



AUDIT COMMITTEE

Notice of a Meeting, to be held in the Council Chamber - Ashford Borough Council on
Thursday, 21st June, 2018 at 7.00 pm.

The Members of the Audit Committee are:-

Councillor Waters (Chairman)
Councillor Barrett (Vice-Chairman)

Cllrs. Mrs Dyer, Hicks, Link, Shorter, Smith, Suddards.

Agenda

Page Nos..

- | | | |
|----|--|-----------|
| 1. | Apologies/Substitutes | |
| | To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii) | |
| 2. | Declarations of Interest | 1 - 2 |
| | To declare any interests which fall under the following categories, as explained on the attached document: | |
| | a) Disclosable Pecuniary Interests (DPI) | |
| | b) Other Significant Interests (OSI) | |
| | c) Voluntary Announcements of Other Interests | |
| | See Agenda Item 2 for further details | |
| 3. | Minutes | 3 - 10 |
| | To approve the Minutes of the Meeting of this Committee held on 20 th March 2018. | |
| 4. | An Early Look at the Statement of Accounts for 2017/18 | 11 - 102 |
| 5. | Internal Audit Annual Report 2017/18 | 103 - 138 |
| 6. | Annual Report of the Audit Committee 2017/18 | 139 - 158 |
| 7. | Approval of the Annual Governance Statement 2017/18 | 159 - 186 |

8.	Corporate Risk Register	187 - 200
9.	Homes England - Compliance Audit Annual report 2017/18 for Ashford Borough Council	201 - 208
10.	External Audit Fee Letter	209 - 212
11.	External Audit Progress Report	213 - 214
12.	Report Tracker for Future Meetings	215 - 220

Queries concerning this agenda? Please contact Member Services
Tel: 01233 330499 Email: membersservices@ashford.gov.uk
Agendas, Reports and Minutes are available on: www.ashford.gov.uk/committees

Declarations of Interest (see also “Advice to Members” below)

- (a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

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

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

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

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

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

Advice to Members on Declarations of Interest:

- (a) Government Guidance on DPI is available in DCLG’s Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5962/2193362.pdf
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, and a copy can be found in the Constitution at <http://www.ashford.gov.uk/part-5---codes-and-protocols>
- (c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Corporate Director (Law and Governance) and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

This page is intentionally left blank

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **20th March 2018**.

Present:

Cllr. Waters (Chairman);
Cllr. Barrett (Vice-Chairman);
Cllrs. Buchanan, Link, Ovenden, Shorter.

In accordance with Procedure Rule 1.2(iii) Councillors Link and Ovenden attended as Substitute Members for Councillors Burgess and Smith respectively.

Apologies:

Cllrs. Burgess, Smith.

Also Present:

Director of Finance and Economy, Head of Finance, Head of Health, Parking and Community Safety, Head of Corporate Policy, Economic Development and Communications, Programme Manager, Head of Audit Partnership, Audit Manager, Member Services Officer.

Audit Director – Grant Thornton UK.
Audit Manager – Grant Thornton UK.

388 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 5th December 2017 be approved and confirmed as a correct record.

389 Certification of Grant Claims

The Audit Manager – Grant Thornton UK advised the Committee that he would be the Audit Manager for the 2017/18 financial year. He advised of the findings of Grant Thornton's certification of the Council's Housing Benefit Subsidy Claim for 2016/17. The Council's claim was unqualified and unamended and he congratulated the staff involved.

The Director of Finance and Economy advised that the Council needed to Appoint its own auditor for this process. In accordance with procurement regulations Grant Thornton had quoted for the work and been appointed to undertake the certification of the Council's Housing Benefit Subsidy Claim for 2018/19. This would mean that the review would be carried out by the same company that provided the accounts audit.

The Portfolio Holder for Finance and IT said this was a pleasing outcome and the exceptional work and competence of the team involved should be acknowledged.

Resolved:

That the Letter be noted.

390 Presentation of Financial Statements

In accordance with Procedure Rule 9.3 Mr Relf, a local resident, had registered to speak on the Presentation of the Financial Statements. He had submitted two questions. Firstly he questioned why had had yet to receive a formal response from the Auditor in relation to his objection to the 2016/17 accounts. He had received an email however had yet to receive an official letter to his objection. Secondly, Mr Relf stated that revenue relating to Council Tax and Business Rates was measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue was recognised when it was probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably. Taking this into consideration he questioned how this would be achievable if the information on the Business Rates Register was inaccurate? He drew attention to some specific cases that he believed were avoiding business rates and committing other offences.

The Audit Director – Grant Thornton UK advised that he had viewed the documents relating to Mr Relf's objection and assured him that he would formally write to him within the next seven days. The objection from Mr Relf had not met the definition of an objection to the accounts, however he had received communication from his predecessor via email and furthermore he was advised at the September 2017 meeting of this Committee that it was the Valuation Office Agency's responsibility to maintain the list.

The Portfolio Holder for Finance and IT stated that the Council was required to collect monies from businesses on the rating list and it was the statutory responsibility of the Valuation Office Agency (VOA) to maintain the list. The Council could only account for the taxation that the VOA advised was due and therefore it would be on that basis that the accounts were collated. If the VOA decided to amend the list and either change the rateable value of a property or add new properties to the list then it would be the Councils responsibility to collect the taxes due on those hereditaments. These changes would ultimately be reflected in the accounts.

Mr Relf advised that he was a member of the local community forum and they would be objecting to the rateable loss due to these omissions.

The Vice-Chairman thanked Mr Relf for his questions and advised that he was unable to enter into a question and answer session with the Committee. The questions that he had submitted had been answered and site-specific queries would be further investigated as necessary.

The Head of Finance advised the Committee that the annual statement of accounts for the financial year ending the 31 March would be produced by the end of May.

The Accounts would then be audited by Grant Thornton during early June with an opinion issued by mid July. There had been an update to the narrative and some technical changes and she drew attention to the accounting policies for the 2017/18 accounts contained within Appendix A.

Resolved:

- That (i) the report be noted,**
- (ii) the accounting policies for the 2017/18 accounts in Appendix A be approved.**

391 Risk Management Framework Update

The Programme Manager advised the Committee that the Risk Management Framework had been adopted in July 2015. Using a PowerPoint presentation she drew the Committee's attention to the principles behind the Risk Management Framework. The Framework pulled together guidance and procedures to ensure a consistent approach and informed the Strategic Risk Register. Currently risks were reviewed on a six monthly basis. Work had been undertaken, in consultation with Mid Kent Audit Partnership to produce a risk register that highlighted the top risks at any time. This update sought to identify all potential risks and had been used during the recent budget scrutiny process and had been well received. It should be noted that operational risks would be monitored by Management Team, should any such risks become strategic they would be presented to the Committee. The Programme Manager highlighted the Council's 'risk appetite' as follows; moderate for strategic risks, low for financial risk and very low for compliance risks. She then drew attention to what could be deemed a risk under each of these categories. The next steps in the process would be presenting the Framework to Cabinet in April with the new Risk Register bring presented to the June meeting of the Audit Committee. The Programme Manager confirmed that the revised process would be kept under review.

The Portfolio Holder for IT and Finance commended the work that had been undertaken on the evolution of the Risk Management Framework. He was pleased to see 'risk appetite' being considered as this was an area the Committee had discussed previously. He did not consider risk to be bad, provided it was managed.

The Chairman felt that a key aspect was the assessment and management of risk. The involvement of Mid Kent Audit Partnership in the process was important. In his opinion risk was an opportunity, and the pressure on the Council was huge. The ability to borrow at low rates would assist to future proof the Council's financial exposure. The revised Risk Management Framework should be embraced and supported.

Resolved:

That the presentation be received and noted.

392 Annual Governance Statement – Progress on Remedying Exceptions

The report updated on the progress made towards the three areas of review highlighted by the 2016/17 Annual Governance Statement. The Head of Corporate Policy, Economic Development and Communications, introduced the report and gave an update on the delivery dates for the three areas. The rollout of Modern.Gov had been achieved before the deadline. The Peer Challenge would commence on 16th April and would focus on leadership, governance, corporate capacity and financial resilience. There were a number of meetings and focus groups scheduled during the Peer Challenge, in which Elected Members would be involved. Finally, compliance with the transparency code was ongoing, with areas being updated.

The Vice-Chairman questioned what redundancies were in place should the Wi-Fi be unavailable, how would Members and Officers access papers for that meeting. In respect of the transparency code, he queried whether all Local Authority land was detailed on GIS.

The Head of Audit Partnership advised that the code was best practice guidance and not specific on the latter point.

The Portfolio Holder advised that the Property Team were updating the asset register to ensure that this was current.

In response to the former questions, Members advised that Modern.Gov did not require a Wi-Fi connection and that there were hard copy agendas available at meetings should they be required.

Resolved:

That the Committee notes the progress made towards the areas of review highlighted by the Annual Governance Statement.

393 Internal Audit Charter

The Head of Audit Partnership advised that the Internal Audit Charter would be addressed as part of the following agenda item.

394 Internal Audit and Assurance Plan 2018/19

The report set out the proposed plan for Mid Kent Audit's work at Ashford Borough Council during 2018/19. Furthermore, it provided an overview of the range of areas for potential future examination by Internal Audit. It was based on the outcomes of risk assessments and consultation, and considered the resources available to the Partnership.

Using a PowerPoint presentation, the Head of Audit Partnership drew attention to what the plan must do. He confirmed that it was independently compiled and free from undue influence. The Plan was updated annually and he confirmed that there were sufficient resources, in the quantity and quality of staff, to carry out the Plan.

There were a number of risks that were highlighted, including General Data Protection Regulations (GDPR) and Cybersecurity. In nine months' time the Audit Team would assess how all four authorities that formed the partnership had met the obligations of GDPR. As part of this work, they would assess what had been done well and what could be learnt from. No assurance rating would be given in the first year. As part of two framework agreements the Audit Partnership had the ability to 'buy in' specialist audit support. Using a mix of tables and graphs the Head of Audit Partnership drew attention to audit risks based on particular areas such as financial risk, the number of audit days available and the experience and qualifications of the Audit Team. Attention was drawn to the areas that were audited over a five year cycle. Following a recent tendering process, they would be rolling out new software, Pentana, which would assist with the work undertaken and would significantly reduce the cost to the Partnership compared to the system currently used. It was envisaged that reporting templates could be introduced to assist with providing shorter audits.

The Chairman raised concerns about the frequency of which the Internal Audit Charter was presented to the Committee. Whilst he acknowledged there were no changes required to be made, it was important for the Committee to be aware of the bedrock from which the Audit Team operated.

The Head of Audit Partnership advised that whilst the full Charter had not been provided to the Committee, a link to the document was provided within the agenda pack. As there were no changes required to the Charter a decision had been taken not to bring the full Charter back to the Committee. He would circulate the Charter to the Committee via Member Services after the meeting.

Members felt that having sight of the Charter each year would refresh their minds on the basis on which the Audit Team worked, additionally the membership of the Committee did change therefore it would be of great use to new Members of the Committee.

Resolved:

That the Audit Committee

- (i) approves the Internal Audit and Assurance Plan for 2017/18.**
- (ii) notes the view of the Head of Audit Partnership that the plan sets out sufficient resource to complete a work programme leading to a robust Head of Audit opinion.**
- (iii) Notes the Head of Audit Partnership's assurance that the plan is compiled independently and without appropriate influence from management.**

395 Business Continuity – Progress Update

The report updated Members on progress towards completing actions arising from the audit review of Business Continuity that was published in September 2017. The Head of Audit Partnership advised that progress had been made with no need to extend timescales, which was positive.

The Chairman questioned the completion dates relevant to the Business Continuity Recommendation R4: Risk Assessment. The Head of Audit Partnership advised that this had been completed after the agreed date and no extension to the deadline had been sought.

The Head of Health, Parking and Community Safety advised that that R4 had been completed within deadline. It was, however, signed off in line with the wider update of the Overarching Business Continuity Plan that had the later deadline. All services had updated their service plans and reviewed restoration priorities. These were now being reviewed on a regular basis by the Business Continuity Steering Group. There was an aim to further strengthen the Business Continuity arrangements by introducing an IT Solution to assist with business restoration. Currently the Council used Objective Connect to store data for such purposes, a bespoke system would greatly assist with this process and make it easier for services to update their own plans.

In response to a question the Head of Health, Parking and Community Safety advised that as part of the restoration each service had highlighted the timeframe in which they would need to be up and running, ie. 24 hours, 1-3 days, 3 days + etc . The Steering Group was monitoring this to ensure that services were assessing their needs in the correct manner.

Resolved:

That the Committee notes the progress made.

396 External Audit 2017/18 Audit Plan

The report provided an overview of the planned scope and timing of the statutory audit of Ashford Borough Council to be undertaken by Grant Thornton UK.

The Audit Director – Grant Thornton UK drew attention to the significant risks detailed in the report and confirmed that materiality would be £1.7 million which equated to approximately 2% of the Council's gross expenditure. The risk assessment regarding the Council's arrangements to secure value for money identified the following risk; continuing to maintain an effective financial planning framework to manage the impact of reductions in government funding. He drew attention the planned audit visits and the audit fee for their work. The accounts for the A Better Choice for Property Company would be assessed as part of the wider accounts. The valuation of the investment properties would be audited. Grant Thornton were still required to assess the Council and accounts as a 'going concern' but needed to give that aspect of their opinion more prominence and therefore there would be a different look to the final report, however this would not change the work undertaken.

The Chairman questioned whether issues that might cumulatively cross materiality would be reported in the same manner as material issues. He also questioned how Grant Thornton would assess the assets held by the Property Company.

The Audit Director – Grant Thornton UK confirmed that they would consider the cumulative effect of issues when assessing materiality and discussions would be

held with the Council's Section 151 Officer regarding this. In respect of the property holdings of the Property Company they would check that the properties were valued appropriately. In doing this they would look at the person undertaking the valuation, their qualifications, experience and key assumptions that had been made.

Resolved:

That the Committee notes the Audit Plan.

397 Report Tracker for Future Meetings

The Chairman drew attention to the meeting scheduled for 4th December 2018 and requested that this be changed to 5th December 2018. Officers had checked and there would be no clash with any other Council meeting.

Drawing attention back to statements made by Mr Relf earlier in the meeting, the Chairman discussed handling of specific cases brought to the attention of the Committee. The Director of Finance and Economy advised that there was not a defined process and discussions regarding this would take place following on from this meeting. This would also include clarification on handling matters arising.

Resolved:

- That**
- (i) the Committee notes the schedule of meetings and the change of date of the December meeting.**
 - (ii) additional information be provided to the Committee on handling matters arising.**

This page is intentionally left blank

Agenda Item 4



ASHFORD
BOROUGH COUNCIL

Agenda Item No: 4
Report To: Audit Committee
Date of Meeting: 21 June 2018
Report Title: Statement of accounts training
Report Author & Job Title: Maria Hadfield
Portfolio Holder: Cllr. Shorter
Portfolio Holder for: Finance & ICT

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

- Draft Statement of Accounts 2017/18 for Audit (attached)

Key Decision: YES/NO (delete as appropriate)

Significantly Affected Wards: NA

Recommendations: **The Cabinet is recommended to:-**

- I. **Note the statement of accounts**
- II. **Note the training on accounts**

Policy Overview: NA
Financial Implications: None

Legal Implications: NA

Equalities Impact Assessment: NA

Other Material Implications: None

Exempt from Publication: **NO**

Background Papers: **None**

Contact: Maria.hadfield@ashford.gov.uk – Tel: (01233) 330545

This page is intentionally left blank

**Ashford
Borough
Council
Draft Accounts
2017/18**

Table of Contents

Approval of the Statement of Accounts	1
Narrative Report	2
Introduction	2
The Statement of Accounts	2
Overview of 2017/18 Financial Results and Activity	2
Statement of Responsibilities for the Statement of Accounts	8
Core Financial Statements	9
Comprehensive Income and Expenditure Statement	9
Movement in Reserves Statement	10
Balance Sheet	12
Cash Flow Statement	13
Notes to the Core Financial Statements	14
1. Accounting Policies	14
2. Accounting Standards that have been issued but not adopted	29
3. Critical Judgements in Applying Accounting Policies	29
4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	31
5. Expenditure and Funding Analysis	33
6. Note to the Expenditure and Funding Analysis and telling the story restatement	35
7. Expenditure and Income Analysed by Nature	38
8. Members' Allowances	39
9. Officers' Remuneration	39
10. Termination Benefits	41
11. External Audit Costs	41
12. Grant Income	42
13. General Fund Reserves	42
14. Property, Plant and Equipment	44
15. Revaluation Gains and Impairments	47
16. Investment Properties (Group Accounts)	47
17. Heritage Assets	48
18. Capital Expenditure and Capital Financing	48

19.	Capital Commitments	49
20.	Financial Instruments	49
21.	Nature and Extent of Risks Arising from Financial Instruments	51
22.	Debtors.....	54
23.	Creditors.....	55
24.	Unusable Reserves	56
25.	Leases.....	58
26.	Provisions.....	61
27.	PFI and Similar Contracts	61
28.	Defined Benefit Pension Schemes.....	62
29.	Related Parties.....	67
30.	Interest in Companies	67
31.	Contingent Liabilities	68
32.	Events after the Balance Sheet Date	69
33.	Cash Flow Statement – Adjustment to Net Deficit on the Provision of Services for Non Cash Movement	69
34.	Cash Flow Statement - Adjustment to Net Deficit on the Provision of Services for Investing & Financing Activities.....	69
35.	Cash Flow Statement - Operating Activities.....	70
36.	Cash Flow Statement - Investing Activities	70
37.	Cash Flow Statement - Financing Activities.....	70
38.	Cash Flow Statement - Makeup of Cash and Cash Equivalents	71
	Supplementary Single Entity Statements	72
	Housing Revenue Account.....	72
	Movement on the HRA Statement	73
	Notes to the Housing Revenue Account	73
1.	Number and type of Housing Stock, Balance Sheet Opening and Closing Values	73
2.	Vacant Possession Value of Dwellings	73
3.	Major Repairs Reserve	74
4.	Summary of Capital Expenditure and Financing.....	74
5.	Capital Receipts from Disposal of Assets	74
6.	Depreciation	75
7.	Valuations	75
8.	Pensions	75

9. Rent Arrears	76
Collection Fund	77
Notes to the Collection Fund	78
1. NNDR Rateable Value	78
2. Band D Council Tax	78
3. Council Tax Base	79
4. Precepts	80
Independent Auditor's report to the Members of Ashford Borough Council	81
Glossary	82

Approval of the Statement of Accounts

The Audit Committee at its meeting on the 10 July 2018 approved the Statement of Accounts for the year ended 31 March 2018 in accordance with the Accounts and Audit Regulations 2015.

Signed:

Councillor Waters
Chairman Audit Committee
10 July 2018

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 82).

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 (2017/18), there have been very few changes to the Code with only some changes affecting 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.

Overview of 2017/18 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 the budget. Service pressures have been contained within the overall budget. There was a significant variance within Treasury Management which related to additional interest receipts and savings from borrowing decisions. These surpluses have been partly transferred to a new reserve to fund future commitments as a result of the Council's commercialisation agenda.

Aspire, the Council's in house grounds maintenance team had an underspend against budget of £327,000; this is partly due to efficient use of resources.

The Council's commitment to recycling has encouraged residents to engage in services for recycling, and garden waste income has seen an increase of £60,000.

Parking had an increase in salaries of £96,000 for additional Enforcement Officers, the additional resources within the team contributed to increased income of £160,000.

Due to the increase in homeless families, Housing had a pressure of £300,000. A new homelessness strategy will look to reduce the numbers in temporary accommodation and address the pressure for future years.

The Council continues to set aside funds to offset future maintenance liabilities, ensuring the council's asset base is well maintained and fit for purpose.

Overall, revenue reserves remain at a healthy level and afford some flexibility to help with investments to support local growth highlighted in the Corporate Plan.

The General Fund outturn below excludes the Housing Revenue Account and therefore differs from the statutory presentation of the Comprehensive Income and Expenditure Statement (page 9).

The Council set its budget requirement at £15m (amount funded by Government Grant, Business Rates and Council Tax). The Council took the decision to increase Council Tax by £4.00 resulting in a band D at £154 for 2017/18.

Cabinet meetings during the year (September, November, February, and June) received budget monitoring positions, including details of variances.

General Fund Final Outturn 2017/18

These reports are on the Council's website.

The Comprehensive Income and Expenditure Statement, and associated notes on page 9, 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, the Expenditure and Funding Analysis.

Service	Original Budget	Revised Budget	Final Outturn	Variance
	2017/18	2017/18	2017/18	
		A	B	B-A
	£'000	£'000	£'000	£'000
Chief Executive	838	935	1,084	149
Director of Finance & Economy	3,070	3,191	4,076	885
Director of Law & Governance	1,968	1,836	1,776	(60)
Director of Place & Space	9,599	9,503	9,225	(278)
Net Service Expenditure	15,475	15,465	16,161	696
Capital Charges and net interest	(2,033)	(2,033)	(2,589)	(556)
Revenue Contribution to Capital	0	0	359	359
Levies and Grants	250	250	250	0
Contribution to Reserves	1,319	1,319	1,984	665
Net Expenditure	15,011	15,001	16,165	1,164
Funded by:				
Government grant	(4,510)	(4,510)	(5,205)	(695)
Business Rates	(3,422)	(3,422)	(3,415)	7
Council Tax	(7,079)	(7,079)	(7,526)	(447)
Total Financing	(15,011)	(15,011)	(16,146)	(1,135)
Outturn reported	(0)	(10)	19	29

Housing Revenue Account (HRA)

The outturn on the HRA is showing a deficit of £3.2m compared to a budget deficit of £4.9m, a reduction of £1.7m. This underspend is largely attributable to slippage on the capital programme.

The accumulated HRA reserve balance at 31 March 2018 was £3.5m. In addition, the Major Repairs Reserve stands at £3.6m, which is available to fund the Decent Homes Programme,

giving a total balance for HRA Reserves of £7.1m (compared with £8.2m as at 31 March 2017). This year's underspend will be allocated to resource the HRA's longer-term capital plan.

Council dwellings are revalued at the end of each financial year, this year the movement during the year resulted in a net valuation increase of £7.8m (£25.9m in 2016/17).

Housing Revenue Account Outturn 2017/18

Service	Revised Budget	Final Outturn	Variance
	2017/18	2017/18	
	A	B	B-A
	£'000	£'000	£'000
Income	(25,511)	(24,703)	808
Supervision and Management	5,158	5,627	469
Repairs and Maintenance	3,328	3,462	134
Other	21,924	18,820	(3,104)
	<hr/> 4,899	<hr/> 3,206	<hr/> (1,693)
Net Expenditure			
Capital Works - Decent Homes	4,424	3,100	(1,324)
<i>Capital works financed by:</i>			
Major Repairs Allowance (from Self-Financing Determination)	(4,424)	(3,100)	1,324
	<hr/> 4,899	<hr/> 3,206	<hr/> (1,693)

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 2017/18 included:

- Elwick Place - During the year work has progressed on site in line with the build schedule, and there have been no significant variations to the build specification that would impact the expected completion date of December 2018. Expenditure incurred in 2017/18 is £19.3m

- Land and buildings purchased for economic and regeneration purposes have included Mecca Bingo Hall at £1.9m in the town centre.
- A further £1.9m has been spent on completing Farrow Court Phase 2
- Danemore sheltered housing accommodation redevelopment has incurred costs of £3.4m
- Spend on existing housing stock amounted to £3.1m to ensure Decent Homes Standards are maintained.

In the financial year 2017/18, the outturn for the capital programme was:

Summary of Capital Spending and Financing

	£'000	£'000
<i>Capital investment</i>		
General Fund capital expenditure	25,200	
HRA capital expenditure	13,600	
Total expenditure	<u>38,800</u>	
<i>Sources of finance</i>		
Prudential borrowing		21,560
<i>Capital receipts</i>		
- 1-4-1 capital receipts	819	
- General capital receipts	3,434	4,253
<i>Grants and contributions</i>		
- External grants and contributions	2,689	
- Developer contributions	1,730	4,419
Contribution to/(from) Major Repairs Reserve		3,100
<i>Direct revenue contributions</i>		
- Repairs and Renewals Reserve	203	
- General Fund financing	358	
- HRA Revenue contributions	4,480	
- Other revenue contributions	427	5,468
Total financing		<u>38,800</u>

Treasury Management

Borrowing

At 31 March 2018, the Council had long-term and short-term borrowing of £150.7m. £114.7m of the borrowing relates to the housing subsidy buy-out with government. The remaining £36m relates to General Fund borrowing requirement for capital projects.

Investments

At 31 March 2018, the Council had investments and cash deposits with a fair value of £38.9m (£24.4m at 31 March 2017) detailed in note 21. In 2017/18 the Council continued to maintain a diversified investment portfolio in terms of counterparties and duration of investments, with more long-term investments continuing to be held. This has been, 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 2018, 92% of staff were part of the pension scheme, contributing between 5.5% and 12.5% of salary. The remainder of staff opted out of the scheme. 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 28.

Stanhope Private Finance Initiative (PFI)

The PFI agreement for the regeneration of the Stanhope Estate has been ongoing since 2007 the details are in Note 27.

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 considered material and therefore group accounts have been prepared in accordance with IFRS 10. It was decided in November 2017 that A Better Choice for Building Consultancy Ltd would not pursue Approved Inspector status and the company would become dormant. This decision has no significant impact on the Council's income streams.

The Corporate Plan and Medium Term Financial Plan

The Council approved the Corporate Plan in 2015/16, covering the years 2015-2020. The plan includes looking at how the Council can invest in opportunities to become less reliant on Government funding.

During this financial year, the Council approved the new 5 year business plan for its subsidiary property company. The investment will see the company continuing on its successful foundations and expanding to provide 400-500 units over this timeframe. This will provide a significant return for the Council, contributing towards the self-sufficiency agenda.

Work has also continued on other income generating projects including the redevelopment of Elwick Road, which is on target for completion in December 2018.

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 November 2017)

The Council set its budget for 2018/19 at the February Cabinet meeting to deliver upon the themes identified above. The budget increased council tax by £3.50 to £157.50 for a band D property. The Council still has the lowest council tax in Kent and under the current regulations, can opt to raise the Council Tax by the higher of 2% or £5.

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 industrial units at Carlton Road will redevelop the area and provide a revenue stream for the Council in the long term.

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 report recognises a future emerging budget gap and how this will be managed through managing demand on services through digital transformation and investment strategies. The full budget report can be accessed on the Councils website.

In 2018/19 the Council will take part in the 100% rates retention pilot. This will allow Ashford, KCC and Kent Fire to retain all the business rates generated in the borough. The pilot status provides funding for increasing the sustainability of Local authorities and provides a growth fund for the East Kent economic area. This additional funding is not included in the MTFP.

A performance dashboard has been developed to monitor the Council's performance in delivering the Corporate Plan, it measures both financial and non-financial performance indicators to assess the delivery of the plan and its impact on key areas. This is reported to Cabinet quarterly.

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 Finance 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 Finance 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 80 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2018 and its income and expenditure for the year ended on that date.



Ben Lockwood

Director of Finance and Economy

31 May 2018

Core Financial Statements

Comprehensive Income and Expenditure Statement

	ABC 2016/17			ABC 2017/18					
	Restated Gross Income £'000	Net Expenditure £'000	Group 2016/17 Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Group 2017/18 Net Expenditure £'000	
	883	(85)	798	798	Chief Executive	1,176	(4)	1,172	1,172
	49,029	(46,103)	2,927	2,806	Director of Finance & Economy	48,788	(45,007)	3,781	3,781
	4,709	(3,190)	1,519	1,519	Director of Law & Governance	5,458	(3,477)	1,981	1,981
	11,870	(3,287)	8,583	8,583	Director of Place & Space	13,094	(3,682)	9,412	9,286
	17,262	(29,243)	(11,981)	(11,981)	Local Authority Housing	28,071	(27,946)	125	125
	2,614	0	2,614	2,614	Non distributed costs	2,254	0	2,254	2,254
	86,368	(81,908)	4,459	4,338	Cost of Services	98,841	(80,116)	18,725	18,599
					Other operating expenditure				
	1,639			1,639	Parish Council Precepts & Levies	1,684			1,684
	490			490	Payments to the Government Housing Capital Receipts Pool	486			486
	(3,817)	(1,688)	(3,817)	(3,817)	Disposal of non-current assets	(1,655)	515	(1,655)	(1,655)
					Financing and investment income and expenditure				
	4,991			5,114	Interest payable	4,942			5,110
	2,305			2,305	Net interest on the net defined benefit liability (asset)	2,144			2,144
	(952)		(952)	(952)	Interest receivable	(1,123)		(1,123)	(1,123)
	0	6,344	(249)	(249)	Income, Expenditure and Changes in fair value of Investment Property	0	5,963	(123)	(123)
					Taxation and non-specific grant income				
	0		50	50	Income Tax relating to companies	0			21
	(8,249)		(8,249)	(8,249)	Council Tax income	(8,930)		(8,930)	(8,930)
	(3,028)		(3,028)	(3,028)	Non-domestic rates income and expenditure	(4,199)		(4,199)	(4,199)
	(5,840)		(5,840)	(5,840)	Non-ringfenced government grants (Note 12)	(5,205)		(5,205)	(5,205)
	(1,353)	(18,470)	(1,353)	(1,353)	Capital grants received in year	(6,753)	(25,087)	(6,753)	(6,753)
		(9,355)	(9,552)	(9,552)	(Surplus) or Deficit on Provision of Services		116	56	56
	(36,898)		(36,898)	(36,898)	Surplus or deficit on revaluation of Property, Plant and Equipment (see note 14)	(14,781)		(14,781)	(14,781)
	(620)		(620)	(620)	Surplus or deficit on revaluation of Available-for-Sale financial Assets	72		72	72
	13,415		13,415	13,415	Remeasurements of the net defined benefit liability (See note 28)	(7,308)		(7,308)	(7,308)
		(24,103)	(24,103)	(24,103)	Other Comprehensive Income and Expenditure		(22,017)	(22,017)	(22,017)
		(33,458)	(33,655)	(33,655)	Total Comprehensive Income and Expenditure		(21,901)	(21,961)	(21,961)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation, or rents, to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. Please see note 5 for the restatement.

Movement in Reserves Statement

2017/18	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves (excluding company)	Unusable Reserves (Note 21) (excluding company)	Total Usable Reserves (group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2017	(19,393)	(6,753)	(11,150)	(1,439)	(433)	(39,168)	(144,960)	(39,421)
<i>Movements in Reserves during 2017/18</i>								
Surplus or deficit on the provision of services	(2,158)	2,274				116		56
Other Comprehensive Income & Expenditure							(22,017)	
Total Comprehensive Income & Expenditure	(2,158)	2,274	0	0	0	116	(22,017)	56
Adjustments between accounting and funding basis under regulations								
Sources of Finance	674	2,010	4,252	3,101	431	10,468	(10,468)	10,468
Sums set-a-side for capital purposes	2,458	8,296				10,754	(10,754)	10,754
Revenue expenditure charged to capital under statute	(972)	0				(972)	972	(972)
Removal of items not chargeable to Fund Balances	0							0
- Capital adjustment account	(3,323)	(11,782)	0	(5,296)		(20,401)	20,401	(20,401)
- Capital grants unapplied account	4,069	0			(4,069)	0		0
- Capital receipts reserve (for HRA, see note 5)	(391)	2,865	(2,474)			0		0
- Deferred capital receipts reserve	0		(699)			(699)	699	(699)
- Pensions reserve	(2,833)	(458)				(3,291)	3,291	(3,291)
- Collection fund adjustment account	404					404	(404)	404
- Accumulated absences account	0	0				0	0	0
Net increase or decrease before transfers to Earmarked Reserves	(2,072)	3,205	1,079	(2,195)	(3,638)	(3,621)	(18,280)	(3,681)
Transfers to/from Earmarked Reserves						0	0	0
Increase or decrease during 2017/18	(2,072)	3,205	1,079	(2,195)	(3,638)	(3,621)	(18,280)	(3,681)
Balance at 31st March 2018	(21,465)	(3,548)	(10,071)	(3,634)	(4,071)	(42,789)	(163,240)	(43,102)

The Movement in Reserves Statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

- the increase or decrease in the net worth of the authority as a result of incurring expenses and generating income
- the increase or decrease in the net worth of the authority as a result of movements in the current or fair value of its assets
- movements between reserves to increase or reduce the resources available to the authority according to statutory provisions.

2016/17	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 21)	Total Usable Reserves (group)
Restated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2016	(18,055)	(7,868)	(6,056)	(449)	(1,628)	(34,056)	(116,614)	(34,116)
<i>Movements in Reserves</i>								
Total Comprehensive Income & Expenditure	(934)	(8,421)	0	0	0	(9,355)	0	(9,552)
Adjustments between accounting and funding basis under regulations								
Sources of Finance	1,241	110	411	4,185	1,198	7,145	(7,145)	7,145
Sums set-a-side for capital purposes	2,449	8,115				10,564	(10,564)	10,564
Revenue expenditure charged to capital under statute	(944)	0				(944)	944	(944)
Removal of items not chargeable to Fund Balances								
- Capital adjustment account	(3,762)	(3,116)		(5,175)		(12,053)	12,053	(11,856)
- Capital grants unapplied account	3	0			(3)	0		0
- Capital receipts reserve (for HRA, see note 5)	690	4,757	(5,447)			0		0
- Deferred capital receipts reserve	1,357		(58)			1,299	(1,299)	1,299
- Pensions reserve	(1,629)	(328)				(1,957)	1,957	(1,957)
- Collection fund adjustment account	189					189	(189)	189
- Accumulated absences account	0	0				0	0	0
Increase or decrease during 2016/17	(1,340)	1,117	(5,094)	(990)	1,195	(5,112)	(4,243)	(5,112)
Balance at 31st March 2017	(19,395)	(6,751)	(11,150)	(1,439)	(433)	(39,168)	(144,960)	(39,421)

Balance Sheet

ABC		Group			ABC		Group	
31 March 2017					31 March 2018			
£'000	£'000		Notes	£'000	£'000	£'000	£'000	
377,243	377,243	Property, Plant & Equipment	14	409,310		409,310		
2,446	2,446	Heritage Assets	17	2,588		2,588		
0	4,043	Investment Property	16	0		6,205		
14,865	14,522	Long Term Investments	20	21,877		21,703		
9,509	5,904	Long Term Debtors	20	11,247		5,337		
404,063	404,158	Long Term Assets				445,022		445,142
2,541	2,541	Short Term Investments	20	26		26		
7,508	7,523	Short Term Debtors	22	10,035		10,051		
7,300	7,311	Cash and Cash Equivalents	38	17,687		18,011		
17,349	17,375	Current Assets				27,748		28,087
(3,039)	(3,039)	Short Term Borrowing		(37,078)		(37,078)		
(14,579)	(14,700)	Short Term Creditors	23	(15,532)		(15,679)		
(816)	(816)	Current Liabilities	27	(874)		(874)		
(18,434)	(18,555)	Current Liabilities				(53,484)		(53,631)
(1,357)	(1,357)	Long-term Provisions	26	(1,655)		(1,655)		
(114,664)	(114,664)	Long Term Borrowing	20	(113,664)		(113,664)		
(81,087)	(81,087)	Pension Liability	28	(77,070)		(77,070)		
(21,623)	(21,623)	PFI Liability	27	(20,749)		(20,749)		
(119)	(119)	Finance Lease Liability	25	(119)		(119)		
(218,850)	(218,850)	Long Term Liabilities				(213,257)		(213,257)
184,128	184,128	Net Assets				206,029		206,342
		Financing (see MiRS)						
(39,168)	(39,168)	Usable Reserves		(42,789)		(43,102)		
(144,960)	(144,960)	Unusable Reserves	24	(163,240)		(163,240)		
(184,128)	(184,128)					(206,029)		(206,342)

The Balance Sheet summaries the authority's financial position as at 31 March. The 'top half' contains the Council's assets and liabilities held or accrued from other parties. As local authorities do not have equity, the 'bottom half' is comprised of reserves that shows the position of an authorities net worth, they fall into two categories:

- usable reserves, which include the revenue and resources available to meet future expenditure, such as the General Fund Balance and the Capital Receipts Reserve
- unusable reserves, which include unrealised gains and loss or adjustment accounts, such as the Revaluation Reserve or the Pension Reserve

Cash Flow Statement

ABC Restated 2016/17 £'000	Group 2016/17 £'000		Notes	ABC 2017/18 £'000	Group 2017/18 £'000
(9,355)	(9,552)	Net (surplus) or deficit on the Provision of services		116	56
(9,080)	(8,896)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	33	(18,946)	(18,917)
5,982	5,982	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	34	7,069	7,069
(12,453)	(12,466)	Net cash flows from operating activities		(11,761)	(11,792)
6,767	7,334	Investing activities	36	33,597	35,633
626	2,135	Financing activities	37	(32,223)	(34,541)
(5,060)	(2,997)	Net movements in year excluding non-cash items		(10,387)	(10,700)
4,278	4,314	Cash and cash equivalents at the beginning of the reporting period		7,300	7,311
3,022	2,997	Net increase or (decrease) in cash and cash equivalents		10,387	10,700
7,300	7,311	Cash and cash equivalents at the end of the reporting period	38	17,687	18,011

The Cash Flow Statement summarises the flows of cash that have taken place into and out of the authority's bank accounts over the financial year. It separates the flows into:

- those that have occurred as a result of the authority's operations
- those arising from the authority's investing activities (including cash flows related to noncurrent assets), and
- those attributable to financing decisions.

Notes to the Core Financial Statements

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authorities transactions for the 2017/18 financial year and its position at the year ending 31 March 2018. 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 2017/18' (the Code), 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 of the change is provided and its effect on the results for the current period.

4. **Costs of Internal Support Services**

All costs of management and administration are fully allocated to services. The 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**

Service and Support Service 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 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 and 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, 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 assets 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 1 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 and enhancements are depreciated in year one, assets in the course of construction are not depreciated until they are ready for use, starting in the following year.
- In accordance with recognised accounting practice, land owned by this Council is not depreciated.

Following removal of the transitional arrangements from 1 April 2017, Council Dwellings and other HRA land and property are depreciated in line with proper accounting practices.

14.12. Impairment of Non-current Assets

A review for impairment of 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. **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 2016 and changes to contribution rates as a result of that valuation took effect on 1 April 2017.

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 20 on page 49.

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 de-recognition 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 Councils' 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 20 on page 49.

These disclosure requirements are equally applicable to outstanding debtors, see Note 22 on page 54 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, 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 forms 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 2018 for 2017/18).

The following apply to these Financial Statements:

- IFRS 9 Financial Instruments: The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of its equity investments in other comprehensive income as permitted by the IFRS:
-
-
- IFRS 15 Revenue from Contracts with customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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 2017. 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 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 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 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 ceased to trade on 6 November 2017. Trading activity up to this date was not material and it therefore has not been consolidated.

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

The items in the Authority's Balance Sheet at 31 March 2018, 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	<p>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.</p> <p>A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>A 0.1% change in the discount rate (the iBoxx Corporate Bond Index) would result in a change in the liability of £3.1m.</p> <p>A 1 year change in the mortality assumption would result in a £6.9m change in the pension liability.</p>
NNDR appeals liability	<p>From April 2013, the Council has been responsible for refunding successful appeals against past NNDR liabilities. Business Rates were revalued as at April 2017, therefore estimates of the possible effects on this council have been taken into account in these accounts and future funding assumptions.</p> <p>In regards to the provision for appeals, estimates have been calculated using the following methods, for each valuation list: (1) for the 2010 valuation list an estimate of successful appeals has been calculated using the Council's historic experience of appeals with an average of 28%, resulting in an average 11% movement in rateable value (2) there is not yet sufficient evidence to calculate the 2017 valuation list, therefore all Kent authorities</p>	<p>If the level of successful appeals exceeds the assumptions already made, the cost will be met from future budgets.</p>

Item	Uncertainties	Effect if Actual Results Differ from assumptions
	have used 4.7% of Gross Rates Payable, in line with government assumptions.	
Recovery of Benefit over-payments	These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.	Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts, write-offs of uncollected debt will have to be met from future budgets.
Impairment Allowance for Bad Debts	The Council has impairment allowances for bad debts totalling £2,272,000 approximately 25% of the value outstanding debt, compared to £2,726,000 approximately 25% in 2016/17.	Any decline in rates of collection for debt would result in a need to increase the allowance.

5. Expenditure and Funding Analysis

The Expenditure and Funding Analysis has the objective to demonstrate to council tax and rent payers, how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services. This is in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices, is presented more fully in the Comprehensive Income and Expenditure Statement.

The tables below include outturns for adjustments for the whole authority, including HRA and General Fund:

2017/18 Expenditure and Funding Analysis	As reported for resource Management £'000	Adjustment to arrive at the net amount chargeable to GF and HRA balances £'000	Net Expenditure Chargeable to the GF and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
Chief Executive	1,084	39	1,123	49	1,172
Director of Finance & Economy	4,076	(2,170)	1,906	1,875	3,781
Director of Law & Governance	1,776	(210)	1,566	415	1,981
Director of Place & Space	9,225	(2,665)	6,560	2,853	9,413
Local Authority Housing (HRA)	0	(15,788)	(15,788)	15,913	125
Non distributed costs	0	2,164	2,164	90	2,254
Net Cost of Service	16,161	(18,630)	(2,469)	21,195	18,726
Other Income & Expenditure	4	3,599	3,602	(22,212)	(18,610)
(Surplus) or deficit	16,165	(15,032)	1,133	(1,017)	116
Opening GF and HR Balance 31 March 2017			(26,146)		
Closing GF and HRA Balance 31 March 2018			(25,013)		

Expenditure and Funding Analysis continued

Restated 2016/17 Expenditure and Funding Analysis	As reported for resource Management	Adjustment to arrive at the net amount chargeable to GF and HRA balances	Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
Chief Executive	875	(60)	816	(18)	798
Director of Finance & Economy	3,605	(2,394)	1,211	1,715	2,926
Director of Law & Governance	2,146	(588)	1,559	(40)	1,519
Director of Place & Space	9,306	(2,416)	6,890	1,695	8,584
Local Authority Housing (HRA)	1,115	(18,739)	(17,624)	5,643	(11,981)
Non distributed costs	0	2,455	2,455	159	2,614
Net Cost of Service	17,047	(21,742)	(4,694)	9,154	4,459
Other Income & Expenditure	(338)	4,808	4,470	(18,284)	(13,814)
(Surplus) or deficit	16,709	(16,934)	(224)	(9,130)	(9,355)
Opening GF and HR Balance 31 March 2016			(25,923)		
Closing GF and HRA Balance 31 March 2017			(26,148)		

6. Note to the Expenditure and Funding Analysis and telling the story restatement

2017/18	Depreciation/ impairment reported at Directorate level £'000	Other adjustments in relation to management reporting £'000	Total to arrive at the amount charged to the GF and HRA £'000	Adjustments for capital purposes £'000	Net change for the Pension Adjustment £'000	Other differences £'000	Total Adjustment between funding and accounting basis £'000
Chief Executive	(7)	46	39	0	49	0	49
Director of Finance & Economy	(275)	(1,896)	(2,170)	1,550	325	0	1,875
Director of Law & Governance	(13)	(197)	(210)	165	250	0	415
Director of Place & Space	(1,389)	(1,276)	(2,665)	2,581	272	0	2,853
Local Authority Housing (HRA)	(5,332)	(10,456)	(15,788)	15,753	160	0	15,913
Non distributed costs	0	2,164	2,164	0	90	0	90
Net Cost of Service	(7,015)	(11,615)	(18,630)	20,049	1,146	0	21,195
Other Income & Expenditure	0	3,599	3,599	(23,952)	2,144	(404)	(22,212)
Total	(7,015)	(8,016)	(15,032)	(3,903)	3,290	(404)	(1,017)

Note to the Expenditure and Funding Analysis continued

Restated 2016/17	Depreciation/ impairment reported at Head level £'000	Other adjustments in relation to management reporting £'000	Total to arrive at the amount charged to the GF and HRA £'000	Adjustments for capital purposes £'000	Net change for the Pension Adjustment £'000	Other differences £'000	Total Adjustment between funding and accounting basis £'000
Chief Executive	0	(60)	(60)	0	(18)	0	(18)
Director of Finance & Economy	(625)	(1,769)	(2,394)	1,838	(123)	0	1,715
Director of Law & Governance	(81)	(507)	(588)	110	(150)	0	(40)
Director of Place & Space	(978)	(1,438)	(2,416)	1,853	(158)	0	1,695
Local Authority Housing (HRA)	(4,636)	(14,103)	(18,739)	5,701	(58)	0	5,643
Non distributed costs	0	2,455	2,455	0	159	0	159
Net Cost of Service	(6,321)	(15,421)	(21,742)	9,502	(348)	0	9,154
Other Income & Expenditure	0	4,808	4,808	(20,400)	2,305	(189)	(18,284)
Total	(6,321)	(10,613)	(16,934)	(10,898)	1,957	(189)	(9,130)

Telling the story - Prior year adjustment of statement

This year the presentation of the Comprehensive Income and Expenditure Statement has changed, during 2017/18 Ashford Borough Council implemented a restructure of the organisation. This restructure introduced directorates, moving away from the service reporting.

Restatement of the 2016/17 CIES *cost of services*.

	Head of Corporate & Strategy	Head of Cultural Services	Head of Financial Services	Head of Housing Services	Head of Environmental & Customer Services	Head of Corporate Property & Projects	Local authority housing (HRA)	Head of Health, Parking & Community Safety	Head of HR, Communication & Technology	Head of Legal & Democratic	Head of Planning & Development	Non distributed costs
Cost of Services	1,518	3,179	1,154	1,354	4,224	(869)	(11,981)	661	359	1,240	1,393	2,225
Chief Executive	220	0	0	0	0	0	0	0	311	0	267	0
Director of Finance & Economy	1,298	0	1,123	1,354	0	(869)	0	0	61	0	0	(43)
Director of Law & Governance	0	0	0	0	(23)	0	0	315	(13)	1,240	0	0
Director of Place & Space	0	3,179	30	0	4,247	0	0	0	0	0	1,127	0
Local authority housing (HRA)	0	0	0	0	0	0	(11,981)	0	0	0	0	0
Non distributed costs	0	0	0	0	0	0	0	346	0	0	0	2,268
Cost of Services	1,518	3,179	1,154	1,354	4,224	(869)	(11,981)	661	359	1,240	1,393	2,225

7. Expenditure and Income Analysed by Nature

2016/17		2017/18		
Totals per CI&ES		Totals per Resources Allocations	Adjustments per Accounting Code	Totals per CI&ES
£'000		£'000	£'000	£'000
(43,431)	Fees, charges and other service income	(14,097)	(27,946)	(42,043)
(38,478)	Grants	(38,073)	0	(38,073)
(81,909)	Total Income	(52,170)	(27,946)	(80,116)
17,042	Employees	16,720	4,255	20,975
9,152	Premises	4,908	4,337	9,245
51,442	Supplies and Services	48,471	3,786	52,257
773	Transport	601	117	718
(11,158)	Recharged from other accounts	(13,231)	2,279	(10,952)
15,325	Recharged to other accounts	10,104	5,499	15,603
3,787	Capital Charges	1,788	9,202	10,990
5	Transfers To/From Reserves	5	0	5
86,368	Total Expenditure	69,366	29,475	98,841
4,459	Cost of Services	17,196	1,529	18,725
1,639	Parish Council Precepts & Levies	250	1,434	1,684
490	Payments to housing capital receipts pool	0	486	486
(3,817)	Gain or loss on disposal of non-current assets	0	(1,655)	(1,655)
4,991	Interest payable and similar charges	(1,370)	6,312	4,942
2,305	Pension interest cost and expected return on pensions assets	0	2,144	2,144
(952)	Interest receivable and similar income	(1,123)	0	(1,123)
(8,249)	Council Tax income	(7,496)	(1,434)	(8,930)
(3,028)	Non-domestic rates	(4,199)	0	(4,199)
(5,840)	Non-ringfenced government grants	(5,205)	0	(5,205)
(1,353)	Capital grants and contributions	0	(6,753)	(6,753)
(9,354)	(Surplus) or Deficit on Provision of Services	(1,947)	2,063	116
0	Transfer to/from reserves	1,608	(1,608)	0
(24,104)	Other Comprehensive Income and Expenditure	0	(22,017)	(22,017)
	Totals of Resources Allocations and Code adjustments	(339)	(21,562)	
(33,458)	Total Comprehensive Income and Expenditure			(21,901)

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

8. Members' Allowances

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

2016/17 £'000		2017/18 £'000
325	Allowances	342
11	Expenses	12
<u>336</u>		<u>354</u>

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

9. 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 2017/18

2017/18	Pay & expenses *	Compensation for Loss of Office	Benefits in kind	Total	Pension contributions	Total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	116		4	120	15	135
Corporate Director (Finance & Economy) +	83			83	11	94
Corporate Director (Law & Governance) +	94		4	98	13	111
Corporate Director (Place & Space)	101		4	105	14	119
Deputy Chief Executive	58		4	62	0	62
Head of Corporate Property & Projects	73		4	77	9	86
Head of Health, Parking & Community Safety	73		2	75	9	84
Head of Finance (Interim)	65			65	8	73
Head of Housing	70		2	72	9	81
Head of Planning & Development	27			27	3	30
Head of Corporate Policy, Economic Development & Communications	28			28	3	31
Head of Legal & Democracy	27			27	3	30
Head of Environmental & Land Management	65			65	9	74
Head of HR & Customer Services	66			66	9	75
Head of Cultural Services	69		4	73	9	82
	<u>1,015</u>	<u>0</u>	<u>28</u>	<u>1,043</u>	<u>124</u>	<u>1,167</u>

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

+ Officers that also fulfil statutory roles.

Senior Employee Remuneration 2016/17 comparators

2016/17		Pay & expenses * restated £'000	Compensation for Loss of Office £'000	Benefits in kind restated £'000	Total £'000	Pension contributions £'000	Total remuneration £'000
Chief Executive	+	106			106	13	119
Deputy Chief Executive		58		4	62	0	62
Corporate Director (Law & Governance)	+	87		4	91	11	102
Corporate Director (Development)		94		4	98	13	111
Head of Corporate Property & Projects		67		4	71	9	80
Head of Health, Parking & Community Safety		69		2	71	9	80
Head of Finance & IT	+	70			70	9	79
Head of Housing		63			63	8	71
Head of Environmental & Customer Services		45			45	6	51
Head of Environmental & Land Management		5			5	1	6
Head of HR Communications & Technology		62			62	8	70
Head of Cultural Services		59		4	63	8	71
		<u>785</u>	<u>0</u>	<u>22</u>	<u>807</u>	<u>95</u>	<u>902</u>

+ Officers that also fulfil statutory roles.

Other Employee Remuneration by Band

2016/17	Remuneration bands	2017/18
<i>nos</i>		<i>nos</i>
19 *	£50,000 - £54,999	11
5	£55,000 - £59,999	10
2	£60,000 - £64,999	7
2	£65,000 - £69,999	3
* 1	£70,000 - £74,999 £95,000 - £99,999	
<u>29</u>		<u>31</u>

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 that have not been disclosed individually above.

10. Termination Benefits

The Authority terminated the contracts of six employees in 2017/18 incurring liabilities of £74,520 (£140,339 in 2016/17).

2016/17			2017/18	
Voluntary <i>nos</i>	Compulsory <i>nos</i>	Exit package cost band (including special payments)	Voluntary <i>nos</i>	Compulsory <i>nos</i>
1	5	£0 - £19,999	3	3
2		£20,000 - £39,999		
		£40,000 - £59,999		
<u>3</u>	<u>5</u>	Total number included in bandings and in CIES	<u>3</u>	<u>3</u>

11. External Audit Costs

In 2017/18, Ashford Borough Council paid the following fees relating to external audit and inspection:

2016/17 <i>£'000</i>		2017/18 <i>£'000</i>
60	Fees payable with regard to external Audit services carried out by the appointed Auditor for the year	60
11	Fees payable for the certification of grant claims and returns	10
<u>71</u>		<u>70</u>

12. Grant Income

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

2016/17			2017/18	
£'000	£'000		£'000	£'000
		<i>Credited to Net Cost of Services</i>		
414		CLG: Homeless Initiatives including Refugee Project	618	
130		CLG: Major Sites Planning Grant	49	
92		DWP: Discretionary Housing Payments	135	
583		DWP: Benefit Administration Subsidy	658	
36,087		DWP: Benefits Subsidy	35,016	
29		Home Office: Community Safety	30	
160	37,495	Other government grants	<u>395</u>	36,901
284		KCC: Recycling Credits	272	
41		Funding For CT Family Annex Scheme	47	
	<u>325</u>			<u>319</u>
	37,820			37,220
		<i>Credited to Taxation and Non-specific Grant Income</i>		
		Non-ringfenced government grants:		
1,381		- Rate Support Grant	711	
670		- S31 Grant NNDR	1,093	
0		- Council Tax Freeze Grant	0	
3,789		- New Homes Bonus	3,401	
1,353	7,193	Capital grants and contributions	6,753	11,958
	<u>45,013</u>			<u>49,178</u>

13. General Fund Reserves

This note sets out the split of General Fund reserve balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in year.

	Balance at 31st	2017/18		Balance at 31st
	March 2017	Transfers In	Transfers Out	March 2018
	£'000	£'000	£'000	£'000
General fund general reserves	(2,602)	31	19	(2,552)
<u>Earmarked general fund reserves</u>				
Fund future expenditure	(5,196)	(4,407)	2,408	(7,195)
Provide for the maintenance of an asset	(4,398)	(139)	334	(4,203)
Required by statute reserves	(278)	(3)	85	(196)
Developer contributions	(6,919)	(2,829)	2,429	(7,319)
	<u>(16,791)</u>	<u>(7,378)</u>	<u>5,256</u>	<u>(18,913)</u>

	Balance at 31st	2016/17		Balance at 31st
	March 2016	Transfers In	Transfers Out	March 2017
	£'000	£'000	£'000	£'000
General fund general reserves	(1,891)	(751)	40	(2,602)
<u>Earmarked general fund reserves</u>				
Fund future expenditure	(7,209)	(4,064)	6,077	(5,196)
Provide for the maintenance of an asset	(1,542)	(3,431)	575	(4,398)
Required by statute reserves	(298)	(6)	26	(278)
Developer contributions	(7,115)	(1,600)	1,796	(6,919)
	<u>(16,164)</u>	<u>(9,101)</u>	<u>8,474</u>	<u>(16,791)</u>

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
- Economic risk 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.

14 Property, Plant and Equipment

Property, Plant & Equipment 2017/18	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
<i>Cost or Valuation</i>									
1 April 2017	259,247	104,263	2,208	2,435	1,716	3,404	9,903	383,176	16,339
Additions	9,882	2,174	204	0	0	443	25,124	37,827	(8,193)
Revaluation recognised in the Revaluation Reserve	11,723	(7,748)	0	0	0	(39)	0	3,936	2,167
Revaluation recognised in the Provision of Services	(9,168)	(2,642)	0	0	0	(147)	0	(11,957)	0
Derecognition - disposals	(1,338)	0	0	0	0	0	0	(1,338)	(141)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	
Transfer between classes of Assets	7,417	130	331	0	0	0	(7,878)	0	0
31 March 2018	277,763	96,177	2,743	2,435	1,716	3,661	27,149	411,644	10,172
<i>Accumulated Depreciation and Impairment</i>									
1 April 2017	1	(5,163)	(538)	(4)	(229)	0	0	(5,933)	0
Depreciation charge	(5,296)	(1,573)	(247)	(4)	0	0	0	(7,120)	(290)
Depreciation written out - Revaluation Reserve	5,281	1,675	0	0	0	0	0	6,956	289
Impairment recognised in the Revaluation Reserve	0	3,749	0	0	0	0	0	3,749	7,916
Impairment recognised in the Provision of Services									
Derecognition - disposals	15	0	0	0	0	0	0	15	49
31 March 2018	1	(1,312)	(785)	(8)	(229)	0	0	(2,333)	7,964
<i>Net book value</i>									
31 March 2018	277,764	94,865	1,958	2,427	1,487	3,661	27,149	409,311	18,136
31 March 2017	259,248	99,100	1,670	2,431	1,487	3,404	9,903	377,243	16,339

Property, Plant and Equipment continued

Property, Plant & Equipment 2016/17	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
<i>Cost or Valuation</i>									
1 April 2016	325,160	105,655	1,387	2,199	1,716	2,512	2,068	440,697	22,506
Additions	4,184	440	821	158	0	0	10,495	16,098	(8,193)
Revaluation recognised in the Revaluation Reserve	(66,642)	(1,057)	0	0	0	(231)	0	(67,930)	2,167
Revaluation recognised in the Provision of Services	(1,060)	(1,063)	0	0	0	(132)	0	(2,255)	0
Derecognition - disposals	(3,145)	(1,039)	0	0	0	0	0	(4,184)	(141)
Assets reclassified (to)/from Held for Sale	750	0	0	0	0	0	0	750	
Transfer between classes of Assets	0	1,327	0	78	0	1,255	(2,660)	0	0
31 March 2017	259,247	104,263	2,208	2,435	1,716	3,404	9,903	383,176	16,339
<i>Accumulated Depreciation and Impairment</i>									
1 April 2016	(93,299)	(11,221)	(379)	0	(229)	0	0	(105,128)	(7,964)
Depreciation charge	(4,602)	(1,525)	(159)	(4)	0	0	0	(6,290)	(290)
Depreciation written out - Revaluation Reserve	4,599	1,428	0	0	0	3	0	6,030	289
Impairment recognised in the Revaluation Reserve	92,624	5,112	0	0	0	1,031	0	98,767	7,916
Derecognition - disposals	679	9	0	0	0	0	0	688	49
Other movements in Depreciation and Impairment	0	1,034	0	0	0	(1,034)	0	0	0
31 March 2017	1	(5,163)	(538)	(4)	(229)	0	0	(5,933)	0
<i>Net book value</i>									
31 March 2017	259,248	99,100	1,670	2,431	1,487	3,404	9,903	377,243	16,339
31 March 2016	231,861	94,434	1,008	2,199	1,487	2,512	2,068	335,569	14,542

Surplus Assets

During the year, land that the Council purchased at Blinds Groom Lane has been classified as Surplus, as at this time it is non-operational; this treatment is set out in the Code of Practice on Local Authority Accounting.

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

2016/17		2017/18
£'000		£'000
1,950	Land at Elwick Road	1,950
817	Commercial Quarter & associated land	778
607	Land at Coneybeare, Torrington Road	607
0	Land at Blinds Groom Lane	295
30	Various other land sites	30
<u>3,404</u>		<u>3,660</u>

Movement of Surplus Assets	1st April	Additions & disposals	Transfer between classes of assets	Revaluation gains/ losses	31st March
	£'000	£'000	£'000	£'000	£'000
2017/18	3,404	443	0	(186)	3,660
2016/17	2,513	0	1,255	(364)	3,404
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 useful life of 50 years (previously used 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

15. Revaluation Gains and Impairments

There have been valuation movements of the HRA Dwellings. Please see the HRA supplementary statement, note 7 on page 75.

General Fund land and buildings were revalued as at 31st March 2018 there have been downward revaluations of £2,307,216 recognised through the Revaluation Reserve and downward revaluation movements of £1,388,057 written out through the Consolidated Income and Expenditure Statement.

Assets were valued, using information available at 28 February 2018 based on expected valuations as at 31 March 2018. The valuers have reported that there are no further material changes required.

16. 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 Sibley Pores(Taylor Riley) Ltd, 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 20, the valuation of the property portfolio are assessed at level 2.

The cashflow statement has the movements to reflect these purchases.

Group Position 2016/17 £'000		Group Position 2017/18 £'000
4,043	Property Portfolio - Dwellings (A Better Choice for Property)	6,205
<u>4,043</u>		<u>6,205</u>

Movements in Investment Property (A Better Choice for Property)	1st April £'000	Additions & disposals £'000	Revaluation gains/ losses £'000	31st March £'000
2017/18	4,043	2,039	123	6,205
2016/17	3,227	567	249	4,043
2015/16	1,096	2,019	112	3,227
2014/15	0	1,113	(17)	1,096

17. 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:

2016/17		2017/18
£'000		£'000
1,001	Windmills at Woodchurch & Willesborough	1,130
423	Doctor Wilkes Hall	435
750	Hubert Fountain (Victoria Park)	750
273	Mayor's regalia, including mace and badges	273
<u>2,447</u>		<u>2,588</u>

During 2017/18 insurance valuations on the above assets were sought and this resulted in Doctor Wilkes Hall increased in value by £12,000 and the Windmills at Woodchurch and Willesborough increasing by £129,000.

18. Capital Expenditure and Capital Financing

This year the Capital Financing Requirement has increased, this is mainly due to the investment in Elwick Place.

2016/17		2017/18
£'000		£'000
157,942	<i>Opening Capital Financing Requirement</i>	157,276
	<i>Restatement -deferred capital receipt</i>	
	<i>Capital investment:</i>	
16,098	Property, Plant and Equipment	37,827
944	Revenue Expenditure funded from Capital under Statute	972
<u>17,042</u>		<u>38,799</u>
	<i>Sources of Finance:</i>	
(411)	Capital Receipts	(4,252)
(1,351)	Government grants and contributions (received in year)	(2,684)
(1,198)	Government grants and contributions (brought forward)	(431)
(4,184)	Major Repairs Reserve	(3,100)
<u>(7,144)</u>		<u>(10,467)</u>
	Sums set aside from revenue	
(7,825)	- Direct revenue contributions	(6,772)
(2,739)	- Minimum revenue provision (MRP)	(3,982)
<u>(10,564)</u>		<u>(10,754)</u>
<u>157,276</u>	<i>Closing Capital Financing Requirement</i>	<u>174,854</u>
	<i>Explanation of movements in year</i>	
2,074	Increase in underlying need to borrowing (unsupported by government financial assistance)	21,560
(2,739)	Provision for the repayment of debt	(3,982)
<u>(665)</u>		<u>17,578</u>

19. Capital Commitments

At 31 March 2018, the Council has an approved capital programme for future years budgeted to cost £93m. The major capital commitments are:

2016/17		2017/18
£'000		£'000
0	Elwick Place	17,907
1,280	Repton Park	0
110	Brisley Farm	0
	<i>Housing Revenue Account - Major Projects</i>	
290	Danemore Sheltered Housing Redevelopment	4,121
1,800	Farrow Court Sheltered Housing Redevelopment	122
7,170	New Build Programme	4,689

20. Financial Instruments

Long-term		Current		Long-term		Current
31 March 2017				31 March 2018		
£'000	£'000	£'000		£'000	£'000	£'000
		7,300	<i>Cash and Cash Equivalents</i>			17,687
			<i>Investments</i>			
3,000	2,541		Loans and receivables	3,000	26	
11,865			Available-for-sale financial assets	18,877		
<u>14,865</u>	<u>2,541</u>		<i>Total Investments</i>	<u>21,877</u>	<u>26</u>	
			<i>Debtors</i>			
	1,422		Trade Debtors		2,694	
9,509			Financial assets carried at contract amounts	11,247		
<u>9,509</u>	<u>1,422</u>		<i>Total included in Debtors</i>	<u>11,247</u>	<u>2,694</u>	
			<i>Borrowings</i>			
(114,664)	(3,039)		Financial liabilities at amortised cost	(113,664)	(37,078)	
<u>(114,664)</u>	<u>(3,039)</u>		<i>Total included in Borrowings</i>	<u>(113,664)</u>	<u>(37,078)</u>	
			<i>Other Long-term Liabilities</i>			
(21,623)	(816)		PFI and finance lease liabilities	(20,749)	(874)	
<u>(21,623)</u>	<u>(816)</u>		<i>Total Other Long-term Liabilities</i>	<u>(20,749)</u>	<u>(874)</u>	
			<i>Creditors</i>			
	(7,359)		Financial liabilities at amortised cost		(10,009)	
(119)			Financial liabilities carried at contract amounts	(119)		
<u>(119)</u>	<u>(7,359)</u>		<i>Total Creditors</i>	<u>(119)</u>	<u>(10,009)</u>	

Financial assets carried at contract amounts include loans to the Council's property company, A Better Choice For Property Ltd amounting to £5,934,876 as at 31 March 2018 (£3,606,476 as at 31 March 2017). These loans are secured against charges on the properties acquired by the Property Company.

2016/17		2017/18
£'000		£'000
4,991	Interest payable	4,943
(951)	Interest Income	(1,124)
(620)	Surplus arising from the revaluation of financial assets	72
<u>3,420</u>	Net gains/loss for the year	<u>3,891</u>

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	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31 March 2017	31 March 2017			31 March 2018	31 March 2018
£'000	£'000			£'000	£'000
		Financial Liabilities held at Amortised Cost:			
(114,664)	(137,320)	Long Term loans from PWLB	2	(114,664)	(134,094)
(22,439)	(30,707)	PFI Liabilities	3	(21,623)	(27,619)
(119)	(390)	Lease Payables	3	(119)	(339)
<u>(137,222)</u>	<u>(168,417)</u>	TOTAL		<u>(136,406)</u>	<u>(162,052)</u>
(7,028)		Liabilities for which fair value is not disclosed *		(42,065)	
<u>(144,250)</u>		TOTAL FINANCIAL LIABILITIES		<u>(178,471)</u>	
		*Recorded on balance sheet as:			
(3,989)		Short-term creditors		(4,987)	
(3,039)		Short-term borrowing		(37,078)	
<u>(7,028)</u>				<u>(42,065)</u>	

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31 March 2017				31 March 2018	
£'000	£'000			£'000	£'000
		Financial assets held at fair value:			
	6,801	Money market funds	1		17,070
	4,475	Equity funds	1		7,181
	7,048	Property fund	1		11,208
	343	Shares in A Better Choice for Property Ltd.	3		488
		<i>Financial assets held at amortised cost:</i>			
	3,000	Long-term loans to local authorities	2	3,000	
<u>3,000</u>	<u>18,667</u>	TOTAL		<u>3,000</u>	<u>35,948</u>
<u>13,972</u>		Assets for which fair value is not disclosed *		<u>14,580</u>	
<u>16,972</u>		TOTAL FINANCIAL ASSETS		<u>17,580</u>	
		* Recorded on balance sheet as:			
1,699		Short-term debtors		3,307	
2,541		Short-term investments		26	
9,509		Long-term debtors		11,247	
223		Cash and Cash Equivalents		0	
<u>13,972</u>				<u>14,580</u>	

* 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 Arlingclose or Bloomberg where applicable.

The fair value of shares in the Council's wholly owned subsidiary 'A Better Choice for Property Ltd. are equal to the total equity of the company, as the Council is the sole shareholder.

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.

21. 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 March 2018 was as follows:

Credit Risk

<i>Counter party</i>	<i>Maturity date</i>	<i>Amount</i> <i>£'000</i>	<i>Credit rating</i>
<i>Deposit with other local authorities/government</i>			
Blaenau Gwent	27 Oct 2019	3,000	Na
<i>Deposits/investments with other financial institutions</i>			
Goldman Sachs	Instant	52	AAA
Payden & Rygel		2,990	AAA
Invesco Money Market Fund	Instant	5,000	AAA
BNP Paribas Money Market Fund	Instant	5,000	AAA
Black Rock Money Market Fund	Instant	4,029	AAA
City Financial Multi Asset Diversified Fund	Instant	932	NA
UBS Multi Asset Income Fund	2 Days Notice	972	NA
M&G Global Dividend Fund	2 Days Notice	1,354	NA
Schroder Income Maximiser Fund	2 Days Notice	1,034	NA
CCLA Diversified Income Fund	2 Days Notice	2,889	NA
CCLA Local Authority Property Fund	Variable	11,208	NA
A Better Choice for Property Ltd.	Variable	488	NA

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, 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 2017		31 March 2018
	%	%
28	AAA	44
23	AA or Local Authority's	8
0	A or A+	0
1	BBB	0
47	Unrated pooled Funds	47
1	Unrated Company	1

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

31 March 2017		31 March 2018
	£'000	£'000
451	Less than 30 days	658
34	31 days to 90 days	27
116	91 days to 364 days	56
353	More than 1 year	441
<u>954</u>		<u>1,181</u>
(498)	Impairment allowance	(573)

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 has been subject to consultation and it is recommended that it be abolished with its powers transferred to the Treasury to strengthen its governance arrangements. These proposals are still to be laid before parliament although any change is 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 £163,000 and an increase or decrease in variable loan payments of £107,000. The Council's long-term borrowing is predominantly fixed rate and therefore a material movement is not anticipated.

22. Debtors

These amounts were due to the Council:

31 March 2017			31 March 2018	
£'000	£'000		£'000	£'000
	2,339	Central government bodies		4,464
	160	Other Local Authorities		(4)
		Other entities and individuals:		
1,252		- Housing Tenants	1,192	
(620)	632	Less : Impairment Allowance	(797)	395
1,360		- Local Taxpayers/ratepayers	987	
(349)	1,011	Less : Impairment Allowance	(308)	679
5,122		- Other	6,100	
(1,756)	3,366	Less : Impairment Allowance	(1,599)	4,501
	<u>7,508</u>	Balance at 31st March		<u>10,035</u>

Movement in Debtors is mainly due to:

2016/17		2017/18
£'000		£'000
756	Benefit Subsidy owed by government	563
228	Other amounts owed by government	1,562
198	Amounts owed by housing tenants	(60)
(256)	Amounts owed by local taxpayers/ratepayers	(373)
112	Movement in payments in advance	(84)
(225)	Amounts owed by Sundry Debtors	898
354	Change in Impairment Allowance	21
<u>1,167</u>	Movement in the year	<u>2,527</u>

Debtors have increased this year this is partly due to additional Government (housing benefits) debtors raised near the end of the financial year and outstanding repayments from HMRC for VAT.

The bad debt provision has decreased overall, this is due to aged debt write-offs and newer debt being more certain of recovery, i.e. no provision against government debt.

23. Creditors

These amounts were due to be paid by the Council at 31 March 2018

31 March 2017		31 March 2018
£'000		£'000
(533)	Central government bodies	(1,312)
(3,691)	Other Local Authorities	(2,215)
	Other entities and individuals:	
(891)	- Housing Tenants	(970)
(192)	- Local Taxpayers	(193)
(646)	- Business Rate Payers	(1,723)
(2,639)	- Developer contributions	(2,312)
(5,987)	- Sundry Creditors	(6,807)
<u>(14,579)</u>		<u>(15,532)</u>

Movement in Creditors is mainly due to:

2016/17		2017/18
£'000		£'000
(518)	NNDR liability	898
1,107	Other amounts owed to government	(1,677)
(457)	Amounts owed to Other Local Authorities	1,476
(280)	Amounts owed by housing tenants	(79)
(10)	Amounts owed by local taxpayers	(1)
(165)	Amounts owed by Business Rate payers	(1,077)
(1,806)	Change in Developer contributions	327
608	Amounts owed to Sundry Creditors	(820)
<u>(1,521)</u>	Movement in the year	<u>(953)</u>

Creditors have increased this year this is due to a number of movements including:

- Creditors for general supplies and services increase.
- Business rates levy higher than previous years due to increased retained income.

24. Unusable Reserves

This category of reserves are held for statutory and accounting purposes, i.e. they are not available for the Council 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 2017/18	Revaluation balances			Adjustment accounts				Total Unusable Reserves £'000
	Revaluation Reserve *	Available for Sale Financial Instruments £'000	Capital Adjustment Account *	Deferred Capital Receipts £'000	Pensions Reserve £'000	Collection Fund Adj Acc £'000	Accum- ulated Absences £'000	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31st March 2017	(69,916)	(1,784)	(152,479)	(2,870)	81,087	816	186	(144,960)
<i>Movements in Reserves during the year</i>								
Other comprehensive income & expenditure	(14,781)	72			(7,308)			(22,017)
Total comprehensive income & expenditure	(14,781)	72	0	0	(7,308)	0	0	(22,017)
Adj between accounting and funding basis			151	699	3,291	(404)	0	3,737
Net movement before transfers to other reserves	(14,781)	72	151	699	(4,017)	(404)	0	(18,280)
Transfers to/from other Unusable reserves	514		(514)	0				0
Increase or decrease during the year	(14,267)	72	(363)	699	(4,017)	(404)	0	(18,280)
Balance at 31st March 2018	(84,183)	(1,712)	(152,842)	(2,171)	77,070	412	186	(163,240)

* Analysed in tables (a) and (b)

Unusable Reserves 2016/17	Revaluation balances			Adjustment accounts				Total Unusable Reserves £'000
	Revaluation Reserve *	Available for Sale Financial Instruments £'000	Capital Adjustment Account *	Deferred Capital Receipts £'000	Pensions Reserve £'000	Collection Fund Adj Acc £'000	Accum- ulated Absences £'000	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31st March 2016	(38,078)	(1,164)	(142,741)	(1,537)	65,715	1,005	186	(116,614)
<i>Movements in Reserves during the year</i>								
Other comprehensive income & expenditure	(36,899)	(620)			13,415			(24,104)
Total comprehensive income & expenditure	(36,899)	(620)	0	0	13,415	0	0	(24,104)
Adj between accounting and funding basis			(4,677)	(1,333)	1,957	(189)	1	(4,241)
Net movement before transfers to other reserves	(36,899)	(620)	(4,677)	(1,333)	15,372	(189)	1	(28,345)
Transfers to/from other Unusable reserves	5,061		(5,061)	0				0
Increase or decrease during the year	(31,838)	(620)	(9,738)	(1,333)	15,372	(189)	1	(28,345)
Balance at 31st March 2017	(69,916)	(1,784)	(152,479)	(2,870)	81,087	816	187	(144,959)

* Analysed in tables (a) and (b)

(a) Revaluation Reserve:

2016/17 £'000		2017/18 £'000
	<i>Comprehensive Income and Expenditure Statement</i>	
(36,890)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,078)
(9)	Depreciation written out to the Revaluation Reserve	(10,705)
0	Impairment losses/(reversals) recognised in the Revaluation Reserve	0
<u>(36,899)</u>	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services	<u>(14,783)</u>
	<i>Transfers to/from Capital Adjustment Account</i>	
334	Difference between fair value depreciation and historical cost depreciation	373
3,831	Adjustment to opening balance between the reserves	0
896	Accumulated gains on assets sold or scrapped	143
	Amount written off to the Capital Adjustment Account	516
<u>(31,838)</u>	Increase or decrease during year	<u>(14,267)</u>

(b) Capital Adjustment Account

2016/17 £'000		2017/18 £'000
(7,145)	Sources of Finance	(10,468)
(10,564)	Sums set-a-side for capital purposes	(10,754)
944	Revenue expenditure met from capital under statute	972
12,054	Removal of items not chargeable to Fund Balances	20,403
<u>(4,711)</u>	<i>Total accounting adjustments between funding basis under statute</i>	<u>153</u>
(5,061)	Adjustment with Revaluation Reserve	(516)
34	Other Adjustment	0
<u>(9,738)</u>	Increase or decrease during year	<u>(363)</u>

25. 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.

2016/17 £'000		2017/18 £'000
<u>119</u>	Other land & Buildings	<u>119</u>

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	64	64
Later than 5 years	119	4	429	552
	<u>119</u>	<u>4</u>	<u>509</u>	<u>632</u>

Council as a Lessee - Operating Leases

The Council has contracts for lease cars, ground maintenance vehicles and photocopier/printer devices as operating leases. The Council was committed as at 31 March 2018 to make the lease payments as per the following table:

2016/17		2017/18
£'000		£'000
225	Within 1 year	173
420	2 - 5 years	257
<u>645</u>		<u>430</u>

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 37 years. The table below shows the income due on this lease:

	Principal receivable	Interest	Total lease payment
	£'000	£'000	£'000
Within 1 year	19	23	42
2 - 5 years	102	108	210
Later than 5 years	915	345	1,260
	<u>1,036</u>	<u>476</u>	<u>1,512</u>

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.

Park Mall Shopping Complex was purchased during 2015/16. The expected future income from the current shop leases are detailed below, the figures include Wilko:

2016/17		2017/18
£'000		£'000
570	Within 1 year	512
1,604	2 - 5 years	1,638
1,389	Later than 5 years	1,012
<u>3,563</u>		<u>3,162</u>

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

2016/17		2017/18
£'000		£'000
1,101	Within 1 year	622
2,181	2 - 5 years	1,325
179	Later than 5 years	805
<u>3,461</u>		<u>2,752</u>

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:

2016/17		2017/18
£'000		£'000
323	Within 1 year	346
263	2 - 5 years	229
<u>586</u>		<u>575</u>

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

2016/17		2017/18
£'000		£'000
282	Within 1 year	273
687	2 - 5 years	573
1,882	Later than 5 years	1,809
<u>2,851</u>		<u>2,655</u>

26. Provisions

2016/17 £'000		2017/18 £'000
(1,318)	Business Rates Appeals	(1,528)
(40)	Municipal Mutual Insurance	(127)
<u>(1,358)</u>		<u>(1,655)</u>

The reasons for movement in provisions are:

2016/17 £'000		2017/18 £'000
(1,514)	Additional provision made in year	(1,692)
1,581	Amounts used in year	1,394
0	Unused amounts reversed in year	0
<u>67</u>	Movement in the year	<u>(298)</u>

27. 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 £'000	Life Cycle Costs	Repayment of liability £'000	Interest cost £'000	Total payment £'000
Within 1 year	1,127	333	874	1,282	3,616
2 - 5 years	4,647	1,075	4,062	4,580	14,364
6 - 10 years	5,849	2,769	4,749	4,352	17,719
11 - 15 years	5,971	2,237	6,383	2,844	17,435
16 - 20 years	4,942	2,594	5,555	795	13,886
	<u>22,536</u>	<u>9,008</u>	<u>21,623</u>	<u>13,853</u>	<u>67,020</u>

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.

28. 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. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year.

2016/17 £'000	Local Government Pension Scheme	2017/18 £'000
Comprehensive Income & Expenditure Statement		
<i>Service cost comprising:</i>		
2,969	- current service cost	4,578
138	- past service costs	56
53	Administration expenses	49
<i>Financing and Investment Income and Expenditure</i>		
2,305	- net interest expense	2,144
<u>5,465</u>	<i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>6,827</u>
<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
(14,242)	- return on plan assets (excluding the amount included in net interest expense)	(734)
(2,590)	- actuarial gains and losses arising on changes in demographic assumptions	0
33,898	- actuarial gains and losses arising on changes in financial assumptions	(6,574)
(3,651)	- other	0
<u>13,415</u>	<i>Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<u>(7,308)</u>
<u>18,880</u>	<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<u>(481)</u>
Movement in Reserves Statement		
(5,465)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(6,827)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,508	employers' contributions payable to scheme	3,536
<u>(1,957)</u>		<u>(3,291)</u>

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:

2016/17 £'000	Local Government Pension Scheme	2017/18 £'000
(176,875)	Present value of the defined benefit obligation	(175,981)
99,059	Fair value of plan assets	102,182
<u>(77,816)</u>		<u>(73,799)</u>
(3,271)	Other movements in the liability (asset)	(3,271)
<u>(81,087)</u>	Net liability arising from defined benefit liability	<u>(77,070)</u>

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:

2016/17	Local Government Pension Scheme	2017/18
£'000		£'000
82,993	Opening fair value of scheme assets	99,059
2,963	Interest income	2,671
	Remeasurement gain/(loss)	
14,242	- return on plan assets, excluding the amount included in net interest expense	734
3,508	Contributions from employer	3,536
760	Contributions from employees into the scheme	819
(5,423)	Benefits paid - funded	(4,339)
(254)	Benefits paid - unfunded	(249)
323	Other remeasurement	0
(53)	Administration expenses	(49)
<u>99,059</u>	Closing fair value of scheme assets	<u>102,182</u>

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

2016/17 £'000	Local Government Pension Scheme	2017/18 £'000
(148,708)	Opening balance at 1st April	(180,146)
(2,969)	Current service cost	(4,578)
(5,268)	Interest cost	(4,815)
(760)	Contributions from scheme participants	(819)
	Remeasurement (gains)/loss	
2,590	- actuarial gains/losses arising from changes in demographic assumptions	0
(33,898)	- actuarial gains/losses arising from changes in financial assumptions	6,574
(138)	Past service cost	(56)
5,423	Benefits paid - funded	4,339
254	Benefits paid - unfunded	249
3,328	Experience loss/(gain) on defined benefit obligation	0
<u>(180,146)</u>	Closing balance at 31st March	<u>(179,252)</u>

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

2016/17 £'000			2017/18 £'000
2,531	Cash and cash equivalents	3.3%	3,386
69,910	Equity instruments:	66.7%	68,185
	Bonds		
739	- gilts	0.8%	782
9,650	- other	9.6%	<u>9,770</u>
12,344	Property	12.6%	12,848
3,885	Target return portfolio	7.0%	7,211
<u>99,059</u>	Total assets		<u>102,182</u>

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 2016, the results of this were implemented from April 2017.

The significant assumptions used by the actuary have been:

2016/17			2017/18	
Assumed life expectations from age 65 are:				
Retiring today				
23.0	- Men		23.1	
25.0	- Women		25.2	
Retiring in 20 years				
25.1	- Men		25.3	
27.4	- Women		27.5	
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				
3.60%	Rate of inflation - Retail price index (RPI)		3.35%	
2.70%	Rate of inflation - Consumer price index (CPI)		2.35%	
4.20%	Rate of increase in salaries		3.85%	
2.70%	Rate of increase in pensions		2.35%	
2.70%	Rate for discounting scheme liabilities		2.55%	

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.

2016/17			2017/18	
Increase in assumption	Decrease in assumption		Increase in assumption	Decrease in assumption
£'000	£'000		£'000	£'000
Local Government Pension Scheme				
Longevity (increase or decrease in 1 year)				
183,338	177,013	- Present value of total obligation	186,155	172,613
4,349	4,140	- Projected service cost	4,451	4,180
Rate for discounting scheme liabilities inflation (increase or decrease by 0.1%)				
177,013	183,338	- Present value of total obligation	176,130	182,433
4,140	4,349	- Projected service cost	4,208	4,421
Rate of increase in salaries (increase or decrease by 0.1%)				
180,629	179,667	- Present value of total obligation	179,599	178,908
4,243	4,243	- Projected service cost	4,313	4,313
Rate of increase in pensions (increase or decrease by 1%)				
182,852	177,488	- Present value of total obligation	182,089	176,466
4,349	4,139	- Projected service cost	4,421	4,207

The projected pension expense for the year ended 31 March 2018 are:

	Year to 31 Mar 2018
	£'000
Service Cost	4,313
Net Interest on the defined liability (asset)	1,920
Administration Expenses	50
	<u>6,283</u>
Employer contributions	<u>3,281</u>

29. 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 2017/18, 2 forms were not returned, 1 current Councillor, 1 ex-Councillor. 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.

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.

30. 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 £42m during the first five years. As at 31 March 2018 the Company has approved drawdown facilities of £13.2m with £6m 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 2018 this ratio was 0.96:1 and therefore in compliance with the agreement. The Council also has charges on all the properties acquired by the property company that act as security over the loans taken by the Company.

The Council as sole shareholder in the Company and as at 31st March 2018 had acquired 175,000 shares with a nominal value of £1 per share. During 2017/18 the Council approved a further 300,000 shares be released over the next three years in tranches of 100,000 shares per annum to support the growing aspiration of the Company. The Company had equity of £487,000 as at 31 March 2018.

A Better Choice for Building Consultancy Limited

The Building Consultancy Company has become dormant in November 2017, trading until this date is not material for consolidation within the group accounts.

31. Contingent 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 Drivers Roundabout and the M20 junction 9 and footbridge. Region Infrastructure 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.

The Council has entered into an agreement with Homes and Communities Agency (HCA), which include the provision for the repayment of funding used to pay for works relating to the construction of Junction 10A. 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.

The Council has agreed to underwrite the rental income and service charge for 24,000 square foot of the new Commercial Quarter building, located in Dover Place car park. Should the areas not be leased the Council will be required to cover the lost income which could amount to a maximum of £600,000. Currently 6,000 square foot has been leased and will be occupied on completion.

The Council is party to an Asset Projection Agreement with Stanhope PLC and High Speed 1 (HS1). This agreement resulted in the Council undertaking to give a commitment to HS1 to underwrite the costs of remedying any incidents that effect the High Speed line as a result of the construction activity on the Elwick site. Under the development agreements, this obligation has been passed to the

developer and they have provided adequate insurance for this obligation, however the Council would be liable for a payment in the event that the developer and the insurance fail to cover these liabilities.

32. Events after the Balance Sheet Date

Left blank intentionally

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

2016/17 £'000		2017/18 £'000
	<i>Adjustment for items that are operating activities</i>	
(6,290)	Depreciation	(7,120)
(2,255)	Impairment and downward valuations	(11,957)
(12)	Amortisation	0
(8,557)	Items relating to Capital Adjustment Account	(19,077)
	Deferred sale proceeds	
354	Increase/(decrease) in impairment for bad debts	21
813	(Increase)/decrease in debtors	2,506
(1,253)	Increase/(decrease) in creditors	753
(1,957)	Movement in pension liability	(3,291)
(3,496)	Carrying amount of non-currents and Held for Sale sold or derecognised	(1,324)
67	Contributions to/from Provisions	(298)
4,950	Other non-cash items charged to the net surplus of deficit on the provision of services	1,764
(9,079)	<i>Total non-cash adjustments of operating activities</i>	(18,946)

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

2016/17 £'000		2017/18 £'000
	<i>Adjustment for items that are investing and financing activities</i>	
6,011	Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	3,000
3	Capital grants and contributions applied	4,069
(32)	Other items for which cash effects are investing or financing cash flows	0
5,982	<i>Total non-cash adjustments of investing and financing activities</i>	7,069

35. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2016/17			2017/18	
£'000			£'000	
3,651	Interest paid		3,643	
(398)	Interest received		(372)	
(511)	Dividend received		(693)	
<u>2,742</u>			<u>2,578</u>	

36. Cash Flow Statement - Investing Activities

2016/17			2017/18		
ABC	Group		ABC	Group	
£'000	£'000		£'000	£'000	
15,828	17,848	Purchase of property, plant and equipment, investment property and intangible assets	36,122	36,689	
6,000	6,000	Purchase of short-term and long-term investments	9,085	9,085	
(6,011)	(6,011)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,000)	(3,000)	
(9,047)	(9,047)	Proceeds from short-term and long-term investments	(4,541)	(4,541)	
(3)	(3)	Other receipts from investing activities	(4,069)	(4,069)	
<u>6,767</u>	<u>8,787</u>	<i>Net cash flows from investing activities</i>	<u>33,597</u>	<u>34,164</u>	

37. Cash Flow Statement - Financing Activities

2016/17			2017/18		
ABC	Group		ABC	Group	
£'000	£'000		£'000	£'000	
0	0	Cash receipts of short- and long-term borrowing	(36,039)	(36,039)	
626	(529)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	816	(1,502)	
2,038	0	Repayments of short- and long-term borrowing	3,000	3,000	
<u>2,664</u>	<u>(529)</u>	<i>Net cash flows from financing activities</i>	<u>(32,223)</u>	<u>(34,541)</u>	

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

31 March 2017			31 March 2018	
£'000			£'000	
66	Cash held by the Council		76	
210	Bank Current Accounts		541	
7,024	Bank Call Accounts		17,070	
<u>7,300</u>	Cash and cash equivalents at the end of the reporting period		<u>17,687</u>	

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).

2016/17 £'000		2017/18 £'000	£'000
	<i>Expenditure</i>		
3,805	Repairs and maintenance	3,886	
4,895	Supervision and management	5,383	
15	Rents, rates, taxes and other charges	41	
2,186	Special services	2,121	
4,636	Depreciation	5,332	
1,066	Impairment of non-current assets	10,421	
82	Debt management costs	86	
53	Movement in the allowance for bad debts	216	
16,738	<i>Total Expenditure</i>		27,486
	<i>Income</i>		
(23,921)	Dwelling rents	(23,589)	
(25)	Non-dwelling rents	(11)	
(883)	Charges for services and facilities	(906)	
(121)	Leaseholder charges for services and facilities	0	
(1,203)	Contributions towards expenditure	(439)	
(90)	Sale of land	(1)	
(3,000)	PFI Subsidy receivable	(3,000)	
(29,243)	<i>Total Income</i>		(27,946)
(12,505)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(460)
524	HRA services' share of Corporate and Democratic Core		585
368	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		327
(11,613)	Net Cost for HRA Services		452
	<i>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</i>		
(2,167)	Gain or (loss) on sale of HRA non-current assets		(1,541)
	Other capital receipts		
	Payment to Housing Capital Receipts Pool		
3,746	Interest payable and similar charges		3,757
1,368	Interest payable on PFI contracts and Finance Leases		1,331
(31)	Interest and investment income		(13)
386	Net interest on the net defined benefit liability (asset)		298
(110)	Capital grants and contributions receivable		(2,010)
(8,421)	(Surplus) or deficit for the year on HRA services		2,274

Movement on the HRA Statement

2016/17 £'000		2017/18 £'000
(7,868)	Balance on the HRA at the end of the previous year	(6,753)
(8,421)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	2,274
9,536	Adjustments between accounting basis and funding basis under statute	931
1,115	Net (increase) or decrease before transfers to or from reserves	3,205
(6,753)	Balance on the HRA at the end of the current year	(3,548)

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 2018 is given in the table below:

31 March 2017		31 March 2018
<i>Units</i>	<i>Dwellings by type</i>	<i>Units</i>
3,490	Houses and bungalows	3,501
1,446	Flats, bedsits and maisonettes	1,483
4,936		4,984
(316)	Less properties managed under Stanhope PFI	(315)
4,620		4,669

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

31 March 2017 £'000		31 March 2018 £'000
261,323	Operational assets - dwellings, land and buildings	278,533
3	Non-Operational assets	3
7,893	Assets Under Construction	4,077
269,219		282,613

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2017 was £792,124,400 (£724,566,000 as at 1 April 2016). 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, Wilks Head and Eve.

3. Major Repairs Reserve

2016/17 £'000	Movements in year	2017/18 £'000
(449)	Balance at the end of the previous year	(1,439)
(4,633)	Amount transferred to the Reserve during the year	(5,295)
(557)	Amounts transferred to/from the reserve	0
4,184	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	3,100
16	Reversal of depreciation (other than Council Dwellings)	0
<u>(1,439)</u>	Balance at the end of the financial year	<u>(3,634)</u>

4. Summary of Capital Expenditure and Financing

2016/17 £'000		2017/18 £'000
	<i>Capital investment:</i>	
4,184	Expenditure on Existing Dwellings	3,296
0	Expenditure on New Stock Purchases	1,792
6,809	Expenditure on new developments (including Assets Under Construction)	8,513
<u>10,993</u>		<u>13,601</u>
	<i>Sources of Finance:</i>	
(56)	Capital Receipts	(819)
(4,184)	Major Repairs Reserve	(3,100)
(1,264)	External Contributions - HCA Grant	(2,010)
0	Borrowing	0
(5,489)	Revenue Contribution from the Housing Revenue Account	(4,480)
<u>(10,993)</u>		<u>(10,409)</u>

5. Capital Receipts from Disposal of Assets

2016/17 £'000		2017/18 £'000
(4,340)	Receipts from Right-to-buy sales	(2,818)
0	Receipts from Repayment of Discounts	(15)
(264)	Receipts from the sale of Housing land	(53)
(241)	Other non right-to-buy sales	0
<u>(4,845)</u>	Total receipts	<u>(2,886)</u>
43	Costs of disposal	21
<u>(4,802)</u>		<u>(2,865)</u>

6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £5,332,000 (2016/17, £4,636,000), as summarised below, the Council calculated depreciation using proper accounting practices.

2016/17 £'000		2017/18 £'000
4,620	Council dwellings	5,296
14	Council garages	0
3	PV panels and other assets	36
<u>4,636</u>		<u>5,332</u>

7. Valuations

Land and Buildings are held individually and the total housing stock (including land and garages) had increases and decreases in valuation. Downward valuations of £10,421,000 were charged to the Housing Revenue Account.

The value of the housing stock total increased were £17,020,000, all being credited to 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.

2016/17 £'000		2017/18 £'000
	Comprehensive Income & Expenditure Statement	
	<i>Cost of Services:</i>	
498	- current service cost	637
23	- past service costs	8
9	- administration expenses	7
	<i>Financing and Investment Income and Expenditure</i>	
386	- net interest expense cost	298
<u>916</u>	<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<u>950</u>
	Movement in Reserves Statement	
(916)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(950)
	- actual amount charged against the General Fund Balance for pensions in the year:	
588	employers' contributions payable to scheme	492

9. Rent Arrears

During the year 2017/18 arrears totalling £39,000 (£161,000 - 2016/17) 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 2018 was £797,000 (£620,000 at 31 March 2017).

31 March 2017		31 March 2018
£'000		£'000
666	Gross arrears	827
(620)	Provision for Bad Debts	(797)

The majority of this debt (£686,000) is over 26 weeks old and is assumed unrecoverable for accounting purposes, the debt will still be actively pursued.

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.

2016/17			2017/18	
Business Rates	Council Tax		Business Rates	Council Tax
£'000	£'000		£'000	£'000
		<i>Income</i>		
	(68,384)	- Council Tax		(72,354)
(47,204)		- Business Rates	(49,180)	
		- Transitional Protection Payments		
<u>(47,204)</u>	<u>(68,384)</u>	<i>Total Income</i>	<u>(49,180)</u>	<u>(72,354)</u>
		<i>Expenditure</i>		
		<i>Precepts, Demand & Shares</i>		
4,324	49,592	- Kent County Council	4,453	52,660
	6,657	- Kent Police Authority		7,020
480	3,150	- Kent and Medway Fire Authority	495	3,277
19,216	7,957	- Ashford Borough Council (including Parish Precepts)	19,793	8,313
24,020		- Central Government	24,741	
<u>48,040</u>	<u>67,356</u>		<u>49,482</u>	<u>71,270</u>
		<i>Charges to the Collection Fund</i>		
0	0	- Write-Offs of uncollectable amounts		
(236)	(1,169)	- (Increase)/Decrease in Bad Debt Provisions	148	(266)
(167)		- (Increase)/Decrease in Provision for Appeals	526	
101		- Disregarded amounts	101	
181		- Costs of Collection Allowance	181	
39		- Transitional Protection Payments	53	
<u>(82)</u>	<u>(1,169)</u>		<u>1,009</u>	<u>(266)</u>
		<i>Contributions</i>		
(746)	422	- Towards previous year's estimated Collection Fund Surpl	(2,378)	1,996
<u>47,212</u>	<u>66,609</u>	<i>Total Expenditure</i>	<u>48,113</u>	<u>73,000</u>
8	(1,775)	Deficit/(Surplus) in Year	(1,067)	646
2,859	(1,170)	Balance at 1st April	2,867	(2,945)
<u>2,867</u>	<u>(2,945)</u>	Balance at 31st March	<u>1,800</u>	<u>(2,299)</u>
		<i>Apportionment of Balance to Preceptors/Borough Council</i>		
258	(2,168)	- Kent County Council	162	(1,699)
	(291)	- Kent Police Authority		(226)
29	(138)	- Kent and Medway Fire Authority	18	(106)
1,147	(348)	- Ashford Borough Council	720	(268)
1,433		- Central Government	900	
<u>2,867</u>	<u>(2,945)</u>		<u>1,800</u>	<u>(2,299)</u>

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.

2016/17 £'000		2017/18 £'000
	<i>Total Non-Domestic Rateable Values at:</i>	
114,851	- 1st April	115,779
115,779	- 31st March	128,204
928	Increase/(decrease) in year	12,425

2016/17 p		2017/18 p
	Uniform rate (multiplier) set by the government:	
48.4	For rateable values below £18,000	46.6
49.7	For rateable values £18,000 and above	47.9

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.

2016/17 £		2017/18 £
1,133.55	Kent County Council	1,178.82
152.15	Kent Police Authority	157.15
72.00	Kent and Medway Fire Authority	73.35
150.00	Ashford Borough Council	154.00
1,507.70	Council Tax - basic amount	1,563.32
31.88	(including Parish Precepts)	32.10
1,539.58	Council Tax - Borough average	1,595.42

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 as follows:

Band	2016/17			2017/18		
	<i>Estimated Number of properties (Net of exemptions, discounts & reliefs) (a)</i>	<i>Multipliers (b)</i>	<i>Band D equivalents properties (a x b)</i>	<i>Estimated Number of properties (Net of exemptions, discounts & reliefs) (c)</i>	<i>Multipliers (d)</i>	<i>Band D equivalents properties (c x d)</i>
A with disabled relief	12.20	5 /9	6.80	8.30	5 /9	4.58
A	3,881.10	6 /9	2,587.40	3,517.80	6 /9	2,345.17
B	11,316.20	7 /9	8,801.45	11,061.30	7 /9	8,603.19
C	11,647.70	8 /9	10,353.49	11,705.80	8 /9	10,405.11
D	8,158.20	9 /9	8,158.21	8,334.70	9 /9	8,334.69
E	5,847.50	11 /9	7,146.92	5,958.80	11 /9	7,282.92
F	4,851.90	13 /9	7,008.31	4,973.30	13 /9	7,183.58
G	2,877.60	15 /9	4,795.97	2,936.30	15 /9	4,893.75
H	162.50	18 /9	325.00	162.30	18 /9	324.50
Tax Base before Council Tax Support			49,183.55			49,377.50
Less Council Tax Support			(4,991.63)			(4,368.26)
Tax Base after Council Tax Support			44,191.92			45,009.24
Estimated Collection Rate			99.0%			99.25%
Council Tax Base			43,750.00			44,671.67

4. Precepts

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

2016/17		2017/18
£'000		£'000
	Demand	
6,562	- Ashford Borough Council	6,879
1,395	- Parish Precepts	1,434
<u>7,957</u>		<u>8,313</u>

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

2016/17		2017/18
£'000		£'000
368	Tenterden Town Council	336
142	Kingsnorth	145
153	Great Chart with Singleton	175
85	Wye with Hinxhill	88
80	Charing	87

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

Agenda Item 5



Agenda Item No: 5
Report To: Audit Committee
Date: 21 June 2018
Report Title: Annual Internal Audit Report & Opinion 2017/18
Report Author: Rich Clarke – Head of Audit Partnership

Summary:	The annual opinion of the Head of Internal Audit on the effectiveness of the Council's internal control, corporate governance and risk management.
-----------------	--

Key Decision: NO

Affected Wards: All

Recommendations:

1. The Committee **notes** the Head of Audit Partnership opinion. The opinion states that, in the view of internal audit, the Council's internal controls, corporate governance and risk management arrangements have worked effectively during 2017/18.
2. The Committee **notes** the work underlying the opinion and the Head of Audit's assurance is independent and in conformance with Public Sector Internal Audit Standards.

Policy Overview: N/A

Finance: N/A

Risk Assessment N/A

EIA N/A

Other Matters: N/A

**Exemption
Clauses:** N/A

**Background
Papers:** Annual Internal Audit Report & Opinion 2017/18

Contacts: rich.clarke@midkent.gov.uk Tel: (01233) 330442

Report Title: Annual Internal Audit Report & Opinion 2017/18

Purpose of the Report

1. This report is the Head of Internal Audit annual reporting mandated by the Public Sector Internal Audit Standards (the Standards). The report includes the Head of Audit Partnership's annual opinion on the overall adequacy and effectiveness of the Council's internal controls and governance. The Council uses the opinion in producing its Annual Governance Statement for 2017/18.
2. The Standards, in particular Standard 2450: Overall Opinions, direct what the annual report must include.

Background

3. Regulation 5 of the Accounts and Audit Regulations 2015 set out the need for an internal audit service. The Regulation describes the principal objective of internal audit as:

[to] undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking in account public sector internal auditing standards and guidance.

4. The Audit Committee's terms of reference direct it to:

Consider/monitor or advise the Council as appropriate upon:

- *the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's Corporate Governance arrangements.*
- *The summary of internal audit reports issued in the previous period.*
- *Reports on the management and performance of the Audit Partnership Agreement.*
- *Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.*

5. The Annual Plan sets out the Council's audit service's work. The Committee agreed the Plan for 2017/18 in March 2017. This Committee also received an interim update on progress so far in December 2017.
6. We have completed the work set out in the plan, subject to adjustments as described by the Standards. We will report verbally at the meeting the conclusions of any work outstanding (if available) and include within the first interim update of 2018/19.

Risk Assessment

7. N/A

Equalities Impact Assessment

8. N/A

Other Options Considered

9. The role of the Audit Committee includes considering the Annual Report of internal audit as a part of its purpose. We recommend no alternative course of action.

Consultation

10. We consult on all findings and recommendations identified within reviews with the relevant Head of Service. We have discussed the headline messages within the report with the s151 Officer across the year to help with preparing the Council's Annual Governance Statement.
11. We have adapted the attached report for comments received.

Implications Assessment

12. N/A

Handling

13. N/A

Conclusion

14. The overall opinion of the Head of Internal Audit is the council's internal controls, corporate governance and risk management worked effectively during 2017/18.

Portfolio Holder's Views

15. The Portfolio Holder is a member of this Committee.

Contact: Rich Clarke – Head of Audit Partnership
Tel: 01233 330442

Email: rich.clarke@midkent.gov.uk

This page is intentionally left blank

**Annual Internal Audit
Report and Opinion
2017/18**



**June 2018
Ashford Borough Council**

MID KENT AUDIT

Introduction

1. The IIA gives the mission of internal audit: to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
2. The mission and its associated [code of ethics](#) and [Standards](#) govern over 200,000 professionals in businesses and organisations around the world. Within UK Local Government, authority for internal audit stems from the [Accounts and Audit Regulations 2015](#). The Regulations state services must follow the [Public Sector Internal Audit Standards](#) – an adapted and more demanding version of the global standards. Those Standards set demands for our annual reporting:

2450 Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

The communication will include:

- the scope including the time period to which the opinion pertains
- scope limitations
- consideration of all related projects including the reliance on other assurance providers
- a summary of the information that supports the opinion
- the risk or control framework or other criteria used as a basis for the overall opinion, and
- the overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Independence of internal audit

3. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
4. Within Ashford BC during 2017/18 we have continued to enjoy complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.

MID KENT AUDIT

5. I confirm we have worked with full independence as defined in our Audit Charter and Standard 1100.

Head of Internal Audit Opinion

Scope and time period

6. I provide this opinion to Ashford Borough Council (the Council) to include in its Annual Governance Statement, as published alongside its financial statements for the year ended 31 March 2018.

Scope limits

7. The role of internal audit need not cover only assurance and may extend towards consultancy, advice and strategic support. We have agreed with the Committee the overall scope of our work in our *Internal Audit Charter* and the specific scope of our work this year in our approved *Internal Audit & Assurance Plan 2017/18*.
8. However our audit plan cannot address all risks across the Council and represents our best use of inevitably limited capacity. In approving the plan, the Committee recognised this limit.
9. Beyond this general disclaimer, I have no specific limits of our scope to report to the Committee.

Consideration of work completed and reliance on other agencies

10. I have drawn my opinion from the work completed during the year. I first set out the work in the plan approved by Members on [21 March 2017](#) and later developed it in line with emerging risks and priorities. I set out in this report the extent and findings from our work in greater detail.
11. In completing my work I have placed some specific reliance on two external sources. The Council commissioned work from SCMG to assess its contract management arrangements. The Council accepted that report's conclusions and have resolved to act on its recommendations. As a result we did not continue with our planned work on contract management. Instead we will examine contract management once the Council has changed its arrangements.

MID KENT AUDIT

12. I also placed partial reliance on the peer review undertaken by the Local Government Association in April 2018 in opting to defer planned work examining Workforce Planning into the 2018/19 audit year.

Information supporting the opinion

13. The rest of this report summarises the work completed in delivering the internal audit plan through 2017/18.
14. My opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within our work programme. For risks not directly examined I am satisfied an assurance approach exists to provide reasonable assurance on effective management.

Risk and control

15. The Council is responsible for ensuring it undertakes its business within the law and proper practices. The Council must also ensure it safeguards and properly accounts for its resources, using them economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to seek continuous improvement in exercising its roles.
16. The Council has described key parts of its internal control and risk management within the [Local Code of Governance](#) and [Risk Management Framework](#).
17. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. So, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
18. In completing our work we have considered the control environment and objectives in place at the Council.

Conformance with standards

19. Mid Kent Audit has conducted its work following the Standards and good practice as represented in our internal quality assurance. This includes include working to an agreed audit manual with satisfactory supervision and review.

MID KENT AUDIT

20. Our annual review confirms the service remains in full conformance with the Standards, as advised by our external quality assessment from the Institute of Internal Audit in 2015. We are next due an external quality assessment by 1 April 2020.
21. We describe later in this report our efforts towards continuing improvement and the results of our Quality and Improvement work.

Overall conclusion

Internal Control

22. I am satisfied that during the year ended 31 March 2018 the Council managed its internal controls to offer sound assurance on control effectiveness.

Governance

23. I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2018 comply in all material respects with guidance on proper practices¹.

Risk Management

24. I am satisfied the risk management arrangements at the Council for the year ended 31 March 2018 are effective and provide sound assurance.

Other Matters

25. I have no other matters to report as part of my opinion.



Rich Clarke CPFA ACFS
Head of Audit Partnership

7 June 2018

¹ "Proper practices" are defined by CIPFA/SOLACE and set out in [Delivering Good Governance in Local Government Framework](#) (2016).

MID KENT AUDIT

Internal Control

26. Internal control is how the Council ensures achievement of its objectives with effectiveness and efficiency; achieving reliable financial reporting and compliance with laws, regulations and policies. It covers financial and non-financial controls.
27. We gain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan.

Ashford Audit Plan Work 2017/18

28. This Committee approved our *Annual Audit & Assurance Plan 2017/18* in March 2017. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during April 2018 and will close later this month. Although we have some matters to finish, I am satisfied we have advanced our work enough to enable delivery of a robust opinion. We will provide updates on any work awaiting completion in our interim reporting.
29. The table below shows progress in total number of days delivered against the plan (with a forecast of final position).

Category	2017/18 Plan Days	Outturn at May-18 (Forecast Final)	Days Left (v Forecast)
2017/18 Assurance Projects	290	278 (305)	-15
Risk Management	35	12 (12)	23
Counter Fraud Support	5	2 (2)	3
Member Support	15	18 (18)	-3
Recommendation Follow-Up	30	32 (32)	-2
Audit Planning	10	12 (12)	-2
Contingency and Consultancy	35	20 (23)	12
Total	420	374 (404)	16
Concluding 2016/17 projects	0	59	n/a

30. We forecast final delivery of around 404 audit days. This is 96% of planned days. We detail the specifics, and results, of this progress further within this report.

MID KENT AUDIT

Results of Audit Work

31. The tables below summarise audit project findings and outturn up to the date of this report. Where there are material matters finished between report issue and committee meeting we will provide a verbal update. (* = days split between partners, ABC only shown).

Completed Assurance Projects

	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
2016/17 Assurance Projects Completed After 1 April 2017						
	Create Festival	9	9	Apr-17	Sound	Reported to Members June-17
	Property Management	12	12	May-17	Weak	Reported to Members June-17
	Appraisal System	12	12	May-17	Strong	Reported to Members June-17
	Bank Reconciliations	9	9	May-17	Sound	Reported to Members June-17
	Budgetary Control	14	14	May-17	Sound	Reported to Members June-17
	Social Media Access Controls	9	11	May-17	Sound	Reported to Members June-17
	ICT Network Controls	15	15	May-17	Sound	Reported to Members June-17
	General Ledger Controls	9	9	Jun-17	Sound	In interim report, not repeated here.
	Accounts Payable	12	12	Jun-17	Sound	In interim report, not repeated here.
	HR Policy Compliance	15	15	Jul-17	Sound	In interim report, not repeated here.
	Corporate Governance	5*	5*	Jul-17	Not	In interim report, not repeated here.

MID KENT AUDIT

	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
					Rated	
	Business Continuity Planning	15	16	Aug-17	Weak	In interim report, not repeated here.
	Counter Fraud Risk Assessment	10	12	Oct-17	Not Rated	In interim report, not repeated here.
Planned 2017/18 Assurance Projects Completed so far						
I	Housing Benefit	15	17	Sep-17	Strong	Also summarised in interim reporting
II	Treasury Management	10	11	Sep-17	Sound	Also summarised in interim reporting
III	Residents' Parking	12	13	Sep-17	Sound	Also summarised in interim reporting
IV	Monitoring Centre	12	15	Oct-17	Sound	Also summarised in interim reporting
V	ABC Lettings	15	14	Nov-17	Sound	Also summarised in interim reporting
VI	Rent Accounting	15	13	Nov-17	Strong	Also summarised in interim reporting
VII	IT Disaster Recovery	15	14	Nov-17	Sound	
VIII	Recruitment	15	20	Feb-18	Strong	
IX	Freedom of Information	15	13	Mar-18	Sound	
X	Planning Enforcement	15	20	Mar-18	Sound	
XI	Building Control	12	12	Apr-18	Sound	
XII	Accounts Receivable	10	12	Apr-18	Strong	
XIII	Grounds Maintenance	15	17	May-18	Strong	
XIV	Payroll	10	15	May-18	Strong	
Assurance Projects Added to the 2017/18 Plan and Completed						

MID KENT AUDIT

	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
	Mid Kent Audit Mid Term Review	n/a	4*	Aug-17	N/A	In interim report, not repeated here.
XV	Electrical DSO	n/a	17	May-18	Sound	

Assurance Projects Awaiting Completion

	Title	Plan Days	Days So Far	Expected Report Issue	Notes
Planned 2017/18 Assurance Projects In Progress					
	Insurance	10	10	Jun-18	Fieldwork nearing completion
	Single Grants Gateway	15	20	Jun-18	Draft report stage
	Home Improvement Grants	15	6	July-18	Fieldwork to begin June
	Financial Planning	7*	2	Jun-18	
	Project Management	15	10	Jun-18	Fieldwork nearing completion
Assurance Projects Added to 2017/18 Plan Not Yet Complete					
	Management Board Agenda Setting	10	2	Q4+	

Note on budgets

32. We track budgeted days in progress and follow up in detail on any reviews that look likely to exceed a 10% variance from plan. Potentially we would approach officers to vary the scope of a review or its budget where we have identified extra risks or matters for testing not factored in to planning. During 2018/19 we also experienced some variances related to availability of Council documents (reflected in recommendations for individual reviews), but overall performance against budgets remained good (see performance indicator table later in this report).

MID KENT AUDIT

Assurance Projects Removed from 2017/18 Plan

	Title	Plan Days	Days Spent	Postponed or cancelled?	Rationale and alternative assurance sources
Planned 2017/18 Assurance Projects Postponed or Cancelled					
	Food Safety	15	0	Postponed	Reported to Members in December 2017
	Workforce Planning	12	0	Postponed	See commentary below
	Contract Management	12	1	Cancelled	See commentary below

MID KENT AUDIT

Workforce Planning

33. Officers approached us in early 2018 to advise of two issues that could have affected our then-planned work examining the Council's workforce planning. The first was the Local Government Association peer review which included specific consideration of *capacity to deliver* and *organisational leadership and governance*. Apart from covering similar grounds, the Council anticipated the possibility of making changes to its approach in response to the peer review that could make concurrent internal audit work redundant.
34. Second, and apart from the Peer Review, officers also pointed to the recent changes to senior management roles and cited a wish to allow time for new responsibilities to set in. Also work was underway to update some Council Policies, including Disciplinary, Grievance and Sickness, which the Council wanted complete ahead of the audit.
35. For 2018/19 we therefore agreed to take partial assurance from the work of the Local Government Association through its peer review. We have rescheduled our work for 2018/19 and it forms part of our audit plan approved by this Committee in March 2018.

Contract Management

36. In early 2018 the Council commissioned work from SCMG to examine its contract management arrangements. SCMG reported in March 2018, just as our work was moving through its planning phase. SCMG's conclusions highlighted weaknesses as detailed in the Annual Governance Statement, which also confirms the Council has accepted the report's recommendations and will act to revise its approach.
37. We have reviewed the SCMG report and found it broadly agrees to the issues we had identified in the early stages of planning our review. Because of this, and the Council's decision to change its approach, we decided that undertaking our own separate review would be inefficient and likely to repeat SCMG's findings.
38. We have agreed with officers to undertake a review later in 2019 that will examine the Council's changed approach and its success in addressing the weaknesses identified by SCMG.

MID KENT AUDIT

I: Housing Benefit Payments (September 2017)

39. Our opinion based on our audit work is the Housing Benefit service has **Strong** controls in place to manage the risks and support achievement of its objectives when making payments.
40. The Council has designed its payment and overpayment approach to mitigate significant risks and help achieve efficiency. Notable controls include comprehensive settlements between information sources and separate review of large individual payments. We found in our testing that controls work successfully to deliver accurate and timely payments to claimants.
41. Where overpayments occur, we found the Council's software helps correct classification. When seeking recovery we identified notable practice, including engaging specialist companies to trace large debtors.
42. We raised no matters for improvement from our review.

II: Treasury Management (September 2017)

43. Our opinion based on our audit work is the Treasury Management service has **Sound** controls in place to ensure overall compliance with CIPFA's Code of Practice and the Council's Treasury Management Strategy.
44. The Service has a Treasury Management Strategy in place which sets out the Council's strategy in relation to investments and borrowing, and also defines the roles and responsibilities of those with authority to conduct transactions. Our testing of investment transactions confirmed the appropriate authorisations were in place.
45. We have however, identified instances where the counter party limits detailed in the strategy had been breached. These instances had not been identified and reported at the time, and occurred as a result of a lack of real-time monitoring and no defined reporting process. The introduction of a clearer process for reporting breaches, along with a newly implemented Treasury Management system, will provide the level of control that had been previously lacking.
46. The agreement with Arlingclose, the Council's treasury management advisors, ended in November 2014, however since that time the service has continued on a rolling basis. The current arrangements therefore are not compliant with the Council's Contract Standing Orders which requires that a new procurement exercise is undertaken or a single supplier sourcing form is approved to demonstrate the Council has secured appropriate value for money.

MID KENT AUDIT

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	1	3	2

47. Since completing the review, the Council has acted to fulfil most agreed recommendations in line with the agreed timetable. At year end three of four are complete, with the remaining (low priority) deferred from March to July 2018 implementation to allow focus on the tighter final accounts timetable.

III: Residents' Parking (September 2017)

48. Our opinion based on our audit work is that the service has **Sound** controls in place for the administration of and payment from residents' permits.
49. We found that the service has well documented procedures. Our testing confirmed that these procedures are embedded, understood and result in the accurate and timely issuing of residents' permits. Furthermore, our review and testing of the payments procedures found these to be sound.
50. Evidence to support applications (i.e. proof of residence and vehicle ownership) was obtained and retained for all the cases we tested. However, we identified that access to this information is not appropriately restricted, and data retention processes need to be introduced to ensure compliance with the Data Protection Act.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	1	3	0

51. Since completing the review, the Council has acted to fulfil recommendations in line with the agreed timetable. At year end all recommendations are complete.

IV: Monitoring Centre - Telecare and Private CCTV (October 2017)

52. Our opinion based on our audit work is that the Monitoring Centre has **Sound** controls in place to manage its risks and support achievement of its objectives for the areas we have considered (Telecare and private CCTV monitoring). This means we believe they are designed and operate effectively, although we have identified areas for improvement.
53. Our work found the service has well defined procedures for the administration of private client telecare applications, and testing confirmed operational effectiveness. The Council holds full accreditation with the Telecare Services

MID KENT AUDIT

Association, including maintaining a comprehensive Quality Management System.

54. While we note progress to date in establishing full contractual terms and charging arrangements for private clients, though, the Council still needs to make progress on these exercises. At present the Council retains some vulnerability in unclear contract terms and potentially a loss of income, but the risks involved are relatively minor when considered within the Council's overall risk appetite.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0 of recs	0	6	3	1

55. Since completing the review, the Council has acted to fulfil most agreed recommendations in line with the agreed timetable. At year end five of nine recommendations are complete, with all four remaining due in early 2018/19. We have accepted a deferral for one (medium priority) action on charging for external contracts. Although the service has a new plan it has not yet processed any renewals on the new terms. It expects to do so later in 2018/19.

V: ABC Lettings (November 2017)

56. Our opinion based on our audit work is that the Housing Service has **Sound** controls in place over the operation and management of ABC Lettings.
57. We found that there are sufficient procedures in place for the administration and management of properties. Our testing confirmed that adequate property and tenancy records are maintained and that relevant checks are carried out in accordance with agreed procedures. We also note that management fees and charges are applied in accordance with the terms and conditions.
58. Our testing established that financial controls over the receipt and banking of income are operating effectively as designed, and landlords are accurately and promptly paid. However, procedures over the reconciliation of management fees should be improved to identify and resolve any discrepancies.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	2	1

59. Since completing the review, the Council has acted to fulfil one of the recommendations in line with the agreed timetable. We have accepted a deferral for one (low priority) recommendation on reconciling management fees

MID KENT AUDIT

to allow the service to fill a vacancy arising. We will revisit the action later in 2018/19.

VI: Rent Accounting (December 2017)

60. Our opinion based on our audit work is that there are **Strong** controls in place within the Rents system to manage its risks and support achievement of its objectives.
61. The controls within the Rents system are well designed and operate effectively. The process as a whole is well controlled to properly account for housing rents and to manage the risk of fraud and error.
62. Our testing confirmed that the controls work successfully to properly record and account for income from housing rents. In particular we identified notable practice with regards to the reconciliation processes.
63. We raised no matters for improvement from our review.

VII: IT Disaster Recovery (November 2017)

64. Our opinion based on our audit work is that the IT service has **Sound** controls in place to manage its Disaster Recovery (DR) arrangements.
65. The service has well designed recovery arrangements to allow an effective response to a disaster and help ensure prompt service restoration. A clear policy is in place, supported by several technical procedures and the service's Business Continuity plan, which has recently been revised. The backup arrangements are comprehensive and help keep the Council's data secure. There have been notable improvements with regards to testing since the previous audit in 2014, however this progress should be consolidated by creating and maintaining a formal testing schedule. Operational roles are clearly defined and understood but the responsibility for invoking the DR arrangements should be clarified.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	1	1	0

66. Since completing the review, the Council has acted to fulfil recommendations in line with the agreed timetable. At year end one of the two is complete, with the remaining one due in summer 2018.

MID KENT AUDIT

VIII: Recruitment (February 2018)

67. Our opinion based on our audit work is that the Recruitment service has **Strong** controls in place to manage its risks and support achievement of its objectives.
68. Our testing established that good employment practices are followed and adapted (where necessary) to ensure the efficient and effective recruitment. These practices are aligned towards achievement of the policy aim to recruit the 'best' people into the variety of roles that the Council may need to fill at any given point in time. Targeted campaigns are used to increase successful recruitment into high level roles or those that are difficult to fill.
69. There is an agreed policy, comprehensive procedures & guidance notes, and dedicated training and support in place for Recruiting Managers and their teams. As a result, our testing confirmed that compliance with the agreed procedures has resulted in the fair and effective appointment of the most suitable candidates for each campaign undertaken.
70. We raised no matters for improvement from our review.

IX: Freedom of Information (March 2018)

71. Our opinion based on our audit work is that the Council has **Sound** controls in place for achieving compliance with Freedom of Information (FOI) requirements.
72. We found the processes for handling FOI and Environmental Information Requests (EIR) to be working well. Good central record keeping is in place which captures the request as well as any correspondence and the final reply. All requests are actively monitored to ensure the adequacy of the responses and compliance with statutory timeframes. Our testing confirms that requests are handled in accordance with agreed procedures. We identified no instances where the Council provided inaccurate or incomplete information.
73. Comprehensive training and supporting guidance is available to officers and completion rates are high. Results of a survey issued during the audit showed a good level of awareness of FOI requirements across the Council.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	1	1

MID KENT AUDIT

74. Since completing the review, the Council has acted to fulfil recommendations ahead of the agreed timetable. At year end all recommendations are complete.

X: Planning Enforcement (March 2018)

75. Our opinion based on our audit work is that Planning Enforcement has **Sound** controls in place to manage its risks and support achievement of its objectives.
76. The Local Enforcement Plan (2016) clearly sets out how to report and investigate alleged breaches. The Plan also sets out the range of formal actions. The Council has clear procedures to govern ordering, recording and acknowledgement of allegations. The Council keeps comprehensive case records. Planning Enforcement Officers also work closely with Legal Services in continuing enforcement action. However, we identified some minor improvements needed around progress oversight and documenting procedures.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	0	9	1

77. All the recommendations fall due for action later in 2018/19. If the Council follows the agreed timetable, all actions will be complete by March 2019.

XI: Building Control (April 2018)

78. Our opinion based on our audit work is that Building Control has **Sound** controls in place to manage its risks and support achievement of its objectives.
79. The service has a comprehensive pricing strategy to determine the Building Control standard fees and charges. This includes clear calculations underpinning charges.
80. We found the service administers applications consistently and retains appropriate evidence. However we identified a need for some minor improvements around monitoring and documenting work, especially on bespoke quotes and statutory targets.

Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	2	2	1

MID KENT AUDIT

81. All the recommendations fall due for action later in 2018/19. If the Council follows the agreed timetable, all actions will be complete by September 2018.

XII: Accounts Receivable (April 2018)

82. Our opinion based on our audit work is that the Recovery service has **Strong** controls in place to manage its debt recovery and write off processes.
83. The Council has comprehensive policies to govern debt recovery. The Recovery service has sound procedures and controls to carry out its work effectively. Our testing found prompt recovery actions, suitable evidence retention and consultation with service departments. We also found good procedures in place to govern debt write-offs.
84. We raised no matters for improvement from our review.

XIII: Grounds Maintenance (May 2018)

85. Our opinion based on our audit work is that the Aspire Grounds Maintenance Service has **Strong** controls in place to manage safe working practices, and to monitor plant and equipment and fuel cards.
86. We found that the service has well documented procedures relating to Health & Safety arrangements, asset management and the use of fuel cards. Procedures were found to be effective in both design and operation, with positive results from a range of tests completed as part of our work.
87. The service has a thorough approach to ensuring safe working practices with a strong emphasis on training. Procedures for the control of plant and machinery are robust underpinned by regular asset verification checks. Controls to regulate fuel usage are soundly based to detect adverse trends.
88. We raised no matters for improvement from our review.

XIV: Payroll – Starters & Leavers (May 2018)

89. Our opinion based on our audit work is that the Payroll service has **Strong** controls in place to process starters and leavers, and to manage the associated risks.
90. Our review found that there have been no changes to the Payroll system and procedures since our previous audit in February 2017 when we mapped the entire system. Subsequently, we therefore consider the design of the process to be robust.

MID KENT AUDIT

91. The results of our testing confirmed that the service has well established procedures in place to process new starters and leavers and that changes to payroll are accurate and only made after independent authorisation.
92. The payments to new starters and leavers (first and last payment respectively) tested during the audit were accurate, authorised and processed in accordance with agreed procedures.
93. We raised no matters for improvement from our review.

XV: Electrical Direct Service Organisation (May 2018)

94. Our opinion based on our audit work is the Electrical Direct Service Organisation (DSO) has **Sound** controls in place to manage its risks and support achievement of its objectives.
95. We found the DSO provides the Council with greater control of its electrical work. Officers keep good records and keep evidence for the costs of each job to support the overall conclusion the DSO achieves a saving for the Council. However, we identified sometimes that cost evidence could improve, such as with indirect costs. We also identified a need to agree cost data with records held on eFinancials. We also noted the DSO's reliance on its Manager for key financial controls and recommend the service improve its resilience.

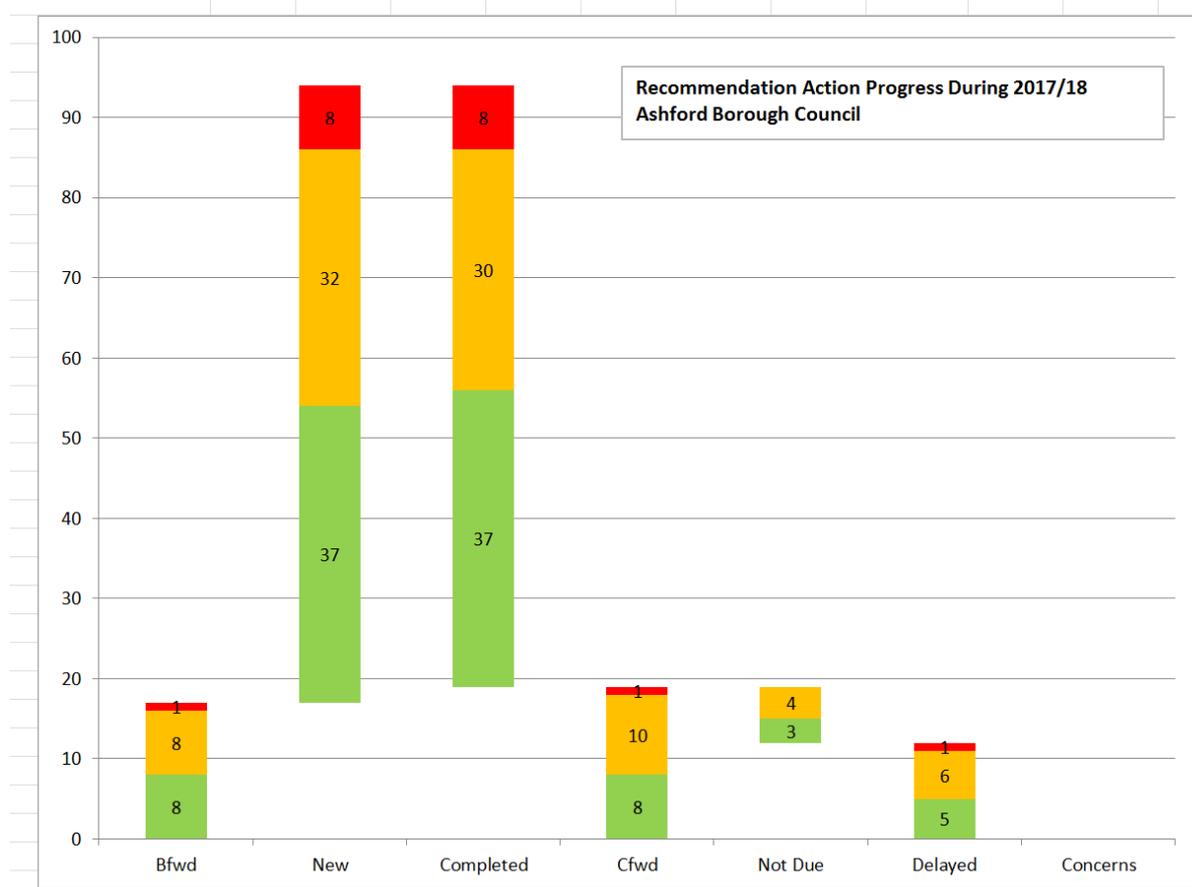
Priority 1 (Critical)	Priority 2 (High)	Priority 3 (Med)	Priority 4 (Low)	Advisory
0	0	3	5	2

96. All the recommendations fall due for action later in 2018/19. If the Council follows the agreed timetable, all actions will be complete by September 2018.

MID KENT AUDIT

Following Up Actions

97. Our approach to recommendations is that we follow up each quarter, examining issues that fell due in the previous three months. We take due dates from the action plan agreed with management when we finish our reporting. We report progress on implementation to Management Team each quarter. This includes noting any matters of continuing concern and where we have revisited an assurance rating (typically after action on key recommendations).
98. We summarise in the chart below the current position. The chart shows low priority recommendations (at the foot of each bar) in green, medium priority in amber and high priority (at the top of each bar) in red.



99. Overall we are content with officers' progress on acting to address issues we raise in our reviews. We note in particular that officers acted to fulfil several recommendations during the year before reaching agreed action dates.
100. Although we receive some requests from officers to defer action, in each case we are content that delays pose no heightened risk to the Council.

MID KENT AUDIT

101. The sole delayed High Priority recommendation is on the need to undertake a comprehensive counter fraud risk assessment. Originally envisaged as a central exercise, the Council has opted to seek more information from service departments to support its assessment, making it a larger piece of work than planned.
102. We considered that an assessment created collaboratively will likely have more detail and greater accuracy. This, plus the clear progress so far, meant we were content to accept a new action date that moved completion from 31 December 2017 to 30 April 2018. We can confirm the risk assessment is now complete, and we will review in detail to support our first quarterly report of 2018/19.

MID KENT AUDIT

Corporate Governance

103. Corporate governance is the rules, practices and processes that direct and control the Council.
104. We gain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.
105. We attend the Council's Information and Corporate Governance Groups. We also help in upholding good governance by providing advice and training to both officers and Members.

Counter Fraud & Corruption

106. The Council keeps a well-regarded investigative team who undertake the direct work in managing its fraud risks. We consider counter fraud and corruption risks in all of our audit engagements when considering the effectiveness of control. We also undertake distinct work to assess and support the Council's arrangements.
107. In our Anti-Money Laundering role we have worked with the Council to help adapt its approach in examining how applicants finance Right To Buy applications. We have worked with the Council, including seeking advice from authorities across England, to lessen the risk of people using Council assets in money laundering schemes.
108. The Council's whistleblowing policy names internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour. So far we have had no matters of concern raised with us. However, we know others have examined matters raised by complainants. We believe the Council has looked into the concerns suitably.

Other Audit and Advice Work

109. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council. Examples include advising on creation of an Information Governance Group, developing briefing sessions for Members and as part of the Management Team.

MID KENT AUDIT

110. We also took part in the recent peer review, have provided advice on carrying out contract management recommendations and helped with responding to questions from the Council's external auditors.
111. We remain engaged and flexible in seeking to meet the assurance needs of the Council. We are happy to discuss opportunities large and small where the Council can usefully employ the experience and expertise of the audit team.

MID KENT AUDIT

Risk Management

Risk Management Update

112. Risk management is how the Council identifies, quantifies and controls the risks it faces as it seeks to achieve its objectives.
113. The Council set up a new risk management approach, approved by this Committee in September 2015. Since then, the Committee has received regular update reports from Officers on managing specific strategic risks. This creates a greater understanding of key risk issues, and allows robust challenge of how the Council responds. The Council has recently updated its approach, as adopted by Cabinet in [April 2018](#). Cabinet agreed for 6-monthly updates to the Audit Committee.
114. The Committee considered the strategic risks most recently in [September 2017](#). Strategic risks inherently have a greater impact on the Council, and potentially affect multiple services. They are the key risks that link direct to achieving Council priorities. The Council continuously oversees these risks, including reports on their management and updates to reflect actions the Council takes. Also, our audit work (and audit plans) considers key risk issues.
115. The table below shows a summary of the strategic risks for the Council with the overall risk score, when considering likelihood and impact:

Risk Code	Risk Heading	Score
ABC1603/1	Organisational Skills & Capacity to Deliver	6
ABC1603/2	Housing & Infrastructure	6
ABC1603/3	Key Project Failure	10
ABC1603/4	Resource Limitations	9
ABC1603/5	Collaborative Working	4
ABC1603/6	Community Capacity	4
ABC1603/7	Reputation	6

116. We have an advisory role in the Council's arrangements and will continue to work with Officers over the coming year to provide risk support where needed.

Audit Quality & Improvement

Standards and ethical compliance

117. On 1 April 2017 the RIASS² published a changed set of Public Sector Internal Audit Standards (the “Standards”). These updates made more than thirty changes and improvements, building on the recently published International Professional Practices Framework.
118. All auditors working in the public sector (including, for instance, health and central government too) must work to these standards for 2017/18. One specific change is the new demand to report to Senior Management and the Board (Audit Committee) on conformance with the Code of Ethics and the Standards.
119. We included the *Code of Ethics* as an appendix to our interim report in [December 2017](#). We have included the Code within our Audit Manual and training for some years. We can report to Members we remain in conformance with the Code.
120. On broader Standards conformance we must each year assess ourselves against those standards and report the results to Members.
121. We underwent an external independent assessment from the IIA in 2014 which confirmed our full conformance with all but 6 of the standards and partial conformance to the rest. In 2015, following action to fulfil the IIA’s recommendations, we achieved full conformance to the standards – the first English local authority audit service to be so assessed by the IIA.
122. In 2018 we undertook a self-assessment against the Standards and confirm to Members we remain in full conformance. We include a summary of that assessment on the next few pages:

² Relevant Internal Audit Standards Setters: A group comprising CIPFA (Chartered Institute of Public Finance & Accountancy), the Department of Health, HM Treasury, the Northern Irish Department of Finance & Personnel and the Welsh and Scottish Governments. The RIASS are advised by the Chartered Institute of Internal Audit (IIA) and the Internal Audit Standards Advisory Board (IASAB).

MID KENT AUDIT

Demonstrating Integrity

Assessment	18/19 Developments
<ul style="list-style-type: none"> • Code of ethics in place as part of audit manual • Professional ethics training for staff • Revised advice to staff on conflict of interests <p>Fully conforms</p>	<ul style="list-style-type: none"> • Developing policy on pay and reward • Revise Charter in light of developing audit role

Competence & Due Care

Assessment	18/19 Developments
<ul style="list-style-type: none"> • Audit procedures manual • Robust internal review across all audit stages • Average 13 years audit experience • 9 of 12 auditors hold or studying for professional qualification <p>Fully conforms</p>	<ul style="list-style-type: none"> • Standard, detailed work programmes in new software • Personal training & development budgets • Group professional memberships • Developing training with sector groups in London & Kent

Objective & Independent

Assessment	18/19 Developments
<ul style="list-style-type: none"> • Independence declarations within reviews • Cross authority partnership strengthens objectivity • Charter clear on accepting advice roles <p>Fully conforms</p>	<ul style="list-style-type: none"> • Developing overall policy on independence and managing conflicts • Links across London, Kent and Private Sector for independent views where needed.

Strategic alignment to Council

Assessment	18/19 Developments
<ul style="list-style-type: none"> • Approved audit plan based on knowledge of Council objectives • Continuing advice and consultancy role with Officers and Members • Risk management advice and insight <p>Fully conforms</p>	<ul style="list-style-type: none"> • New audit software enables greater tracking and assessment of risk and objectives • Improved alignment of risks within individual audit reviews • Improved risk reporting

Positioning & Resourcing

Assessment	18/19 Developments
<ul style="list-style-type: none"> • Direct link to Senior Officers and Members • Steady overall budget position, with efficiencies • Access to reliable contractor support for resource gaps <p>Fully conforms</p>	<ul style="list-style-type: none"> • Full team complement for 2018/19. • Partnership agreement with LB Croydon. • Exploring secondment opportunities through regional groups.

Quality & Improvement

Assessment	18/19 Developments
<ul style="list-style-type: none"> • Strong positive mid-term review. • Invited to train new starters at neighbouring authority. • Continued good progress toward professional qualifications. <p>Fully conforms</p>	<ul style="list-style-type: none"> • Greater standardisation more efficiently in new software. • Developing bespoke training with regional groups. • Group professional memberships.

MID KENT AUDIT

Communicates Effectively

Assessment	18/19 Developments
<ul style="list-style-type: none">• Clear report formats noted by review feedback.• Audit approach set out in graphics and briefs. <p>Fully conforms</p>	<ul style="list-style-type: none">• New software will enable clearer reporting, on risk especially.• Report writing and presenting training in team.

Risk Based Assurance

Assessment	18/19 Developments
<ul style="list-style-type: none">• Priority-rated recommendation reporting.• Engagement with risk registers during specific project planning.• Focus testing on higher risk areas. <p>Fully conforms</p>	<ul style="list-style-type: none">• New software enables better collation, use and tracking of risk information.• Clearer 'golden thread' trail from risks to specific audit tests.

Insightful, Proactive & Future Focus

Assessment	18/19 Developments
<ul style="list-style-type: none">• Flexible, adaptive plan leaving space for advice and consultancy.• Practical recommendations aimed at service improvement. <p>Fully conforms</p>	<ul style="list-style-type: none">• Greater organisation of past audit results through new software enabling possible thematic/trend reporting.

Promotes Improvements

Assessment	18/19 Developments
<ul style="list-style-type: none">• Contributions and advice to senior management and members.• Briefing and training programmes on governance. <p>Fully conforms</p>	<ul style="list-style-type: none">• Continued engagement with broader groups to bring forward ideas for further improvements.

Audit Management Software

123. In March 2018 we decided to move from Audit Management Software called *Teammate* – which the partnership had used for more than a decade – to a new product called *Pentana*. Aside from a significant annual saving, *Pentana* offers us significant opportunities in further developing the quality and consistency of our work and reporting. Specific opportunities we are exploring include:

- A greater range of standardised work programmes, allowing for more directed work and expanded audit universe coverage.
- A clearer link to organisational structure, allowing for easier reporting to all levels of the council.
- Greater consistency in recording audit findings, allowing for cross-authority reporting on themes or key issues.

MID KENT AUDIT

- Better and more organised information on risks and controls to allow clearer focus within individual projects.
- The ability to capture consistently a broader range of information and work to help support our planning and reporting.

124. As noted in the 2018/19 plan, we set aside some time to support familiarisation and training in the new software. However, for 2019/20 onwards we also expect significant efficiencies from internal process improvements.

Training and Qualifications

125. We continue to offer strong support to the audit team in continuing development and upholding professional competence. In 2017/18 this involved providing individual training budgets and supporting people to follow avenues for development suitable for their career position and ambitions.

126. A key but far from sole part of this approach is supporting professional qualifications. During 2017/18 we supported almost half the team through professional studies and remain pleased with their progress and success. We would like to highlight:

- **Russell Heppleston**, Deputy Head of Audit Partnership, achieved the full professional qualification of the *Institute of Risk Management*.
- **Jen Warrillow**, Senior Auditor, completed the first of three case studies towards becoming a Chartered Member of the Institute of Internal Audit (IIA).
- **Ben Davis**, Trainee Auditor, completed the Diploma stage with the Chartered Institute of Public Finance and Accounting (CIPFA); the final stage before full professional qualification.
- **Andy Billingham**, Auditor, and **Louise Taylor**, Trainee Auditor, both completed the first of three stages in the Certificate of Internal Audit (CIA) qualification awarded by the IIA.

127. We have also taken the lead in arranging training across regional audit groups as a way of maximising efficiency and tailoring content for local needs. During 2017/18 this included hosting a CIPFA training event attended by auditors across Kent on the basics of counter fraud investigation and legislation. During 2018/19 we will work with the London Audit Group in developing training aimed at helping auditors work towards management roles.

MID KENT AUDIT

Performance Indicators

128. Aside from the progress against our audit plan we also report against some specific performance measures designed to oversee the quality of service we deliver to partner authorities. We have monthly update meetings with management to discuss service performance and audit results.
129. Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data.

Measure	2014/15 Results	2015/16 Results	2016/17 Results	2017/18 Results
Cost per audit day	Met target	Met target →←	Beat target ↑	Beat target ↑
% projects completed within budgeted number of days	47%	60% ↑	71% ↑	78% ↑
% of chargeable days	75%	63% ↓	74% ↑	74% →←
Full PSIAS conformance	56/56	56/56 →←	56/56 →←	58/58 →←
Audit projects completed within agreed deadlines	41%	76% ↑	81% ↑	87% ↑
% draft reports within ten days of fieldwork concluding	56%	68% ↑	71% ↑	80% ↑
Satisfaction with assurance	100%	100% →←	100% →←	100% →←
Final reports presented within 5 days of closing meeting	89%	92% ↑	94% ↑	96% ↑
Respondents satisfied with auditor conduct	100%	100% →←	100% →←	100% →←
Recommendations fulfilled as agreed	95%	98% ↑	98% →←	97% →←
Exam success	100%	100% →←	85% ↓	85% →←
Respondents satisfied with auditor skill	100%	100% →←	100% →←	100% →←

130. We note the continuing improvement in performance and productivity in our project reviews, while keeping high levels of satisfaction with the service.

MID KENT AUDIT

131. While we seek comments from a broad range of sources, the driver for the satisfaction numbers is responses to the surveys we circulate with each final report. Response rates to the surveys have varied over the years, but never been high. For 2017/18 we received 41 completed survey responses, including 16 from Ashford. This gives a response rate of 60%, the highest in the Partnership. We continue working with audit sponsors, recognising the many draws on their time, developing ways to gain comments on our work.

Acknowledgements

132. We achieve these results through the hard work and dedication of our team and the resilience that comes from working a shared service across four authorities.

133. As a management team in Mid Kent Audit, we wish to send our public thanks to the team for their work through the year so far.

134. We would also like to thank Managers, Officers and Members for their continued support as we complete our audit work during the year.

MID KENT AUDIT

Annex 1: Assurance & Priority level definitions

Assurance Ratings 2017/18 (Unchanged from 2014/15)

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any; recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>

MID KENT AUDIT

Recommendation Ratings 2017/18 (unchanged from 2014/15)

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

ⁱ *Ashford Old Mill* by Joshua Anderson Hague (1850-1916).

Included under Attribution-NonCommercial-ShareAlike 4.0 International Creative Commons License ([link](#)). Original image taken from ArtUK at [link](#). The image is not adapted for use in this setting.

Agenda Item 6



Agenda Item No: 6
Report To: Audit Committee
Date: 21st June 2018
Report Title: Audit Committee Annual Report 2017/18
Report Author: Alison Blake – Audit Manager

Summary:	The 2017/18 annual report of the Audit Committee in discharging the responsibilities set out in the Councils constitution.
-----------------	--

Key Decision: NO

Affected Wards: All

Recommendations:

1. That the Committee **agree** the Audit Committee Annual Report for 2017/18 (Appendix A).
2. That the Chairman of the Committee provides the report to a meeting of full Council to demonstrate how the Committee has discharged its duties.
3. That the Committee considers and comments on the briefing sessions proposed in Appendix A.

Policy Overview: N/A

Finance: N/A
Risk Assessment N/A

EIA N/A

Other Matters: N/A

Exemption Clauses: N/A

Background Papers: Audit Committee Annual Report 2017/18

Contacts: alison.blake@midkent.gov.uk Tel: (01233) 330442

Report Title: Audit Committee Annual Report 2017/18

Purpose of the Report

1. The report outlines how the Audit Committee has effectively discharged its duties during 2017/18. It provides assurance to the Council that important internal control, governance and risk management issues are being monitored and addressed by the Committee.
2. This report also proposes a selection of Member briefings that could, over the course of the next year, complement the Committee as it seeks to fulfil its responsibilities through 2018/19.

Background

3. The Audit Committee is required to monitor audit activity (internal and external), review and comment on the effectiveness of the Council's regulatory framework and review and approve the Council's annual statements of accounts and scrutinise associated strategy and policy.
4. In line with best practice the Audit Committee has produced an annual report (Appendix A). This report sets out how the Committee has discharged its duties under its terms of reference during 2017/18.

Risk Assessment

5. N/A

Equalities Impact Assessment

6. N/A

Other Options Considered

7. The production of an annual report is considered by CIPFA to represent best practice. The Committee has produced a report of this nature for a number of years.
8. No other options have been considered.

Consultation

9. The scope of the report and introduction have been shared with the 2017/18 Audit Committee Chairman for comment.
10. The content of the report follows the conventions established in previous years.

Implications Assessment

11. N/A

Handling

12. N/A

Conclusion

13. The conclusion as set out in the report (appendix A) is that the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2017/18.

Portfolio Holder's Views

14. N/A

Contact: Alison Blake – Audit Manager
Tel: 01233 330442

Email: alison.blake@midkent.gov.uk

This page is intentionally left blank



Audit Committee

Annual Report 2017/18



Introduction by Chairman of Audit Committee

The municipal year 2017/18 has been a year of change and continuing development for the Audit Committee, with me in my second year as Chairman and Councillor Barrett taking up the role of Vice Chairman. I am pleased to report the continued good work of the Committee in providing an independent review of the Council's governance.

During the year, I have built on my aim of broadening the range of contributions in the Committee. As a result officers have been presenting information to Members through a variety of means. For example, reports delivered by presentation, a covering report to help point Members towards the key considerations, and verbal updates from risk owners on strategic risks.

As a Committee, we have continued to offer robust challenge to officers, including engagement on specific areas such as recommendations from adverse internal audit reports, and the Risk Management Framework. We also noted, among the highlights, further unqualified opinions from our external auditors on our financial statements, value for money conclusion and benefits certification. Additionally, we received a positive conclusion from our internal auditors on the Council's internal control, governance and risk management.

Looking ahead to 2018/19 I am keen to embed development of the Committee, to focus our range of skills and experiences towards providing an ever more effective review of the Council's governance.

I also wish to express my thanks, supported by the Committee, to all the officers who contribute to and help us carry out our work.



Christopher Waters

*Councillor Waters
Audit Committee Chairman (2017/18)*

Introduction

Ashford Borough Council supports and understands the value and benefits of having an independent Audit Committee.

The Audit Committee is an essential check on the corporate governance framework; providing an independent and high-level overview of the internal control, governance and risk management for the Council.

The Committee monitors internal and external audit activity, reviews and comments on the effectiveness of the Council's regulatory framework and reviews and approves the Council's annual statements of accounts.

The Committee is independent from the Council's Executive and Scrutiny functions and has clear reporting lines and rights of access to discharge its responsibilities in line with its Terms of Reference (Appendix I). This includes direct access to the Council's Appointed Auditor and Head of Audit Partnership without the presence of other officers where appropriate.

The Committee is not a substitute for the Executive function in the management of internal or external audit, risk management, governance, or any other review or assurance function. It is the Committee's role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

Benefits

Effective audit committees can bring many benefits to local authorities:

- Increased public confidence in the objectivity and fairness of Council financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through the process of independent review and challenge.
- Increasing emphasis and awareness of internal control, governance and risk management.

*CIPFA's Audit Committees
- Practical Guidance for
Local Authorities*

Meetings & Attendance

The Audit Committee met five times in 2017/18:

22 June 2017	5 December 2017
11 July 2017	20 March 2018
28 September 2017	

On all occasions the Committee was quorate and able to fulfil its duties.

The Audit Committee is comprised of 8 Members whose attendance throughout 2017/18 was as follows:

Members	22 June	11 July	28 Sept	5 Dec	20 Mar
Clr Waters (chair)	◆	◆	◆	◆	◆
Clr Barrett (vice chair)	◆	◆	◆	◆	◆
Clr Buchanan	◆	◆*	◆	◆	◆
Clr Burges	◆*	◆	◆		◆*
Clr Dyer		◆	**		
Clr Shorter	◆		◆	◆	◆
Clr Sims	◆		◆		◆*
Clr Smith	◆			◆	
Clr Suddards				◆	

* Attended by another Member acting as substitute

** Member of the Audit Committee up to July 2017 then attended as a visiting Member

The Audit Committee is supported by officers of the Council who regularly attended meetings, including:

- Director of Finance & Economy (Section 151)
- Head of Finance
- Head/Deputy of Audit Partnership
- Policy & Performance Manager / Head of Corporate Policy, Economic Development and Communications
- Compliance and DP Manager
- Senior Policy Performance & Scrutiny Officer

Further support was provided to the Committee, as required, from the other officers within the Council. For example, audit sponsors and strategic risk owners.

In addition, the Council's External Auditors (Grant Thornton) regularly attended meetings of the Audit Committee during 2017/18.

All of the Audit Committee agenda papers and minutes are available on the Council's [website](#).

Business

During the year the Audit Committee has commented on, examined and reviewed the following:

Audit Activity
• Internal Audit Annual Report & Opinion
• Internal Audit Interim Report
• Internal Audit & Assurance Plan
• Property Management – Follow up of Internal Audit Findings
• Business Continuity Planning – Follow up of Internal Audit Findings
External Audit (Grant Thornton)
• External Audit Fee
• Annual Audit Letter
• External Audit Findings Report
• Certification of Grant Claims
• External Audit Progress Reports
• External Audit 2017/18 Audit Plan
Finance
• Financial Statements
• Statement of Accounts
• Corporate Enforcement & Investigations Team Annual Report
• Homes & Communities Agency 2016/17 Compliance Audit Programme
Governance
• Annual Governance Statement
• Annual Governance Statement – Progress of Remedying Exceptions
• Strategic Risk Management
• Risk Management Framework Update
• Audit Committee Report Tracker & Future Meetings

The work of the Committee during 2017/18 has resulted in recommendations which have enhanced the operation of the Committee and wider Council functions. In particular:

- Challenge and oversight on the implementation of recommendations arising from adverse audit opinions, specifically the Property Management and Business Continuity Planning internal audit reviews
- Agreed a programme of Member training to be provided during Audit Committee meetings
- Requested an Internal Audit Review of Management Team agendas

Terms of Reference

The business outlined above has been fulfilled in accordance with the Committees agreed Terms of Reference (detailed in Appendix I). The following table summarises those Terms and whether the Committee has fulfilled the functions outlined.

The Terms were reviewed as part of the 2016/17 Audit Committee Annual Report. The Committee concluded that the Terms of Reference were up to date and no revisions were made.

Audit Activity	Fulfilled by Committee?
1. Head of Internal Audit Annual Report and Opinion	✓
2. Internal Audit reports summary	✓
3. Management and performance of Audit Partnership Agreement	✓
4. Reports on agreed Internal Audit recommendations	✓
5/6. External Auditor's Annual Management Letter	✓
7. External Auditor reports	✓
8. Scope and depth of external audit work	✓
9. Appointment of the Council's External Auditor	✓
10. Commissioning of work from internal and external audit	✓
Regulatory Framework / Risk Management	Fulfilled by Committee?
1. Overview of Contract Procedure Rules and Financial Regulation	✓
2. Development and operation of elements of corporate governance within the remit of the Audit Committee	✓
3. Council policies on "raising concerns at work"	Policy approved 2015/16 Assurance obtained on how matters raised are handled
4. Annual Governance Statement	✓
5. Financial standards and controls	✓
6. External Auditor's report from Audit of the Accounts	✓
7. Ability to refer matters to the Overview and Scrutiny Committee	No referrals were made but the ability remains

Sources of Assurance

In drawing a conclusion for the year, the Audit Committee gained assurance from the following sources:

The Work of Internal Audit
The Head of Audit Partnership issued an unqualified Head of Audit Opinion for 2016/17 which concluded that the Council was operating a sound system of internal control, governance and risk management.
Throughout the year the Committee has been kept up to date with delivery of the Internal Audit plan, implementation of audit recommendations, and has been kept aware of emerging risks. On request the Committee have been provided with regular progress updates on the implementation of audit recommendations from adverse audit opinions.
The Internal Audit plan for 18/19 included a breakdown of internal audit assurance work for the coming year, and the Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.
The Work of External Audit (Grant Thornton)
The external auditors report back to the Audit Committee providing regular updates on their programme of work. During the year, the External Auditors presented an unqualified value for money conclusion and an unqualified opinion on the financial statements.
The Audit Committee has provided effective challenge to the External Auditors as appropriate and gained assurance from the reports and updates provided during the year.
Finance & Governance Reports
The Committee provided challenge prior to approving the statements of accounts and financial statements in July 2017.
Assurance is obtained from the Annual Governance Statement which the Committee reviews and approves. The statement is produced following a review of the Council's governance arrangements and includes actions address any significant governance issues identified. The Committee receives updates on progress towards remedying these issues throughout the year.
The Committee has received regular updates on the Council's strategic risk management arrangements, and provided challenge to the action for mitigating the risks.
While the Committee received a report on fraud investigations it received no updates on "raising concerns at work" (i.e. whistle-blowing) in the context of the Anti-Fraud and Anti-Corruption Strategy and the council's complaints process. The Committee did however seek and obtain assurances on matters raised by a member of the public.

Member Development

In June 2017 the Committee agreed a programme of development briefings to be conducted within each Committee meeting. Members continue to show desire to continually develop their knowledge and skills.

The training delivered in 2017/18 is outlined below:

Briefing Topic	Delivered in
Reviewing the Statement of Accounts	June 2017
Strategic Risk Management	September 2017
Audit Planning	December 2017

The table below sets out a proposal for a programme of updates and briefings that could be delivered during 2018/19. The programme themes are derived from areas recommended to be of interest to Audit Committees by CIPFA's Better Governance Forum, as adapted to the specific terms of reference at Ashford. Other areas could be added, including those of more specific local interest, or skills / knowledge development in line with CIPFA's recent position statement 2018 (see appendix II). Any of these development briefings can be added or adapted at the request of the Committee.

Briefing theme	Potential specific topics
Role of internal and external audit	<ul style="list-style-type: none"> ○ Differences in internal/external audit role ○ Assuring effective external audit ○ External auditor appointment
Internal Audit Standards	<ul style="list-style-type: none"> ○ How standards are set and monitored ○ Specific work on IA conformance
Assurance on value for money	<ul style="list-style-type: none"> ○ How external audit assess VfM conclusion ○ Measuring value for money in local government ○ Data quality and performance measurement
Reviewing the Annual Governance Statement	<ul style="list-style-type: none"> ○ The AGS within the Council's governance ○ Specific topics within the AGS ○ Comparative review of AGS across local government
Countering Fraud	<ul style="list-style-type: none"> ○ Whistleblowing ○ Investigative practice ○ Fraud risks and the Councils response ○ Governance polices
Treasury Management*	<ul style="list-style-type: none"> ○ Investment and borrowing options for local authorities ○ Prudential Code ○ Financial outlook for local authorities

* This training is delivered every 4 years by Arlingclose (last delivered September 2015)

Conclusion

The Audit Committee, in partnership with the Council's Internal and External Auditors, and with the support of Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

The Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2017/18.

Terms of Reference & Responsibilities

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process (Minute No. 408/12/06 refers).

To consider/monitor or advise the council as appropriate upon:-

Audit Activity

- Page 152
1. The Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's Corporate Governance arrangements.
 2. The summary of internal audit reports issued in the previous period.
 3. Reports on the management and performance of the Audit Partnership Agreement.
 4. Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.
 5. The External Auditor's Annual Management Letter and relevant reports.
 6. Any detailed responses to the External Auditor's Annual Letter.
 7. Specific reports as agreed with the External Auditor.
 8. The scope and depth of external audit work and to ensure it gives value for money.
 9. Liaison with the Audit Commission on the appointment of the Council's External Auditor.
 10. The commissioning of work from internal and external audit.

Regulatory Framework / Risk Management

1. An overview of the council's Constitution in respect of Contract Procedure Rules and Financial Regulations.
 2. The effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.
 3. Council policies on "raising concerns at work" i.e. whistle-blowing in the context of the Anti-Fraud and Anti-Corruption Strategy and the council's complaints process.
 4. To recommend the Authority's Annual Governance Statement for approval to the Executive. (Minute No. 531/5/10).
 5. The council's compliance with its own and other published financial standards and controls.
 6. The External Auditor's report on issues arising from the Audit of the Accounts.
 7. The ability to refer matters to the Overview and Scrutiny Committee for their consideration (Minute No. 62/6/09).
- Note:** The Overview and Scrutiny Committee has a similar provision to refer matters to the Audit Committee.

Page 153

Delegations

To exercise the powers and duties of the council relative to:-

1. The approval of the Annual Statement of Accounts in line with the statutory requirements including those relating to the publishing deadlines. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the Audit that need to be brought to the attention of the council.

This page is intentionally left blank

CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

- 1** Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2** The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3** Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
 - act as the principal non-executive, advisory function supporting those charged with governance
 - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
 - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
 - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
 - be directly accountable to the authority's governing body or the PCC and chief constable.
- 4** The core functions of an audit committee are to:
 - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
 - in relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism

- support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework
 - consider the effectiveness of the authority’s risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
 - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority’s exposure to the risks of fraud and corruption
 - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
 - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
 - review the financial statements, external auditor’s opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 5 An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
 - working with local standards and ethics committees to support ethical values
 - reviewing and monitoring treasury management arrangements in accordance with [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017)
 - providing oversight of other public reports, such as the annual report.
- 6 Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
 - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
 - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
 - unbiased attitudes – treating auditors, the executive and management fairly

- the ability to challenge the executive and senior managers when required.
- 7 To discharge its responsibilities effectively the committee should:
- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
 - be able to meet privately and separately with the external auditor and with the head of internal audit
 - include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
 - have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
 - report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

Additional guidance to support those acting as audit committee members in local authorities can be found in CIPFA's publication *Audit Committees: Practical Guidance for Local Authorities and Police* (2018), available from www.cipfa.org.uk/publications

This page is intentionally left blank



Agenda Item No: 7
Report To: **AUDIT COMMITTEE**
Date of Meeting: 21 June 2018
Report Title: **2017/2018 Annual Governance Statement**
Report Author & Job Title: Charlotte Hammersley, Compliance and Data Protection Manager

Summary: Each year the Council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for members residents, and external stakeholders the Council's approach to governance and show how the Council fulfils the principles for good corporate governance in the public sector. The AGS needs to draw conclusions, based on evidence throughout the past year, about the effectiveness of the Council's arrangements.

This year's AGS has been prepared in accordance with the Council's revised 2016 Local Code of Corporate Governance.

Our governance arrangements are well-developed and pervade all that we do in a variety of forms, but they also evolve. Their various components are subject to ongoing development, with principal developments summarised in the AGS.

In conclusion governance arrangements remain appropriate, effective and adaptive to change as circumstances dictate.

Purpose of the report:

1. To provide the Audit Committee with assurance on the effectiveness of the council's governance arrangements over the last year.
2. To provide details of those additional areas where the organisation's governance will develop further over the forthcoming year.
3. Once approved, the Annual Governance Statement is signed by the Leader and responsible officer, and included alongside the council's Statement of Accounts.

Recommendations: **The Audit Committee is asked to:-**

- I. **Approve the 2017/18 Annual Governance Statement**

Contact officer: charlotte.hammersley@ashford.gov.uk

This page is intentionally left blank

2017/18 Annual Governance Statement

Scope of responsibility

1. Ashford Borough Council is responsible for ensuring its decisions and business are conducted according to the law and proper standards. The Council must ensure public money is safeguarded properly accounted for and that all resources are applied efficiently and effectively in order to secure best value for its residents and taxpayers.
2. Good governance is fundamental to achieving the Council's responsibilities. The Annual Governance Statement reports on the extent of the Council's compliance with its principles of good governance. The Statement explains the effectiveness of the governance arrangements for the year ending 31 March 2018 and sets out any action for planned improvements in the coming year. This statement provides assurance to the council and its stakeholders that good governance arrangements are in place.
3. In 2016 the council adopted an updated Local Code of Corporate Governance, which follows principles contained in national guidance and produced by CIPFA and SOLACE:

[Local Code of Corporate Governance](#)

4. The Local Code is underpinned by a framework of policies, procedures, behaviours and values by which the council governed. The documents that make up this framework provide Members and officers with effective tools to ensure good governance across the organisation.
5. This statement sets out how the Council has demonstrated good governance that meet the core principles within the Local Code of Corporate Governance. These core principles within the Local Code are:
 - A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - B) Ensuring openness and comprehensive stakeholder engagement;
 - C) Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - D) Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- F) Managing risks and performance through robust internal control and strong public financial management
 - G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability
6. The Code encourages the Council to test its practice against these principles, and prepare an Annual Governance Statement in order report publicly on the extent to which they comply within their own arrangements in the year, and on any planned changes for the coming year.
 7. This Statement takes each of the Code's principles in turn and explains the authority's compliance and performance together with any improvements that need to be made in the year ahead.
 8. The Statement also explains how the council is dealing with improvement areas identified in last year's Annual Governance Statement.

Purpose of the governance framework

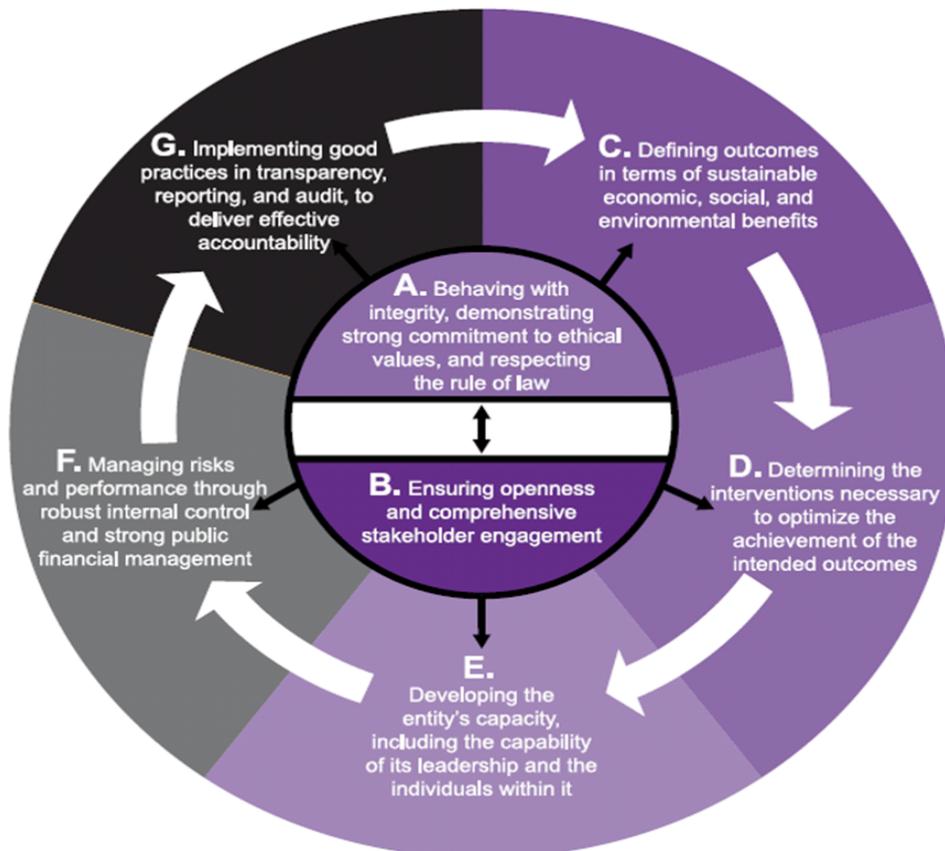
9. The governance framework comprises the systems and process, and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.
10. Good governance inspires public confidence. It provides the basis for public assurance that Council decision are taken for the right reasons, that quality of service is protected as far as reasonably practicable, and that public money is wisely and effectively spent. In these times of tight resources and uncertain economic conditions, risks are more obvious. Our governance helps to focus on key controls and those risks are considered more critical to achieving the Council's strategic goals.
11. This Statement also allows the Council to meet the requirements of the Accounts and Audit (England) Regulations 2016, to prepare and publish an Annual Governance Statement to accompany the latest Annual Finance Report.

Our core principles for good corporate governance

12. The core principles which underpin our governance, and this Statement, were agreed in June 2016 as part of the council's Local Code of Corporate Governance, *Delivering Good Governance in Local Government 2016*.

13. The main principle underpinning this Local Code is that it positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures.

14. As such, the Local Code sets out the component parts the Council seeks to demonstrate in order to show good governance. The AGS does not restate these principles in full, but the diagram below highlights the key components, and how they relate to each other –



15. The diagram makes it clear that good governance is dynamic, and that the Council should be committed to improving governance on a continuing basis through a process of evaluation and review.

16. The principles form the framework for this Statement's appraisal of the effectiveness of our governance arrangements over the last twelve months.

Dealing with last year's key improvements areas

17. The 2017/18 Annual Governance Statement identified three key improvement areas. Progress on remedying these governance exceptions was reported to the Audit committee on a quarterly basis throughout the year.

Modern.Gov

18. Modern.Gov is a software system which provides an easily accessible central source for information relating to the council's decision-making, including meeting management, committee work programmes and report management. Modern.Gov allows for agendas, minutes committee details, declarations and decisions to be accessed online instead of being produced in paper format.
19. The system is now live on both the Council intranet and website, with documents for all meetings uploaded via Modern.Gov as standard. The previous in-house system (covering former committees not listed on Modern.Gov) remains active on both the intranet and website whilst historic agendas are uploaded to the system.
20. There is scope for further development of Modern.Gov which is dealt with in paragraph 45.

Transparency Code

21. The council's compliance with the requirements of the Transparency Code 2015 have been reviewed on an ongoing basis to ensure that published data complies as far as possible with the Code. Areas of non-compliance around the council's land data have been addressed with publication of records to the council's website. A further upload of this data to the central government electronic Property Information Management System (ePIMS) is being undertaken in conjunction with Kent County Council.
22. Monitoring of compliance with the Transparency Code remains ongoing, and as datasets are updated, efforts will be made to ensure that accessibility is maximised through maintenance of the existing dedicated transparency web page and uploading documents as machine-readable CSV files.

Peer Challenge

23. Peer Challenge is a process by which a small team of senior councillors and officers from other local authorities are invited to look at the council's systems, processes and outcomes, and to make recommendations about what might be further reinforced or improved. Peer Challenge is not an inspection but an opportunity for the council to assess itself by getting valuable external feedback from experienced colleagues in local government.

24. The Council hosted an all council Peer Challenge between the 16th and 19th April 2018. During that week, the Peer Challenge Team:

- Tested our understanding of the borough with regard to our priorities and visions for the future.
- Looked at the council’s leadership and relationship between its Members, officers and partners
- Tested the council’s financial plans to ensure long-term viability
- Assessed the council’s governance arrangements and ability to implement change successfully
- Looked at the effectiveness of the council’s structure.

25. The next step will be to take forward the outcomes of the Peer Challenge which is dealt with in Paragraph 85.

Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sources of Assurance

Behaving with Integrity	
	Members’ Code of Conduct
	Annual staff performance appraisals
	Declarations of interest made at meetings
	Standards Committee
	Up-to-date register of interests & hospitality
	Up-to-date Whistleblowing policy
	Up-to-date Anti-Fraud and Corruption policy
	Up-to-date Complaints policy
	Open and accessible public meetings
Demonstrating strong commitment to ethical values	
	Constitution
	Staff recruitment, retention policies
	Staff competency framework
	Up-to-date procurement policy, including social value
Respecting the rule of law	
	Constitution
	Job descriptions for all staff and Portfolio Holders
	Support provided for all committees
	Monitoring Officer
	Committee Terms of Reference
	Cabinet report template

Behaving with integrity

26. The Council's current code of conduct for councillors was adopted on 20 July 2012 and has since been the subject of minor amendments. This code is based on Localism Act principles and was developed as a collaborative project by Kent Monitoring Officers in consultation with task groups of councillors within individual councils. The vast majority of district and parish councils in Kent have adopted this "Kent Model Code of Conduct".
27. Complaints activity has been very low since adoption of the new code of conduct in 2012. Indeed up to the end of 2016, no complaints had been referred for formal investigation. The Monitoring Officer's Annual Report for 2017 referred to an increased level of code of conduct complaints arising during the year and involving both borough and parish councillors. The first formal complaint under the Council's adopted Good Practice Planning Protocol was also dealt with during the year. The report highlighted the fact that the increased use/misuse of social media by councillors was a factor and had given rise to complaints about personal remarks and/or defamatory attacks. The Council's Standards Committee responded swiftly and has asked the Monitoring Officer to prepare a social media Guidance Note for councillors to provide advice on risks, best practice etc. An amendment to the Code of Conduct has also now been agreed by the Council and these changes will now be taken forward and put in place in good time for the next Council.
28. All council meetings and agendas include an early item seeking declarations of interest and the type of interest. Ad hoc advice on interests is regularly sought from the Monitoring Officer and his staff by borough councillors and parish clerks/councillors. This process continues to demonstrate a culture of compliance with the code of conduct in relation to interests and a good general level of understanding by borough councillors and desire to comply with the Code of Conduct and Planning Protocol.
29. All new staff and members receive induction and training upon arrival. For staff, the induction pack includes both a copy of the staff Code of Conduct, and the council's customer service values. These, as part of an overarching customer care policy, were updated during the year.

Demonstrating strong commitment to ethical values

30. The council's shared corporate values – Ambitious, Creative and Trustworthy – were adopted in August 2017. The values were informed by consultation with all staff and are now fully embedded within the organisation with briefings to Managers and all staff and have been incorporated into the appraisals process. The appraisals process was audited during the course of 2017/18 and was provided with a Strong assurance rating.
31. The annual appraisal process is also based on a 'Competency Framework' agreed in December 2014 which sets out key behaviours that if demonstrated by staff will contribute to the success of the council's long term aspirations. Key agreed competencies including:

- a) Inspiring trust by demonstrating honesty and integrity
- b) Treating others with respect and dignity at all times, ensuring that there is no discrimination regardless of background.

32. The corporate training programme demonstrates the council's strong commitment to ethical values with topics in the 2017/18 training programme including managing mental health.

Respecting the rule of the law

33. As a statutory body the Council's structures for decision-making, its rules and its processes are influenced by legislation and associated regulatory needs. A fundamental part of our governance, therefore, is the Constitution. An important aim of the Constitution is to reinforce the principle of members and officers working together, and in partnership with others, to achieve common goals.

34. The Constitution is a legal requirement and sets out how the Council runs, how it should make decisions and the guidance it should follow to ensure these are efficient, transparent and accountable to local people. Some of these processes are needed by law, while others were chosen by the Council.

35. It has several chapters, which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are set out in accompanying rules and protocols.

36. Parts of the Constitution are periodically reviewed to ensure the Council's arrangements remain relevant. Thus, changes are made as necessary to ensure our arrangements support effective performance of our responsibilities to residents and taxpayers, whilst fully supporting effective achievement of the Council's aims. The Constitution was formally amended in May 2017 to include the role of the Deputy Portfolio Holder'. These deputies are able to substitute for the Portfolio Holder in their absence, increasing resilience within the Cabinet.

The principal features of the Constitution



37. The most effective way to deliver cost effective services is for officers and members to work together with our partners to agree and achieve a common goal. A number of working groups or advisory committees comprising officers and members have met during the year to steer and monitor progress of high profile projects and services delivery.

38. All working groups have clear objectives which are set out in the terms of reference. This year, new working groups relevant to achieving the council's objectives have been instigated covering a range issues. For example, the IT and Digital Transformation Advisory Committee which oversees the council's Digital Delivery project, IT developments and the General Data Protection Regulation action plan.

Principle B – Ensuring openness and comprehensive stakeholder engagement

Sources of Assurance

Openness	
	Annual Report
	Council tax information available online
	Corporate Plan setting goals
	Sustainable Community Strategy
	Residents' Survey (2018)
	Quarterly Resident's magazine
Engaging comprehensively with institutional stakeholders	
	Communications Strategy
Engaging stakeholder effectively, including individual citizens and service users	
	Communications Strategy

Other Sources of Assurance

Openness

39. In December 2015, the council agreed a new Corporate Plan – “The Five Year Corporate Plan – for Aspiration, Action and Achievement”. This sets out what the council aims to achieve in the following priority areas –
- Enterprising Ashford – economic growth and investment
 - Living Ashford – quality housing and homes for all
 - Active and Creative Ashford – healthy choices through physical, cultural and leisure engagement
 - Attractive Ashford – countryside and townscape, tourism and heritage.
40. The Corporate Plan is publically available on the council's website and has been subject to regular scrutiny by the Overview and Scrutiny Committee – primarily through quarterly performance reports.
41. The Annual Report is a user friendly document which is aimed at keeping residents, partners and stakeholders informed of achievements made by the council and its key partners during the year. The Report explains performance against the council's key priorities and includes a financial summary.
42. All member decisions across the formal and democratic decision-making process are published under statutory requirements. There is a presumption that information and decisions are taken in public, but occasionally (under access to information regulations) some information is regarded as 'exempt' and not published. However, the council aims as far as is possible, to keep this type of information and decisions to a minimum.

43. Following questions over the council's commercial approach raised by Members during scrutiny of the council's draft 2018/19 budget, the council presented an open report on commercial investment and property acquisitions to the Overview and Scrutiny Committee in April 2018. Whilst commercial confidentiality required the exemption of a small number of papers, the key driver for reporting was transparency, with significant information presented in the public domain for open discussion.
44. The agendas, minutes and background papers of all committees (other than those which are exempt) are published on the council's website. In areas, such as Planning, where important decisions are also taken by officers, decision notices are also published.
45. As previously mentioned in the section explaining how last year's identified key improvement areas have been dealt with, Modern.Gov is now live making it easier for Members, officers and members of the public to access minutes and agendas online. Modern.Gov can be utilised further to strengthen the council's governance arrangements. **All Member meetings are now available on Modern.Gov but in order to further improve the accessibility of all decisions this should now be extended to include Management Team meetings (for access by officers) and the recording and publishing of officer decisions taken under delegated powers.**
46. For staff, various internal communications are used to promote awareness of the organisations overarching priorities, including the on-line monthly staff magazine, Root and Branch, and the Chief Executive's periodic 'walk about' briefings. A monthly Corporate Management Team meeting is an opportunity to brief managers on topical matters with 10 minute briefing items aimed at raising awareness.

Engaging comprehensively with institutional stakeholders

47. The Ashford Strategic Delivery Board ensures effective and timely delivery of key projects and includes local partners engaged in delivering agreed priorities. Continued progress towards key actions is monitored by the Strategic Co-ordination Team whose membership comprises high-level officers stakeholder organisations. Quarterly updates report on progress towards key actions and the different stakeholders work together to address any barriers to progress when they emerge.
48. The council is also an active member of the Ashford Health and Wellbeing Board and Community Safety Partnership; which both bring together local partners to deliver shared outcomes. These both met regularly during the year; and are attended by both senior officers and the relevant Cabinet portfolio holder.
49. Ashford Borough Council and Kent County Council work in accordance with an agreed 'District Deal' which is unique within the county. This Deal provides a

statement of the two council's shared commitment to work together to deliver the council's priorities and better quality outcomes including the 'Big 8' projects and future service improvements. The two Council's refresh the District Deal at the start of each year to set the shared priorities for the year ahead.

50. The Clinical Commissioning Group attended a meeting of the Overview and Scrutiny Committee in March 2018 to discuss their estates strategy and sustainability and transformation plan. The Overview and Scrutiny Committee also met with providers of youth engagement services including voluntary sector providers.
51. The council sponsored a Health and Wellbeing Symposium which aimed to promote good practice in the workplace and community to a variety of stakeholders.
52. The council is part of the Kent and Medway Information Sharing Partnership and has been an active member in working with partners including other local authorities, health and the police to update its information sharing protocol in light of the of the General Data Protection Regulation which came into force in May 2018.
53. The council is an active participant in the Ashford and Canterbury Dementia Action Alliance which meets on a quarterly basis.

Engaging stakeholders effectively, including individual citizens and service users

54. A residents' survey was conducted in March 2018 with surveys being issued to 10,000 households. There was a positive response rate to the survey with over 20 per cent of the surveys completed. The survey results are currently being analysed and will contribute to shaping the council's future priorities and service provision.
55. The council has recently introduced a new quarterly residents' magazine which is distributed to every household in the borough. The aim of the magazine is to improve communication and engagement with residents. As well as updates on developments, the magazine contains features and important information on council services and activities as well as highlight upcoming events in the borough.
56. The council's equalities objectives commit the organisation to working "with Ashford communities to tackle disadvantage and discrimination through consultation and involvement, whilst utilising councillors' personal knowledge and understanding of their communities."
57. The Impact Assessment template used with all Cabinet reports enables report authors to highlight engagement and insight from services users when asking decision-makers to agree amended policies.

58. Consultation and engagement with residents and communities have also continued on specific issues and projects including:

- Following the original consultation on the draft Local Plan in 2016, a series of main changes were made to the plan which were subject to a further consultation in 2017. As well as an online consultation, a number of drop in events were held throughout the borough to obtain resident and stakeholder feedback.
- Chilmington Green Community Strategy.
- Neighbourhood Plans proposed for local areas as they emerge.
- Future improvements to Victoria Park
- Indoor sports facilities strategy

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

Sources of Assurance

Defining Outcomes	
	Five Year Corporate Plan
	Service Planning
	Risk Management Framework
Sustainable economic, social and environmental benefits	
	Medium term Financial Plan – Capital Programme and Investment Strategy
	Records of key Cabinet decisions and supporting materials
	Equality Objectives ensure fair access

Other Sources of Assurance

Defining outcomes

59. The council’s strategic outcomes are set out in the Corporate Plan 2015-2019. The Corporate Plan sets out the council’s aims to become financially self sufficient in order to achieve long term sustainability so the council can continue to deliver benefits and outcomes to citizens.
60. During 2017/18, the council measured the outcomes delivered through a quarterly performance ‘dashboard’. The online system provided trend data and contextual information alongside the progress made in delivering the council’s corporate objectives.
61. Over the past year, the Council has reviewed its performance monitoring arrangements. A new performance management framework has been derived to reconcile key performance indicators, service level data and contextual measures over which the council has relatively little control (such as educational attainment and workplace earnings) for recording the council’s performance from 2018/19 onward.
62. In order to ensure a closer link between performance data, risk and programme management, performance data will be migrated from the current dashboard (Socrata) to the council’s existing programme and risk management system (Pentana). This will allow Heads of Service to integrate performance data into the service planning process.
63. Under the new framework Cabinet and Overview and Scrutiny will continue to receive quarterly update reports on key performance indicators directly related to

the council's corporate plan, whilst various contextual measures will be compiled into a 'Borough Profile' to be reported on annually.

64. A new Performance Management Board will be created at Management Team level to review service performance on a monthly basis, allowing for the identification of any capacity issues within services and identify existing resources which can be deployed across services and directorates where possible to address these issues.
65. A number of new key performance indicators have been identified by services for inclusion in the new framework. 2018/19 will form the baseline year for future reporting.
66. The Council combines programme management with service planning to balance demands and priorities. The potential benefits and outcome of any new project have to be tested against corporate objectives and the resources available to support the delivery of the project.
67. During the course of 2017/18, the Council in collaborating with the Mid-Kent Audit Partnership reviewed its risk management framework to ensure that all risks are managed at an appropriate level whether they be strategic, delivery, financial or compliance risks. The Cabinet have approved the new framework and the risk appetite set out within it and a new Corporate Risk Register based on the framework will be monitored regularly by the Audit Committee.

Sustainable economic, social and environmental benefits

68. The Council's Project Initiation Document requires consideration to be given to the economic, social and environmental benefits of potential projects.
69. The council's aim to become financially self sufficient by making commercial investment that deliver a return to underpin the council's medium term financial plan demonstrates its ability to take a longer term view whilst managing risk.

Principle D – determining interventions necessary to optimise the achievement of the intended outcomes.

Sources of assurance

Determining interventions	
	Cabinet reports include options appraisals
	Medium-Term Financial Plan
Planning and programming Interventions	
	Five Year Corporate Plan
	Cabinet forward plan
	Risk management Framework
	Service planning aligns budgets, plans and objectives
	Communications Strategy
	Business Continuity Plans
	Emergency Plan
Optimising achievement of intended outcomes	
	Procurement Strategy includes Social Value

Other Sources of Assurance

Determining Interventions

70. Cabinet Members hold regular forward planning to consider progress against the Corporate Plan and looking ahead to determine the strategic issues facing the organisation to inform any interventions that may need to be made.
71. The Council’s Directors meet on a fortnightly basis to consider strategic issues and respond to risks and changing circumstances as they emerge in an agile way.

Planning for interventions

72. The remit of Management Team now has a greater focus on strategic issues and corporate governance matters. A detailed forward planning schedule has been developed which has provided an enhanced focus on proactively monitoring corporate governance issues.
73. As part of this forward planning approach and following on from the appraisal process a need was identified for specialist Contract Management training, reviewing the maintenance of the contract register and the corporate approach to contract management. As a result, expert consultants were commissioned in late 2017 to develop a training programme for relevant staff on Contract Management

and to undertake a review of the council's contract register and Contract Management processes. **Following this review, a project plan has been agreed incorporating a number of measures to provide greater capacity and synergy with the procurement function, improved processes and performance and better governance around Contract Management. It is intended that implementation of this plan will be followed up internal audit at the end of the process.**

74. The council's Management Team consider the progress made against projects on a quarterly basis to identify any barriers to delivering the council's objectives and appropriate measures that should be put in place to overcome them.
75. Risks are monitored regularly at a service level and Management Team consider service risks on a quarterly basis to determine any controls or actions that need to be put in place to mitigate risk. The council's risks are now monitored using risk management software which provides a clear audit of risk profile over time so that trends can be analysed.
76. Last year Business Continuity went through an internal Audit process which started in March 2017. 12 recommendations were made which ranged in priorities from high to low. The overall result was a Weak assurance rating, but by using the Audit recommendations and action plan the council swiftly turned it around and actioned all 12 within a short period of time. Once all the updates were finally submitted to Audit the assurance rating was reassessed and given a Sound assurance rating.
77. Emergency Planning has faced a year of national and local emergencies. All the emergencies from the Grenfell Tower incident, to the 'Move to Critical' and the Lighting roof fire in Stanhope have had a positive outcome due to the future learning points. It has had huge benefit of raising the profile of Emergency Planning and highlighting the importance of the role. Taking this on board, the council will be working closely with the Kent Resilience Team to deliver future training to Members and staff within the Emergency Plan.

Optimising achievement of intended outcomes

78. A public consultation on the draft budget is held each year.
79. The Budget Scrutiny Task Group scrutinises whether the draft budget is sound and achievable. In doing so, the Task Group assesses individual service plans and risks against the draft budget proposals. The Task Group produces a report with recommendations to the Cabinet.
80. Human Resources oversee the councils approach towards workforce and capacity planning including regular appraisals and the provision of relevant training and development activity.

81. Training needs are identified through the appraisals process from which an annual corporate training programme is developed. Compliance with the council's mandatory training programme (including topics such as the General Data Protection Regulation and Business Continuity), is closely monitored. Any areas of non-compliance are reported to the council's Management Team on a regular basis.
82. Personal development planning toolkits are available to all staff through the intranet and e-learning staff development portal (Ashford Achieve).

Developing the entity's capacity

83. A new senior management structure was introduced towards the end of 2017 which sought to enhance cross functional working, improve resilience, increase capacity at a senior level and ensure that the right skills were in place to deliver the council's intended outcomes.
84. The council has embarked on a digital delivery project. A new Customer Relationship Management system has been produced and is being developed to improve the customer journey. Digitising certain transactions is also expected to release capacity within the organisation. An early achievement in the last year has been moving the paper-based process for managing garages online whereby the customer can now apply for a garage and manage their account online. The Digital Delivery Team have audited the processes within all services and are now developing a programme to take forward further initiatives.
85. As mentioned in the section explaining last years' key improvement actions, the council hosted an all council Peer Challenge in April 2018. **The Peer Challenge Team have very recently produced a report which has set out areas of focus for the council's consideration. The council's management team and political leadership will be reflecting on these findings, following which an action plan will be developed to implement learning from the Peer Challenge experience.**

Developing the capability of the entity's leadership and other individuals

86. The Council is committed to identifying and fulfilling the learning and development needs of members and officers. As community leaders, it is vital that our councillors are supported to be as effective as possible. Members' training needs are considered through a Member Training Panel. These needs are recognised as an important issue to develop and the issue is recognised as one of our strategic risks. Focusing on this is particularly important given the changes in external influences (the results of economic factors and government policies) and the breadth and complexity of some issues facing the Council and its members. The following training session have been delivered for Members during 2017/18:

- Data Protection

- Chairmanship Skills
- A Tour of Completed Development
- Licensing Act Training for Committee Members
- Emergency Planning and Business Continuity
- Safeguarding
- Specific Training for new Planning Committee Members

87. The council is embracing digital technology to provide more effective support to members. In addition to the roll out of Moden.Gov, approximately 25 Members are 'early adopters' of tablet technology enabling them to access minutes and agendas in a paper free way at meetings.

88. Members played a key role in the Peer Challenge process. There was a Cabinet workshop, the Peer Team held focus groups with backbenchers, members of the opposition and the Chair and Vice-Chair of the Overview and Scrutiny Committee.

89. The council holds an annual Workplace Wellness Week with a programme of events and initiatives such as fresh fruit and nutrition, mental health and financial health workshops, bike checks and lunchtime runs.

Principle F - Managing Risk and Performance through robust internal control and strong public financial management

Sources of Assurance

Managing Risk	
	Agreed risk management framework
	Risks regularly considered by Audit Committee and Management Team
Managing Performance	
	Quarterly performance reporting, including to Overview and Scrutiny
	Publication of all public committee minutes and agendas
	Active Overview and Scrutiny Committee
Robust internal control	
	Internal and External Audit plans and reports
	Effective, resourced Internal Audit function
Managing data	
	Designated Data Protection Officer
	GDPR Action Plan
	Data Protection Impact Assessment
	Quarterly budget monitoring reports to Cabinet

Other Sources of Assurance

Managing Risk

90. As noted in principle C, the council has revised its Risk Management Framework during 2017/18. The new framework broadens the scope of the council's Corporate Risk Register and provides a clear governance structure for how risks should be identified, monitored and mitigated against.
91. As the framework articulates risks and internal controls are identified each year as part of the service planning process to ensure that any potential risks to achieving the outcomes sought are identified and mitigated against. These risks are regularly monitored and any new risks that emerge are included on the corporate risk register together with those identified at the outset. Each risk has a 'risk owner' to ensure that responsibilities are clearly articulated.

Managing Performance

92. As noted in principle C, the council has revised its performance management framework to provide a clearer picture of the interdependencies between programme and service actions, performance and risk.
93. The performance of individual projects is monitored through the council's project review document and lessons learnt are shared with the council's Management Team as part of the Programme Management report to ensure any lessons learnt are shared.

Managing Data

94. The suite of data protection policies introduced in 2016 are fully embedded and all staff trained on these policies. Over the course of 2017/18, the council has been getting ready for the General Data Protection Regulation (GDPR) coming into force on 25 May 2018 which has included an extensive range of activities including introducing and updating data protection policies, workshops with individual services and reviewing the council's privacy notices.
95. A Data Protection Impact Assessment Template (DPIA) has been introduced to assess any data and privacy risks that may exist when undertaking a new project or new way of delivering a service. The DPIA forms part of the corporate Project Initiation Document to ensure that appropriate technical and organisational measures are in place when carrying out data processing activity.
96. All staff have completed online GDPR training and those that process larger quantities or special categories of personal data have also been required to undertake additional face-to-face session.
97. A corporate retention schedule has been completed setting out the time periods

for retaining all data assets. This is a live document which will need to be regularly reviewed and updated.

98. An Information Governance Group has been introduced and met regularly in 2017/18. The Group brings together key officers involved in managing and protecting data. The Group has been overseeing the GDPR action plan.

Strong public financial management

99. The Council is required to follow statutory guidance for the publication of its accounts. Each year, this guidance is reviewed and updated, and this is reported to the Audit Committee. This informs members of any updates on the Council’s accounts for 2017/18, and on the lessons learnt from the accounts process in 2016/17. During the past year, the council learnt that it had been the first in the country to submit its accounts, a notable achievement.

Principle G – Implementing good practice in transparency, reporting and audit to deliver effective accountability

Sources of assurance

Implementing good practice in transparency	
	Annual Report
	Accessible website
	Transparency page
	Publications Scheme
Implementing good practice in reporting	
	Annual Report
	Annual financial statements
	Annual Governance Statement
Assurance and effective accountability	
	Head of Internal Audit
	Quarterly update on governance exemptions to Audit Committee
	Sustainable Community Strategy

Other Sources of Assurance

Implementing good practice in transparency

100. The council has a continued commitment to transparency and meeting relevant legislative requirements. Data published under the Governments Transparency Code is available on the transparency pages of the website. These data sets include council spending, salaries, fraud outcomes and more recently the gender pay gap.

101. The Transparency pages also explains the Publication Scheme which details the different classes of information that are routinely made available; Freedom of Information, Environmental Information and Subject Access Requests. Also available, is a comprehensive list of the council's policies and strategies which govern the way in which members and staff operate.

Implementing good practice in reporting

102. Staff have continued to use the Cabinet report template which was updated the previous year to ensure consistency of reporting across the organisation and that the implications of any matter are fully considered.

How effective is our governance in meeting these principles?

103. The assurances noted above – both the component ‘sources’ and the other developments made within the year – provided a comprehensive overview of the council’s governance framework.

104. **Generally these arrangements work well for the Council and allow it to uphold good standards of accountability and effectiveness.**

Additional Governance Areas

105. We do not consider that there have been any significant governance issues arising in 2017/18. However the actions detailed below are in place to maintain good governance arrangements throughout 2018/19.

106. These are in bold within the report, with a short action plan summarised below –

Governance Area	Responsible Department	To be delivered by
Extend the use of Modern.Gov to include management team meetings and officer delegated decisions taken	Legal and Democratic Services	December 2018
Development of an action plan arising from the Peer Challenge review	Directors / Management Team	September 2019
Implementation of the Contract Management project plan	Legal and Democratic Services	March 2019

107. Through further action during 2018/19 in the areas noted above, the council's overall governance arrangements will remain strong – and indeed will strengthen further.

108. These developments will be monitored regularly and reported on to the Audit Committee quarterly, and will be considered fully within the next Annual Governance Statement.

Head of Internal Audit Opinion

Scope and time period

1. I provide this opinion to Ashford Borough Council (the Council) to inform its Annual Governance Statement, as published alongside its financial statements for the year ended 31 March 2018.

Scope limitations

2. The role of internal audit need not be limited to assurance and extend towards consultancy, advice and strategic support. We have agreed with the Committee the overall scope of our work in our *Internal Audit Charter* and the specific scope of our work this year in our approved *Internal Audit & Assurance Plan 2017/18*.
3. However our audit plan cannot address all risks across the Council and represents our best use of inevitably limited resources. In approving the plan, the Committee recognised this limit.
4. Beyond this general disclaimer, I have no specific limitations of our scope to report to the Committee.

Consideration of work completed and reliance on other agencies

5. I have drawn my opinion from the work completed during the year, as first set out in the plan approved by Members on [21 March 2017](#) and later developed in line with emerging risks and priorities. The rest of this report sets out the work and my findings in greater detail.
6. In completing my work I have placed some specific reliance on one external source. The Council commissioned work from SCMG to assess its contract management arrangements. The Council accepted the conclusions of that report and have resolved to act on its recommendations. As a consequence I did not proceed with my own planned work on contract management, but will re-examine the area once the Council has changed its arrangements.

Information supporting the opinion

7. The remainder of this report summarises the work completed in delivering the internal audit plan through 2017/18.
8. My opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Where risks identified by the Council do not fall within the scope of our coverage I am satisfied an assurance framework exists to provide reasonable assurance on effective management.

Risk and control framework

9. The Council is responsible for ensuring it undertakes its business within the law and proper practices. The Council must also ensure it safeguards and properly accounts for its resources, using them economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to seek continuous improvement in exercising its roles.
10. The Council has described key aspects of its internal control and risk management within its [Local Code of Governance](#) and its [Risk Management Framework](#).
11. Internal controls are designed to manage to an acceptable level rather than remove the risk of failing to achieve objectives. So, it can only provide reasonable and not complete assurance of effectiveness. Internal controls are a continuing process designed to identify and set priorities around the risks to the Council achieving its objectives. Internal controls also evaluate the likelihood of those risks coming about and managing the impact should they do so.
12. In completing our work we have had regard to the control environment and objectives in place at the Council.

Conformance with standards

13. Mid Kent Audit has conducted its work following the Standards and good practice as represented in our internal quality assurance. This includes include working to an agreed audit manual with satisfactory supervision and review.
14. Our annual review confirms the service remains in full conformance with the Standards, as advised by our external quality assessment from the Institute of Internal Audit in 2015. We are next due an external quality assessment by 1 April 2020.
15. We describe later in this report our efforts towards continuing improvement and the results of our Quality and Improvement work.

Overall conclusion

Internal Control

16. I am satisfied that during the year ended 31 March 2018 the Council managed a system of internal control that offers sound assurance on control effectiveness.

Governance

17. I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2018 comply in all material respects with guidance on proper practices^[1].

Risk Management

18. I am satisfied the risk management arrangements at the Council for the year ended 31 March 2018 are effective and provide sound assurance.

Other Matters

19. I have no other matters to report as part of my opinion.

[signed]

Rich Clarke CPFA ACFS
Head of Audit Partnership

7 June 2018

^[1] "Proper practices" are defined by CIPFA/SOLACE and set out in [Delivering Good Governance in Local Government Framework](#) (2016).

Agenda Item 8



Agenda Item No:
Report To: Audit Committee
Date of Meeting: 21 June 2018
Report Title: Corporate Risk Register – update June 2018
Report Author & Job Title: Charlotte Hammersley, Compliance and Data Protection Manager
Portfolio Holder: Cllr. Neil Shorter
Portfolio Holder for: Finance and IT

Summary: Twice a year the Audit Committee considers the council's corporate risks and is asked to note the updated assessment and to agree the adequacy of key controls to manage the risks. This report fulfils those obligations.

Since the last update, the council's Cabinet adopted a new Risk Management Framework at its meeting on 11 April. This Corporate Risk Register is based on that Framework.

Recommendations: **The Audit Committee is recommended to:-**

Consider the Corporate Risk Register and agree the assessments and the adequacy of key controls to manage the risks.

Policy Overview: Risk Management Framework
Financial Implications: None at this stage
Legal Implications: None at this stage.

Equalities Impact Assessment: Not Required because equalities issues are assessed at the point the project or service the risk relates to are incepted.

Exempt from Publication: **NO**

Background Papers: **Risk Management Framework**

Contact: charlotte.hammersley@ashford.gov.uk – Tel: (01233 330878)

Report Title: Corporate Risk Register – update report June 2018

Introduction and Background

1. Twice a year the Audit Committee considers the council's Corporate Risks and risks management processes. This report is an update report providing the latest information on the council's Corporate Risk Register.

The Corporate Risk Register is set out at Appendix A.

Proposal/Current Position

2. Since the last update, the Cabinet has approved a refreshed Risk Management Framework which was developed in conjunction with the Mid-Kent Audit Partnership. The Audit Committee received a presentation on the new Framework at its last meeting in March 2018.
3. The Corporate Risk Register provides details of the council's key risks that could, if untreated, impact on the council's Strategic aims, Financial position or Compliance with the law. Operational risks are monitored regularly by individual services and the council's Management Team on an exception basis. Any risks that become of strategic significance are also reported to this Committee.
4. The Corporate Risk Register is linked to the risk appetite statement which is contained in the Risk Management Framework. The statement is designed to inform decision making about the amount of acceptable risk within which the council chooses to operate. Risks that fall outside of the council's appetite are reported to the Audit Committee. The appetite statement sets out that the council has a moderate appetite to strategic risks, a low appetite to financial risks and a very low appetite to compliance risks. The Corporate Risk Register is informed by those risks that are above the risk appetite levels set.
5. Set out at Appendix A are details of the risks including the current Corporate Risk Register which provides details of individual risks and an explain the current position or any further action that may need to be taken to manage the risk.

This report highlights any changes to the risk profiles since they were originally gathered during the service planning process and provides details of any new risks that have been included on the register and those that have been managed down to a level where they no longer require reporting on.

Strategic Risks

Increased risk profiles

6. Whilst the Ashford International Signalling project completed to project timescales and the new service launched, the service had to be suspended due to a technical issue which provides an increased risk of trains not being able to access the station.
7. The risk of a successful cyber attack has increased slightly to reflect central government and law enforcement agencies response to increased threats from Russia and recent events. Safeguards are in place including regular external auditing of out IT systems and their vulnerabilities. The council's information security policies are also to be reviewed to ensure they reflect the latest practices.
- 8.

Reduced risk profiles

9. The delivery of Junction 10a had originally been identified by the service as a high risk but this has now reduced as the project is being delivered on the ground. As the risk is now within tolerated levels it does not feature on the register this time.
10. Similarly, the risk of delays to the Local Plan being adopted has reduced as the examination phase as commenced so this has also been demoted from the Corporate Register.

Financial Risks

Reduced risk profiles

11. The changes to accounting standards which required the council to record all losses through income and expenditure would have had potential for temporary losses to be show affecting the council's investment decisions. However, the likelihood of this occurring has now reduced as. Following a consultation it is now expected that a statutory override will be implemented along with the changes which will allow the council to continue with current arrangements.

Compliance Risk

Reduced risk profiles

12. No significant vulnerabilities were found during the recent IT health checks so the risk of not achieving the annual Public Service Network Code of Compliance has reduced. There have also been no vulnerabilities found during the recent tests on our IT systems to ensure payment card details are handled correctly so this risk has also reduced.

13. The memorial headstone inspection programme has made significant progress and mitigations have been put in place which has lowered this potentially high impact risk.

Emerging risks

14. Whilst the Business Continuity and Emergency Planning functions maintain their own risk registers, their overarching risk profiles have now been included on the risk register for corporate oversight.
15. A new risk has been included to reflect work that is underway to implement the new warding arrangements at the local elections in 2019 as this is time critical. Electoral Services and Members Services are working closely to ensure this work is complete in good time by October 2018.

Conclusion

16. Risk owners have reviewed and reassessed the risks and controls within their specific areas and are satisfied that this report and attached Appendix represent an accurate picture of the of the current risks to the organisation.
17. The new Corporate Risks Register will be presented again to the Audit Committee in six months time in accordance with the Risk Management Framework where a further update will be provided on current risks and notable changes to the Register.

Contact and Email

Charlotte Hammersley, Compliance and Data Protection Manager

charlotte.hammersley@ashford.gov.uk

Strategic risks

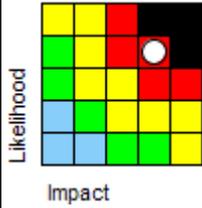
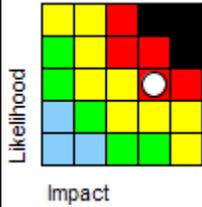
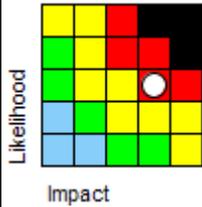
Report Type: Risks Report

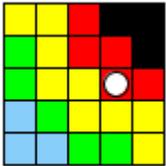
Report Author: Charlotte Hammersley

Generated on: 30 May 2018



Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 FINIT 003	Successful cyber attack	Data breach Loss of service Reputation Financial		Staff training Patching, firewall, policy rules Emergency planning exercise	↑	Risk profile raised slightly to reflect central government and law enforcement agencies response to threats from Russia and recent events. Kent Connects members are as a group, putting pressure on ducl to ensure the KPSN is secure and fit for purpose.
CR17 FINIT 007	Impact of Universal Credit	Increase in Council Tax arrears Increase in homelessness Impact on delivery of housing objectives Staff morale		Not replacing staff that leave Adjusting resources to respond to Universal Credit	—	Risk remains at the same level, working with the DWP, declined funding for UC assistance. Housing for HRA have implemented an IT solution to support rental collection and strengthened the team by expanding the remit of the Serious Arrears Officer into a Senior Area Manager for income and arrears. Implementation date 1/6/18

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HOU S003	Supply of affordable rented housing keeping pace with demand	Pressure on the housing waiting list Financial impact		Affordable Homes Programme Securing funding sources Partnership working with registered providers.	—	Still high risk due to demand but we are continuing to look at ways we can promote delivery of affordable rent.
CR17 HRC S002 Page 192	Delivery of Digital Transformation	Wasted financial and resource investment Customer dissatisfaction Inefficient service delivery		Regular project monitoring by MT and the IT and Digital Advisory Board	—	Progress against the action plan appended to the strategy is good particularly on the IT strand and the app is live for soft launch. Increased communications is being developed. Upcoming workstreams will need to be programmed to ensure services can respond to the project.
CR17 PLAN 007	Developers not delivering sites with planning permission to expected timescales (linked to national economy)	Lack of five year land supply not addressed.		Out of ABC's control but do consider viability of key development sites.	—	This risk profile remains unchanged. Whilst outside of the council's control it continues to be monitored and site viability assessments carried out.

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 PLAN 015	Chilmington Green not delivered to time and quality	Five year land supply delayed or not met. Reputation of the council to deliver quality development affected.	 <p data-bbox="786 352 808 454">Likelihood</p> <p data-bbox="824 472 891 491">Impact</p>	Chilmington Delivery Managers Group and themed working groups		<p data-bbox="1630 288 2123 655">After some initial delays, planning permission granted in February 2018 for first land parcels (346 dwellings). Groundworks now underway. The developer expects to reach above foundation level in June for which a number of S106 triggers are due, relating to the community management organisation (CMO).</p> <p data-bbox="1630 699 2136 1102">An application from Jarvis for 99 dwellings at the Hamlet is submitted and further pre-application meetings with Hodson and BDW are underway. Monthly meetings with all the developers are keeping regular oversight of issues, risks and milestones together with internal working groups and monthly reporting to Directors. First occupations expected spring 2019.</p> <p data-bbox="1630 1145 2136 1362">The Planning Authority are working to the agreed aspirations of the Design Code and Quality Charter to maintain high quality design and delivery, alongside an emerging Quality Monitoring function.</p>
				Quality Monitoring Team		
				Regular high level developer and stakeholder meetings		
				Dedicated co-ordinator		
				Approved design code and quality charter		
				District Deal working protocol		

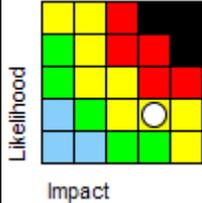
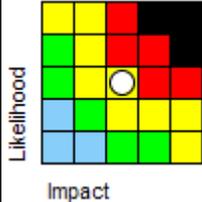
Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 POL0 02	Ashford Spurs - works to platforms 3 and 4 to ensure trains can access the station	Reduced international services from April 2018		Communications plan	↑	The works to the platform are complete and the new service was launched. However, since the launch the service had to be suspended due to a technical issue which still provides a risk to accessing Ashford International.
CR17 POL0 03 Page 194	Ashford College - delivery of phase 1a project to time	Removal of ability for the college to deliver engineering courses in Ashford Non-delivery of ABC part funded college building within timeframes of the funding agreement		Ongoing monitoring with College	→	The college is planning to submit initial funding bids this summer and is working to deliver phase 1a by December 2019. This risk will continue to be monitored until the funding is confirmed and construction has commenced.

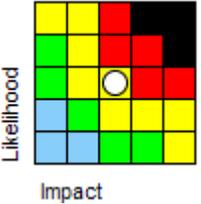
Financial risks

Report Type: Risks Report

Report Author: Charlotte Hammersley

Generated on: 30 May 2018

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HOU S001	Government Policy on sale of high value assets to fund Right to Buy	Not compensated for sale of higher value assets. Loss of capital receipt and on going rent from HRA.		Monitoring legislative developments	■	Risk remains but the policy seems to have lost momentum and government direction is awaited.
CR17 HPC0	Downturn in the economy leads to reduction in parking income.	Negative impact on MTFP.		Income monitoring Promotional campaigns to increase take up.	■	There has been no change to the risk profile since the last update.

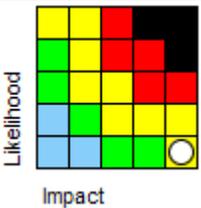
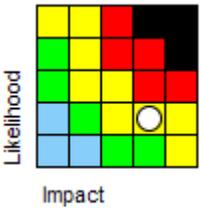
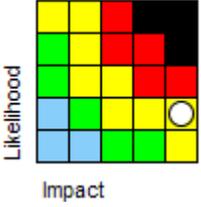
Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
						<p>phase before the units will be expected to be fully let.</p> <p>Rental income at International House continues to be monitored and remains unchanged with a number of mid-term lets secured.</p>
CR17 PRO P008 Page 197	Long term viability of Park Mall due to reduction in number of tenants or increased maintenance costs	Impact on town centre economy Impact on council's MTFP Reputational impact		Regular meetings with marketing and management agents Lettings Strategy		This risk profile remains unchanged.

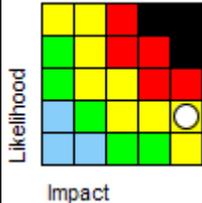
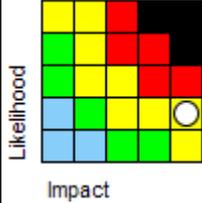
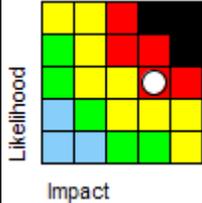
Compliance risks

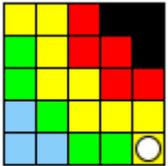
Report Type: Risks Report

Report Author: Charlotte Hammersley

Generated on: 30 May 2018

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 ENV0 01 Page 198	Operational - Memorial headstone Inspections	Potential for death or serious injury from unsafe headstones that have yet to be identified as part of the programme of inspections. Public Safety at Work Act		5 year inspection programme	↓	All the memorial headstones have been inspected, risk rated and secured temporarily where required. The risk remains on the register as not all headstones have been laid down and forward inspections are being programmed.
				Notification letter to all headstone owners		
				Banding and staking high risk headstones		
				Writing to owners of category 2 headstones		
CR17 HPC0 01	Insufficient resources to deliver statutory environmental health duties	Failure to meet statutory inspection duties Unable to respond to Environmental Health incidents		Request to fill vacant post	-	Vacant senior manager post and other vacancies within the service but being pursued.
				Engage temporary environmental resource		
CR17 HPC0 11	Inability to respond to a significant business continuity incident	Inability to continue key business processes Reputational damage		Business Continuity Steering Group	-	Business continuity risks have been reviewed and service controls are in place. The Business Continuity Team are working towards the use of Repton in the event of an emergency.
				Business Continuity Service Plans		
				Business Continuity exercises		

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HPC0 12	Inability to respond to a major emergency			Emergency Plan Audit of Emergency Planning Staff training (MAGIC)		Current controls are strong and externally assessed as such. Strategic training has taken place at strategic, tactical and operational levels.
CR17 LEG0 01	Insufficient resources in the event Election is called at short notice	Mistakes during election Staff morale Customer satisfaction Reputational damage		Increased staff hours and pay during election period. Well developed corporate support system		This risk profile remains unchanged.
CR17 LEG0 199	Non-compliance with GDPR	ICO fines Enforcement notices Reputation Customer satisfaction		GDPR action plan Service briefings Dedicated resource Staff training Information Governance Group Consultant legal support for key policies		<p>Good progress has been made against implementing the council's action plan for compliance with GDPR in May 2018. Training sessions have been completed, key policies are in the process of being updated and privacy notices have been amended to reflect the requirements of the legislation.</p> <p>This risk remains its current level whilst we wait for the regulation to come into force. There are some specific risks around maintaining unnecessary data which the Information Governance Group</p>

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
						addressing. There is also some risk around potential data breaches in planning due to the volume of planning applications and processing deadlines. However, there are controls in place including staff training, visual desk prompts and raised visibility of privacy notices on the ABC website and with planning agents.
R17 PAGE 200 G0	Failure to implement new warding arrangements at the local elections in 2019		 <p>Likelihood</p> <p>Impact</p>	Project team established		Electoral Services and Members Services are liaising to ensure all the boundary work is passed by council in good time to ensure the parish boundaries full reflect the new Borough Ward Boundaries that will be implemented at the next elections. The aim is to have work completed by October 18 in advance of the publication of the register in December 18.

Agenda Item 9



ASHFORD
BOROUGH COUNCIL

Agenda Item No. 9

Report to: Audit Committee

Date of Meeting: 21st June 2018

Report Title: Homes England – Compliance Audit Annual Report 2017-18 for Ashford Borough Council

Report Author & Job title: Mark James, Development Partnership Manager

Portfolio Holder: Gerald White

Summary: The attached report from Homes England advises Members of the outcome of the Compliance Audit carried out on a sample of the Homes England funded housing schemes. The purpose of the Compliance Audit is to confirm that the provider has complied with Homes England's policies, procedures and funding conditions.

Key Decision: No

Recommendations: The Audit Committee is recommended to note the contents of the report. The Chair is asked to confirm that he has signed the report.

Policy Overview: N/A

Finance Risk Assessment: N/A

Contact: mark.james@ashford.gov.uk – Tel: 01233 330687

Agenda Item No. 9

Report Title: **Homes England – Compliance Audit Annual Report 2017-18 for Ashford Borough Council**

Introduction and Background

1. Each year Homes England (formerly the Homes and Communities Agency) carries out Compliance Audits on housing providers who are in receipt of Homes England funding under the Affordable Housing Programme or other funding programmes. Sample schemes are selected and checks are made to ensure that the provider has complied with Homes England's policies, procedures and funding conditions.
2. Providers are required to appoint an independent auditor to carry out these checks. The auditor then reports their findings to Homes England.
3. Following the independent auditor's findings, Homes England will issue a report to the provider advising them of the grade they have been given. These are:
 - Green, if they meet requirements
 - Amber, if there is some failure to meet requirements
 - Red, if there is a serious failure to meet requirements
4. It is important, given the scale of the council's affordable homes delivery programme and the need to be seen as an efficient deliverer of projects, that we continue to meet the requirements set out by Homes England. Reputationally this has considerable merit for the authority as well.
5. Indeed, failure to comply will not only jeopardise the council's reputation but put at risk future phases of the council's affordable homes delivery programme, and the positive perception that the council has worked hard to build with central government and its agencies.

2017-18 Compliance Audit

1. In 2017-18 Ashford Borough Council was selected for a Compliance Audit. The scheme selected was a new build scheme at Beecholme Drive, Kennington. The scheme consists of 2 x 3-bedroom houses, which were still under construction at the time of the audit. Ashford Borough Council received £40,000 of funding through the Affordable Housing Programme to assist it in delivering this scheme.
2. The independent auditor appointed was Jonathon Hudson of Ibis Ltd. Following his audit, Ashford Borough Council was advised of the outcome in May 2018.
3. The attached report from Homes England confirms that the council was pleasingly awarded a Green Grade with no breaches of funding conditions or recommendations for improvement. Ashford Borough Council has had three Compliance Audits since 2014 and in each audit has been awarded a Green Grade.

Recommendations

1. Members are asked to note the contents of the Homes England Compliance Report for the 2017-18 financial year.
2. The Chair is asked to confirm that he has signed the report.

Contact and E-Mail

Mark James, Development Partnership Manager, Housing Services

mark.james@ashford.gov.uk

This page is intentionally left blank



Compliance Audit Report – 2017/18

29UB – Ashford Borough Council

Provider Code	29UB
Provider Name	Ashford Borough Council
Final Grade	Green - Meets requirements
Independent Auditor	IBIS Ltd
Homes England Lead Auditor	Nick Enge
Homes England Head of Home Ownership and Supply	Carol Cairns

Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided at the end of this document.

Further information is available at: <https://www.gov.uk/guidance/compliance-audit>.

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.



Compliance Audit Grade and Judgement

Final Grade	Green - Meets requirements
Judgement Summary	The audit comprising of one scheme is satisfactory. No adverse findings or breaches have been identified. No recommendations are necessary.

Audit Results

Number of Schemes Audited	1
Number of Breaches Assigned	0
Number of High Severity Breaches	0
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	0



Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be record in the IMS Compliance Audit Module by your CA Provider Lead on behalf of your Board's Chair. Online acknowledgement should be completed within one calendar month of the report email notification being sent.

Report acknowledged by:

Date:

Compliance Grade Definitions

Green Grade	The Provider meets requirements: Through identifying no high or medium breaches, the Compliance Audit Report will show that the Provider has a satisfactory overall performance, but may identify areas where minor improvements are required.
Grade Amber	There is some failure of the Provider to meet requirements: Through identifying one or more high or medium breaches, the Compliance Audit Report will show that the Provider fails to meet some requirements, but has not misapplied public money. The Provider will be expected to correct identified problem(s) in future schemes and current developments.
Grade Red	There is serious failure of the Provider to meet requirements: Through identifying one or more high level breaches, the Compliance Audit Report will show that the Provider fails to meet some requirements and there is a risk of misuse of public funds. The Provider will be expected to correct identified problem(s) in future schemes and current developments.

This page is intentionally left blank



Tracey Kerly
Chief Executive
Ashford Borough Council
Civic Centre
Tannery Lane
Ashford
Kent TN23 1PL

Grant Thornton UK LLP
Grant Thornton House
30 Finsbury Square
London EC2A 1AG
T +44 (0)20 7383 5100
www.grant-thornton.co.uk

25 April 2018

Dear Tracey,

Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £46,439.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken

under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether 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.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance 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.

Billing schedule

Fees will be billed as follows:

Audit fee	£
September 2018	11,609
December 2018	11,609
March 2019	11,609
June 2019	11,612
Total	46,439

Outline audit timetable

We will undertake our audit planning and interim audit procedures from October 2018 to March 2019. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2019, along with our work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	October 2018 – March 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Ciaran McLaughlin	020 7728 2936	ciaran.t.mclaughlin@uk.gt.com
Engagement Manager	Trevor Greenlee	01293 554071	Trevor.Greenlee@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner, via paul.dossett@uk.gt.com.

Yours sincerely,



Ciaran McLaughlin
Engagement Lead

For Grant Thornton UK LLP

External Audit Progress Report

Grant Thornton UK will provide a verbal update on the progress to date with the External Audit.

This page is intentionally left blank

Audit Committee - Future Meetings

Dates to Note			
Date of Meeting	21/06/2018		
Publication of Agenda Date	08/06/18		
Reports to Management Team	07/06/18		
Full Council	19/07/18		
Items for Inclusion on the Audit Agenda			
Theme - Are we happy with the internal control environment			
Part I - For Decision			
1	An Early Look at the Statement of Accounts for 2017/18 (including member training)	MS	
2	Internal Audit Annual Report 2017/18	RC	
3	Annual Report of the Audit Committee 2017/18	RC	
4	Approval of Annual Governance Statement 2017/18	LF	
5	Strategic Risk Management	LF/CH	
6	Homes England – Compliance Audit Annual report 2017/18 for Ashford Borough Council	LP	
Part II - Monitoring/Information Items			
7	External Audit Fee Letter	Gr Th	
8	External Audit Progress Report	Gr Th	
9	Report Tracker for Future Meetings	KM	

Dates to Note			
Date of Meeting	10/07/2018		
Publication of Agenda Date	29/06/18		
Reports to Management Team	21/06/18		
Full Council	19/07/18		
Items for Inclusion on the Audit Agenda			
Theme - External review of control environment			
Part I - For Decision			
1	Statement of Accounts 2017/18 and the External Auditor's Audit Findings Report	Gr Th (cover by ABC)	
2	2017/18 Financial Statements – Letters of Assurance to External Auditors	BL	

Part II - Monitoring/Information Items			
3	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	27/09/2018		
Publication of Agenda Date	19/09/18		
Reports to Management Team	06/09/18		
Full Council	18/10/18		
Items for Inclusion on the Audit Agenda			
Theme - Agreeing the internal control structure			
Part I - For Decision			
1	Internal Audit Charter	RC	
2	Corporate Enforcement Support & Investigations Team Annual Report 2017/18	DD	
3	Strategic Risk Management	LF/CH	
Part II - Monitoring/Information Items			
4	External Audit Progress Report	Gr Th	
5	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	04/12/2018		
Publication of Agenda Date	23/11/18		
Reports to Management Team	15/11/18		
Full Council	13/12/18		
Items for Inclusion on the Audit Agenda			
Theme – 6 monthly review on progress			
Part I - For Decision			
1	Annual Governance Statement – Progress on Remedying Exceptions [We could ask members to drop this for the remainder of the year once all items are actioned]	LF	
2	Strategic Risk Management	LF/CH	
Part II - Monitoring/Information Items			
3	Annual Audit Letter 2017/18	Gr Th	

4	Internal Audit Interim Report	RC	
	The External Audit Work Plan for Ashford Borough Council	Gr Th (cover by ABC)	
5	External Audit Progress Report	Gr Th	
6	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	19/03/2019		
Publication of Agenda Date	08/03/19		
Reports to Management Team	07/03/19		
Full Council	25/04/19		
Items for Inclusion on the Audit Agenda			
Theme - The year ahead			
Part I - For Decision			
1	Certification of Grant Claims – Annual Letter	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Risk Management Framework update – Presentation	LF/CH	
4	Annual Governance Statement – Progress on Remedying Exceptions Presentation - What is likely to be in the AGS for the next year	LF	
5	Internal Audit and Assurance Plan 2018/19	RC	
6	Business Continuity – progress update	SD/RC	
Part II - Monitoring/Information Items			
7	External Audit 2017/18 Audit Plan	Gr Th	
8	Report Tracker for Future Meetings	KM	

Post 2019/2020 Election

Dates to Note			
Date of Meeting	16/06/2019		
Publication of Agenda Date	07/06/19		
Reports to Management Team	06/06/19		
Full Council	18/07/19		
Items for Inclusion on the Audit Agenda			
Theme - Are we happy with the internal control environment			
Part I - For Decision			
1	An Early Look at the Statement of Accounts for 2018/19 (including member training)	MS	
2	Internal Audit Annual Report 2018/19	RC	
3	Annual Report of the Audit Committee 2018/19	RC	
4	Approval of Annual Governance Statement 2018/19	LF	
5	Strategic Risk Management	LF/CH	
Part II - Monitoring/Information Items			
6	External Audit Fee Letter	Gr Th	
7	External Audit Progress Report	Gr Th	
8	Report Tracker for Future Meetings	KM	

Dates to Note			
Date of Meeting	09/07/2019		
Publication of Agenda Date	28/06/19		
Reports to Management Team	20/06/19		
Full Council	18/07/19		
Items for Inclusion on the Audit Agenda			
Theme - External review of control environment			
Part I - For Decision			
1	Statement of Accounts 2018/19 and the External Auditor's Audit Findings Report	Gr Th (cover by ABC)	
2	2018/19 Financial Statements – Letters of Assurance to External Auditors	BL	
Part II - Monitoring/Information Items			
3	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	26/09/2019		
Publication of Agenda Date	13/09/19		
Reports to Management Team	05/09/19		
Full Council	17/10/19		
Items for Inclusion on the Audit Agenda			
Theme - Agreeing the internal control structure			
Part I - For Decision			
1	Internal Audit Charter	RC	
2	Corporate Enforcement Support & Investigations Team Annual Report 2018/19	DD	
3	Strategic Risk Management	LF/CH	
Part II - Monitoring/Information Items			
4	External Audit Progress Report	Gr Th	
5	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	03/12/2019		
Publication of Agenda Date	21/11/19		
Reports to Management Team	07/11/19		
Full Council	12/12/09		
Items for Inclusion on the Audit Agenda			
Theme – 6 monthly review on progress			
Part I - For Decision			
1	Annual Governance Statement – Progress on Remedying Exceptions	LF	
2	Strategic Risk Management	LF/CH	
Part II - Monitoring/Information Items			
3	Annual Audit Letter 2018/19	Gr Th	
4	Internal Audit Interim Report	RC	

5	The External Audit Work Plan for Ashford Borough Council	Gr Th (cover by ABC)
6	External Audit Progress Report	Gr Th
7	Report Tracker & Future Meetings	KM

Dates to Note			
Date of Meeting	17/03/2020		
Publication of Agenda Date	06/03/2020		
Reports to Management Team	05/03/20		
Full Council	16/04/20		
Items for Inclusion on the Audit Agenda			
Theme - The year ahead			
Part I - For Decision			
1	Certification of Grant Claims – Annual Letter	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Risk Management Framework update – Presentation	LF/CH	
4	Annual Governance Statement – Progress on Remediating Exceptions Presentation - What is likely to be in the AGS for the next year	LF	
5	Internal Audit and Assurance Plan 2019/20	RC	
6	Business Continuity – progress update	SD/RC	
Part II - Monitoring/Information Items			
7	External Audit 2019/20 Audit Plan	Gr Th	
8	Report Tracker for Future Meetings	KM	

05/06/2018