heating programme	150
1,170	Kitchen Installations	870
230	Electrical refurbishment	0
950	Bathrooms	0
120	Water mains	206
630	Roof replacements/works	120
0	Re-pointing external walls	250

18. Financial Instruments

Long-term	Current		Long-term	Current
31 March 2015			31 March 2016	
£'000	*£'000*		*£'000*	*£'000*
	5,073	*Cash and Cash Equivalents*		5,993
		Investments		
5,500	5,051	Loans and receivables	5,500	3,047
6,830		Available-for-sale financial assets	11,242	
12,330	5,051	*Total Investments*	16,742	3,047
		Debtors		
	1,340	Trade Debtors		1,550
2,715		Financial assets carried at contract amounts	4,600	
2,715	1,340	*Total included in Debtors*	4,600	1,550
		Borrowings		
(119,664)	(38)	Financial liabilities at amortised cost	(117,664)	(2,038)
(119,664)	(38)	*Total included in Borrowings*	(117,664)	(2,038)
		Other Long-term Liabilities		
(23,065)	(773)	PFI and finance lease liabilities	(22,439)	(626)
(23,065)	(773)	*Total Other Long-term Liabilities*	(22,439)	(626)
		Creditors		
	(7,460)	Financial liabilities at amortised cost		(9,692)
(119)		Financial liabilities carried at contract amounts	(119)	
(119)	(7,460)	*Total Creditors*	(119)	(9,692)

Financial assets carried at contract amounts include loans to the Council's property company, A Better Choice Property Ltd amounting to £3,063,071 as at 31 March 2016 (£1,120,000 as at 31 March 2015). These loans are secured against charges on the properties acquired by the Property Company.

2014/15		2015/16
£'000		*£'000*
4,983	Interest payable	4,922
(472)	Interest Income	(713)
(718)	Surplus arising from the revaluation of financial assets	(380)
3,793	Net gains/loss for the year	3,829

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.

Financial 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.

Balance sheet and fair values are shown in the tables below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than those quoted prices that are observable for the asset or liability
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated credit worthiness

Balance Sheet 31 March 2015 £'000	Fair Value 31 March 2015 £'000		Fair Value Level	Balance Sheet 31 March 2016 £'000	Fair Value 31 March 2016 £'000
		Financial Liabilities held at Amortised Cost:			
(119,664)	(133,071)	Long Term loans from PWLB	2	(117,664)	(128,783)
(23,838)	(30,968)	PFI Liabilities	3	(23,065)	(29,822)
(119)	(349)	Lease Payables	3	(119)	(346)
(143,621)	**(164,388)**	**TOTAL**		**(140,848)**	**(158,951)**
(7,498)		Liabilities for which fair value is not disclosed *		(11,730)	
(151,119)		**TOTAL FINANCIAL LIABILITIES**		**(152,578)**	
		*Recorded on balance sheet as:			
(7,460)		Short-term creditors		(9,692)	
(38)		Short-term borrowing		(2,038)	
(7,498)				**(11,730)**	

Balance Sheet 31 March 2015 £'000	Fair Value 31 March 2015 £'000		Fair Value Level	Balance Sheet 31 March 2016 £'000	Fair Value 31 March 2016 £'000
		Financial assets held at fair value:			
	0	Money market funds	1		2,503
	0	Equity funds	1		3,982
	6,830	Property fund	1		7,160
	0	Shares in A Better Choice for Property Ltd.	3		100
		Financial assets held at amortised cost:			
5,500		Long-term loans to local authorities	2	5,500	
5,500	**6,830**	**TOTAL**		**5,500**	**13,745**
14,179		Assets for which fair value is not disclosed *		12,687	
19,679		**TOTAL FINANCIAL ASSETS**		**18,187**	
		* Recorded on balance sheet as:			
1,340		Short-term debtors		1,550	
5,051		Short-term investments		3,047	
2,715		Long-term debtors		4,600	
5,073		Cash and Cash Equivalents		3,490	
14,179				**12,687**	

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

The fair value of shares acquired in the Council's wholly owned subsidiary 'A Better Choice for Property Ltd. are equal to cost until sufficient trading history is available to determine a more accurate fair value.

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.

19. 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 31/03/16 was as follows:

Credit Risk

Counter party	*Maturity date*	*Amount*	*Credit rating*
		£'000	
Deposit with other local authorities/government			
Blaenau Gwent	27 October 2019	3,026	AA+
Newport City Council	10 July 2017	2,514	AA+
Deposits/investments with other financial institutions			
Santander	Instant	11	A
Bank of Scotland	Instant	9	A
National Westminster Bank	Instant	506	BBB
Handlesbanken	Instant	524	AA
Goldman Sachs	Instant	51	A
Federated Prime Rate	Instant	1,503	AAA
BNP Paribas	Instant	1,000	AAA
Lloyds	24 August 2016	3,006	A
City Financial Multi Asset Diversified Fund	2 Days Notice	966	N/A
UBS Multi Asset Income Fund	2 Days Notice	986	N/A
M&G Global Dividend Fund	2 Days Notice	1,079	N/A
Schroder Income Maximiser Fund	2 Days Notice	952	N/A
Local Authority Mutual Investment Trust	Variable	7,160	AAA

The Code requires the Council to estimate the potential maximum exposure to credit risk, based on experience of defaults and collection rates over recent years.

However, as the Council has not experienced any defaults on investments, the Council is unable to quantify its exposure with any degree of accuracy.

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

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

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

31 March 2015		31 March 2016
%		%
74	AAA or Local Authority's	65
0	AA-	2
21	A or A+	13
0	BBB	2
0	Unrated Equity Funds	17
5	Unrated Building Society	0

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

31 March 2015		31 March 2016
£'000		£'000
486	Less than 30 days	269
114	31 days to 90 days	252
133	91 days to 364 days	181
1,003	More than 1 year	929
1,736		1,631
(365)	Impairment allowance	(444)

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.

The future of the PWLB is currently being considered with responsibility likely to transfer to the Treasury to strengthen its governance arrangements. These proposed changes are not anticipated to have any impact over the operational aspects of accessing money and therefore will not have an impact on the Council's liquidity risk.

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

Market Risk interest rates/prices/exchange rates

The council is exposed to interest rate risk on some of its borrowing and if interest rates had been 1% higher or lower during the year, this would have resulted in an increase or decrease in variable investment income of £0.27m and an increase or decrease in variable loan payments of £70,000. The Council's long-term borrowing is predominantly fixed rate and therefore a material movement is not anticipated.

20. Debtors

These amounts were due to the Council:

31 March 2015			31 March 2016	
£'000	*£'000*		*£'000*	*£'000*
	1,260	Central government bodies		1,355
	499	Other Local Authorities		491
		Other entities and individuals:		
1,266		- Housing Tenants	887	
(850)	416	*Less*: Impairment Allowance	(728)	159
747		- Local Taxpayers/ratepayers	1,125	
(568)	179	*Less*: Impairment Allowance	(699)	426
6,109		- Other	5,425	
(3,052)	3,057	*Less*: Impairment Allowance	(2,066)	3,359
	5,411	Balance at 31st March		5,790

Movement in Debtors is mainly due to:

2014/15		2015/16
£'000		*£'000*
(174)	Benefit Subsidy owed by government	47
109	Other amounts owed by government	48
85	Amounts owed by housing tenants	(379)
458	Amounts owed by local taxpayers/ratepayers	378
1,063	Movement in payments in advance	1,063
(2,751)	Amounts owed by Sundry Debtors	(1,755)
(544)	Change in Impairment Allowance	977
(1,754)	Movement in the year	379

21. Creditors

These amounts were due to be paid by the Council at 31 March 2016

31 March 2014		31 March 2015
£'000		*£'000*
(2,137)	Central government bodies	(1,122)
(1,839)	Other Local Authorities	(3,234)
	Other entities and individuals:	
(786)	- Housing Tenants	(611)
(172)	- Local Taxpayers	(182)
(908)	- Business Rate Payers	(127)
(362)	- Developer contributions	(833)
(6,725)	- Sundry Creditors	(8,113)
(12,929)		(14,222)

Movement in Creditors is mainly due to:

2014/15 £'000		2015/16 £'000
(207)	NNDR liability	(1,899)
(1,033)	Other amounts owed to government	2,914
(995)	Amounts owed to Other Local Authorities	(1,395)
(43)	Amounts owed by housing tenants	175
(9)	Amounts owed by local taxpayers	(10)
(467)	Amounts owed by Business Rate payers	781
344	Change in Developer contributions	(471)
(949)	Amounts owed to Sundry Creditors	(1,388)
(3,359)	Movement in the year	(1,293)

22. Unusable Reserves

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

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

2015/16	Revaluation balances		Adjustment accounts	
	Revaluation Reserve *	Available for Sale Financial Instruments Reserve	Capital Adjustment Account *	Sub-total
	£'000	*£'000*	*£'000*	*£'000*
Balance at 31st March 2015	(24,430)	(784)	(137,859)	(163,073)
Movements in Reserves during the year				
Other comprehensive income and expenditure	(14,107)	(380)		(14,487)
Total comprehensive income and expenditure	(14,107)	(380)	0	(14,487)
Adjustments between accounting and funding basis under regulations			(4,423)	(4,423)
Net increase or decrease before transfers to other reserves	(14,107)	(380)	(4,423)	(18,910)
Transfers to/from other Unusable reserves	459		(459)	0
Increase or decrease during the year	(13,648)	(380)	(4,882)	(18,910)
Balance at 31st March 2016	(38,078)	(1,164)	(142,741)	(181,983)

* Analysed in tables (a) and (b)

2015/16	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 2015	(1,596)	71,983	850	119	(91,717)
Movements in Reserves during the year					
Other comprehensive income and expenditure		(8,519)			(23,006)
Total comprehensive income and expenditure	0	(8,519)	0	0	(23,006)
Adjustments between accounting and funding basis under regulations	59	2,251	155	67	(1,891)
Net increase or decrease before transfers to other reserves	59	(6,268)	155	67	(24,897)
Transfers to/from other Unusable reserves	0				0
Increase or decrease during the year	59	(6,268)	155	67	(24,897)
Balance at 31st March 2016	(1,537)	65,715	1,005	186	(116,614)

* Analysed in tables (a) and (b)

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

* Analysed in tables (a) and (b)

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

* Analysed in tables (a) and (b)

(a) Revaluation Reserve:

2014/15 £'000			2015/16 £'000
	Comprehensive Income and Expenditure Statement		
(6,488)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	(14,877)	
(1,038)	Depreciation written out to the Revaluation Reserve	(1,531)	
34	Impairment losses/(reversals) recognised in the Revaluation Reserve	2,301	
(7,492)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(14,107)
	Transfers to/from Capital Adjustment Account		
108	Difference between fair value depreciation and historical cost depreciation	459	
14	Accumulated gains on assets sold or scrapped	0	
	Amount written off to the Capital Adjustment Account		459
(7,370)	Increase or decrease during year		(13,648)

(b) Capital Adjustment Account

2014/15 £'000		2015/16 £'000
(12,255)	Sources of Finance	(8,005)
(6,936)	Sums set-a-side for capital purposes	(9,666)
838	Revenue expenditure met from capital under statute	1,021
(9,180)	Removal of items not chargeable to Fund Balances	12,227
(27,533)	*Total accounting adjustments between funding basis under statue*	(4,423)
(122)	Adjustment with Revaluation Reserve	(459)
(27,655)	Increase or decrease during year	(4,882)

23. Leases

Council as a Lessee - Finance Leases

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

2014/15 £'000		2015/16 £'000
120	Other land & Buildings	119

The Council is committed to making the following payments for this lease, with a remaining life of 41 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	80	80
Later than 5 years	119	4	445	568
	119	4	541	664

Council as a Lessee - Operating Leases

The Council has contracts for lease cars and photocopier/printer devices as operating leases. The Council was committed as at 31 March 2016 to make the lease payments as per the following table:

2014/15		2015/16
£'000		*£'000*
139	Within 1 year	156
240	2 - 5 years	191
379		347

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 38 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	98	112	210
Later than 5 years	957	387	1,344
	1,073	523	1,596

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

Council as a Lessor - 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, over remaining life of the contracts, calculated at current levels, are detailed in the tables below.

The Council purchased Park Mall Shopping Complex during the year therefore there are no 2014/15 comparison figures. The expected future income from the current shop leases are detailed below, the figures include Wilko:

2014/15		2015/16
£'000		*£'000*
0	Within 1 year	544
0	2 - 5 years	1,699
0	Later than 5 years	2,080
0		4,323

The Council owns International House, which is Town Centre office space. The future income receivable for these leases are detailed below:

2014/15		2015/16
£'000		*£'000*
1,168	Within 1 year	1,154
2,324	2 - 5 years	1,522
0	Later than 5 years	241
3,492		2,917

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

2014/15		2015/16
£'000		*£'000*
292	Within 1 year	173
396	2 - 5 years	117
688		290

The Council also owns various smaller leases including estate shops and other small units, details of future income is detailed in the table below:

2014/15		2015/16
£'000		*£'000*
204	Within 1 year	253
741	2 - 5 years	716
993	Later than 5 years	1,026
1,937		1,995

24. Provisions

2014/15 £'000		2015/16 £'000
(1,537)	Business Rates Appeals	(1,385)
(7)	Municipal Mutual Insurance	(40)
(255)	Lift Renewal (Edinburgh Road)	(346)
(1,799)		(1,771)

The reasons for movement in provisions are:

2014/15 £'000		2015/16 £'000
(563)	Additional provision made in year	(1,357)
215	Amounts used in year	0
220	Unused amounts reversed in year	1,385
(128)	Movement in the year	28

25. PFI and Similar Contracts

Stanhope PFI

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

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

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

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

These payments will be met from:

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

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

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

Analysis of minimum forecast Unitary Charge assuming 0% inflation

	Service cost	Life Cycle Costs	Repayment of liability	Interest cost	Total payment
	£'000		£'000	£'000	£'000
Within 1 year	1,104	537	626	1,368	3,635
2 - 5 years	4,644	1,225	3,555	5,019	14,443
6 - 10 years	5,885	1,770	5,212	4,959	17,826
11 - 15 years	5,854	2,983	5,223	3,492	17,552
16 - 20 years	6,103	2,164	7,336	1,649	17,252
21 - 25 years	1,244	1,150	1,113	65	3,572
	24,834	9,829	23,065	16,552	74,280

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

Extra Care Housing PFI

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

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

Other Service Contracts

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

26. Defined Benefit Pension Schemes

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.

2014/15 £'000	Local Government Pension Scheme	2015/16 £'000
	Comprehensive Income & Expenditure Statement	
	Service cost comprising:	
2,573	- current service cost	3,269
243	- past service costs	0
57	Administration expenses	58
	Financing and Investment Income and Expenditure	
2,482	- net interest expense	2,319
5,355	*Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	5,646
	Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(5,118)	- return on plan assets (excluding the amount included in net interest expense)	1,833
17,193	- actuarial gains and losses arising on changes in financial assumptions	(10,364)
(120)	- other	12
11,955	*Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	(8,519)
17,310	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	(2,873)
	Movement in Reserves Statement	
(5,355)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(5,646)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,307	employers' contributions payable to scheme	3,395
(2,048)		(2,251)

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:

2014/15 £'000	Local Government Pension Scheme	2015/16 £'000
(152,093)	Present value of the defined benefit obligation	(145,549)
83,527	Fair value of plan assets	82,993
(68,566)		(62,556)
(3,417)	Other movements in the liability (asset)	(3,159)
(71,983)	Net liability arising from defined benefit liability	(65,715)

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:

2014/15 £'000	Local Government Pension Scheme	2015/16 £'000
76,206	Opening fair value of scheme assets	83,527
3,330	Interest income	2,734
	Remeasurement gain/(loss)	
5,118	- return on plan assets, excluding the amount included in net interest expense	(1,833)
3,307	Contributions from employer	3,395
718	Contributions from employees into the scheme	768
(4,827)	Benefits paid - funded	(5,278)
(268)	Benefits paid - unfunded	(262)
(57)	Administration expenses	(58)
83,527	Closing fair value of scheme assets	82,993

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

2014/15 £'000	Local Government Pension Scheme	2015/16 £'000
(134,186)	Opening balance at 1st April	(155,510)
(2,573)	Current service cost	(3,269)
(5,812)	Interest cost	(5,053)
(718)	Contributions from scheme participants	(768)
	Remeasurement (gains)/loss	
(17,193)	- actuarial gains/losses arising from changes in financial assumptions	10,364
(243)	Past service cost	0
4,827	Benefits paid - funded	5,278
268	Benefits paid - unfunded	262
120	Experience loss/(gain) on defined benefit obligation	(12)
(155,510)	Closing balance at 31st March	(148,708)

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

2014/15 £'000				2015/16 £'000
2,284	Cash and cash equivalents	2.6%		2,137
57,080	Equity instruments:	66.7%		55,345
	Bonds			
874	- gilts	0.9%	735	
9,291	- other	11.0%	9,113	9,848
10,376	Property	14.5%		12,056
3,622	Target return portfolio	4.3%		3,607
83,527	Total assets			82,993

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Pension Fund's liabilities were assessed by

Barnett Waddingham, an independent firm of actuaries; the last full valuation of the scheme was as at 31 March 2013. The results of this were implemented from April 2014, the next valuation was due in March 2016, this will be implemented from April 2017.

The significant assumptions used by the actuary have been:

2014/15		2015/16
	Assumed life expectations from age 65 are:	
	Retiring today	
22.8	- Men	22.9
25.2	- Women	25.3
	Retiring in 20 years	
25.1	- Men	25.2
27.6	- Women	27.7
	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	
3.2%	Rate of inflation - Retail price index (RPI)	3.2%
2.4%	Rate of inflation - Consumer price index (CPI)	2.3%
4.2%	Rate of increase in salaries	4.1%
2.4%	Rate of increase in pensions	2.3%
3.3%	Rate for discounting scheme liabilities	3.6%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable changes to the assumptions made above occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy may increase or decrease for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies 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.

2014/15			2015/16	
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)		
150,062	161,008	- Present value of total obligation	153,384	144,178
3,026	3,239	- Projected service cost	2,989	2,842
		Rate for discounting scheme liabilities inflation (increase or decrease by 0.1%)		
152,854	158,215	- Present value of total obligation	146,175	151,287
3,060	3,206	- Projected service cost	2,848	2,984
		Rate of increase in salaries (increase or decrease by 0.1%)		
155,832	155,191	- Present value of total obligation	148,698	148,450
3,134	3,130	- Projected service cost	2,916	2,914
		Rate of increase in pensions (increase or decrease by 1%)		
157,915	153,158	- Present value of total obligation	151,058	146,399
3,205	3,061	- Projected service cost	2,983	2,849

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

	Year to 31 Mar 2017
	£'000
Service Cost	2,915
Net Interest on the defined liability (asset)	2,305
Administration Expenses	57
	5,277
Employer contributions	3,120

27. Related Parties

Under the Accounting Standard IAS24 'Related Party Transactions' the Council must declare any Related Party Transactions between the Council and elected Members, Senior Officers of the Council or any of their close relatives. All Members and Senior Managers were written to requesting details of any relationships that could result in a related party transaction, for 2015/16, two forms were not returned however the register of Members interests was examined to see whether any declaration was necessary, no material declarations were made.

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

28. Interest in Companies

The council has two wholly owned subsidiaries, A Better Choice for Property Limited and A Better Choice for Building Consultancy Limited.

There are no significant restrictions on the Council's ability to access or use assets and settle liabilities of the Group.

A Better Choice for Property Limited
The property company has a Facilities Agreement with the Council that enables it to drawdown loans to the value of £10m during the first five years in £2m tranches based on sound business plans that require Council approval.

As at the 31 March 2016 the Company has approved drawdown facilities of £6m with £3.085m actually drawn down by way of loans which are at market rates.

The Facilities Agreement does not provide liquidity issues for the Council as drawdowns by the Company can be matched against borrowing by the Council.

In terms of security of loans, the Facilities Agreement has certain financial covenants, which must be reported on an annual basis, one covenant being the ratio of all outstanding loans under the facilities agreements to the market value of the properties not exceeding 1:1. On the 31 March 2016 this ratio was 1.05:1 complying with the agreement. The Council also has charges on all the properties acquired by the property company, these act as security over the loans taken by the Company.

In 2015/16 the Council purchased 100,000 shares in the company with a nominal value of £1 per share. A further issue of 75,000 shares with a nominal value of £1 per share are accessible to the Council.

A Better Choice for Building Consultancy Limited

The Building Consultancy Company is not considered to represent a material impact on the Council's accounts and therefore is not included within group accounts. The profit of the company is anticipated to be circa £10,000 for 2015/16 with income and expenditure of £77,000 and £67,000 respectively, based on company reporting.

The Building Consultancy Company is looking to expand going forward and consideration to the requirement to group account on grounds of materiality will be considered annually.

29. Contingent Liabilities

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

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

30. Events after the Balance Sheet Date

Elwick Place development is progressing with the purchase of land during 2015/16 the Council has subsequently approved a construction contract to enable works to start on the site which will include a cinema, hotel and restaurants.

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

2014/15 Restated £'000		2015/16 £'000
	Adjustment for items that are operating activities	
(6,638)	Depreciation	(7,013)
17,525	Impairment and downward valuations	(1,878)
(66)	Amortisation	(67)
10,821	Items relating to Capital Adjustment Account	(8,958)
	Deferred sale proceeds	
(4)	Increase/decrease in inventories	(12)
(544)	Increase/(decrease) in impairment for bad debts	977
(1,210)	Increase/decrease in debtors	(598)
(3,621)	Increase/decrease in creditors	(1,267)
(2,048)	Movement in pension liability	(2,250)
(1,641)	Carrying amount of non-currents and Held for Sale sold or derecognised	(3,270)
(128)	Contributions to/from Provisions	28
1,080	Other non-cash items charged to the net surplus of deficit on the provision of services	1,827
2,705	*Total non-cash adjustments of operating activities*	(13,523)

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

	Adjustment for items that are investing and financing activities	
1,464	Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	4,372
(9)	Capital grants and contributions applied	1,154
(2,102)	Other items for which cash effects are investing or financing cash flows	
(647)	*Total non-cash adjustments of investing and financing activities*	5,526

33. Cash Flow Statement - Operating Activities

2014/15 £'000		2015/16 £'000
3,656	Interest paid	0
(134)	Interest received	0
(299)	Dividend received	0
3,224	*Net cash flows from investing activities*	0

34. Cash Flow Statement - Investing Activities

2014/15 £'000		2015/16 £'000
27,364	Purchase of property, plant and equipment, investment property and intangible assets	18,542
28,474	Purchase of short-term and long-term investments	8,018
(1,464)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,372)
(28,990)	Proceeds from short-term and long-term investments	(5,931)
9	Other receipts from investing activities	(1,154)
25,393	*Net cash flows from investing activities*	15,103

35. Cash Flow Statement - Financing Activities

2014/15 £'000		2015/16 £'000
852	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	773
2,102	Other payments for financing activities	0
2,954	*Net cash flows from financing activities*	773

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

31 March 2015 £'000		31 March 2016 £'000
55	Cash held by the Council	57
176	Bank Current Accounts	2,332
4,842	Bank Call Accounts	3,604
5,073	Cash and cash equivalents at the end of the reporting period	5,993

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).

2014/15		2015/16	
£'000		*£'000*	*£'000*
	Expenditure		
4,039	Repairs and maintenance	3,708	
4,819	Supervision and management	5,178	
41	Rents, rates, taxes and other charges	63	
1,943	Special services	1,997	
5,591	Depreciation	5,400	
(16,770)	Impairment of non-current assets	6,899	
154	Debt management costs	179	
104	Movement in the allowance for bad debts	(34)	
(79)	*Total Expenditure*		23,390
	Income		
(23,291)	Dwelling rents	(23,985)	
(470)	Non-dwelling rents	(30)	
(749)	Charges for services and facilities	(759)	
(232)	Leaseholder charges for services and facilities	(165)	
(541)	Contributions towards expenditure	(578)	
(3,000)	PFI Subsidy receivable	(3,000)	
(28,283)	*Total Income*		(28,517)
(28,362)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(5,127)
500	HRA services' share of Corporate and Democratic Core		516
366	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		348
(27,496)	Net Cost for HRA Services		(4,263)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,318)	Gain or (loss) on sale of HRA non-current assets		(1,025)
	Other capital receipts		
	Payment to Housing Capital Receipts Pool		
3,742	Interest payable and similar charges		3,745
1,464	Interest payable on PFI contracts and Finance Leases		1,414
(131)	Interest and investment income		(113)
445	Net interest on the net defined benefit liability (asset)		441
	Capital grants and contributions receivable		(2,546)
(23,294)	(Surplus) or deficit for the year on HRA services		(2,347)

Movement on the HRA Statement

2014/15 £'000		2015/16 £'000
(4,595)	Balance on the HRA at the end of the previous year	(5,725)
(23,294)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(2,347)
22,164	Adjustments between accounting basis and funding basis under statute	204
(1,130)	Net (increase) or decrease before transfers to or from reserves	(2,143)
(5,725)	Balance on the HRA at the end of the current year	(7,868)

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 2016 is given in the table below:

31 March 2015 Units	*Dwellings by type*	31 March 2016 Units
3,589	Houses and bungalows	3,412
1,460	Flats, bedsits and maisonettes	1,451
5,049		4,863
(318)	*Less* properties managed under Stanhope PFI	(318)
4,731		4,545

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

31 March 2014 £'000		31 March 2015 £'000
236,277	Operational assets - dwellings, land and buildings	234,047
3	Non-Operational assets	3
1,084	Assets Under Construction	1,084
237,364		235,134

The Housing Revenue Account also holds Assets Held for Sale. These include three Shared Ownership dwelling with a market value of £750,000. These will be sold early in 2016/17.

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 31 March 2016 was £720,423,000 (£704,319,000 as at 31 March 2015). 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

2014/15 £'000	*Movements in year*	2015/16 £'000
(4,354)	Balance at the end of the previous year	(82)
(5,591)	Amount transferred to the Reserve during the year	(5,400)
9,464	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	4,816
399	Reversal of depreciation (other than Council Dwellings)	217
(82)	Balance at the end of the financial year	(449)

4. Summary of Capital Expenditure and Financing

2014/15 £'000		2015/16 £'000
	Capital investment:	
4,710	Expenditure on Existing Dwellings	4,862
2,074	Expenditure on New Stock Purchases	3,274
8,161	Expenditure on new developments (including Assets Under Construcion)	3,915
259	Expenditure on Purchases of Land	0
15,204		12,051
	Sources of Finance:	
(1,234)	Capital Receipts	(982)
(9,464)	Major Repairs Reserve	(4,816)
(533)	External Contributions - HCA Grant	(1,392)
	Borrowing	(1,435)
(3,973)	Revenue Contribution from the Housing Revenue Account	(3,426)
(15,204)		(12,051)

5. Capital Receipts from Disposal of Assets

2014/15 £'000		2015/16 £'000
(2,932)	Receipts from Right-to-buy sales	(2,997)
(30)	Receipts from Repairment of Discounts	0
(83)	Receipts from the sale of Housing land	(251)
0	Other non right-to-buy sales	(1,058)
(3,045)	Total receipts	(4,306)
56	Costs of disposal	59
(2,989)		(4,247)

6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £5,384,000 (2014/15, £5,591,000), summarised below:

2014/15		2015/16
£'000		*£'000*
5,376	Council dwellings	5,367
212	Council garages	15
2	PV panels	2
5,591		5,384

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 (including land and garages) had increases and decreases in valuation. A total downward valuation of £10,287,231 was recognised of which £10,268,599 was charged to the Housing Revenue Account with the remainder being written to the Revaluation Reserve.

The value of the housing stock increase was £3,931,686, with £3,558,971 being credited to the Housing Revenue Account, with the remainder increasing the Revaluation Reserve Account.

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.

2014/15 *£'000*		2015/16 *£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
461	- current service cost	621
44	- past service costs	0
10	- administration expenses	11
	Financing and Investment Income and Expenditure	
445	- net interest expense cost	441
960	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	1,073
	Movement in Reserves Statement	
(960)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,073)
	- actual amount charged against the General Fund Balance for pensions in the year:	
592	employers' contributions payable to scheme	646

9. Rent Arrears

During the year 2015/16 arrears totalling £88,000 (£127,000 - 2014/15) 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 2016 was £728,000 (£850,000 at 31 March 2015).

31 March 2015 *£'000*		31 March 2016 *£'000*
915	Gross arrears	815
(850)	Provision for Bad Debts	(728)

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.

2014/15 Business Rates £'000	2014/15 Council Tax £'000		2015/16 Business Rates £'000	2015/16 Council Tax £'000
		Income		
	(61,351)	- Council Tax		(64,105)
(46,497)		- Business Rates	(45,687)	
		- Transitional Protection Payments		
(46,497)	(61,351)	*Total Income*	(45,687)	(64,105)
		Expenditure		
		Precepts, Demand & Shares		
4,052	44,719	- Kent County Council	4,188	46,173
	6,038	- Kent Police Authority		6,234
450	2,900	- Kent and Medway Fire Authority	465	2,993
18,009	7,222	- Ashford Borough Council (including Parish Precepts)	18,611	7,396
22,511		- Central Government	23,264	
45,022	60,879		46,528	62,796
		Charges to the Collection Fund		
18	5	- Write-Offs of uncollectable amounts	0	0
47	72	- (Increase)/Decrease in Bad Debt Provisions	42	553
1,187		- (Increase)/Decrease in Provision for Appeals	(380)	
		- Disregarded amounts	57	
180		- Costs of Collection Allowance	182	
59		- Transitional Protection Payments	460	
1,491	77		361	553
		Contributions		
(566)		- Towards previous year's estimated Collection Fund Surpl	(590)	
45,947	60,956	*Total Expenditure*	46,299	63,349
(550)	(395)	Deficit/(Surplus) in Year	612	(756)
2,797	(19)	Balance at 1st April	2,247	(414)
2,247	(414)	Balance at 31st March	2,859	(1,170)
		Apportionment of Balance to Preceptors/Borough Council		
202	(304)	- Kent County Council	257	(860)
	(41)	- Kent Police Authority		(116)
22	(20)	- Kent and Medway Fire Authority	29	(56)
899	(49)	- Ashford Borough Council	1,144	(138)
1,124		- Central Government	1,430	
2,247	(414)		2,859	(1,170)

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.

2014/15		2015/16
£'000		*£'000*
	Total Non-Domestic Rateable Values at:	
115,478	- 1st April	115,994
115,994	- 31st March	114,887
516	Increase/(decrease) in year	(1,107)

2014/15		2015/16
p		*p*
	Uniform rate (multiplier) set by the government:	
47.1	For rateable values below £18,000	48.0
48.2	For rateable values £18,000 and above	49.3

2. Band D Council Tax

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

2014/15		2015/16
£		£
1,068.66	Kent County Council	1,089.99
144.28	Kent Police Authority	147.15
69.30	Kent and Medway Fire Authority	70.65
145.45	Ashford Borough Council	145.45
1,427.69	Council Tax - basic amount	1,453.24
27.12	(including Parish Precepts)	29.12
1,454.81	Council Tax - Borough average	1,482.36

3. Council Tax Base

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:

	2014/15			2015/16		
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	13.30	5 /9	7.40	13.30	5 /9	7.40
A	3,271.90	6 /9	2,181.25	3,869.30	6 /9	2,579.52
B	10,746.70	7 /9	8,358.54	11,428.80	7 /9	8,889.10
C	11,273.30	8 /9	10,020.71	11,513.80	8 /9	10,234.50
D	7,887.40	9 /9	7,887.39	7,908.70	9 /9	7,908.67
E	5,876.00	11 /9	7,181.76	5,828.70	11 /9	7,123.94
F	4,822.40	13 /9	6,965.73	4,804.70	13 /9	6,940.09
G	2,852.80	15 /9	4,754.58	2,845.10	15 /9	4,741.83
H	161.00	18 /9	322.00	159.50	18 /9	319.00
Tax Base before Council Tax Support			47,679.36			48,744.05
Less Council Tax Support			(5,410.68)			(5,951.12)
Tax Base after Council Tax Support			42,268.68			42,792.93
Estimated Collection Rate			99.0%			99.0%
Council Tax Base			41,846.00			42,365.00

4. Precepts

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

2014/15 *£'000*		2015/16 *£'000*
	Demand	
6,087	- Ashford Borough Council	6,162
1,135	- Parish Precepts	1,234
7,222		7,396

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

2014/15 *£'000*		2015/16 *£'000*
305	Tenterden Town Council	303
131	Kingsnorth	136
67	Charing	74
76	Great Chart with Singleton	137
56	Wye with Hinxhill	58

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

Glossary

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

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

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

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

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

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

Capital Financing – funds used to pay for capital expenditure.

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

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

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

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

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

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

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

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

Creditors – money owed by the Council to others.

Debtors – money owed to the Council by others.

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

Financial Assets – is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

Outturn – actual income and expenditure in a financial year.

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

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

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

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

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

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

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

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

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

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

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

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An Introduction to Your Statement of Accounts

INVESTOR IN PEOPLE

Ben Lockwood
Maria Seddon

Ashford best placed in Britain

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Legislative Environment

- CIPFA
- Accounting Code of Practice (The Code)
- Primacy of Legislation

Materiality

"Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report."

Going Concern

"The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies."

Process of Approval

- Draft Statements are produced – 31 May
- Approval by the CFO – 15 June
- Audit of draft statements – During June
- Agree audit amendments – During July
- Audited Accounts approved by Members – 28 July (for 2016) by 31 July
- Audit Sign off – 31 July

What is in the Statement?

- Explanatory Foreword
- Statement of Responsibilities – “True and Fair”
- Core Financial Statements
- Notes to the Core Financial Statements
- Housing Revenue Account and Notes
- Collection Fund Statement and Notes
- Auditor's Report Pages
- Glossary

The Movement in Reserves Statement

- Level of Reserves held by an authority
- Analysed by type (Useable and Unusable)
- Must include:
  - Opening and closing balances
  - Income and Expenditure
  - Statutory Transfers
  - Voluntary Transfers

Questions:

- Do the opening balances agree with previous year?
- Do the figures agree with the Comprehensive Income and Expenditure Statement and Balance Sheet?
- Are the levels of reserves in line with expectations?
- Are reserves sufficient?

Key Points of Interest Page 8

- Total useable reserves decreased by £6,908,000
  - General Fund reserve increased by £532,000
  - Earmarked Reserves increased by £213,000
  - Housing Revenue Account increased by £2,243,000
  - Capital Receipts held increased by £2,579,000

- The GF made a surplus of £6,475,000 before accounting adjustments

The Comprehensive Income and Expenditure Statement

- Shows how the Authority performed during the year
  - Value of all goods and services received
  - All income and expenditure
  - Includes cash and not cash items
- Statutory Format – different from budget presentation
  - Accounting position before statutory adjustments
- Cost of Services

Questions:
Are there any significant changes in expenditure between years?
Does this reflect your view of performance?
Is there a reconciliation between statutory presentation and management reporting?

Key Points of Interest Page 10

- Some service lines include large movements in gross expenditure, this is mainly due to previous years reversal of impairments
- Capital grants increased due to HCA funding for Farrow Court
- Revaluation gains on property, plant and equipment to the revaluation reserve of £14m, there were also gains written to the services reversing prior year impairments.
- Reduction in the pensions deficit, is this a sign that the triennial valuation we reduce the deficit projected.

The Balance sheet

- Property Plant and Equipment
  - – Valuation of Housing Stock
  - – Heritage Assets
- Current assets and Liabilities
  - – liquidity
- Long-term Liabilities
  - – Borrowing, PFI, Pensions
- Provisions
- Reserves

Questions:
Are the changes in year what you expected?
- Property planet and equipment changes in line with projects reported to members?
- Borrowing and investment decisions consistent with cabinet reports?

Are figures explained in notes

Key Points of Interest Page 11

- Increase in Property, Plant and Equipment, capital expenditure of £19m and increases in asset valuation
- Long term investments have increased by £4.4m, this is due to £4m equity investments, £0.4m capital growth in the CCLA property fund
- Long term debtors have increased by the loans to the Property Company
- Short term investments reduction due to reschedule investments to long term.
- Short term borrowing has increased due to long term borrowing becoming due within one year
- Pension liability, decreased by £6m

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Other Statements

Cash Flow Statement **Page 12**	Sets out the Authorities cash receipts and payments during the year. Related to income and expenditure but not necessarily the same.
Housing Revenue Account **Page 65**	Shows the transactions in respect of the Councils Housing during the year. Ring-fenced so it cannot subsidise or be subsidised. Included within the main statements.
Collection Fund **Page 70**	Shows the transactions in respect of the collection of Council Tax and Business Rates during the year.

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Disclosure Notes

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Accounting Policies	Approved by the Committee in March, largely specified by International Financial Reporting Standards and the CODE
Critical Judgements	These are made is there is uncertainty about future events and what judgements have been made Most important judgement made this year is the view on ‘Going Concern.’
Accounting Estimates	What estimates may have been applied if there is uncertainty in the accounts Key items are NNDR appeals provisions and Pensions (covered in detail in note 25) liabilities – both supported through external advice.

Disclosure Notes

Property Plant and Equipment	All assets held by the Council excluding Heritage and Intangible (also investment assets however none owned)
PFI	Private Finance Initiative, liability held on the balance sheet Subject to a detailed review of accounting treatment for 2013/14 accounts.
Contingent Assets and Liabilities	Costs or income that may be chargeable to the Council but there is a likelihood that they may not happen but are material Key item here is the agreement to recover the RIF funding.
Events after the Balance Sheet date	Draws attention to any significant events after the balance sheet date that would affect the readers view of the accounts.

Expectation on Members

Members need to have a robust discussion on the statement of accounts to gain assurance as to the financial standing of the Authority and to challenge the figures included within the statement.

Grant Thornton

An instinct for growth™

A guide to local authority accounts

March 2014

Contents

Introduction

This guide is designed to help members of audit committees discharge their responsibilities for the financial statements. It aims to help them understand and challenge the accounts, supporting notes and other statements.

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. They also play a key role in ensuring accountability and value for money are demonstrated to the public.

However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government. IFRS provides a comprehensive framework (over 3,000 pages of mandatory requirements) for the production of financial statements in the public and private sector. This framework is continually being refined.

We have prepared this guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

"It sounds extraordinary, but it's a fact that balance sheets can make fascinating reading."

Mary Archer
British scientist

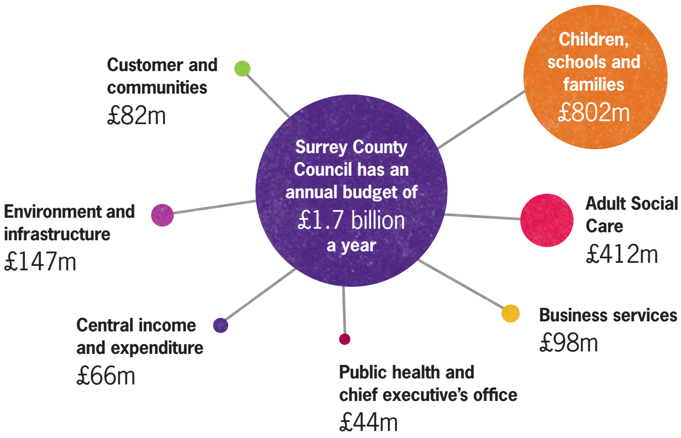
Explanatory foreword

The purpose of the explanatory foreword is to provide a commentary on the financial statements. It should include an explanation of key events and their effect on the financial statements.

The information included in the explanatory foreword should not be a surprise and should be familiar to you from the budget reports provided during the year. The explanatory foreword should therefore ideally also reconcile the year end financial position reported to members (the outturn) to the statutory financial accounts.

However, in a recent survey on governance, conducted by Grant Thornton, 40% of respondents did not agree that the explanatory foreword aids public understanding of local government accounts. Too often, explanatory forewords repeat key elements of the accounts and run the risk of being overly long, rather than provide a clear commentary in plain English. This indicates there is still some way to go before the explanatory foreword achieves its purpose.

Key financial information should be clearly explained and authorities should consider the best way to present it. Below is an example of the presentation of financial information that we consider to be helpful.



Challenge questions

1 Does the explanatory foreword provide a clear summary of the authority's financial performance and financial position at the year end?

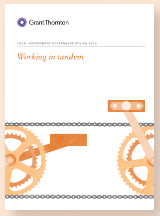
2 Is the summary in line with your expectations? Is the financial performance in line with budget reports? Are the key events described in the explanatory foreword those you expected to see?

3 Can you trace the figures to the financial statements? Are they consistent?

4 If last year's figures have been restated, is the reason clearly explained?

5 Is there a better way that this information could be presented or communicated?

For more information, see **Grant Thornton's Local Government Governance Review 2014**



Annual governance statement

The annual governance statement (AGS) sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The AGS should give the reader a clear sense of the risks facing the authority and the controls in place to manage them.

While the AGS is prepared by the authority at the end of the year, it should be built up from processes designed, run and tested throughout the year. There should be no surprises for members of the audit committee as all of the issues described should already have been discussed. However, surprises can occur if the first sight of the document is not until June. We recommend making the AGS an iterative document which is presented in draft to audit committee members towards the end of the calendar year.

The AGS should be consistent with:

- the rest of the financial statements
- internal audit findings
- the results of any external inspections of the authority during the year.

Challenge questions

1. Is the content of the AGS consistent with your knowledge of the operations of the authority over the year?
2. Does the AGS succinctly describe the control environment in an understandable way?
3. In particular, does the AGS include:
   - all significant risks that you were aware of during the year?
   - the actions the authority is taking to address the identified risks?

Only 65% of respondents to our survey agreed that the AGS helps the public to understand how the organisation manages risk.

Movement in reserves statement

Reserves represent the authority's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.

Usable reserves

- Result from the authority's activities
- Can be spent in the future
- Include:
  - general fund
  - earmarked reserves
  - capital receipts reserve

The level of usable reserves, the spending plans of the authority and other sources of funding will determine how much council tax needs to be raised.

The movement in reserves statement (MIRS) analyses the changes in each of the authority's reserves from year to year. It should be clear to see what has caused the movement in each reserve. The statement shows:

- **opening balances** – these should be the same as the previous year's closing balances
- **total income or expenditure for the year** – this should agree with the comprehensive income and expenditure account
- **statutory transfers between reserves** – these are made as the result of regulation
- **voluntary transfers between reserves** – these are made as the result of the authority's decisions
- **closing balances** – these should agree to those on the balance sheet.

Transfers between reserves should not result in a change in the overall level of reserves.

Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include:
  - pensions reserve
  - revaluation reserve
  - capital adjustment account

Statutory transfers are adjustments that are made to usable reserves to:

- remove transactions that are required by accounting standards
- add transactions required by statute.

For example, accounting standards require depreciation to be charged to the general fund to represent the cost of assets used in the delivery of services. Statute requires that all capital transactions are removed from the general fund. Depreciation is therefore taken out of the general fund and replaced with the minimum revenue provision (MRP). The MRP represents the authority's estimate of how much it should contribute to capital expenditure each year and is approved by members at the start of every year.

Voluntary transfers include the earmarking of reserves. Members may choose to earmark reserves, putting aside cash to deliver specific longer-term objectives, such as the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out.

Challenge questions

1. Are the movements in the two types of reserves shown in separate tables?
2. Do the opening balances agree with last year? Have any restatements been clearly explained?
3. Do the figures in the MIRS agree to the comprehensive income and expenditure statement?
4. Can you trace the figures in the MIRS to the relevant notes? Do the notes adequately explain the major movements?
5. Are the purposes of the material earmarked reserves consistent with the authority's objectives and the authority's decisions?

For more information, see **Grant Thornton's Approving the MRP Policy**

Comprehensive income and expenditure statement

The comprehensive income and expenditure statement (CIES) reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit.

The CIES is sometimes described as a 'film' of all the transactions in the year. It includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

The CIES shows the accounting position of the authority before statutory overrides are applied. It analyses income and expenditure based on services. This means that it does not have the same headings you see in commercial financial statements.

The standard format of the CIES means that it will differ from the layout in your budget book, which will be based on your authority's own activities and internal reporting needs. A note to the accounts should reconcile the figures reported internally to those included in the CIES.

Five broad sections within the CIES

Cost of services	Presented in a standardised format as set out by the 'Service reporting code of practice for local authorities'. Includes service specific income and expenditure. Any large and/or unusual items which may affect the reader's view of the accounts should be disclosed separately.
Other operating income and expenditure	Includes the surplus or deficit from the sale of property, plant and equipment.
Financing and investment income and expenditure	Includes interest payable and receivable.
Taxation and general grant income	Includes revenue from council tax and the revenue support grant.
Other comprehensive income and expenditure	Items which are not allowed to be accounted for elsewhere in the CIES, such as increases in the value of land and buildings and changes in the actuarial assessment of pension liabilities.

Challenge questions

1. Does the CIES reflect the financial performance of your authority as you know it?
2. Have there been significant changes year on year? If so, are these clearly explained?
3. Is there a detailed note to reconcile the CIES to budget reports? Is it easy to find? Can you trace the figures through?

Balance sheet

The balance sheet is a 'snapshot' of the authority's financial position at a specific point in time, showing what it owns and owes at 31 March.

The balance sheet is always divided into two halves that should, as the name suggests, balance:

- assets less liabilities (the top half)
- reserves (the bottom half).

Non current assets including: • **property, plant and equipment** • **heritage assets** • **intangible assets** • **investment property**	Non-current assets have a life of more than one year. For most authorities the biggest balance by far is property, plant and equipment. These are tangible assets that are used to deliver the authority's objectives. With some exceptions they need to be shown at a value based on market prices. Changes in valuations are matched by changes in reserves (generally the revaluation reserve). The cost of property, plant and equipment is spread over the period in which it is used by charging depreciation.
Current assets	Includes cash and other assets that, in the normal course of business, will be turned into cash within a year from the balance sheet date. Other assets include investments, non-current assets held for sale, inventories and debtors.
Current liabilities	Comprises short-term borrowing, trade creditors, amounts owed to other government bodies and receipts in advance. Receipts in advance arise when the authority receives income this year for expenditure it will incur, or services it will provide, in future years.
Long-term liabilities	Includes borrowings, any amounts owed for leases and private finance initiative (PFI) deals. There will also be an estimate for the cost of meeting the authority's pension obligations earned by past and current members of the pension scheme.
Provisions	Represent future liabilities of the authority, but there is uncertainty about how much the authority owes or when it will have to pay.
Reserves	These are usable and unusable reserves.

Challenge questions

1. Have any significant changes between years been sufficiently explained?
2. Are there clear references to the notes where more detailed information is available?
3. Are the changes in property, plant and equipment what you would expect, based on any major disposals of assets, the authority's capital programme and movements in market prices?
4. Are movements in investments and borrowing consistent with the authority's treasury plans and with the cash movements in the cash flow statement?
5. Are the reasons for provisions and details of how they have been calculated clearly shown?
6. Do the reserves in the balance sheet agree to the balances in the movement in reserves statement?

Other statements

A number of other statements will be included within the financial statements, though not all will be relevant to every authority.

Cash flow statement	Sets out the authority's cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash flows are related to income and expenditure, but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, not when the cash was paid or received. The Local Authority Code of Practice allows two different methods of presentation to be used, and therefore formats may vary between neighbouring authorities.
Collection fund	Shows the transactions in respect of council tax and business rates during the year.
Housing revenue account	Shows the transactions in respect of council housing during the year. It is ring-fenced, so it cannot subsidise or be subsidised by other activities.
Pension fund accounts	Included within the financial statements of a pension fund administering authority, such as a county or unitary council. Shows the transactions and net assets/liabilities of the pension fund as a whole.
Group accounts	Prepared if the authority has a significant subsidiary, such as a local authority trading company. Shows the combined income and expenditure and balances of all the constituent bodies.

Challenge questions

1. Have any significant changes between years been sufficiently explained?
2. Are there clear references to the notes where more detailed information is available?

Additional disclosures

The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and are rarely written in plain English.

However, additional disclosures include important information and provide the context for the figures in the primary financial statements.

Accounting policies	Set out the accounting rules the authority has followed in compiling its financial statements, for example that land and buildings are shown at valuation rather than at cost. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice. Authorities have limited discretion to amend them, but should: • provide additional information where needed • remove accounting policies that are not relevant or apply to immaterial amounts.
Critical judgments	Show the key areas where officers have made judgements about the application of accounting policies. For example: • classification of leases and public finance initiative (PFI) schemes • identification of provisions • impairment of assets. The aim is to highlight key areas of the accounts where others may have made different judgments about the accounting treatment.
Estimates	The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.
Property, plant and equipment	Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.
Leases and PFI schemes	Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.
Employee remuneration	Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.
Contingent liabilities	Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them. The most common contingent liability is for legal claims.

Challenge questions

1. Have you already seen and been able to comment on the proposed accounting policies?
2. Are you comfortable with the critical judgements disclosed?
3. Do the figures reported in the financial statements agree to those included in the relevant notes?
4. Are the notes easy to find and follow?
5. Is too much information included? Could it be better presented?

And finally…

Once you have completed your review of the detail, you may wish to reflect upon the financial statements as a whole and what could be done to improve the process for future years.

About the financial statements

1 Are they clear, concise and easy to follow?
2 Are they presented in the best format? Could graphs or diagrams be used to help explain information more easily?
3 Is detailed information on the most important items easy to find?
4 Are technical terms explained in plain English? Is there a glossary?
5 Is it clear how a reader could find out more information?
6 Where are the accounts to be published? Are they easy to find?

About the process

1 Does your authority recognise that producing robust financial statements is important for strong financial governance?
2 Has your authority set targets to produce shorter, clearer, earlier financial statements?
3 What support can you give your officers to meet these challenges? Do they have sufficient resources? Are they given enough support from senior management?
4 What support do you need to help you discharge your responsibilities? Are there any areas in which you need training?

For more information, see **Grant Thornton's Declutter your accounts – top 10 tips**

CIPFA's Financial statements: a good practice guide for local authorities

About us

Dynamic organisations know they need to apply both reason and instinct to decision making. At Grant Thornton, this is how we advise our clients every day. We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients.

Grant Thornton UK LLP is a leading business and financial adviser with client-facing offices in 25 locations nationwide. While we understand regional differences and can respond to needs of local authorities, our clients can also have confidence that our team of local government specialists is part of a firm led by more than 185 partners and employing over 4,200 professionals, providing personalised audit, tax and specialist advisory services to over 40,000 clients.

Grant Thornton has a well established market in the public sector, and has been working with local authorities for over 30 years. We are the largest employer of CIPFA members and students and our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

We are the leading firm in the local government audit market, and are the largest supplier of audit and related services to the Audit Commission, and count 40% of local authorities in England as external audit clients.

We also audit local authorities in Wales and Scotland via framework contracts with Audit Scotland and the Wales Audit Office. We have over 180 local government and related body audit clients in the UK and over 75 local authority advisory clients. This includes London boroughs, county councils, district councils, city councils, unitary councils and metropolitan authorities, as well as fire and police authorities.

This depth of experience ensures that our solutions are grounded in reality and draw on best practice. Through proactive, client-focused relationships our teams deliver solutions in a distinctive and personal way, not pre-packaged products and services.

Our approach combines a deep knowledge of local government, supported by an understanding of wider public sector issues, drawn from working with associated delivery bodies, relevant central government departments and with private-sector organisations working in the sector.

We take an active role in influencing and interpreting policy developments affecting local government and responding to government consultation documents and their agencies. We regularly produce sector-related thought leadership reports, typically based on national studies, and client briefings on key issues. We also run seminars and events to share our thinking on local government and, more importantly, understand the challenges and issues facing our clients.

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EPI1074

Agenda Item No:	
Report To:	AUDIT COMMITTEE
Date:	16 June 2016
Report Title:	SAFEGUARDING UPDATE
Report Author:	Rich Clarke

Summary:	The report sets out progress made since this Committee received the 'weak' assurance rated report on Safeguarding in December 2016. The report notes that, as a result of progress towards implementing recommendations, Mid Kent Audit's most recent follow up report (examining actions due by 31 March 2016) raised the assurance level from 'weak' to 'sound'.

Key Decision:	No
Affected Wards:	All
Recommendations:	**1. The Audit Committee NOTES the progress made towards implementing recommendations raised in the Safeguarding Audit Report brought to this Committee in December 2015.**
Policy Overview:	Not Applicable
Financial Implications:	Not Applicable
Risk Assessment	No
Equalities Impact Assessment	No
Other Implications:	Not Applicable
Exemptions :	
Background Papers:	Safeguarding Audit Report (presented December 2015)
Contacts:	rich.clarke@midkent.gov.uk – Tel: (01233) 330442

Report Title: Safeguarding Update Report

Purpose of the Report

1. Our audit plan, approved by Members in March 2015, included an audit intended to examine the controls designed and operated by the Council to ensure it meets its obligations under legislation and regulations to ensure safety of children and vulnerable adults. That report concluded the controls offered only *weak* assurance, meaning the service required support to operate consistently at an effective level.

2. The audit included six recommendations for improvement and officers responded with a proposal for 23 actions to implement those recommendations. The majority of actions (18/23) fell due for implementation in the quarter ended 31 March 2016 and this report provides an update for Members on progress.

Background

3. The audit report, dated October 2015, was reported to Members in December 2015. For context and a summary of the findings, we reproduce below the original executive summary:

   The audit focussed on the Council's management of the risks associated with operation of the Safeguarding function. We examined similar areas to the statutory assessment tool's 8 standards and aimed to assess the effectiveness of the arrangements for safeguarding children. Our findings are consistent with a 2014 peer assessment undertaken by the Kent Children's Safeguarding Board against the Council's statutory responsibilities under Section 11 of the Children Act 2004. Most (6 of 8) areas in that assessment were graded as "partially met" at best because of out of date policies and procedures and limited training rollout. We also note that the peer assessment differed considerably from the Council's own assessment recording all standards as 'met'.

   The Council established a working group in response to the peer review, aimed at implementing improvements ahead of a 2016 further review. While the Council has made some progress, overall advances are limited especially considering revised processed will need to be demonstrably embedded by the time of re-assessment.

   We also examined governance arrangements, training, recruitment aspects, and referrals. We found that the current Council policy and procedures are untested since Housing staff are routinely using external protocols rather than Council procedures. This means that, although statutory requirements are met, the Council is not itself tracking or gathering information on referrals efficiently or comprehensively.

4. Of the 23 actions proposed by officers in response, 19 had implementation dates by 31 March 2016 (1 by 31 December 2015). The remaining four actions were

due in 2016/17 principally because of the time necessary to progress to implementation, for example it takes time to set up and roll out a training programme.

5. We followed up the actions due in April 2016 and reported findings to officers in May. Below is the section of that follow up report relating to Safeguarding:

*We initially assigned this review a **weak** assurance rating largely because of our concerns around out of date policies and procedures and limited training roll out to meet the Council's statutory responsibilities in this area. Management provided a thorough and detailed action plan in response to the recommendations made.*

The majority of actions fell due in this quarter and we found a positive response with the implementation of recommendations to be on track. We note the formal adoption of a new Safeguarding Policy by the Council and the formation of a Strategic Group and Safegarding Leads Group to embed new policies and procedures. Training and awareness raising to support implementation of the arrangements has been given prominence and a Safegarding Training Strategy introduced to meet this aim. The Locator system has been suitably developed to provide a central source for monitoring referrals and holding information.

The actions which are not yet due for implementation at this time rely primarily on the arrangements maturing and include the continuation of staff training and annual reporting to the Overview and Strutiny Committee.

*We are happy to upgrade the assurance rating to **sound** following the action taken by management.*

6. As is standard with high priority recommendations, our work involved verification and re-testing where appropriate to ensure implementation. As a matter of process it is also worth noting that we do not re-grade audits up to 'Strong' (the highest level on our scale). Each assurance rating is based on a full evaluation of the service area as set out in our brief and so a partial evaluation (focussed solely on areas recommended for action) cannot be to the same standard of assurance as it does not, for example, provide assurance that areas originally assessed as satisfactory have remained.

7. However, we recognise the value to an authority in identifying the point where progress means we are satisfied it can place reliance on the system so we do re-grade to 'Sound'. This marks the point in the process where we are satisfied the residual risks to the authority from non-implemented recommendations no longer represent a significant concern, although it does not mean that action could or should stop in progressing remaining issues which we will continue to follow up as they fall due.

8. A report to Management Board in June 2016 by the Designated Safeguarding Lead provided further detail on activity to date and areas yet to address:

Activity January to June 2016

- Reviewed and agreed revise procedures for recruitment, staff checks and whistle-blowing
- Set up a safe, confidential and robust monitoring system for Council referrals
- Introduced a monitoring system to senior management and elected members
- Broadened and relocated the Designated Officer to champion the corporate importance of safeguarding and promoting the welfare of children and vulnerable adults throughout the organisation and externally
- Drafted, agreed and adopted a new overarching Safeguarding Policy for the Council with reference to statutory responsibilities and underpinning procedures
- Established a Lead Safeguarding Officer group to champion safeguarding and provide points of contact within the council
- Developed, adopted and implemented a safeguarding training strategy
- Coordinated awareness training for child sexual exploitation training for partners
- Delivered three Prevent duty WRAP training to DWP, foster agencies, schools and other partners
- Started two Freedom programmes and a Recovery Toolkit (a psycho-educational resource which includes a cognitive behavioural therapy module) for victims of domestic abuse

Areas to address in remainder of 2016

- Embedding of new procedures, policy and recording system
- Raise awareness within the local authority
- Train 100+ council staff up to level 2 awareness training
- Conduct a review of more specialist safeguarding training needs for lead safeguarding officers
- Put all referral forms in to one accessible location on intranet
- Report to senior managers on progress
- Review job descriptions - Designated Safeguarding Lead and Lead Safeguarding Officers by August 2016
- Update website to include how children and other members of the public can make a complaint when there is a concern regarding the organisations safeguarding actions
- All commissioned services to be audited for safeguarding requirements
- Senior Management training on safeguarding responsibilities

Risk Assessment

9. This report is presented for information and update. It has no risk management implications.

Equalities Impact Assessment

10. There are no proposals made in the report that require an equalities impact assessment.

Other Options Considered

11. Not applicable

Consultation

12. The audit follow up and management reports were presented to Management Board in May and June 2016 and are presented here as updated for comments received.

Implications Assessment

13. Not Applicable

Handling

14. Not Applicable

Conclusion

15. Progress to date against recommendations raised within the *weak* rated audit of Safeguarding has been satisfactory. As a result, we have revisited the assurance rating and now regard the service as offering *sound* assurance (operating effectively). Recommendations remaining for action will be followed up as they fall due.

Portfolio Holder's Views

16. We understand the portfolio holder has been kept informed of progress in implementing recommendations.

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Agenda Item No:	
Report To:	**Audit Committee**
Date:	**16th June 2016**
Report Title:	Procurement and Appointment of External Auditors
Report Author:	Ben Lockwood - Head of Finance Richard Clarke - Head of Audit Partnership
Portfolio Holder	Cllr Shorter Portfolio Holder for Finance & Budget, Resource Management and Procurement

ASHFORD
BOROUGH COUNCIL

Summary:

This is the third report to the committee updating them on the emerging picture for the procurement of an external auditor for the 2018/19 financial statements.

This is the first time that the Council has had the ability to appoint its own auditor, although this freedom will be restricted to appointing an auditor that is authorised by the Financial Conduct Authority.

There are three approaches to this procurement that are outlined in the paper and it recommends that the preferred option is to procure through a Sector Led Body.

Key Decision:	Yes
Affected Wards:	All
Recommendations:	**ii.**
Policy Overview:	The Councils contract with its External Auditor is due to expire, and it will need to appoint a new auditor before 31 December 2017. The new auditor will take on responsibility for examining the 2018/19 financial statements and deliver their first opinion in July 2019.
Financial Implications:	The Audit contract is a significant contract with audit fees of circa £70,000. The procurement route for a new external auditor will impact upon the ability of this procurement process to extract the best value for this service.
Contact:	Ben Lockwood 01233 330540

Agenda Item No.

Report Title: Procurement and Appointment of External Auditors

Purpose of the Report

1. To inform the committee of the options it has for the appointment of the Councils External Auditor.

Issue to be Decided

2. To make a recommendation to Council on the procurement route for the Council's external auditor.

Background

3. At its meeting on the June 2015 the Audit Committee received a report on the future of local public audit. This reported Informed members of the arrangements that had been put in place following the dissolution of the Audit Commission.

4. In December 2015 the committee received a further report informing members of the Department for Communities and Local Government decision to extend the existing audit contracts by 1 year requiring Authorities to have procured and appointed an external auditor by the end of December 2017.

Options

5. Before considering the procurement options it is important to note that suppliers must be authorised by the Financial Conduct Authority to provide public audit services. Currently the following suppliers are so authorised and provide public audit services in local authorities.

   a. BDO LLP (Currently auditing 39 authorities)

   b. Ernst & Young LLP (Currently auditing 232 authorities)

   c. Grant Thornton UK LLP (Currently auditing 265 authorities)

   d. KPMG LL P (Currently auditing 218 authorities)

   e. Mazars LLP (Currently auditing 40 authorities)

6. More providers may seek authorisation as procurement decisions move closer although it is unlikely that small local independent firms will be able to meet the criteria, therefore within this process it is important to acknowledge that the Councils choice of Auditor will be limited.

Solo Procurement and Auditor Panels

7. The Council could opt to take the decision to procure a new auditor alone. To do this the Council would have to establish an Auditor Panel as set out in the 2014 Regulations. The Panel must be independently chaired and contain a majority of independent members. The definition of 'independent' is established in regulations however to be independent a person must :

   a. not be a councillor or officer of the authority or employed by a prospective auditor and has not been so for at least five years.

   b. not be a relative or close friend of any serving councillor or officer.

8. Should the authority choose this route, the Auditor Panel could be entirely separate from the Council's committee structure or a sub-committee within its existing governance (for example a sub-committee of the audit committee). I it must meet the composition requirements of the Regulations, including a majority independent members and chair. An Auditor Panel is an advisory body recommending actions to full Council, however the Council is not bound to follow its recommendation. Beyond the appointment of an auditor, the Auditor Panel should remain as a standing committee as it has other functions, including:

- Reviewing the Council's policy on obtaining non-audit services from the auditor,
- Maintaining and independent relationship to the auditor,
- Monitoring the quality and effectiveness of the auditor,
- Considering any investigation into the circumstances of an auditor's resignation from office or any proposal to remove, and
- Receiving any Public Interest Reports published by the auditor.

9. A summary of the advantages and disadvantages of the approach is outlined in the table below.

Advantages/Benefits	**Disadvantages/Risks**
Maximum (though not complete) control over auditor procurement.	Costs of recruiting and maintaining an *Auditor Panel*.
Ability to shape auditor requirements to local circumstances	May struggle to recruit sufficient independent members.
	Unlikely to achieve economies of scale.

10. This raises a question whether members would be comfortable with a panel of independent members making recommendations on the appointment of an auditor and overseeing some elements of the governance structure. Whilst it may be possible to recruit a panel of independent members this process would be resource intensive.

11. It also needs to be remembered that an Audit Panel would report directly to council and not through the Audit Committee and this could create some governance issues, especially with the overlap in responsibilities between the Panel and committee for the ongoing items that would be the with the Panels remit.

12. In addition to this it is uncertain whether the audit would be of a sufficient scale to achieve a competitive price and therefore this may result in an increase in the audit cost.

Joint Procurement

13. An alternative to the approach outlined above is that authorities can decide to ask the Auditor Panel of another authority to advise them (a joint procurement, but not a joint Panel). Joint panels need not be restricted by geography or sector (for instance, a joint panel with Police or Fire authorities could meet the requirements). However, the Auditor Panel will still require a majority of independent members.

14. A summary of the advantages and disadvantages of the approach is outlined in the table below.

Advantages/Benefits	Disadvantages/Risks
Spreads the cost of procurement	Some loss of local control of process
Potentially easier to recruit independent members	May encounter complexities if participants have differing procurement aims.

15. It is considered that a joint process is more likely to be able to attract independent members for an Audit Panel it does raise the issue that the panel will remain as a standing committee and therefore a third party body will be maintaining the relationship with the auditor and monitoring their performance and potentially be receiving public interest reports issued. This ongoing function may prove difficult to manage and not be attractive to the Council with this key governance function being operated by a third party.

16. The ability of the body to generate a contract of sufficient scale to achieve a competitive price will be dependent on the number of other authorities that can be encouraged to join the procurement process. A Kent wide body has been considered but this is not a preferred option.

Outsourced Procurement (the 'Sector Led Body')

17. The Secretary of State to authorise a Specified Person who would have the authority to make auditor appointment decisions on behalf of those authorities who opt-in to those arrangements. The regulations do not limit this to a single body however currently the Secretary of State has not made any authorisation and so at this time no Specified Person exists.

18. However, the Local Government Association (LGA) has been exploring the possibility of creating a Sector Led Body (SLB) that would seek authorisation to operate as a Specified Person. The LGA's explorations have included seeking initial feedback from authorities on whether they would be interested in making their procurement decision via an SLB. In a brief survey 58% of respondents reported an interest in the *Specified Person* route (the survey had only a 20% response rate).

19. Authorities that choose to procure via a Specified Person **do not** need to create or maintain an Auditor Panel. In this route, once full Council decides to opt-in, the Specified Person would negotiate contracts and make the

appointment on behalf of councils. The Specified Person would also take on all of the existing tasks of an Auditor Panel on behalf of the opted-in councils.

20. Under the 2015 Regulations, the decision of full Council to opt-in (or not) following invitation by a Specified Person is final. The Council will not have the option of waiting to see what deal the Sector Led body is able to achieve before deciding, nor can it leave the arrangement if it does not support the eventual appointment.

21. A summary of the advantages and disadvantages of the approach is outlined in the table below.

Advantages/Benefits	**Disadvantages/Risks**
Likely to deliver economies of scale.	Loss of local control of process
No requirement to run procurement exercise or create *Auditor Panel*	

22. Whilst there is some loss of control of the process this needs to be balanced against the reality of the level of choice that the authority would actually have in the appointment of its auditor. This route has the benefit of being a simplified process and one similar to the process that has been followed previously delivering a considerable reduction in the audit fees. We would need to be mindful of how the sector led body were to recover its costs and monitor the quality of the audit.

Equalities Impact Assessment

23. An EIA is not necessary at this stage.

Handling

24. The Audit Committee is asked to recommend to Council that the council's preferred route to procure an external auditor is through a sector led body.

25. Given the importance of this decision it is suggested that the committee put a report to cabinet highlighting the issue an seeking their endorsement of the recommended approach.

26. Officers will monitor any bodies that come forward and make recommendations on which body is the preferred option for the procurement of the Councils external auditor. A timetable is attached at **Appendix A**.

Conclusion

27. There are three possible routes to procure an external auditor for the council with the sector led body model being the preferred option.

28. The Committee will report to Cabinet with its recommendation to Council.

29. Officers will monitor progress on the development of a sector led body and make recommendations to the Council on the most suitable body to procure the external audit contract.

Portfolio Holder's Views

30. To be given at the meeting

Contact: Ben Lockwood
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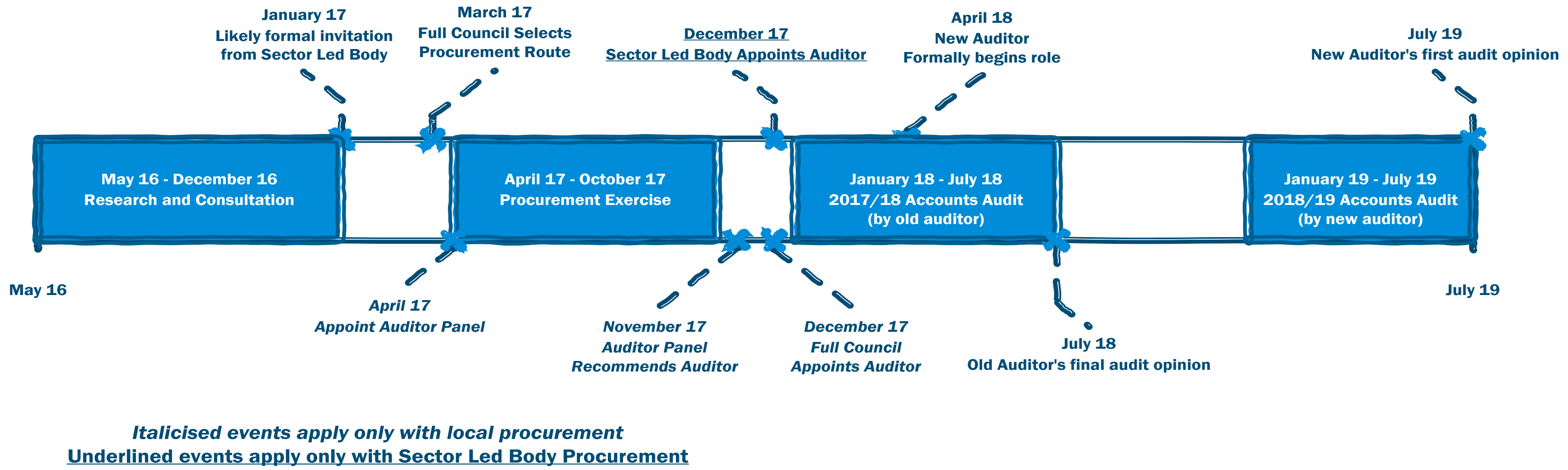
Appendix A - Next Steps

No action is required now. At this stage we ask the Committee to consider the options available and give their views in order to guide the detailed work that officers will then have to undertake. The timeline below sets out a likely way forward from this point.



Agenda Item No. 7

Audit Committee - Future Meetings

Date 30/06/2016			
Publish by 22/06/16			
Reports to Management Team by 16th June		**Council 21/07/16**	
1	Corporate Enforcement Support & Investigations Team Annual Report 2015/16	PN/HD	
2	Internal Audit Annual Report 2015/16	RC	
3	Annual Report of the Audit Committee 2015/16	RC	
4	Approval of Annual Governance Statement 2015/16	PN/NC	
5	Local Code of Corporate Governance (2016)	NC	
6	2015/16 Financial Statements – Letters of Assurance to External Auditors	PN	
7	Review of Competency Framework and Appraisals Process	PN/MP	
8	External Audit Progress Report	Gr Th	
9	The External Audit Work Plan for Ashford Borough Council and Scale of Fees 2016/17	Gr Th (cover by ABC)	
10	Report Tracker for Future Meetings	DS	

Date 28/07/2016			
Publish by 20/07/16			
Reports to Management Team by 14th July		**Council 20/10/16**	
1	Statement of Accounts 2015/16 and the External Auditor's Audit Findings Report	Gr Th (cover by PN/BL)	
2	Report Tracker & Future Meetings	DS	

Date 29/09/2016			
Publish by 21/09/16			
Reports to Management Team by 15th September		**Council 20/10/16**	
1	Data Protection Audit Follow Up	RC/TM	
2	Annual Governance Statement – Progress on Remedying Exceptions	PN/NC	
3	Strategic Risk Management	KH/RC	
4	Report Tracker & Future Meetings	DS	

Date 06/12/2016			
Publish by 28/11/16			
Reports to Management Team by 24th November	**Council 15/12/16**		
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/NC	
2	Annual Audit Letter 2015/16	Gr Th (cover by PN)	
3	Internal Audit Interim Report	RC	
4	External Audit Progress Report	Gr Th	
5	Report Tracker & Future Meetings	DS	

Date 21/03/2017			
Publish by 13/03/17			
Reports to Management Team by 9th March	**Council 20/04/17**		
1	Certification of Grant Claims – Annual Report	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Strategic Risk Management	KH/RC	
4	Annual Governance Statement – Progress on Remedying Exceptions	PN/NC	
5	Internal Audit Charter 2017/18	RC	
6	Internal Audit Plan	RC	
7	External Audit Progress Report	Gr Th	
8	Report Tracker for Future Meetings	DS	

Date 15/06/2017			
Publish by 07/06/17			
Reports to Management Team by 25th May	**Council 20/07/17**		
1	An Early Look at the Statement of Accounts for 2016/17?	MS	
2	Report Tracker for Future Meetings	DS	

7/6/2016