Agenda Item No: 4

Report To: **Audit Committee**

ASHFORD
BOROUGH COUNCIL

Date: **28 July 2016**

Report Title: **Statement of Accounts 2015/16 and the Appointed Auditor's Audit Findings**

Report Author: Maria Seddon – Accountancy Manager

Summary:

This report presents the 2015/16 Statement of Accounts for approval.

The Auditor's Report is appended and she will be present at the meeting to introduce this and take questions.

The Appointed Auditor is proposing to issue an unqualified opinion on the accounts.

Once approved the accounts will be published.

Key Decision: No

Affected Wards: All

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

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

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

3. **approve the audited 2015/16 Statement of Accounts (Appendix B)**

4. **approve that the Chairman of this Committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approval by the Council.**

5. **approve the Chief Financial Officer's Letter of Representation to the Appointed Auditor (Appendix C)**

Policy Overview:	The 2015/16 Statement of Accounts complies with the requirement of various Codes of Practice and the Accounts and Audit regulations.
Financial Implications:	The 2015/16 Statement of Accounts sets out the Council's financial position as at 31 March 2016 and movement in funds during the year.
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Report Title: Statement of Accounts 2015/16 and the Appointed Auditors Audit Findings

Purpose of the Report

1. Our external auditors (Grant Thornton) have completed the audit of the Council's 2015/2016 financial statements. The Accounts and Audit regulations require the accounts to be approved by this Committee and must be published by 30 September 2016.

2. This year is the first year of a transition towards closing the accounts by 31 May and Audit sign off by 31 July 2016, to be implemented from the 2017/18 accounts. The accounts were submitted for audit before 31 May and the Audit team have completed their work on time this year.

3. Attached to this report is the Appointed Auditor's Audit Findings report setting out his work and conclusions in respect of the accounts. The Appointed Auditor will be present at the meeting and will wish to introduce the report and take questions.

Issue to be Decided

4. The Committee is being asked to approve the Statement of Accounts, the Chairman of this committee can sign the Accounts and approve the letter of Representation. The committee is also being asked to consider the Auditor's report including the three recommendations.

Background

5. The 2015/16 Statement of Accounts has been completed and with the International Financial Reporting Standards (IFRS), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom and relevant Standards.

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

7. The Accounts and Audit regulations require the unaudited accounts to be signed by the Chief Financial Officer (the Head of Finance) by 30 June, which was achieved, and that member approval of the audited statements must happen post-audit and before 30 September. As stated above the Council and Grant Thornton have worked towards earlier dates this year being 31 May for the signed copy of accounts to audit and a sign off by post-audit of 31 July.

8. The Audit Committee received a briefing on the un-audited accounts at its meeting on the 16th of June and the changes that have been made to the statement as a result of the audit process are outlined in the Auditors report.

Basis of Preparation

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

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

The Amended 2015/16 Financial Statements

11. The Council built upon the success of faster closing last year with a draft statement prepared by 26 May 2016. In striving to reduce the time to close the accounts there were a few different approaches adopted including a de-minimis level for manual accrual of £5,000, more reliance on estimates and assumptions. To balance this training for staff and managers and reports to check accruals and estimates are reliable have be introduced.

12. The auditor's report highlights eight items have been adjusted for in the statements. The most significant amendment has been in relation to a misstatement between the bank and creditors. A creditor was setup to identify a tariff due to Government however this payment was made in year and highlighted as an outstanding item on the bank statement. Overall the balance sheet did not change however the current assets and current liabilities moved either way by £1.7m. There were no other statements affected.

13. This has been fed back to the appropriate staff and a similar error is not expected in the future.

14. There were a number of other adjustments detailed in the auditor's report.

Audit Action Plan

15. The Auditors have prepared an action plan following the audit for consideration of management.

    1. Full asset valuations are not required annually and will further help to reduce the closing period and discussions with our valuers are underway to look at ways of reducing.

    2. Currently journals do not have a signoff within Accountancy and the auditors have highlighted this as an area of risk. Whilst the finance team do not want to introduce an onerous approval structure it is felt that a sign off level within the Accountancy team would be appropriate and will be discussing with Grant Thornton.

3. Following the departure of the Chief Executive earlier this year interim arrangements for achieving the commercial ambitions of the Council have been introduced and is currently being monitored to ensure there are no gap in skills.

Conclusion

16. The Audit of the 2015/16 Statement of Accounts is complete and there have been a few changes to the accounts ant the auditor's report contains three recommendations in the Action Plan for the committee to consider.

17. The objective to achieve a fasted closing process and audit sign off has been achieved and some areas have been identified which will improve the Council's processes and procedures.

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

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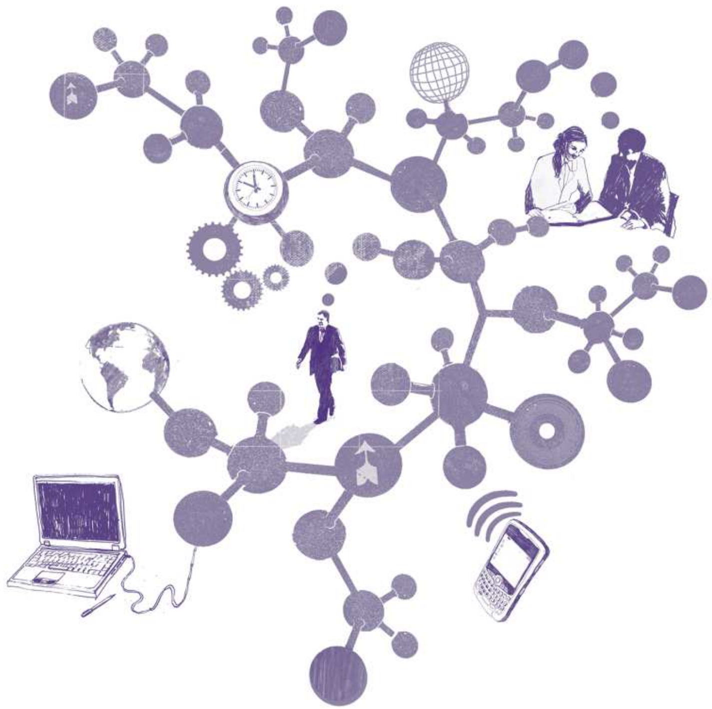
The Audit Findings for Ashford Borough Council

Year ended 31 March 2016

July 2016



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Private and Confidential

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28 July 2016

Dear Councillor Waters

Audit Findings for Ashford Borough Council for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Ashford Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Elizabeth Olive

Engagement Lead

Chartered Accountants
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Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Ashford Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2016.

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

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

We received draft financial statements 26 May and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. These were the earliest local government accounts received in Kent, reflecting the significant commitment by officers to bring the process forward. Looking ahead, the statutory deadline for sign off of audit opinion moves forward to 31 July in 2017/18. Building on progress made in 2014/15, the Council has successfully sought to meet this statutory deadline for sign off of audit opinion in the current year.

Key audit and financial reporting issues

Financial statements opinion

The Council produced a good quality set of accounts supported by well prepared working papers. Staff responded quickly and helpfully to queries and have done well to bring forward the timetable for accounts preparation. We have not identified any adjustments affecting the group and Council's reported financial position and anticipate providing an unqualified opinion in respect of the financial statements (see Appendix B).

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

- Our testing identified a material amendment to disclosures within the balance sheet. A £1.7 million payment was incorrectly included in creditors, overstating creditors and understating cash. This has been corrected.

- Our audit identified a number of presentational and disclosure adjustments to the financial statements.

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

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

We do not have any issues to report to you in this area.

Controls

Roles and responsibilities

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

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

Findings

Our work has identified one control weakness in relation to the review of journals which we wish to highlight for your attention.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present, our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Committee which is due in December 2016.

The way forward

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

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

Acknowledgement

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

Grant Thornton UK LLP
July 2016

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1,169k being 1.8% of gross revenue expenditure (after adjustments for parish precepts and HRA impairments). We have considered whether this level remained appropriate during the course of the audit and have revised this in line with increased gross revenue expenditure. Our overall materiality has been revised to £1,459k being 1.8% of gross revenue expenditure (after adjustments for parish precepts and HRA impairments).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £73k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	As all transactions made by the Council affect the balance, it is therefore considered to be material by nature, As this is public money, we will look at getting additional assurance.	£500k
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**The revenue cycle includes fraudulent transactions** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Ashford Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Ashford Borough Council, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management over-ride of controls** Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	• review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. However, we have identified improvements that can be made to the Council's review of journals, as set out on page 18. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Valuation of property, plant and equipment	Property, Plant and Equipment – Valuation Gross misstated (Revaluation measurements not correct)	We have undertaken the following work in relation to this risk: • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluation how management satisfied themselves that these were not materially different to current value.	Our audit work has not identified any significant issues in relation to the risk identified.
Valuation of pension fund net liability	Pension Fund valuation misstated (Valuation of the Pension Fund assets and Liabilities have been incorrectly valued)	• Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • cut off testing to assess whether transactions are recorded in the correct period • substantive testing of operating expenditure payments • substantive testing of year end payable balances • review of accruals	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • trend analysis and risk identification for monthly payroll costs • substantive testing f payroll payments	Our audit work has not identified any significant issues in relation to the risk identified.

Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
A Better Choice for Property Ltd	Yes	Targeted	Property, Plant and Equipment valuation	Specific (targeted) scope procedures to be performed by Grant Thornton include testing of the consolidation process and the value of property, plant and equipment.	A Better Choice for Property Ltd commenced trading in 2014/15 and is wholly owned by Ashford Borough Council. Our audit work has not identified any issues in respect of its consolidation into the Group financial statements.

Significant matters discussed with management

	Significant matter	Commentary
1.	Property, Plant and Equipment	The following significant matters in respect of valuations were discussed with management: • Wilkes Head and Eve completed a full valuation as at 31/3/16. This included a number of large valuation adjustments. We reviewed the valuation report assumptions and evaluated the work of the expert and were satisfied with the approach. • International House was assessed by the Council as an operational asset. We reviewed this assessment and were satisfied that this was appropriately classified as an operational asset rather than an investment property. Our work has not identified any further significant issues in relation to valuations. The Council currently obtains a full valuation annually. We discussed the option that the Council may want to consider its programme of valuation over a five year period, whilst ensuring sufficient information can be obtained to evidence that the valuations recorded are not materially different to the current value at the Balance Sheet date.
2.	Non Domestic Rate Appeals	We discussed the Council's assessment for NDR appeals included in the financial statements. The Council have used Analyse Local to inform their management judgement of the accounting estimate. The Council initially applied a deduction of 80% for the last quarter based on their assessment of speculative claims using their own analysis of trends and assumptions based on past appeals. We challenged the overall assessment and the Council undertook further analysis using VOA figures. This analysis differs from the estimate included in the draft statements by £300k confirming that there is no material difference to that included in the draft financial statements.
3.	Impact of EU referendum	The people of the UK have made a decision to leave the EU. What happens next, and the implications for businesses and organisations in the UK, is less clear. We can expect three broad phases of reaction to Brexit: • initial volatility • medium term uncertainty and instability • longer term transition We discussed potential implication for the Council with officers. The Council's view is that they expect only a minimal impact on investments. However, there may be implications for their plans going forward such as Elwick Road and International House. As such, the Council have enhanced the Post Balance Sheet Event disclosure to reflect this.
4	Group Accounts	The Council has two subsidiary companies - A Better Choice Building Consultancy and A Better Choice for Property Company. The Council has reviewed the requirement to produce Group Accounts. In doing so it considered the materiality (both quantitative and qualitative) of assets, operations of the companies and the potential impact on the Council's financial statements. The review examined the level of commercial risk including the trading operations and how losses could impact upon the Council. It concluded that the profits/losses on the Building Consultancy company are expected to be insignificant this year and not impact on the Council. However, the growing assets of the growing Property Company are expected to be significant this year. On the grounds of materiality, the Council therefore concluded that it would consolidate the Property Company transactions and prepare group accounts. We reviewed the Council's decision and are satisfied with the consideration, as reflected in the financial statements and that the judgements made by the Council in this assessment are reasonable.

Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• 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 • the amounts shown as Council Tax/Business Rates in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement represent the amounts due to the Council for the year; where this includes an adjustment for the surplus/deficit to be taken into account in a future financial year, this adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account • grants received are accrued and credited to the Comprehensive Income and Expenditure Statement when the income is recognised; 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.	The revenue recognition policies are appropriate and in accordance with the CIPFA Code and International Financial Reporting Standards (IFRS)	● Green
Judgements and estimates	Significant estimates and judgements include: • useful life of capital equipment • land and building revaluations • expenditure accruals • allowance for doubtful debt • assessment that group accounts are not required for the building consultancy company.	Our review of key judgements and estimates did not identify any significant issues. However, we noted that the disclosure of these in note 3 could be improved to explicitly give the judgements involved as well as the resulting treatments. (see page 24) Our consideration of valuations and business rate appeals is set out in more detail on page 14. The Council have provided group accounts in respect of the Local Authority owned Property Company for 2015/16. We have concluded that the Council's assessment that group accounts are not required for the Local Authority owned Building Consultancy Company is appropriate. (see page 14).	● Green

Assessment

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

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Director of Finance has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	● Green

Assessment

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

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• The Audit Committee considers risk of fraud. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A letter of representation has been requested from the Council, We are expecting to receive this at 28 July Audit Committee.
5.	**Confirmation requests from third parties**	• We obtained direct confirmations from the Public Works Loans Board for loans and requested from management permission to send confirmation requests to counterparties for bank and investment balances . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6.	**Disclosures**	• Our review found no material omissions in the financial statements.
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • Note that work is not required as the Council does not exceed the threshold.

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 12 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	● Deficiency	• The Council does not require authorisation of each journal. Instead the expected internal control is that the head of finance reviews journals on a risk basis. However, this was not completed in 2015/16. • Our journal testing focuses on large and unusual journals and we have not identified any errors or inappropriate journal entries.	• The Council should review its journal authorisation procedures to ensure that they provide an appropriate level of internal control.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	• The Council must ensure there is a clear process for calculating accruals across all departments and that these are fully supported by sufficient evidence	• The Council have reviewed its arrangements for accruals and updated its accounting policy to reflect an agreed de minimis limit for manual accruals of £5,000. Clarification of arrangements for raising accruals has been provided to officers.

Assessment

✓ Action completed

X Not yet addressed

Adjusted misstatements, misclassifications and disclosure changes

The table below provides details of changes identified during the audit which have been made in the final set of financial statements. We are required to report all non trivial misstatements (i.e. items greater than £73k) to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misstatement	1,926	Cash Debtors Creditors	Our review identified that the tariff paid to the CLG of £1.7m before the year end was incorrectly included as a creditor rather than payment. The adjustment included a reversal of debtors of £213k, cash reduction of £1,713k and reduction to creditors of £1,926. There is no impact on net assets or the comprehensive income and expenditure account.
2	Misstatement	112	Cashflow statement	The fair value adjustment of investment property for the Group has been incorrectly included in investing activities rather than operating activity. There is no impact on the net cashflow.
3	Misstatement	764	Debtors Creditors	Five account codes, totalling £764k had incorrectly been included as negative creditors and should have been included as debtors. The correction has no impact on net assets or the comprehensive income and expenditure account.
4	Misstatement	346	Provisions Reserves	The Lift renewal provision should be a reserve rather than a provision. The Council bought Park Mall this year, removing obligation for payment. Instead, the Council should recognise within reserves. This increases net assets by £346k.
5	Misclassification	1,072	Debtors	The following items were misclassified within the debtors note, having no effect on the total debtors figure: -£491k included in sundry debtors relates to NDR court costs and should be local taxpayer debtors. - £414k adj from other impairment allowance to other due to incorrect formula in workings -£167k HRA debtor overstated and other understated due to formula in workings
6	Disclosure	833	Financial Instruments	The Financial Instruments at amortised cost of £9,692k incorrectly includes £833k of developer costs which are receipts in advance. The note has been updated to correctly exclude these.
7	Disclosure	2,941	Cashflow statement note	Our audit identified that interest was omitted from the cashflow statement. The Council amended note 33. There is no impact on the primary financial statements.
8	Disclosure		Narrative Report	The draft statements includes an explanatory foreword rather than the narrative report requirement introduced for 2015/16. The Council have updated disclosures and updated the name to reflect the new requirements.
9	Disclosure	-	General disclosures	A number of other minor disclosure errors were identified and amended, such as note 12 format, valuer qualification, Assets under Construction comparative, provision analysis, critical judgements, members allowances, HRA stock numbers, and senior officer remuneration update.

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	The valuation for Canterbury Road Cemetery of £238k was understated by £90k in the Fixed Asset Register and the Financial Statements at £148k. This should be corrected by increasing PPE and Revaluation Reserve resulting in increase of £90k to net assets. There is no impact on the comprehensive income and expenditure account.	0	90	This will be adjusted within the fixed asset register in 2016/17 due to the relatively small value.
	Overall impact	**£0**	**£90**	

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated March 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Commercial Development: we reviewed the project management and risk assurance frameworks established by the Council based on interviews and review of key documents. The Council has appropriate arrangements in place to identify, manage and monitor its commercial developments.
- Changes to the management team: we reviewed the Council's succession plans using interviews and review of key documents. The Council has appropriate arrangements in place to identify, manage and monitor the impact of changes to the management team.

Based on the above, we are proposing an unqualified value for money conclusion. We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 25.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

- The Council should consider how they are mitigating the risk of the skills and capacity lost by departure of the former Chief Executive.

Management's response to these can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Commercial development The Council is involved in a number of new commercial activities such as Park Mall and International House. The Council's business programme includes a number of key projects and investments, which are significant both in scale and financial terms.	We reviewed the project management and risk assurance frameworks established by the Council in respect of the more significant projects, to establish how the Council is identifying, managing and monitoring these risks.	In line with its Corporate Plan, the Council is increasingly involved in a number of commercial developments. Historically, although these were managed appropriately by the team involved, these were largely led by individuals with limited oversight by management team of the full programme. In January 2016, the Council introduced a programme manager and has developed a clear process for overall project management information to be monitored, recently agreed at the Director away day. This includes review of projects by management team, project initiation and evaluation documents and consideration of resources required from across the Council to support the projects. The introduction of this aims to strengthen corporate processes. The former Chief Executive had significant experience in commercial developments, particularly in valuation and property surveying and a significant focus of his time was in this area. As part of the overall programme review, the Council need to consider whether there are any gaps in skills and capacity if they are to maintain their commercial ambitions. The next steps for the Council are to embed their project management approach, including project management training. **On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements**.
Changes to the management team There are a number of changes in senior officers this year including CE, DoF, Head of IT and Head of Culture and Environment. The Council has put in place succession plans to address the loss of Council knowledge and experience.	We reviewed the Council's succession plans to establish how the Council is identifying, managing and monitoring the impact of changes to the management team.	The Council has a clear approach to succession planning, with proposals agreed at Cabinet meetings, It has a leadership and management development programme across Heads of Services in the Council. The majority of the changes in senior managers have been expected and transition arrangements well planned. These changes have allowed for the Council to reassess its directorate structure, alongside its member portfolios. Changes have been well communicated throughout teams with the introduction of regular Chief Executive walkabouts which include presentation of key Council issues and developments. **On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.**

Section 4: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Council audit	60,311	60,311
Audit of subsidiary company "A Better Choice for Property Limited (excl VAT)	10,000	**tbc
Audit of subsidiary company " A Better Choice for Building Consultancy Limited (excl VAT)	6,000	**tbc
Grant certification	8,112	*tbc
Total audit fees (excluding VAT)	**84,423**	**Tbc**

The proposed fees Council audit and Grant Certification fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

* Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'. This work is due to be completed by 30 November deadline and we will confirm the final fee in our Grant Certification report to Committee in December 2016

** Our audit of the Local Authority owned trading companies is scheduled for August 2016 and we will confirm the final fee in the Audit Findings Report to the directors of the trading companies on completion.

Fees for other services

Service	Proposed fees £
Audit related services: • Certification of housing pooling capital receipts return	2,000

Independence and ethics

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

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

Section 5: Communication of audit matters

Communication to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 (p14)	Valuations: The Council should consider whether it needs to obtain a full valuation of all assets annually.	Low	This is currently being explored with our property team and valuers	January 2017 (annual process) Accountancy Manager
2 (p18)	Journals: The Council should review its journal authorisation procedures to ensure that they provide an appropriate level of internal control.	Medium	We propose to introduce a monthly sign off for journals with a debit value of over £10,000 (coincides with payments signoff). A report will be produced and two members of the accountancy team will review and sign off.	August 2016 Accountancy Manager
3 (p25)	Commercial Development: The Council should consider whether there are any gaps in skills and capacity and how these will be addressed, if they are to maintain their commercial ambitions.	Medium	Following the departure of the Chief Executive earlier this year interim arrangements have been put in place and are being monitored.	Tracey Kerly/ Michelle Pecci Ongoing

Appendix B: Audit opinion

We anticipate we will provide the Group with an unmodified audit report or amend as appropriate

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

We have audited the financial statements of Ashford Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Authority Movement in Reserves Statements, the Group and Authority Comprehensive Income and Expenditure Statements, the Group and Authority Balance Sheets, the Group and Authority Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:
present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, the Annual Governance Statement is consistent with the Group audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:
in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
we issue a report in the public interest under section 24 of the Act; or
we make a written recommendation to the Authority under section 24 of the Act; or
we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Elizabeth Olive
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
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London NW1 2EP

29 July 2016

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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

Narrative Report

Introduction

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

The Statement of Accounts

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

For this year (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 9 to 13) 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 Executive 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 11).

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 11, 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.

During the year, the majority of the garage stock was transferred from the Housing Revenue Account to the General Fund. A few sites have remained in the Housing Revenue Account that are earmarked for development of new homes. This transfer will enable the Housing Revenue Account to finance its future capital programme and offers the General Fund an opportunity to maximise income through investment.

General Fund Final Outturn 2015/16

Service	Original Budget 2015/16	Revised Budget 2015/16 A	Final Outturn 2015/16 B	Variance 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		2,864
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 financing	1,128	
- New Intitive Reserve contribution	3,006	
- HRA Revenue contributions	3,427	
- Other revenue contributions	542	8,249
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 and Medium Term Financial 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. Shortly after the financial year-end the Council took a decision to proceed with the redevelopment of Elwick road, this is discussed further in Note 30.

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

In conjunction with the Corporate Plan the council has reviewed its medium term financial plan (for the full paper see the cabinet agenda for October 2015)

The Council set its budget for 2016/17 at the February Cabinet meeting to deliver upon the themes identified above. The budget made use of the new freedom to increase council tax by up to £5 with an increase of £4.55 to £150.00 for a band d property, whilst this ensures that the council still has the lowest council tax in Kent it has allowed the tax base to grow to cover some of the loss of central government funding. The budget included an updated Treasury Management Strategy which will cover how cash flows are managed in the coming year, reviewed fees and charges and financial procedures. The Capital programme was included in the report and with the addition of the Elwick road Scheme (as discussed in Note 30) will represent a considerable investment in the borough an represent a significant cash flow to the council.

The budget report also included an updated medium term financial plan that was updated to reflect the outcome of the Local Government 4 year settlement offer and government plans to reform business rates and new homes bonus. The full budget report can be accessed on the Councils website.

To monitor the councils performance in delivering the corporate plan a new performance dash board is being developed which will measure both financial and non-financial performance indicators to assess the delivery of the plan and its impact on key areas. This was reported to the Cabinet in June 2016.

EU Referendum

The EU referendum was held on 23 June 2016 at which time the UK decided to exit the European Union. This decision may have an adverse effect on asset valuations and equity and property based investments balances reported in these statements.

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 9 and 73 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		(6,799)		(2,347)				(9,146)		(9,236)
Other Comprehensive Income & Expenditure									(23,006)	
Total Comprehensive Income & Expenditure		(6,799)	0	(2,347)	0	0	0	(9,146)	(23,006)	(9,236)
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		(1,092)	0	(2,143)	(2,579)	(367)	(1,074)	(7,255)	(24,897)	(7,345)
Transfers to/from Earmarked Reserves		560	(560)					0	0	0
Increase or decrease during 2015/16		(532)	(560)	(2,143)	(2,579)	(367)	(1,074)	(7,255)	(24,897)	(7,345)
Balance at 31st March 2016		(1,891)	(16,164)	(7,868)	(6,056)	(449)	(1,628)	(34,056)	(116,614)	(34,116)

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	Note	General Fund Balance	Ear-marked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 21)	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	1,406	(2,306)	(900)	(900)
(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**	86,155	(83,728)	2,427	2,400
				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**			(9,146)	(9,236)
	(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**			(32,152)	(32,242)

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	Group			ABC		Group
31 March 2015				31 March 2016		
£'000	*£'000*		*Notes*	*£'000*	*£'000*	*£'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	6,341		6,346
5,073	5,099	Cash and Cash Equivalents	36	4,278		4,314
15,547	15,585	**Current Assets**			14,416	14,457
(38)	(43)	Short Term Borrowing		(2,038)		(2,038)
(12,929)	(12,969)	Short Term Creditors	21	(13,058)		(13,103)
(773)	(773)	Current Liabilities	25	(626)		(626)
(13,740)	(13,785)	**Current Liabilities**			(15,722)	(15,767)
(1,799)	(1,799)	Long-term Provisions	24	(1,424)		(1,424)
(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**			(207,361)	(207,361)
118,518	118,489	**Net Assets**			150,670	150,731
		Financing (see MiRS)				
(26,801)	(26,772)	Usable Reserves		(34,056)		(34,117)
(91,717)	(91,717)	Unusable Reserves	22	(116,614)		(116,614)
(118,518)	(118,489)				(150,670)	(150,731)

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 20 July 2016.

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		(9,146)	(9,236)
2,705	2,709	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	31	(11,461)	(11,349)
(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	5,514
(22,711)	(22,701)	Net cash flows from operating activities		(15,081)	(15,071)
25,393	26,476	Investing activities	34	15,103	17,123
2,954	1,835	Financing activities	35	773	(1,267)
5,636	5,610	Net movements in year excluding non-cash items		795	785
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		(795)	(785)
5,073	5,099	Cash and cash equivalents at the end of the reporting period	36	4,278	4,314

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.

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 such as paper are inventories and are 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 amount is to provide for debts that are unlikely to be collected in future years. The percentage used to reduce the Debtors figure is based on historical evidence of collection and management judgements.

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. **Financial Instrument 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

Whether to group account is determined by Qualitative and Quantitative materiality, therefore when considering whether to group not only the values are relevant, the interest to all stakeholders is also taken into account.

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 as per the approved policies by the council.

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 professionals for valuations and/or consideration of impairment of its property assets, and pension valuations. 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.
- The valuers have made a number of assumptions when valuing the Council’s properties based on current market conditions. If the valuations were made under different assumptions, there could be significant changes in the accounts.
- The Council has an interest in two subsidiary companies, when determining whether the Council should consolidate factors in relation to qualitative and quantitative elements are used. Following an assessment the Council consolidated A Better Choice for Property based on materiality for both factors. A Better Choice for Building Consultancy has not been consolidated based on it not only being monetarily immaterial but its operations are also very small and not significant based on other Council operations.

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. This estimate has been made using the Councils historic experience of appeals with on average 28%of appeals successful resulting in an average 11% movement in rateable value.	If the level of successful appeals exceeds the assumptions already made, the cost will be met from future budgets.
Recovery of Benefit over-payments	These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.	Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts, write-offs of uncollected debt will have to be met from future budgets.
Impairment Allowance for Bad	The Council has impairment allowances for bad debts totalling £3,493,000 approximately 47% of	Any decline in rates of collection for debt would result in a need to

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Debts	the value outstanding debt, compared to £4,126,000 approximately 44% in 2014/15.	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	Adjustments per Acounting Code £'000	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	2,590	16,648
8,588	Premises	4,773	4,100	8,873
49,854	Supplies and Services	48,189	2,806	50,995
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	18,187	86,155
(14,374)	**Cost of Services**	14,728	(12,301)	2,427
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)	(6,865)	(9,146)
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	(32,179)	
(21,024)	**Total Comprehensive Income and Expenditure**			(32,152)

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	329
13	Expenses	11
327		340

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 * £'000	Compensation for Loss of Office £'000	Benefits in kind £'000	Total £'000	Pension contri-butions £'000	Total remun-eration £'000
Chief Executive +	**	117			117	15	132
Chief Executive +	***	11			11	1	12
Deputy Chief Executive & CFO +		82		4	86	8	94
Corporate Director(Operations)	****	28			28	3	31
Head of Culture & the Environment		83			83	10	93
Head of Community & Housing		47			47	6	53
Head of Corporate Property & Projects	*****	27		4	31	4	35
Head of Communications & Technology		83	30		113	10	123
Head of Legal and Democratic Services +		75		4	79	10	89
Head of Planning & Development		90		4	94	12	106
		643	30	16	689	79	768

*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 £'000	Compensation for Loss of Office £'000	Benefits in kind restated £'000	Total £'000	Pension contri-butions £'000	Total remun-eration £'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		2015/16
£'000		*£'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	2015/16 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)	(785)	3,193	(1,542)
Required by statute reserves	(223)	(75)	0	(298)
Developer contributions	(5,500)	(2,726)	1,111	(7,115)
	(15,604)	(5,844)	5,284	(16,164)

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

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	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation									
1 April 2015	367,633	85,217	4,098	2,181	1,048	985	5,400	466,562	14,605
Additions	10,967	4,903	333	17	0	384	1,963	18,567	5
Revaluation recognised in the Revaluation Reserve	301	12,324	0	0	669	1,528	0	14,822	
Revaluation recognised in the Provision of Services	(396)	4,397	0	0	0	0	0	4,001	(3)
Derecognition - disposals	(3,221)	(52)	0	0	0	0	0	(3,273)	(43)
Transfer between claesses of Assets	3,081	1,831	0	1	0	(368)	(5,295)	(750)	0
31 March 2016	378,365	108,620	4,431	2,199	1,717	2,529	2,068	499,929	14,564
Accumulated Depreciation and Impairment									
1 April 2015	(134,633)	(13,090)	(3,300)	0	(232)	(16)	0	(151,271)	(19)
Depreciation charge	(5,367)	(1,522)	(116)	0	(6)	0	0	(7,011)	(340)
Depreciation written out - Revaluation Reserve	24	1,499	0	0	8	0	0	1,531	
Depreciation written out - Provision of Services	5,343	901	0	0	0	0	0	6,244	340
Impairment recognised in the Revaluation Reserve	(24)	(1,708)	0	0	0	0	0	(1,732)	
Impairment recognised in the Provision of Services	(11,847)	(277)	0	0	0	0	0	(12,124)	(3)
Derecognition - disposals	0	3	0	0	0	0	0	3	
31 March 2016	(146,504)	(14,194)	(3,416)	0	(230)	(16)	0	(164,360)	(22)
Net book value									
31 March 2016	231,861	94,426	1,015	2,199	1,487	2,513	2,068	335,569	14,542
31 March 2015	233,000	72,127	798	2,181	816	969	5,400	315,291	14,586

Property, Plant and Equipment continued

Property, Plant & Equipment 2014/15	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation									
1 April 2014	339,134	66,039	3,755	629	1,036	984	3,468	415,045	13,175
Additions	11,536	10,804	343	872	0	0	3,514	27,069	9
Revaluation recognised in the Revaluation Reserve	109	6,366	0	0	12	1	0	6,488	0
Revaluation recognised in the Provision of Services	17,564	2,039	0	0	0	0	0	19,603	1,460
Derecognition - disposals	(1,612)	(31)	0	0	0	0	0	(1,643)	(39)
Derecognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Transfer between claesses of Assets	902	0	0	680	0	0	(1,582)	0	0
31 March 2015	367,633	85,217	4,098	2,181	1,048	985	5,400	466,562	14,605
Accumulated Depreciation and Impairment									
1 April 2015	(128,480)	(11,625)	(3,198)	0	(243)	(16)	0	(143,562)	1
Depreciation charge	(5,376)	(1,156)	(102)	0	(3)	(1)	0	(6,638)	(337)
Depreciation written out - Revaluation Reserve	16	1,007	0	0	14	1	0	1,038	
Depreciation written out - Provision of Services	5,377	1,379	0	0	0	0	0	6,756	337
Impairment recognised in the Revaluation Reserve	0	(34)	0	0	0	0	0	(34)	
Impairment recognised in the Provision of Services	(6,170)	(2,663)	0	0	0	0	0	(8,833)	(20)
Derecognition - disposals	0	2	0	0	0	0	0	2	0
31 March 2015	(134,633)	(13,090)	(3,300)	0	(232)	(16)	0	(151,271)	(19)
Net book value									
31 March 2015	233,000	72,127	798	2,181	816	969	5,400	315,291	14,586
31 March 2014	210,654	54,414	557	629	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.

The surplus assets has been valued using IFRS13 fair value level 2 as there are significant observable inputs using land prices in the local authority area.

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 qualified (RICS) valuers, Wilkes Head and Eve LLP, in accordance with the relevant guidance.

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 69.

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 impairments.

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, external qualified (RICS) valuers 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.

The cashflow statement has the movements to reflect these purchases.

Group Position 2014/15 *£'000*		Group Position 2015/16 *£'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*		4,278
		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		
	(7,098)	Financial liabilities at amortised cost		(7,695)
(119)		Financial liabilities carried at contract amounts	(119)	
(119)	(7,098)	*Total Creditors*	(119)	(7,695)

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.

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.

Fair values have been determined with reference to Arlington Close or Bloomsberg where applicable.

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* £'000	*Credit rating*
Deposit with other local authorities/government			
Blaenau Gwent	27 Oct 2019	3,026	AA+
Newport City Council	10 Jul 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 Aug 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

Credit rating are assigned to each investment using the lowest rating from the 3 main ratings agencies, Standard and Poor's, Moody's and Fitch Group, or where formal ratings are not provided ratings are applied, where possible based on the characteristics of the investment, such as money market funds. AAA, AA, A and BBB are considered investment grade products with AAA being the highest level, any investments below BBB would be considered non-investment grade and would not be entered into directly, with the exception of National Westminster Bank who the Council banks with.

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		0
		Other entities and individuals:		
1,266		- Housing Tenants	1,054	
(850)	416	*Less* : Impairment Allowance	(728)	326
747		- Local Taxpayers/ratepayers	1,616	
(568)	179	*Less* : Impairment Allowance	(699)	917
6,109		- Other	5,395	
(3,052)	3,057	*Less* : Impairment Allowance	(1,652)	3,743
	5,411	Balance at 31st March		6,341

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	(212)
458	Amounts owed by local taxpayers/ratepayers	869
1,063	Movement in payments in advance	1,063
(2,751)	Amounts owed by Sundry Debtors	(2,276)
(544)	Change in Impairment Allowance	1,391
(1,754)	Movement in the year	930

21. Creditors

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

31 March 2015 £'000		31 March 2016 £'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	(481)
(362)	- Developer contributions	(833)
(6,725)	- Sundry Creditors	(6,595)
(12,929)		(13,058)

Movement in Creditors is mainly due to:

2014/15 £'000		2015/16 £'000
(207)	NNDR liability	(860)
(1,033)	Other amounts owed to government	1,875
(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	427
344	Change in Developer contributions	(471)
(949)	Amounts owed to Sundry Creditors	130
(3,359)	Movement in the year	(129)

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.

Unusable Reserves 2015/16	Revaluation balances		Adjustment accounts					
	Revaluation Reserve *	Available for Sale Financial Instruments	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	Total Unusable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2015	(24,430)	(784)	(137,859)	(1,596)	71,983	850	119	(91,717)
Movements in Reserves during the year								
Other comprehensive income & expenditure	(14,107)	(380)			(8,519)			(23,006)
Total comprehensive income & expenditure	(14,107)	(380)	0	0	(8,519)	0	0	(23,006)
Adj between accounting and funding basis			(4,423)	59	2,251	155	67	(1,891)
Net movement before transfers to other reserves	(14,107)	(380)	(4,423)	59	(6,268)	155	67	(24,897)
Transfers to/from other Unusable reserves	459		(459)	0				0
Increase or decrease during the year	(13,648)	(380)	(4,882)	59	(6,268)	155	67	(24,897)
Balance at 31st March 2016	(38,078)	(1,164)	(142,741)	(1,537)	65,715	1,005	186	(116,614)

* Analysed in tables (a) and (b)

Unusable Reserves 2014/15	Revaluation balances		Adjustment accounts					
	Revaluation Reserve *	Available for Sale Financial Instruments	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	Total Unusable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2014	(17,060)	(66)	(110,204)	(1,655)	57,980	1,117	153	(69,735)
Movements in Reserves during the year								
Other comprehensive income & expenditure	(7,492)	(718)			11,955			3,745
Total comprehensive income & expenditure	(7,492)	(718)	0	0	11,955	0	0	3,745
Adj between accounting and funding basis			(27,533)	59	2,048	(267)	(34)	(25,727)
Net movement before transfers to other reserves	(7,492)	(718)	(27,533)	59	14,003	(267)	(34)	(21,982)
Transfers to/from other Unusable reserves	122		(122)					0
Increase or decrease during the year	(7,370)	(718)	(27,655)	59	14,003	(267)	(34)	(21,982)
Balance at 31st March 2015	(24,430)	(784)	(137,859)	(1,596)	71,983	850	119	(91,717)

(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 *£'000*		2015/16 *£'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 *£'000*		2015/16 *£'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 *£'000*		2015/16 *£'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 *£'000*		2015/16 *£'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	(1,384)
(7)	Municipal Mutual Insurance	(40)
(255)	Lift Renewal (Edinburgh Road) - transferred to reserve	0
(1,799)		(1,424)

The reasons for movement in provisions are:

2014/15 £'000		2015/16 £'000
(563)	Additional provision made in year	(1,265)
215	Amounts used in year	1,385
220	Unused amounts reversed in year	255
(128)	Movement in the year	375

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 1.

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 2017 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.

United Kingdom Central Government

United Kingdom Central Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Members and Senior Officers

All Members and Senior Managers were written to requesting details of any relationships that could result in a related party transaction, for 2015/16, 8 forms were not returned, 2 current Councillors, 5 ex-Councillors and 1 ex-staff member. The register of Members interests and the declaration of interests for staff were examined to see whether any declaration was necessary, no material declarations were made.

One Counsellor is a member on the board of CCLA where the Council hold £6m (fair value of £7.2m) investments in LAMIT (Local Authority Mutual Investment Trust), the Councillor holds the position on behalf of the Council as a unit holder and has voting rights. As the Councillor holds this position as part of his Council role there are no related party risks associated with this engagement.

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.

The EU referendum was held on 23 June 2016 at which time the UK decided to exit the European Union. This decision may have an adverse effect on asset valuations and equity and property based investments balances reported in these statements.

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	(47)
(3,621)	Increase/decrease in creditors	(103)
(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	375
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*	(11,461)

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

2014/15 Restated *£'000*		2015/16 *£'000*
	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	0
(647)	*Total non-cash adjustments of investing and financing activities*	5,526

33. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2014/15 *£'000*		2015/16 *£'000*
3,656	Interest paid	3,660
(134)	Interest received	(297)
(299)	Dividend received	(422)
3,224		2,941

34. Cash Flow Statement - Investing Activities

2014/15		2015/16	
		ABC	Group
£'000		*£'000*	*£'000*
27,364	Purchase of property, plant and equipment, investment property and intangible assets	18,542	20,562
28,474	Purchase of short-term and long-term investments	8,018	8,018
(1,464)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,372)	(4,372)
(28,990)	Proceeds from short-term and long-term investments	(5,931)	(5,931)
9	Other receipts from investing activities	(1,154)	(1,154)
25,393	*Net cash flows from investing activities*	15,103	17,123

35. Cash Flow Statement - Financing Activities

2014/15		2015/16	
		ABC	Group
£'000		*£'000*	*£'000*
852	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	773	(1,267)
2,102	Other payments for financing activities	0	0
2,954	*Net cash flows from financing activities*	811	(1,267)

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

31 March 2015		31 March 2016
£'000		*£'000*
55	Cash held by the Council	57
176	Bank Current Accounts	617
4,842	Bank Call Accounts	3,604
5,073	Cash and cash equivalents at the end of the reporting period	4,278

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	3,543
1,460	Flats, bedsits and maisonettes	1,487
5,049		5,030
(318)	*Less* properties managed under Stanhope PFI	(318)
4,731		4,712

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

31 March 2015 £'000		31 March 2016 £'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.

During the year, the majority of the garage stock was transferred from the Housing Revenue Account to the General Fund.

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2015 was £704,319,000 (£661,273,000 as at 1 April 2014). 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

Financial Services

Ask For: Maria Seddon
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Direct Line: (01233) 330547
Our Ref:

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BOROUGH COUNCIL

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Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
LONDON NW1 2EP

Your Ref:

Date:28th July 2016

Dear Sirs,

Ashford Borough Council
Group Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with the audit of the group financial statements of **Ashford Borough Council** and its subsidiary undertaking(s) as shown in Appendix 1 of this letter, for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.
We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

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

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

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

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

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

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

x All events subsequent to the date of the group and parent Council financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent Council financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and parent Council and its group and parent Council financial position at the year-end xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.

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

Information Provided

xvi We have provided you with:

a access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;

b additional information that you have requested from us for the purpose of your audit; and

c unrestricted access to persons within the group and parent Council from whom you determined it necessary to obtain audit evidence.

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

xviii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.

xix We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.

xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent Council involving:

a management;

b employees who have significant roles in internal control; or

c others where the fraud could have a material effect on the group and parent Council financial statements.

xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, regulators or others.

xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the group and parent Council's financial statements.

xxiii We have disclosed to you the identity of all the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.

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

Annual Governance Statement

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

Narrative Statement

xxvi The disclosures within the Narrative Statement fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 28 July 2016**.**

Yours faithfully

Name……………………………
Position…………………………..
Date…………………………….

Name……………………………
Position…………………………
Date…………………………….

Signed on behalf of the Council