Solicitor to the Council and Monitoring Officer, T W Mortimer LLB Solicitor AU

ASHFORD
BOROUGH COUNCIL

AUDIT COMMITTEE

Notice of a Meeting, to be held in the Council Chamber - Ashford Borough Council on Tuesday, 28th November, 2023 at 6.00 pm.

The Members of the Audit Committee are:-

Councillor Krause (Chair)
Councillor Gambling (Vice-Chair)

Councillors Dean, Feacey, Hallett, Hayward, McGeever and Smith.

Agenda

Page Nos.

1. **Apologies/Substitutes**

To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)

2. **Declarations of Interest** 3 - 4

To declare any interests which fall under the following categorie 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** 5 - 8

To approve the Minutes of the Meeting of this Committee held on 3rd October 2023.

4. **Statement of Accounts 2021/22 and External Auditors Findings** 9 - 164

5. **Corporate Health & Safety**

Presentation

6. **Internal Audit Interim Report** 165 - 176

7. **Report Tracker** 177 - 180

DSK
20 November 2023

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Declarations of Interest (see also "Advice to Members" below)

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

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

(b) **Other Significant Interests (OSI)** under the Kent Code of Conduct 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 alone, such as:

- Membership of amenity societies, Town/Community/Parish Councils, residents' groups or other outside bodies that have expressed views or made representations, but the Member was not involved in compiling or making those views/representations, 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: Where an item would be likely to affect the financial position of a Member, relative, close associate, employer, etc.; OR where an item is an application made by a Member, relative, close associate, employer, etc., there is likely to be an OSI or in some cases a DPI. ALSO, holding a committee position/office within an amenity society or other outside body, or having any involvement in compiling/making views/representations by such a body, may give rise to a perception of bias and require the Member to take no part in any motion or vote.]

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 alongside the Council's Good Practice Protocol for Councillors dealing with Planning Matters. See https://www.ashford.gov.uk/media/2098/z-word5-democratic-services-constitution-2019-constitution-of-abc-may-2019-part-5.pdf

(c) Where a Member declares a committee position or office within, or membership of, an outside body that has expressed views or made representations, this will be taken as a statement that the Member was not involved in compiling or making them and has retained an open mind on the item(s) in question. If this is not the case, the situation must be explained.

If any Member has any doubt about any interest which he/she may have in any item on this agenda, he/she should seek advice from the Director of Law and Governance and Monitoring Officer, or from other Solicitors in Legal and Democracy as early as possible, and in advance of the Meeting.

Ashford Borough Council: Audit Committee

Minutes of a Meeting of the Audit Committee held in Committee Room No. 2, Civic Centre, Tannery Lane, Ashford on the **3rd October 2023.**

Present:

Councillor Gambling (Vice-Chair in the Chair);

Cllrs. Hayward, McGeever, Spain, C. Suddards.

In accordance with Procedure Rule 1.2(c) Councillors Spain and C Suddards attended as Substitute Members for Councillors Dean and Hallett respectively.

Apologies:

Cllrs. Dean, Feacey, Hallett, Krause, Smith.

Director of Customer, Technology and Finance.

In attendance:

Deputy Chief Executive, Head of Policy and Performance, Investigation and Enforcement Support Manager, Member Services Officer.

Also in Attendance (virtually):

Cllr. Mrs Bell.

Finance Service Lead, Head of Internal Audit, Audit Admin Assistant.

Key Audit Partner – Grant Thornton UK.

151 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 20th June 2023 be approved and confirmed as a correct record.

152 Corporate Risk Register

The Head of Policy and Performance gave a presentation to the Committee, which covered the following areas:

- Risk Management Framework
- Risk Appetite
- Risk Assessment (impact/likelihood)
- Heat Map
- ABC Risk Governance
- Risk Monitoring

She went on to speak about the report which highlighted the risks that sat outside the risk appetite and risks that had increased/decreased in term of their risk profile.

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

- The Deputy Chief Executive explained that the elevated risk for the Newtown Works project could be attributed to the Stodmarsh issue. A recent court case resulted in nutrient neutrality now being brought into any reserved matters application. He acknowledged the commercial risk of the recording studio and said that discussions were currently ongoing with a number of operators, and the price and risk would be assessed by the Due Diligence Task Group which included all leaders of the political parties, to ensure full Member awareness and scrutiny. An update report was due at the next Cabinet meeting and a recent report by Knight Frank on the prospects for the UK studio industry would be circulated for Members to see. He advised that the report to Cabinet could be flagged by the Audit Committee to the Leader, as part of the due diligence process. The Head of Policy and Performance would take this back to the risk owner for the concerns to be factored in.

- A further mitigation was in place so that the land allocated to the studio could be reassigned to other uses, including housing. There was an expectation that the solution to the nutrient neutrality issue would be found shortly and Central Government were expected to table legislation during the next Kings Speech. The Council had also developed plans to find a solution and organised to submit a planning application on a wetlands site, to mitigate up to 10,000 homes.

- Regarding the reduced risk around the economic impact of the cessation of international services, it was explained that the Council remained committed to working towards the return of international services. However, the damage to the local economy had already occurred. Eurostar services had ceased in Ashford around four years ago and therefore the risk of that damage increasing as a result of this action was reduced. A Member said that there were two major impediments concerning the return of Eurostar to Ashford - the company's debt of approx. £964m and the extra checks required now that UK was outside of the European Union.

- It was agreed that the topic of Health & Safety be added to the Tracker after a Member raised concerns that changes in staffing levels could increase the risk of health & safety issues affecting the Council and its Officers. Mandatory e training was in place for staff and Members, and Health & Safety Officers were recruited within the Council, but the Committee agreed it was an important topic to undertake further due diligence on. The Head of Policy and Performance explained that the risk owner would produce a more comprehensive report and then attend a future meeting to explore the matter in more detail with the Committee.

Resolved:

That (i) the Risk Register Report be noted.

(ii) that Health & Safety be added onto the Tracker for a future meeting.

153 Annual Governance Statement – Progress on Remedying Exceptions

The Head of Policy and Performance introduced this report, which provided an update on the progress made towards the areas of review highlighted by the Annual Governance Statement.

Resolved:

That the update report be received and noted.

154 Corporate Enforcement Support & Investigations Team Annual Report 2022/23

The Investigation and Enforcement Support Manager introduced the report that provided an update of the work of the Investigation and Enforcement Support Team for 2022/23.

In response to a question regarding abbreviations, RTB was Right To Buy scheme, SBRR was Small Business Rates Review and SPD was Single Person Discount (for Council Tax).

The ‘count of cases – type’ pie chart (p.42) featured categories of ‘blank’ and ‘other’. It was confirmed that these related to multiple cases, and the electronic report gave the option to hover over and more detail was displayed. This could be circulated to the Committee after the meeting.

A Fraud Awareness training package had been acquired and Members were asked to look at this and provide feedback. The Investigation and Enforcement Support Manager would circulate a link to Councillors after the meeting.

Resolved:

That the report be received and noted.

155 Annual Report of the Audit Committee

The Head of Internal Audit introduced the report. The report outlined how the Audit Committee had discharged its duties during 2022/23. It provided assurance to the Council that important internal control, governance and risk management issues were monitored and addressed by the Committee.

Members highlighted some irregularities on the attendance chart on p.55 and were assured that these would be amended and expanded upon where necessary.

Resolved:

That the report be received and noted.

156 External Audit Progress Report

The Key Audit Partner – Grant Thornton UK introduced the report. The report advised of the on-going progress with both the 2021/22 audit and the intended timings for the 2022/23 audit work. There had been significant delays to the process and more recently, consultations on how to address the issues contributing to the delays. Proposals involved Central Government setting statutory deadlines for closure of the accounts. Grant Thornton anticipated that the Councils audits for 2021/22 and 2022/23 would be completed ahead of the statutory deadlines.

A Member voiced her frustration over the delays and questioned whether Grant Thornton could provide any assurance that the Council would get the service it was paying for. The Key Audit Partner – Grant Thornton UK said he understood and shared the Members frustrations, and as previously discussed, a number of circumstances including staff recruitment and retention had contributed to the deferrals. This was an industry wide issue and there was a shortage of candidates in the market and across the sector.

157 Report Tracker and Future Meetings

The Deputy Chief Executive advised that Health and Safety would be added to the Tracker for November.

Resolved:

That the report be received and noted

Agenda Item No:	4
Report To:	Audit Committee
Date of Meeting:	28 November 2023
Report Title:	Statement of Accounts 2021/22, Appointed Auditor's Audit Findings, and Letter of Representation
Report Author:	Monica Hutanu
Job Title:	Senior Accountant
Portfolio Holder:	Cllr. Ovenden
Portfolio Holder for:	Prosperity and Resource

Summary:

This report presents the 2021/22 Statement of Accounts for approval.

The External Auditor's Findings Report is attached and will be presented by Grant Thornton at the meeting, who will take questions.

The Appointed Auditor is proposing to issue an unmodified opinion on the 2021/22 statement of accounts for the Group.

Once approved signed the accounts will be signed and published.

Key Decision:	No
Significantly Affected Wards:	N/a

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

I. **Consider the Appointed Auditor's Audit Findings (Appendix A)**
II. **Agree the basis upon which the accounts have been prepared (going concern)**
III. **Approve the 2021/22 Statement of Accounts (Appendix B)**
IV. **Delegate authority to the Chairman of this committee and the Chief Financial Officer to agree any further amendments required to the statements shown at Appendix B.**
V. **Delegate authority to the Chairman of this committee and the Chief Financial Officer to sign and date the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003, following the stated amendments, as approved by the Council**

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

Policy Overview:	
Financial Implications:	The 2021/22 Statement of Accounts sets out the Council's financial position as at 31 March 2022 and movement in funds during the year.
Exempt from Publication:	**No**
Background Papers:	**N/a**
Contact:	Monica.Hutanu@ashford.gov.uk

Agenda Item No.

Report Title: Statement of Accounts 2021/22, Appointed Auditor's Audit Findings, and Letter of Representation

Introduction and Background

1. Our external auditors (Grant Thornton) have completed the audit of the Council's 2021/22 financial statements.
2. The signing of the 2021/22 Accounts is well beyond that statutory deadline, and the Audit Committee is well aware of the ongoing issues with Public Sector Auditing.
3. The Ashford Accountancy Team would like to thank the Local Grant Thornton Audit Team for their support and professionalism is undertaking the audit, and the good working relationship between the teams which has enabled queries to be progressed in a timely manner, especially in these challenging times, and improve the quality and readability of the accounts.
4. Following the PSAA (Public Sector Audit Appointments) tender of Public Auditors, it is anticipated that resourcing of public sector audit will strengthen and the sector backlog will start to be cleared allowing for more timely audits moving forward, this will however take time.
5. Attached to this report is the Appointed Auditor's Audit Findings report setting out his work and conclusions in respect of the accounts (**See Appendix A**). The Appointed Auditor will be present at the meeting and will introduce the report and take questions.
6. The 2021/22 Statement of Accounts has been completed in accordance with International Financial Reporting Standards (IFRS), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom and relevant Standards.
7. The Auditor is anticipating issuing the group (ABC and A Better Choice for Property Ltd.) an **unmodified opinion** on the Statements of Accounts.
8. It is appreciated that this may be the first time this new committee has seen a statement of accounts (as presented at **Appendix B**) having been presented to the previous audit committee. As we move forward into 2024, the Draft 2023/24 Accounts will be completed and this Committee will be given a session on the presentation of public sector accounts, to help develop a better understanding of the Accounts.)

Proposal

9. The Committee is being asked to approve the Statement of Accounts as presented at **Appendix B**, and delegate authority to the Chairman of this committee and the Chief Finance Officer to sign off the final version following including any further amendments, and approve the letter of Representation.

Basis of Preparation

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

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

The Amended 2021/22 Financial Statements

12. At the Audit Committee meeting of 19 July 2022, committee members were presented with a Draft Statement of Accounts 2021/22. The amendments to the accounts are covered in the Audit Findings Report (Appendices B. Audit Adjustments). The most significant changes that the Accountancy Team feel it is important to highlight are covered below:-

    a. **Net Pension Liability**

    As noted in the Audit Findings report, a new pension valuation needed to be obtained from KCC to reflect the completion of the Triennial review which was conducted for 2022/23.

    It should be noted however, that the original position as reported within the draft accounts for 2021/22 was correct, but as a consequence of the delays in public sector auditing, more up to date information became available that has to then be considered.

    This is a national issue and one that should be resolved as audit sign offs move back to being completed in a timelier manner.

    b. **Section 106 Contributions**

    This change in the accounts has no impact on the funds held, or the primary statement to which they relate, but just where they are shown within the statement of financial position.

    While the change and fresh judgement has been accepted and supported by the Accountancy Team, the way it was originally reported in the draft accounts was consistent was previous years, where the approach was signed off by Grant Thornton.

    As previously mentioned though, the good working relationship between the two teams allows for healthy challenge and debate around the interpretation of accounting standards, and changes to be made where necessary.

13. The team will undergo a post closedown review and ensure the changes are amended within the 2022/23 accounts that have already been published in

draft format. This will then strengthen the quality of the accounts going forward and facilitate quicker audits.

Next Steps in Process

14. Following this meeting external audit will wrap-up the audit file with any further changes being reported to the chair of the Committee and the Councils Chief Finance Officer. The chair of the Committee and the Councils Chief Finance Officer will then formally sign and approve the statement of accounts and the auditor will formally issue their opinion, and the audited accounts will be published.

Portfolio Holder's Views

15. This is a late report with information not available until the 24 November 2023, so no comment has been sought at time of publication.

Contact and Email

16. Monica Hutanu - Monica.Hutanu@ashford.gov.uk
17. Lee Foreman – Lee.Foreman@ashford.gov.uk

Grant Thornton

The Audit Findings for Ashford Borough Council

Year ended 31 March 2022

November 2023

Contents

Your key Grant Thornton team members are:

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Section	Page
1. Headlines	3
2. Financial statements	5
3. Value for money arrangements	18
4. Independence and ethics	20
Appendices	
A. Follow up of prior year recommendations	23
B. Audit adjustments	25
C. Fees	29
D. Audit opinion	31

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Name : Darren Wells

For Grant Thornton UK LLP

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Ashford Borough Council ('the Council') and the preparation of the group Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement and the Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work is now substantially complete. The findings from our financial statements work are summarised in Section 2 of this report.

Our work to date has identified a number of misstatements above the level which we are required to report to the Audit Committee. We have also agreed a number of changes to disclosure notes. Further details are included at Appendix B ("Audit adjustments").

The main adjustments to the financial statements relate to:

- the impact of the triennial revaluation of the Kent Pension Fund at 31 March 2022, with the revaluation leading to a reduction in the Council's net pension liability of £4,890,000; and
- a review of the accounting treatment for developer contributions received under Section 106 agreements, with contributions of £5,947,000 previously included under earmarked reserves and £788,000 previously disclosed as creditors now reclassified as Grants received in advance.

We are currently finalising our audit procedures in the following areas:

- completing our work on PPE revaluations;
- obtaining and reviewing a final version of the financial statements which contains all amendments;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review to the date of signing our opinion.

There are no recommendations for management arising from our 2021/22 audit, but our follow up of recommendations from prior year audits is at Appendix A.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council and the financial statements we have audited.

Subject to the completion of all outstanding work we anticipate issuing an unmodified audit report.

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1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report (AAR). We expect to issue our AAR in line with the National Audit Office's revised deadline, which requires the AAR to be issued no more than three months after the date of the opinion on the financial statements.

At this stage we have not identified any significant weaknesses in the Council's arrangements which we need to bring to your attention.

Statutory duties

The Local Audit and Accountability Act 2014 (‘the Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Audi tor’s report .

Significant Matters

We did not encounter any significant difficulties or identify any significant matters during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

An evaluation of the group's internal controls environment, including its IT systems and controls.

An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that the Council was a component that was individually significant to the group, and that the company A Better Choice for Property Ltd. (with its subsidiary company, A Better Choice for Property Development Ltd.) was a component which included a significant risk (valuation of investment properties) requiring additional audit procedures.

Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan as communicated to the November 2022 Audit Committee.

Conclusion

We have substantially completed our audit of your financial statements. Subject to the completion of outstanding work we anticipate issuing an unmodified audit report.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan of November 2022.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,194,000	2,193.000	This has been calculated based upon 2% of your gross expenditure (Cost of Services) in the draft accounts. Materiality for the Council is less than materiality for the Group.
Performance materiality	1,646,000	1.646,000	This has been calculated as 75% of materiality for the financial statements, based upon our assessment of the likelihood of a material misstatement. Performance materiality is used in audit testing and helps address the risk that there may be multiple errors which are individually below materiality but aggregate to a material amount.
Trivial matters	109,000	109,000	This has been calculated based upon 5% of your headline materiality
Materiality for bank and cash balances	500,000	500,000	We design our procedures to detect errors in specific accounts at a lower level of precision. We concluded that any error relating to bank and cash balances might have added significance for the accounts as a whole. We therefore applied a lower level of materiality of £500,000 for our work in this area.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control as an area of significant risk. The related areas of risk include management estimates, use of journals and any significant transactions outside the Council's normal course of business.	To address this risk we. - evaluated the design effectiveness of management controls over journals; - analysed the journals listing and determined the criteria for selecting high risk unusual journals; - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. Our audit work has not identified any issues in respect of this risk.
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	In our November 2022 Audit Plan we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council. We determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • the culture and ethical frameworks of local authorities, including Ashford Borough Council, mean that all forms of fraud are seen as unacceptable. There are no changes to the assessment reported in our Audit Plan. Our audit work has not identified any issues in respect of this risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Council regularly revalues its land and buildings to ensure that the carrying value is not materially different from the current value at the financial statements date. Investment properties are revalued annually at fair value. These valuations represent a significant estimate by management in the financial statements.	To address this risk we. • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to external valuers and the scope of their work; • considered the competence, expertise and objectivity of the valuation experts used.; • liaised with the Council's external valuers to confirm the basis of the valuations performed; • reviewed the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested that revaluations made during the year were input correctly into the Council's asset register; and • evaluated the assumptions made by management for those land and building assets not revalued during the year and how management have satisfied themselves that the valuation for those assets is not materially different to current value. Our work in this area is still in progress. Our conclusions to date are included in the section "Financial statements – key judgments and estimates"
Risk of fraud in expenditure recognition We considered the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public sector bodies are net spending bodies there may be an incentive to manipulate expenditure to meet targets or budgets. The risk of material misstatement due to fraud relating to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition. In our November 2022 Audit Plan we considered the risk factors and the nature of the expenditure streams at the Council and determined that the risk of fraud arising from expenditure recognition could be rebutted, because: • opportunities to manipulate expenditure recognition are very limited; • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. However, although we rebutted the risk of fraud, as with other local authorities we have assessed that there is an increased risk of error around estimation and cut-off processes at yearend.	To address this risk we; • inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period; • tested accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value invoiced after yearend; and • applied an elevated risk assessment for post yearend journals as part of our journal testing procedures and considered if there was evidence of fraud in expenditure recognition. Our audit work has not identified any issues in respect of this risk..

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.
The pension fund net liability is considered a significant estimate due to the values involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation and have identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

To address this risk we :

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluated the design of the associated controls;
- evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary;
- assessed the accuracy and completeness of the information provided by the Council to the actuary;
- tested the consistency of the pension fund disclosures in the financial statements with the actuary's report;
- confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and
- accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our audit work in these areas has not identified any issues in respect of this risk.

Triennial revaluation of the Kent Pension Fund

The Council is a scheduled body to the Kent Pension Fund. The latest triennial valuation for the Fund, which is as at 31 March 2022, was published in late 2022. This valuation provided updated information for the net pension liability as at 31 March 2022, particularly in respect of membership data and demographic assumptions.

As a result we asked management to obtain a revised report from the Council's actuary detailing the impact of this updated information on the Council's net pension liability disclosures.

A revised report was obtained by management in July 2023. The report clarified that the impact of the triennial valuation on the Council's net pension liability was material, with an overall reduction of £4,890,000. Management have therefore amended the financial statements. Further information is included in the section "Financial statements – key judgments and estimates" and at Appendix C.

2. Financial Statements – Key findings arising from the group audit

Work performed	Group audit findings
We have • updated our understanding of the capital and operational activity within the group • assessed management's consolidation arrangements • tested management's consolidation process to determine whether this has been prepared correctly, is appropriately presented in the Group accounts and that intercompany balances have been appropriately eliminated; • performed testing over balances and transaction streams that are material to the Group as a whole; and • reviewed the suitability and completeness of disclosures required with respect to the Group and single entity We also performed targeted work to review the valuation of investment properties included in the accounts of the component "A Better Choice for Property Limited." including; • reviewing the approach and assumptions of the valuation expert; and • testing the revaluations made during the year to ensure that they were properly reflected in the company and group financial statements	Our findings in respect of the valuation of investment properties are reported at "Financial Statements – key judgements and estimates". Our audit work has not identified any issues in respect of the consolidation process.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	**Summary of management's approach**	**Audit Comments**	**Assessment**
Land and Building valuations **PPE: Council dwellings NBV £377,231,000** **PPE Other Land & Building NBV £136,966,000** **Surplus assets: NBV £6,740,000** **Investment Properties (Group): NBV £35,092,000**	The Council's accounting policy for Property, Plant and Equipment (PPE) assets (including surplus assets) is at Note 1 .This policy covers both accounting and valuation issues. The Council revalues its PPE assets using a 5-year rolling programme, but with all major assets revalued annually. All investment properties are also revalued annually. All valuations are performed by an external valuer. Other land and buildings comprise specialised assets such as leisure centres which are required to be valued at depreciated replacement cost (DRC). Land and buildings which are not specialised in nature are required to be valued at existing use (EUV). For assets not revalued by the external valuer management review the carrying value included in the financial statements to ensure that this is not materially misstated.	We did not identify any concerns with the competence or objectivity of the Council's external valuers. We reviewed management's approach for assets not revalued in the current year and concluded that the carrying value for these assets was not materially misstated. **Classification of assets held by "ABC for Property Development"** The group accounts include a balance of £11.3m for assets held by "ABC for Property Development". This balance represents the purchase, site clearance and other initial costs associated with developing the former "B&Q" site. In the draft accounts the relevant disclosure note described this balance as inventory. This classification, and its associated accounting treatment, is appropriate only where assets are constructed for the purpose of disposal. Review of initial proposals indicates that the original intention of this scheme was to build residential properties for rental, providing a future income stream for the Council. More recent appraisals have identified several options for the scheme, including both holding properties for rental and market sales, but with any decision to be deferred until the project is nearing practical completion. We concluded that there was insufficient evidence to justify the description of these assets as inventory, and that it was more appropriate for the costs to be disclosed as investment property assets under construction. The accounts have been amended.	Light purple

Assessment

- ● [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – LGPS £87,261,000</td>
<td>At 31 March 2022 the Council has a net pension liability of £87,261,000 relating to the Local Government Pension Scheme as administered by Kent County Council.
The Council uses an external actuary, Barnett Waddingham, to provide an actuarial valuation of the Council's assets and liabilities under the scheme. A full valuation is required every three years. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements.
For 2021-22 contribution rates for the LGPS scheme continue to be based on the triennial revaluation as at 31 March 2019. A full revaluation has now been performed as at 31 March 2022.</td>
<td>We engage an auditor's actuary to assess the work of management's actuary and the reasonableness of the approach used. The auditors' actuary has provided us with indicative ranges for assumptions, which we report below.
<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Within range?</th></tr>
<tr><td>Discount rate</td><td>2.6%</td><td>2.55 - 2.60%</td><td>✓</td></tr>
<tr><td>Pension increase rate</td><td>3.2%</td><td>3.05 - 3.45%</td><td>✓</td></tr>
<tr><td>Salary growth</td><td>4.2%</td><td>CPI + 1%</td><td>✓</td></tr>
<tr><td>Life expectancy – Males currently
aged 45
aged 65</td><td>
23.0
21.6</td><td>
21.9 - 24.4
20.5 – 23.1</td><td>
✓
✓</td></tr>
<tr><td>Life expectancy – Females currently
aged 45
aged 65</td><td>
25.1
23.7</td><td>
24.9 - 26.4
23.4 – 25.0</td><td>
✓
✓</td></tr>
</table>
Triennial revaluation of the Council's net pension liability
The latest triennial valuation for Kent Pension Fund was published in late 2022. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions</td>
<td>Light purple</td>
</tr>
</table>

Assessment

- ● Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Audit comments	Assessment
Net pension liability – LGPS £87,261,000	We considered that the triennial valuation would contain information better reflecting the conditions that existed as at 31 March 2022. We therefore requested management to obtain a revised report from the Council's actuary, detailing what impact this updated information had on the Council's net pension liability disclosures at 31 March 2022. A revised report was obtained by management in July 2023. The report clarified that the impact of the triennial valuation on the Council's net pension liability was material, with the Council's share of the Pension Fund assets increasing by £3,400,000 and its share of the Pension Fund liabilities decreasing by £1,490,000, leading to an overall reduction of £4,890,000 in the Council's net pension liability. Management has amended the 2021-22 financial statements in line with these changes. Additional audit work has been required to: • obtain assurance in respect of the updated membership data; • consider the reasonableness of the revised assumptions and estimates; and • check the accuracy of management's adjustments to the financial statements. We have now completed our work to review the updated actuary's report and the amendments to the accounts. We have concluded that there are no material issues for our opinion.	Light purple

Assessment

- ● Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any significant incidents of fraud in the period. No other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's yearend cash and investment balances. We received responses for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. The Council's accounting policy for government grants and contributions states that "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." This is consistent with the Accounting Code of Practice. However, historically the Council's balance sheet has not included a line for Grants received in advance, with all developer contributions either being held in an earmarked reserve or accounted for as short term creditors. Audit testing identified that a number of the contributions received under Section 106 agreements held in the earmarked reserve still had outstanding conditions, and therefore should have been accounted for as Grants received in advance. Management have now reviewed all relevant balances. As a result contributions of £5,947,000 previously included under earmarked reserves and £788,000 previously disclosed as creditors have now been reclassified as Grants received in advance. The issue has also required a prior period adjustment, with contributions of £4,873.000 being reclassified as Grants received in advance at 1 April 2020. We did not identify any other issues relating to the Council's accounting policies and their application.

2. Financial Statements - other communication requirements

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

Issue	Commentary
Audit evidence and explanations/ significant difficulties	All information requested from management was provided.

2. Financial Statements - other communication requirements

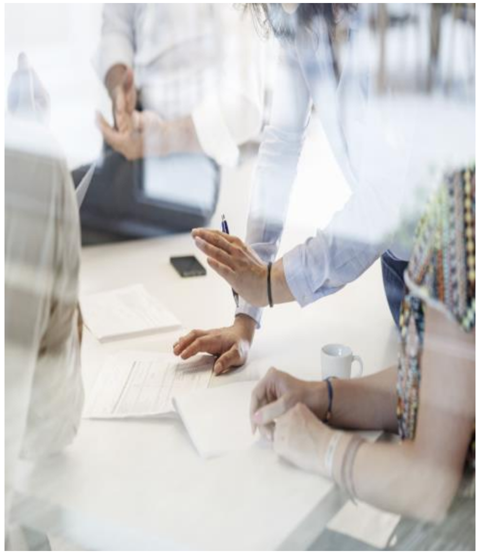
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and its subsidiary companies, and the environment in which they operate • the financial reporting framework applying to the Council and the group • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. No inconsistencies have been identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We have confirmed that the Council does not exceed the thresholds specified by the National Audit Office for 2021-22. As such no detailed work will be required.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021-22 audit as our VFM work is not yet complete.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. We expect to issue our Auditor’s Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work we consider whether there are any risks of significant weakness in the Council's arrangements. We have not identified any risks of significant weakness in the Council’s arrangements from our work to date.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service		**Fees (+VAT) £**	**Threats identified**	**Safeguards**
Audit related				
Reporting Accountant work on the Housing Benefit subsidy claim	Fees relating to financial year 2021-22	14,500	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the planned fee for this work in 2021-22 is £14,500, and the total fees either relating to 2021-22 or invoiced in the audit period are £29,000, in comparison to the planned fee for the audit of £77,239 and in particular relative to Grant Thornton UK LLP's overall turnover. Further, in each year the fee for this work is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	Fees relating to 2020-21 invoiced in the audit period April 2021 – November 2023	14,500		
			Self-review (because GT provides audit services)	The self-review threat is mitigated by the materiality of the amounts involved relative to our opinion. We also note that the Council has informed management who will decide whether to amend the claim for our findings and who will agree the accuracy of the report we issue as the Reporting Accountant.
Reporting Accountant work on the pooling of housing capital receipts return	Fees relating to financial year 2021-22	7,500	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in 2021-22 was £7,500, and the total fees either relating to 2021-22 or invoiced in the audit period are £17,750, in comparison to the planned fee for the audit of £77,239 and in particular relative to Grant Thornton UK LLP's overall turnover. Further, in each year the fee for this work is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	Fees relating to 2020-21 invoiced in the audit period April 2021 – November 2023	5,250		
	Fees relating to 2019-20 invoiced in the audit period April 2021 – November 2023	5,000	Self-review (because GT provides audit services)	The self-review threat is mitigated by the materiality of the amounts involved relative to our opinion. We also note that the Council has informed management who will decide whether to amend the claim for our findings and who will agree the accuracy of the report we issue as the Reporting Accountant.

Appendices

A. Follow up of prior year recommendations

We identified the following issues in prior year audits which resulted in recommendations being reported in our Audit Findings Reports.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Journals (first reported 2016/17) The Council does not require authorisation of each journal. Instead the expected internal control is that the Head of Finance reviews journals on a risk basis. In previous years we have recommended that the Council should review its journal authorisation procedures.	The system of control remains unchanged from 2016/17. In previous years the Council has responded that it is comfortable with the level of control in place, as there is no sign-off functionality within the system to control, journal processing and to implement this would involve the introduction of a manual process. The staff that can input journals are restricted to the finance team and a journal cannot trigger a payment or change amounts due to or from third parties. This remains the position for 2021/22.
X	The Accounting Code of Practice requires a disclosure of the amount of income accounted for under IFRS15 (revenue recognised from contracts with service recipients). We recommend that this disclosure is included in the financial statements in future years.	The disclosure has not been included in the 2021/22 financial statements.
X	The Accounting Code of Practice requires that, where items of property, plant and equipment are stated at revalued amounts, the effective date of the revaluation should be disclosed. As not all assets will be revalued annually this typically gives rise to a table disclosing the aggregate value of assets, analysed by the year in which they were last revalued. The Council's financial statements do not currently include this analysis. We recommend this disclosure is included in the financial statements in future years.	The disclosure has not been included in the 2021/22 financial statements.

Assessment

✓ Action completed

X Not yet addressed

A. Follow up of prior year recommendations

We identified the following issues in prior year audits which resulted in recommendations being reported in our Audit Findings Reports.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	The Accounting Code of Practice recommends that the Narrative Report should include; -a high-level commentary on the outcome of performance across the Council i.e. how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies; and an analysis of key financial and non-financial performance indicators that the local authority judges as central in assessing progress against its strategic objectives. At Ashford the Narrative Report currently describes the performance management process, but not the wider, non-financial outcomes. We recommend that additional comment on performance outcomes is included in the Narrative Report for future years.	The Narrative Report for 2021/22 refers to the Council's Annual Performance Report and explains how this can be obtained. However, the Narrative Report does not include any high-level commentary on performance outcomes or analysis using key indicators.

Assessment

✓ Action completed

X Not yet addressed

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Net pension liability Pensions Reserve		4,890 (4,890)	
Management obtained a revised report from the Council's actuary detailing the impact of the triennial revaluation of the Kent Pension Fund at 31.3.22 on the Council's net pension liability. The impact was to reduce the net pension liability by £4,890,000.	4,890		4,890
Capital grants received in advance Creditors Earmarked reserves		(6,735) 788 5,947	
It was agreed that Section 106 contributions totalling £5,947,000 previously included under earmarked reserves and £788,000 previously disclosed as creditors should be reclassified as capital grants received in advance.			
Overall impact	£4,890	£0	£4,890

B. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. Those Charged With Governance are required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Long term investments Unusable reserves The value for long term investments was overstated as the market value at 31 March 2022 for one investment had been identified incorrectly.		(246) 246		Management consider the issue is not material.
Creditors Usable reserves Unitary charge expenditure of £432,000 and rental income of £404,000 relating to the Stanhope PFI scheme had been incorrectly omitted .from the accounts. Gross income and expenditure were both understated., with a net understatement of £28,000.	28	(28) 28	28	Management consider the issue is not material.
Overall impact	£28	£0	£28	

Impact of prior year unadjusted misstatements

The only prior period unadjusted misstatements relate to valuation errors. As the relevant assets have been revalued in 2021-22 there is no impact to be considered for our work on the 2021-22 financial statements.

B. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issue	Adjusted?
CIES On the CIES an amount of £793,000 had been treated as gross income under Cost of Services, but should have been accounted for as a gain at the line "Disposal of non-current assets". There was no net impact on the Surplus/Deficit on Provision of Services.	✓
CIES The analysis of grant income on the CIES was incorrect. The total disclosed as "Section 31 Grant – Collection Fund" was £12,520,000 but should have been £6,920,000. The total disclosed as "Non-ringfenced government grants" was £70,000 but should have been £5,530,000.	✓
Note 4: Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty We agreed a number of changes to the disclosure note, including that references to "material valuation uncertainty" for property valuations were no longer applicable in 2021/22 and should be removed.	
Note 9: Officers' Remuneration The number of employees with remuneration in the band £55,000 - £59,999 was stated to be 13 but should have been 12.	✓
Note 12: Grant income At note 12 the disclosure note did not sum correctly as the value included at the line "Capital grants and contributions" was £0 but should have been £4,138,000.	✓

B. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issue	**Adjusted?**
Note 22 Financial instruments This note discloses the value of creditors which meet the definition of financial liabilities. This value had been overstated by £11,112,000 as the total included a number of items which did not meet the definition of financial liabilities and the underlying calculations contained a formula error.	✓
Other minor changes to the amounts and narrative at disclosure notes.	✓

C. Fees

We confirm below our final fees charged for the audit and the provision of non-audit services.

Audit fees	Proposed fee	Final fee
	£	£
Audit of the group financial statements	77,239	TBC
Total audit fees (excluding VAT)	77,239	TBC

The total of £77,239 was communicated in our November 2022 Audit Plan. At Note 11 the amount of £56,000 disclosed for external audit costs represents an earlier management estimate.

Non-audit fees for other services	Proposed fee	Final fee
	£	£
Audit Related Services		
-Housing benefit subsidy claim (NB: Proposed fee is the core fee – additional fee is payable in respect of error issues)	14,500	TBC
-Pooling of housing capital receipts return	7,500	7,500
Other	0	0
Total non-audit fees (excluding VAT)	22,000	TBC

At Note 11 the total of £24,000 for “Fees payable for the certification of grant claims and returns” represents a management estimate of the final fees payable.

D. Audit opinion

Our audit opinion is included below.

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

Independent auditor's report to the members of Ashford Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Ashford Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22 and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast

D. Audit opinion

significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

D. Audit opinion

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22), The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003 the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012

- We enquired of senior officers and the Audit committee concerning the group and Authority's policies and procedures relating to:

  - the identification, evaluation and compliance with laws and regulations;

D. Audit opinion

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

• We enquired of senior officers and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

• We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included evaluating the risk of management override of controls, the risk of improper revenue recognition (rebutted) and the risk of fraud in expenditure recognition (rebutted, other than for the risk of error around estimation and cut-off processes at yearend). We determined that the principal risks were in relation to journal entries and management bias in the calculation of estimates.

Our audit procedures involved:

• evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;

• journal entry testing, with a focus on the journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included journals containing keywords which might indicate fraud and journals posted after year end.

• challenging assumptions and judgements made by management in its significant accounting estimates in respect of property, plant and equipment valuations and expenditure recognition.

• assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.

• Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector

- understanding of the legal and regulatory requirements specific to the Authority and group including:

- the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.

• In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and

D. Audit opinion

- expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

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

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

D. Audit opinion

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Ashford Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report ,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Name: Darren Wells, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: XX

Grant Thornton

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Statement of Accounts 2021-22

Ashford Borough Council

ASHFORD

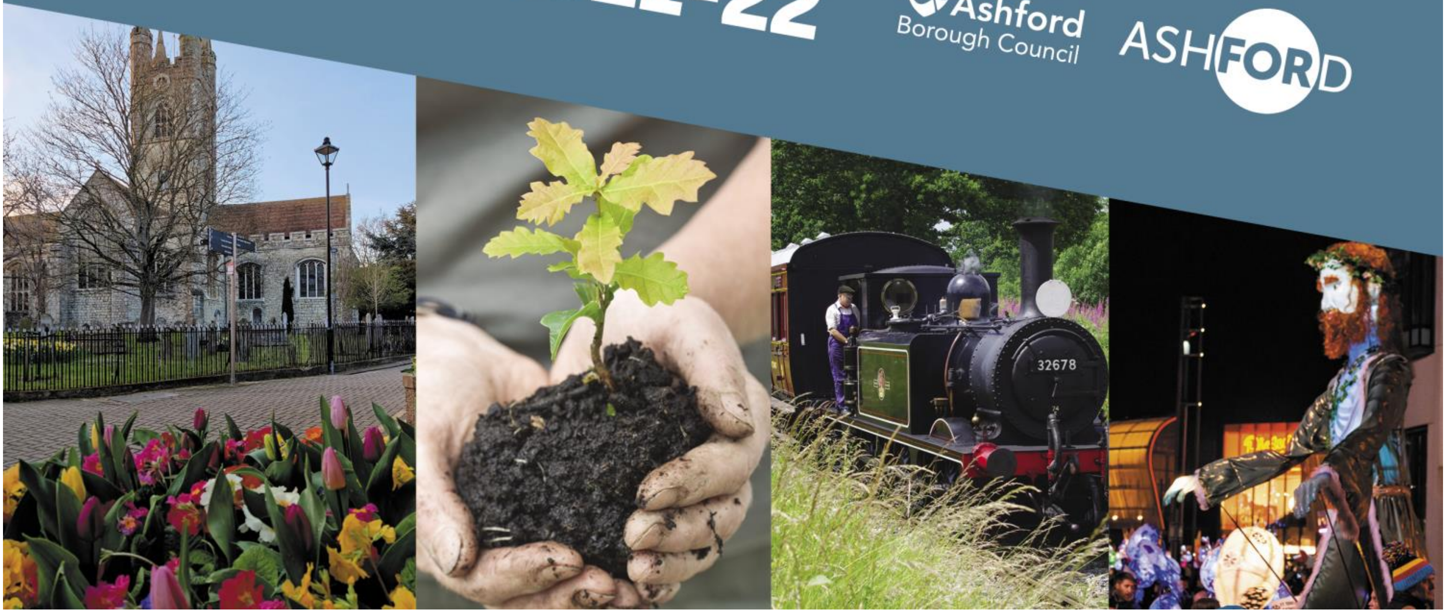

Table of Contents

Approval of the Statement of Accounts 1

Narrative Report 2

- Introduction 2
- The Statement of Accounts 2

Overview of 2021/22 Financial Results and Activity 2

Statement of Responsibilities for the Statement of Accounts 13

Core Financial Statements 14

- Comprehensive Income and Expenditure Statement 14
- Movement in Reserves Statement 15
- Balance Sheet 17
- Cash Flow Statement 18

Notes to the Core Financial Statements 19

1. Accounting Policies 19
2. Accounting Standards that have been issued but not adopted 35
3. Critical Judgements in Applying Accounting Policies 36
4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty 37
5. Expenditure and Funding Analysis 39
6. Note to the Expenditure and Funding Analysis 41
7. Expenditure and Income Analysed by Nature 44
8. Members’ Allowances 45
9. Officers’ Remuneration 45
10. Termination Benefits 47
11. External Audit Costs 47
12. Grant Income 48
13. General Fund Reserves 49
14. Property, Plant and Equipment 51
15. Revaluation Gains and Impairments 54
16. Investment Properties (Group Accounts) 54
17. Heritage Assets 55
18. Capital Expenditure and Capital Financing 56
19. Capital Receipt 57

20. Capital Grants ... 57
21. Capital Commitments ... 58
22. Financial Instruments ... 59
23. Nature and Extent of Risks Arising from Financial Instruments ... 63
24. Debtors ... 67
25. Grants receipts in advance ... 67
26. Creditors ... 68
27. Unusable Reserves ... 69
28. Leases ... 72
29. Provisions ... 74
30. PFI and Similar Contracts ... 74
31. Defined Benefit Pension Schemes ... 76
32. Related Parties ... 80
33. Interest in Companies ... 81
34. Restatement of 2020/21 audited figures ... 81
35. Contingent Liabilities ... 82
36. Events after the Balance Sheet Date ... 83
37. Cash Flow Statement – Adjustment to Net Deficit on the Provision of Services for Non-Cash Movement ... 84
38. Cash Flow Statement - Adjustment to Net Deficit on the Provision of Services for Investing & Financing Activities ... 84
39. Cash Flow Statement – Interest ... 85
40. Cash Flow Statement - Investing Activities ... 85
41. Cash Flow Statement - Financing Activities ... 85
42. Cash Flow Statement - Makeup of Cash and Cash Equivalents ... 85
Supplementary Single Entity Statements ... 86
Housing Revenue Account ... 86
Movement on the HRA Statement ... 87
Notes to the Housing Revenue Account ... 87
1. Number and type of Housing Stock, Balance Sheet Opening and Closing Values ... 87
2. Vacant Possession Value of Dwellings ... 87
3. Major Repairs Reserve ... 88
4. Summary of Capital Expenditure and Financing ... 88

5. Capital Receipts from Disposal of Assets 88
6. Valuations 89
7. Pensions 89
8. Rent Arrears 90

Collection Fund 91

Notes to the Collection Fund 92

1. Collection Fund - Allocation of Arrears, Prepayments and Other Balances 92
2. NNDR Rateable Value 94
3. Band D Council Tax 94
4. Council Tax Base 95

Independent Auditor’s report to the Members of Ashford Borough Council 96

Glossary 97

Approval of the Statement of Accounts

The Audit Committee at its meeting on XYZ approved the Statement of Accounts for the year ended 31 March 2022 in accordance with the Accounts and Audit Regulations 2015, subject to the Accounts and Audit (Amendment) Regulations 2021.

The Department for Levelling Up, Housing & Communities (DLUHC) put in place revised regulations that came into force on the 31 March 2021. The Accounts and Audit (Amendment) Regulations 2021 extended the statutory audit deadlines for 2020/21 and 2021/22 for all local authorities.

The revised regulations removed the requirement for the public inspection period to include the first 10 days of June. Instead, local authorities must commence the public inspection period on or before the first working day of August 2022. This means that accounts that must be confirmed by the responsible finance officer (RFO) and be published by 31 July 2022 at the latest.

Signed:

Councillor Krause
Chairman Audit Committee
(DATE)

Narrative Report

Introduction

Local Authority accounts are subject to 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. An explanation of technical terms is provided in the Glossary (page 97).

The Statement of Accounts

The content and format of the Statement of Accounts is prescribed in the Accounting Code of Practice. The Statement of Accounts includes the Core Financial Statements and Supplementary Financial Statements along with other statutory sections.

For this year (2021/22), there have been no changes to the code which effect this Council.

The Core Financial Statements (page 14 to 18) comprise:

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

These statements include a group position, which incorporates the Council's subsidiary, A Better Choice for Property Ltd and their subsidiary company, A Better Choice for Property Development Ltd. The accounts for these companies can be viewed at Companies House once filed in accordance with statutory requirements.

Overview of 2021/22 Financial Results and Activity

The Corporate Plan and Medium Term Financial Plan (MTFP)

2021/22 represented a transitional year as the Council moved away from the Corporate Recovery Plan that was adopted to guide the Council through the pandemic, and launch its new 2022 - 2024 Corporate Plan which can be viewed on the Council's website, and included "The Ashford Ambition" that provides a vision for the future and catalyst for the corporate priorities.

The Ashford Ambition is *"to be a thriving, productive and inclusive borough in 2030 and beyond; a vital part of Kent and the South East where local businesses, social enterprises, communities and the public sector provide collective leadership to promote shared prosperity, happiness and wellbeing"*

The Ashford Ambition is supported by three priority themes that are detailed below:-

- Green Pioneer
- Caring Ashford
- Targeted Growth

The new Corporate Plan has identified a number of strategic projects that will be supported and overseen by the Ashford Strategic Delivery Board and can be seen on page 17 of The Corporate Plan.

One of the significant projects is Newtown Works and at the end of 2021/22 the Council started the process of acquiring a majority interest in Quinn Estates Newtown Works Ltd.Having obtained significant control in May 2022 the Company has been re-branded to Ashford International Development

Company Ltd, and work on site will commence in 2022/23.

The Newtown works project and development has been awarded £14.7m from the Government Levelling up Fund following a successful application by the Council, and supports the overall viability of the scheme.

Newtown works in addition to other exciting projects coming forward are covered in the Council's Annual Performance Report 2021-2022 which was presented to the Council's Cabinet in June 2022 and is available on the Council's website.

In September 2020 DEFRA (Department for the Environment, Food and Rural Affairs) informed the Council that the Sevington Inland Border Facility (IBF) was being designated a Border Control Post and the Council would become responsible for carrying out various port health controls on behalf of the Government.

This is a significant new business area for the Council with initial indications identifying the need for the Council to appoint an estimated further 125 Officers to run the facility with a £8m turnover, which was due to become partially operational in April 2021.

The April 2021 commencement date was delayed and following several other false starts, the revised date for the port to become operational is the end of 2023, allowing Government time to standardise processes across the country. This is disappointing for the Council and Port Health Authority service which worked incredibly hard to be operationally ready for April 2021.

Government has provided assurances that costs relating to the port prior to it becoming operational will be met, and therefore will not be a financial burden on the Ashford Tax Payer.

Although Government Departments received multi-year settlements until 2024/25 the Council only received a single year settlement for the fourth year running. Equally, despite government department budgets increasing, and English authorities receiving an average 6.9% increase in core spending power, Ashford received a 0% increase in core spending power along with only 10% of other authorities, or a real terms cut in funding, the Council's Leader has written to Government expressing his thoughts on the settlement.

The former Levelling up Secretary Michael Gove, before being removed from office confirmed at the Local Government Associations annual conference that Local Authorities will receive a two year funding settlement next year, and that consultation will start shortly (comment June 2022).

The Council would welcome a two year settlement to align funding with the corporate plan. However, having received a 0% increase in core spending power for 2022/23, and with rising inflation, more support would be welcomed.

The Council reviewed its Medium Term Financial Plan (MTFP) when setting the 2022/23 budget and this was presented to Cabinet in October 2021.

The MTFP report recognised pressure in the short term although the plan balanced over a 5 year period; this is due to the Council's previous drive to save/generate £3m within services between 2020/21 and 2022/23, in addition to a strong commercial focus which generates both income and prosperity within the Borough. The assumptions in the MTFP will have significantly changed (worsened) since September 2021 when forecasts were made, and these will be revised and presented to Cabinet in the autumn of 2022 with recommendations on how to bridge any emerging funding gaps.

2021/22 was expected to be the year that things started to return to a 'new' normal with service usage figures becoming more predictable and new ways of working becoming more established.

However, as the year progressed geo-political tensions and increasing energy prices led to rising inflation, significantly above forecasted expectations when setting the 2022/23 budget. To try and slow rising inflation the Bank of England Monetary Policy Committee raised interest rates to 0.25% in December 2021, with further 0.25% rate rises at each of its next 4 meetings resulting in a base rate to 1.25% in June 2022, again significantly above budget expectations for 2022/23.

It is anticipated that significant pressures will come forward in 2022/23 as a result of unforeseen rises in inflation and interest rates, which will drive up operational expenditure and borrowing costs accordingly. A section ‘Looking Forward’ was added to the 2021/22 Outturn Report which was presented to Cabinet in June 2022 (available on the Council website) to highlight some of the significant risks already identified within services, including a pressure of circa £385,000 within in the waste collection contract which is inflation linked.

In response to rising inflation and particularly the increase in the cost of energy, the Government introduced an energy bill rebate scheme to support household bills. The scheme, introduced late in 2021/22 aimed to pay £150 to households in Council tax band D and below. The Government passed on responsibility for paying this grant to local authorities which had already been under significant pressure having delivered numerous Covid grants and reliefs during the pandemic. As at 22 June, the Council had made 28,132 direct payments totaling £4.22m, and had applied 10,542 credits to customer accounts totaling £1.58m. A further 227 payments had also been made under the discretionary scheme.

The Council set its budget for 2022/23 at the March 2022 Council meeting, increasing council tax by £5 to £177.50 for a band D property. This increase still maintains Ashford’s position as having the lowest council tax in Kent.

The Council is a member of the Local Government Pension Scheme, administered by Kent County Council (KCC). The most recent valuation of the Fund was carried out at 31 March 2019. This set the employers contributions for the period from 1 April 2020 to 31 March 2023, at a rate of 17.9%.

A triennial review will be undertaken by KCC in conjunction with the actuary in 2022/23, which will set the contribution rate payable from April 2023.

COVID-19 impact on this statement

The Covid19 pandemic impacted the start of 2021/22 where there were still some national restrictions in place as the Government's roadmap out of lockdown was implemented.

2021/22 was a move back towards normal operating practices although the impact of the pandemic continues to distort comparable data within financial statements, notably the Comprehensive Income and Expenditure Statement and reserve position where £7.7m of section 31 grant is held for future collection fund deficits, resulting from Covid reliefs awarded and how they are accounted for between financial years.

Most of the significant movements are within costs of services, and these are largely covered within the General Fund section of narrative report, which focuses on the services outturn position for 2021/22.

For the Council's financial statements, a judgement has to be made as to whether the Council was acting as an agent or principal, when awarding or applying government schemes, which then requires different accounting treatments, detailed below:-

- Where the Council acts as an agent, it has no control of the grant scheme and is effectively working on behalf of Government, therefore the amount of income and expenditure relating to these grants does not show in the Council's accounts. During 2021/22 the Revenues and Benefits team paid out 1,638 grants totalling £9.9m (compared to 8,000 grants totaling £41.5m in 2020/21), under the agent arrangement
- Where the Council acted as a principal, and therefore had an element of discretion over the awarding of the grant, the Council's Economic and Development Team administered the grants. During 2021/22, they processed 526 grants totalling £1.7m (compared to 2,402 grants totalling £4.9m in 2020/21); this is shown as income and expenditure within Economic Development and is reported within the Corporate Policy, Economic Development and Communications row within the Comprehensive Income and Expenditure Statement) CIES.

Performance and Governance

Risk Management

The Corporate Risk register is assessed using the Risk Management Framework, adopted by the Cabinet in April 2018, and is formally reported to Audit Committee every 6 months. The last Corporate Risk Register report was presented to Audit committee in March 2022 and is available on the Council's website.

Operational risks are monitored by individual Services, on an exception basis, and reported to the Council's Management Team. Where risks are of strategic significance, they will be reported to the Audit Committee accordingly.

Services review their risks monthly and as part of the service planning process.

Performance Management

The Council reports its wider performance data, including service specific indicators to Overview and Scrutiny, and Cabinet, on a quarterly basis, these are available on the internet. These indicators have been updated to reflect the themes and priorities within the corporate plan.

The Annual performance report was presented to Cabinet in June 2022 and a link is provided within the overview section of the narrative report.

Annual Governance Statement

As part of the governance processes, the Council adopts an annual governance statement, and reports to the Audit

Committee on progress made in remedying exceptions. The Annual Governance Statement is available on the Council's website. 2021/22 Annual Governance Statement

General Fund (excluding the Housing Revenue Account)

In 2021/22 the general fund reported a surplus of £39,000 against the original budget having made movements to and from reserves, as per the table shown on page 7.

This excludes the Housing Revenue Account (HRA), which is shown separately on page 9.

This differs from the statutory presentation of the Comprehensive Income and Expenditure Statement (page 14), and aims to present the information in a more meaningful manner as accounting adjustment are removed.

The financial outturn report was presented to the Council's Cabinet on the 30 June 2022 and can be found on the Council's website, this report provides a more comprehensive analysis of the financial performance of the council for 2021/22.

The following paragraphs highlight the significant movements in 2021/22.

Community safety and wellbeing is responsible for car parking income which has dropped significantly from pre Covid levels. The 2021/22 budget was anticipating a 15% reduction but due to the prolonged nature of Covid and changing consumer habits, the parking income budget was £271,000 below expectations.

The Cultural Services budget continued to support for Tenterden Leisure Centre while a new operator is tendered for. Without an operator in place the centre would have to close and therefore the Council is underwriting losses at the centre which have occurred due to a continued downturn in visitor/member numbers. The support package for 2021/22 was £510,000 and this support will continue into 2022/23.

The Planning service has had continuing difficulties with recruitment due to a national shortage of planners, and the service has needed to engage consultants to support operational workloads, which has added additional costs of £100,000, having utilised salary savings. The service also had additional expenditure of £316,000 for defending planning appeals, and fee income was down by £120,000.

Capital Charges and Net interest saw a surplus of £433,000 which was a saving of £1.07m on treasury management activity which is covered in the section below. An increase in debt repayment from revenues of £636,000 was also made.

The levies and grants line of the table reflects an additional £1.5m of additional grant funding from Government to support Covid pressures.

The Comprehensive Income and Expenditure Statement, and associated notes from page 14 include:

- the General Fund outturn as detailed below
- the Housing Revenue Account income and expenditure
- Other notional accounting entries for capital charges, pensions and asset sales.

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

General Fund Final Outturn 2021/22

Service	Original Budget 2021/22	Revised Budget 2021/22 A	Final Outturn 2021/22 B	Variance B-A
	£'000	*£'000*	*£'000*	*£'000*
Ashford Port Health	0	0	0	0
Corporate Core	691	730	454	(275)
Corporate Policy, Economic Development, Communications and CMO	1,173	1,168	1,184	16
Community Safety and Wellbeing	712	715	1,101	386
Hr & Customer Services	155	113	(14)	(128)
Legal & Democratic Services	1,233	1,275	1,286	11
Corporate Property & Projects	(1,269)	(1,282)	(1,498)	(216)
Finance & Ict	2,579	2,589	2,462	(127)
Housing Services	914	917	1,181	265
Culture	3,208	3,208	3,729	521
Environmental & Land Management	4,739	4,724	4,852	128
Planning	2,168	2,146	2,783	636
Net Service Expenditure	16,303	16,303	17,520	1,217
Capital Charges and net interest	(2,188)	(2,188)	(2,621)	(433)
Levies and Grants	(583)	(583)	(2,089)	(1,506)
Contribution to Reserves	349	349	601	252
Net Expenditure	13,881	13,881	13,411	(470)
Funded by:				
Grant Funding	(1,996)	(1,996)	(1,995)	1
Business Rates	(4,093)	(4,093)	(3,700)	393
Council Tax	(7,792)	(7,792)	(7,755)	37
Total Financing	(13,881)	(13,881)	(13,450)	431
Outturn reported	0	0	(39)	(39)

Housing Revenue Account (HRA)

The outturn on the HRA is showing a deficit of £3.5m, compared to a budgeted deficit of £4.3m, a reduction of £716,000.

There were various movements that effected the outturn, including a £1.2m overspend on repairs and maintenance, in order to catch-up on the backlog created by Covid19. This was offset by a reduction in debt repayment which were funded by the Major Repairs Reserve instead. Capital works on existing properties have not recovered to pre-Covid19 levels, and therefore a saving of £3.8m was possible. It is anticipated that some of this slippage will be incorporated into the 2022/23 programme of works.

The HRA currently maintains 5,212 properties and has a detailed repair and maintenance schedule for each property at a component level, i.e. kitchen, bathroom etc. When considering these options, the Council takes account of such aspects as robustness, good quality, low maintenance and the serviceability of the component part over its whole lifecycle. Combining these features results in the HRA delivering value for money for the Council.

The Council is in the process of having a stock condition survey so it can thoroughly understand the works required to provide more energy efficient stock as part of the overall Councils commitment to carbon neutrality.

Debt repayment in 2021/22 comprised of £4.4m from HRA revenue and a further £5m from the Major Repairs Reserve (MRR).

The HRA reserve balance at 31 March 2022 was £2.1m, (compared to £7.1m in 2020/21).

The Major Repairs Reserve (MRR) stands at £1.9m (£1.9m in 2020/21), and is available to fund the Decent Homes Programme.

The total reserve balance for the HRA is £4m (compared to £9m in 2020/21).

Council dwellings are revalued at the end of each financial year and all stock was revalued at 31 March 2022, this resulted in an increase of £14.8m (compared to a £32m increase in 2020/21).

Housing Revenue Account Outturn 2021/22

Service	Original Budget 2021/22 A	Revised Budget 2021/22 B *£'000*	Final Outturn 2021/22 C *£'000*	Variance C-B *£'000*
Income	(27,186)	(27,186)	(27,332)	(146)
Supervision and Management	6,311	6,311	6,794	483
Repairs and Maintenance	4,024	4,024	5,272	1,248
Other	21,121	21,121	18,820	(2,301)
Net Expenditure	4,270	4,270	3,554	(716)
Capital Works - Decent Homes	5,914	5,914	2,081	(3,833)
Capital works financed by:				
Debt repayment	0	0	5,000	5,000
Major Repairs Allowance (from Self-Financing Determination)	(5,914)	(5,914)	(7,081)	(1,167)
Outturn reported	4,270	4,270	3,554	(716)

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. It also covers intangible assets for example the purchase of computer software, which will benefit the Council over a number of years.

Major projects during 2021/22 included:

- Tenterden Leisure Centre roof and new filtration systems £902,000 plus additional £327,000 decarbonisation works funded from external grant.
- Stour Centre renovation programme £2.8m, plus additional £73,000 decarbonisation works funded from external grant.
- Purchase of 65 new Apartments (Stour Heights) in the town centre comprising of one and two bed apartments for £9.5m, Homes England grant funding was secured on this acquisition totalling £975,000.
- Street Purchase scheme during 2021/22 saw 24 units added to the HRA portfolio costing around £5.3m. Capital receipts totalling £1.6m from the sale of RTB (right to buy) Council properties supported these costs.
- Works are continuing on the site of Halstow Way costing £2.7m, Homes England grant funding was secured on this acquisition totalling £765,000.
- Spend on existing housing stock amounted to £2m ensuring Decent Homes Standards are maintained. This was lower than the forecasted £5.9m due to the Covid19 Pandemic.
- Works completed on the social housing developments at East Stour Court and Berry Place (Poplars) costing £5.5m, Homes England grant funding was secured on both these acquisitions totalling £2.5m.

In the financial year 2021/2022, the outturn for the capital programme was:

Summary of Capital Spending and Financing

	2021/22	
	£'000	*£'000*
Capital investment		
General Fund capital expenditure	9,041	
HRA capital expenditure	28,747	
Total expenditure		37,788
Sources of finance		
Prudential borrowing	25,058	25,058
Capital receipts		
- 1-4-1 capital receipts	1,594	
- General capital receipts (HRA)	1,893	
- General capital receipts (GF)	233	3,720
Grants and contributions		
- External grants and contributions	3,232	3,232
Contribution to/(from) Major Repairs Reserve	2,081	2,081
Direct revenue contributions		
- General Fund financing	1,192	
- HRA Revenue contributions	2,500	
- Developer contributions	5	3,697
Total financing		37,788

Treasury Management

Borrowing

At 31 March 2022, the Council had long and short-term borrowing of £226.5m, £115m of this relates to the HRA with £97.6m outstanding from the acquisition of the Council's Social Housing Stock from Government in 2013. Borrowing is used to fund capital projects such as new residential developments for the HRA, and opportunities for regeneration and portfolio maintenance within the general fund.

Excluding long-term HRA debt linked to the HRA stock acquisition, the Council maintained a predominantly short-term borrowing strategy in 2021/22 although £32m was taken from the PWLB (public Works Loan Board) for 20 years to mitigate interest rate risk.

The short term strategy has been beneficial to the Council in recent years with significant savings being used to fund budgetary pressures during Covid19 and increase reserves.

In response to rising inflation this strategy will come under pressure moving forward and the Council will consult with its advisors to determine the best long term borrowing strategy going forward.

During 2021/22 the Council saved £195,000 on forecast borrowing costs.

Investments

At 31 March 2022, the Council had strategic investments with a fair value of £35.3m (£32.9m at 31 March 2021) which are detailed in note 24 Financial Instruments. In 2021/22 the Council continued to maintain a diversified investment portfolio with long-term strategic investments continuing to be held.

The strategic investment portfolio has two considerations, the capital value of the underlying investment but also the performance in relation to interest received.

In 2021/22 the capital value increased by £2.4m although this was largely driven by the CCLA Property Fund which increased in value by £2m.

In relation to returns, the portfolio did not drop as anticipated and the investment portfolio over achieved budget by £660,000.

Collection Fund

All council tax and business rates Ashford collects are paid into this separate account before being passed to the precepting authorities and Central Government.

The Collection Fund for English authorities is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and Central Government of council tax and national non-domestic rates.

The collection fund had a deficit at year-end due to the accounting treatment of Covid reliefs. Ashford's share of the deficit is covered by government grant and has been moved into reserves.

Pensions

As part of the Conditions of Employment, the Council must offer staff retirement benefits under statutory requirements.

At 31 March 2022, 90% of staff were part of the full pension scheme, contributing between 5.5% and 12.5% of salary.

4.5% of staff were opted into the 50/50 section of the scheme contributing between 2.25% and 6.25%, and the remaining 5.5% of staff opted out of the scheme.

Payments into the pension scheme and investment assets are held and managed by the Kent County Council Pension Fund for all contributing member authorities. For further information, see note 31.

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 30.

Council owned Companies

The Council has one wholly owned active subsidiary, A Better Choice for Property Limited, which has a subsidiary A Better Choice for Property Development Limited, for which it is the sole shareholder. The interest in the Property Company (and subsidiary) is considered material and therefore group accounts have been prepared in accordance with IFRS 10.

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)

The 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 14 and 95 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2022 and its income and expenditure for the year ended on that date.

B Lockwood

Ben Lockwood
Chief Finance Officer
29 July 2022

Core Financial Statements

Comprehensive Income and Expenditure Statement

ABC 2020/21 Restated			Group 2020/21		ABC 2021/22			Group 2021/22
Gross Expenditure *£'000*	Gross Income *£'000*	Net Expenditure *£'000*	Net Expenditure *£'000*		Gross Expenditure *£'000*	Gross Income *£'000*	Net Expenditure *£'000*	Net Expenditure *£'000*
437	(4,643)	(4,206)	(4,206)	Ashford Port Health	5,277	(2,377)	2,900	2,900
1,053	0	1,053	1,053	Corporate Core	834	(52)	782	782
6,311	(5,158)	1,153	1,153	Corp. Policy, Eco.Dev. & Comm.	3,267	(1,957)	1,310	1,310
3,652	(1,700)	1,952	1,952	Community Safety and Wellbeing	4,603	(2,941)	1,662	1,662
190	(50)	140	140	Hr & Customer Services	211	(56)	155	155
1,544	(179)	1,365	1,365	Legal & Democratic Services	1,649	(210)	1,439	1,439
17,717	(4,934)	12,783	12,783	Corporate Property & Projects	5,718	(5,869)	(151)	(151)
30,867	(31,025)	(158)	(813)	Finance & Ict	27,513	(27,123)	390	(341)
5,937	(3,821)	2,116	2,116	Housing Services	6,960	(5,355)	1,605	1,605
13,980	(336)	13,644	13,644	Culture	(4,085)	(812)	(4,897)	(4,897)
7,381	(1,589)	5,792	5,792	Environmental & Land Management	7,015	(1,815)	5,200	5,200
4,454	(1,816)	2,638	2,638	Planning	4,258	(2,130)	2,128	2,128
28,842	(28,896)	(54)	(54)	Local Authority Housing	44,575	(30,428)	14,147	14,147
1,953	0	1,953	1,953	Non distributed costs	2,180	0	2,180	2,180
124,318	(84,147)	40,171	39,516	**Cost of Services**	109,975	(81,125)	28,850	28,119
				Other operating expenditure				
	2,504		2,504	Parish Council Precepts & Levies		2,559		2,559
	486		486	Payments to the Government Housing Capital Receipts Pool		485		485
	(1,698)	1,292	(1,698)	Disposal of non-current assets		(1,873)	1,171	(1,873)
				Financing and investment income and expenditure				
	4,983		4,983	Interest payable and similar charges		5,216		5,216
	1,816		1,816	Net interest on the net defined benefit liability (asset)		1,786		1,786
	(6,097)		(5,442)	Interest receivable		(5,114)		(4,419)
	0	702	(711)	Income, Expenditure and Changes in fair value of Investment Property		0	1,888	(1,229)
				Taxation and non-specific grant income				
	0		144	Income Tax relating to companies		0		242
	(10,246)		(10,246)	Council Tax income		(10,499)		(10,499)
	6,848		6,848	Non-domestic rates income and expenditure		521		521
	(12,934)		(12,934)	Section 31 Grant - Collection Fund		(6,920)		(6,920)
	(7,487)		(7,487)	Non-ringfenced government grants (Note 12)		(5,530)		(5,530)
	(7,425)	(31,244)	(7,425)	Capital grants received in year		(4,138)	(26,566)	(4,138)
		10,921	10,354	**(Surplus) or Deficit on Provision of Services**			5,343	4,320
	(46,557)		(46,557)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (see note 14)		(44,309)		(44,309)
	(579)		(579)	(Surplus) or deficit on revaluation of investments elected for FVOCI		(1,010)		(1,010)
	10,932		10,932	Remeasurements of the net defined benefit liability (See note 30)		(14,004)		(14,004)
		(36,204)	(36,204)	**Other Comprehensive Income and Expenditure**			(59,323)	(59,323)
		(25,283)	(25,850)	**Total Comprehensive Income and Expenditure**			(53,980)	(55,003)

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 raise fees and charges 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. The restatement of the CI&ES was due to restructuring of Council and reporting is now carried out at the Service Structure level.

Movement in Reserves Statement

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves (excluding company)	Unusable Reserves (Note 27) (excluding company)	Total Usable Reserves (group)	Unusable Reserves (Note 27) Group
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31 March 2021	(46,089)	(7,188)	(3,341)	(1,947)	(771)	(59,336)	(156,234)	(58,864)	(157,185)
Movements in Reserves during 2021/22									
Surplus or deficit on the provision of services	(11,002)	16,345				5,343		4,320	(1,229)
Other Comprehensive Income & Expenditure							(59,323)		(59,323)
Total Comprehensive Income & Expenditure	(11,002)	16,345	0	0	0	5,343	(59,323)	4,320	(60,552)
Adjustments between accounting and funding basis under regulations									
Sources of Finance	1,482	1,750	3,716	2,081	0	9,029	(9,029)	9,029	(9,029)
Sums set-a-side for capital purposes	3,032	8,033		5,000		16,065	(16,065)	16,065	(16,065)
Revenue expenditure charged to capital under statute	(928)	0				(928)	928	(928)	928
Removal of items not chargeable to Fund Balances									
- Capital adjustment account	4,792	(24,169)	0	(7,044)		(26,421)	26,421	(26,421)	26,421
- Capital grants unapplied account	905	0			(905)	0		0	0
- Capital receipts reserve (for HRA, see note 5)	583	3,721	(4,302)			2	(2)	2	(2)
- Deferred capital receipts reserve	0		(59)			(59)	59	(59)	59
- Pensions reserve	(4,344)	(611)				(4,955)	4,955	(4,955)	4,955
- Collection fund adjustment account	7,922					7,922	(7,922)	7,922	(7,922)
- Adjustments between group accounts and authority accounts	0							1,229	
- Pooled Investment Adjustment Account	2,425	0				2,425	(2,425)	2,425	(2,425)
Net increase or decrease	4,867	5,069	(645)	37	(905)	8,423	(62,403)	8,629	(63,632)
Increase or decrease during 2021/22	4,867	5,069	(645)	37	(905)	8,423	(62,403)	8,629	(63,632)
Balance at 31 March 2022	(41,222)	(2,119)	(3,986)	(1,910)	(1,676)	(50,913)	(218,637)	(50,235)	(220,817)

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.

- 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.

Movement in Reserves Statement

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves (excluding company)	Unusable Reserves (Note 27) (excluding company)	Total Usable Reserves (group)	Unusable Reserves (Note 27) Group
restated	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31 March 2020	(22,757)	(5,553)	(4,353)	(2,889)	(5)	(35,557)	(154,598)	(35,229)	(154,838)
Movements in Reserves during 2020/21									
Surplus or deficit on the provision of services	10,765.00	24				10,789		10,222	(711)
Other Comprehensive Income & Expenditure							(36,204)		(36,204)
Total Comprehensive Income & Expenditure	10,765	24	0	0	0	10,789	(36,204)	10,222	(36,915)
Adjustments between accounting and funding basis under regulations									
Sources of Finance	2,667	3,991	3,721	1,848	0	12,227	(12,227)	12,227	(12,227)
Sums set-a-side for capital purposes	2,506	2,932	700	5,000		11,138	(11,138)	11,138	(11,138)
Revenue expenditure charged to capital under statute	(1,231)	0				(1,231)	1,231	(1,231)	1,231
Removal of items not chargeable to Fund Balances									
- Capital adjustment account	(23,916)	(11,689)	0	(5,906)		(41,511)	41,511	(41,511)	41,511
- Capital grants unapplied account	766	0			(766)	0		0	0
- Capital receipts reserve (for HRA, see note 5)	(349)	3,732	(3,383)			0		0	0
- Deferred capital receipts reserve	0		(26)			(26)	26	(26)	26
- Pensions reserve	(3,762)	(625)				(4,387)	4,387	(4,387)	4,387
- Collection fund adjustment account	(13,102)					(13,102)	13,102	(13,102)	13,102
- Accumulated absences account	0	0				0	0	0	0
- Adjustments between group accounts and authority accounts	0							711	
- Pooled Investment Adjustment Account	2,324	0				2,324	(2,324)	2,324	(2,324)
- Derecognition of FVOCI investments	0					0	0	0	0
Net increase or decrease	(23,332)	(1,635)	1,012	942	(766)	(23,779)	(1,636)	(23,635)	(2,347)
Transfers to/from Earmarked Reserves						0		0	0
						0			
Increase or decrease during 2020/21	(23,332)	(1,635)	1,012	942	(766)	(23,779)	(1,636)	(23,635)	(2,347)
Balance at 31 March 2021	(46,089)	(7,188)	(3,341)	(1,947)	(771)	(59,336)	(156,234)	(58,864)	(157,185)

Balance Sheet

		restated						
ABC	Group	ABC	Group			ABC		Group
1 April 2020		31 March 2021				31 March 2022		
£'000	*£'000*	*£'000*	*£'000*		*Notes*	*£'000*	*£'000*	*£'000*
435,208	435,208	484,507	484,507	Property, Plant & Equipment	14	538,150		538,150
2,834	2,834	4,133	4,133	Heritage Assets	17	6,359		6,359
0	28,224	0	33,357	Investment Property	16	0		35,092
171	171	125	125	Intangible Assets		295		295
30,968	30,581	34,012	33,407	Long Term Investments	22	37,631		36,842
29,210	1,489	33,157	1,447	Long Term Debtors	22	33,259		1,432
0	1	0	1	Deferrred Tax Asset		0		1
498,391	498,509	555,934	556,977	**Long Term Assets**			615,694	618,171
1,170	1,170	1,289	1,289	Current held for sale		0		0
6,905	6,558	30,943	30,628	Short Term Debtors	24	26,697		26,189
21,958	22,405	8,889	9,121	Cash and Cash Equivalents	40	1,491		1,684
30,033	30,133	41,121	41,038	**Current Assets**			28,188	27,873
(111,790)	(111,790)	(127,549)	(127,549)	Short Term Borrowing		(101,270)		(101,270)
(16,541)	(16,987)	(37,879)	(38,179)	Short Term Creditors	26	(37,951)		(38,196)
(932)	(932)	(1,108)	(1,108)	PFI Current Liabilities	29	(1,089)		(1,089)
(129,263)	(129,709)	(166,536)	(166,836)	**Current Liabilities**			(140,310)	(140,555)
(2,367)	(2,367)	(2,641)	(2,641)	Long-term Provisions	29	(2,847)		(2,847)
(106,664)	(106,664)	(97,664)	(97,664)	Long Term Borrowing	22	(125,264)		(125,264)
(4,682)	(4,682)	(4,824)	(4,824)	Grants receipts in advance - capital	25	(6,266)		(6,266)
(191)	(191)	(507)	(507)	Grants receipts in advance - revenue	25	(469)		(469)
(76,099)	(76,099)	(91,418)	(91,418)	Pension Liability	31	(82,370)		(82,370)
(18,884)	(18,884)	(17,776)	(17,776)	PFI Liability	30	(16,687)		(16,687)
(119)	(119)	(119)	(119)	Finance Lease Liability	28	(119)		(119)
0	(46)	0	(181)	Deferred Tax Liability		0		(414)
(209,006)	(209,052)	(214,949)	(215,130)	**Long Term Liabilities**			(234,022)	(234,437)
190,155	189,880	215,570	216,049	**Net Assets**			269,550	271,052
				Financing (see MiRS)				
(35,556)	(35,281)	(59,334)	(58,862)	Usable Reserves		(50,913)		(50,235)
(154,599)	(154,599)	(156,236)	(157,187)	Unusable Reserves	27	(218,637)		(220,817)
(190,155)	(189,880)	(215,570)	(216,049)				(269,550)	(271,052)

ABC's Net assets for 2020/21 have decreased by (£4,515)m (originally (£220,085)m) from the previously published accounts. This reflects the impact of adjustments relating to the recognition of Developer Contribution which has been incorrectly allocated to Earmarked Reserves within the General Fund Reserves, rather than being accounted under Grants receipts in advance.

The largest adjustment £4.824m related to the movement from the General Fund Reserves to the Grants receipts in advance - capital.

This restatement also affects the CIES, MiRS, Cash Flow and the relevant 20/21 disclosure notes.

The Balance Sheet summarises the Authority's financial position as at 31 March. The 'top half' contains the Council's assets and liabilities held or accrued. 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	Group			ABC	Group
restated					
2020/21	2020/21			2021/22	2021/22
£'000	*£'000*		*Notes*	*£'000*	*£'000*
10,920	10,353	Net (surplus) or deficit on the Provision of services		5,343	4,319
(37,214)	(37,124)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	*37*	(35,010)	(35,378)
5,077	5,782	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	*38*	6,044	7,284
(21,217)	(20,989)	Net cash flows from operating activities		(23,623)	(23,776)
40,243	44,390	Investing activities	*40*	31,234	31,740
(5,827)	(9,987)	Financing activities	*41*	(213)	(528)
13,199	13,414	Net movements in year excluding non-cash items		7,398	7,436
21,958	22,404	Cash and cash equivalents at the beginning of the reporting period		8,889	9,121
(13,069)	(13,284)	Net increase or (decrease) in cash and cash equivalents		(7,398)	(7,436)
8,889	9,121	Cash and cash equivalents at the end of the reporting period	*42*	1,491	1,684

The Cash Flow Statement summarises the flows of cash 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 2021/22 financial year and its position at the year ending 31 March 2022. 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 2021/22’ (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.

As per IFRS 15, revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in 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) which has been increased to £10,000 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	Per capita
IT support of corporate financial systems	Actual direct costs (hardware costs etc.) plus cost of estimated staff resources
Network / PC support	Per capita
Customer Contact Centre and Printing	Actual use, as recorded by monitoring systems
Internal Audit	Per audit plan
Payroll and Human Resources 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 section 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 section. General Revenue Grants, in the form of Revenue Support Grant, and Capital Grants are credited and disclosed separately in the Taxation and Non-specific Grant Income section 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 subcategories.

- 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 current 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 section 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 section 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 section in the Comprehensive Income and Expenditure Statement.

15. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The cost of items of inventory which take a substantial period of time to complete includes attributable borrowing costs.

The net realisable value of inventories is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for any slow-moving, obsolete or defective inventories.

16. Investment properties

Investment property comprises non-owner occupied buildings held to earn rentals and for capital appreciation.

Investment properties are initially recognised at cost, inclusive of transaction costs. Subsequently, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise.

Investment property is derecognised when disposed of, or when no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property is recognised in profit or loss in the period in which the property is derecognised.

Properties were valued as at 31 March 2022 by Chartered Surveyors Taylor Riley Sibley Pares and these valuations have been used for the accounts.

17. Leases

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

17.1. 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 section 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.

17.2. 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.

18. Current Assets and Liabilities

18.1. 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.

18.2. 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.

19. Contingent Assets and Contingent Liabilities

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures 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.

20. 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.

21. 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.

22. Employee Benefits

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

22.1. 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.

22.2. 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.

22.3. 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 section 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.

Employer 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 2019 and changes to contribution rates as a result of that valuation took effect on 1 April 2020.The next formal valuation of the Kent County Pension Fund was at 31 March 2022,with the results effective from 1 April 2023.

23. 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 22 on page 59.

23.1. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure classification 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 section 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).

23.2. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)
-

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure section in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL) Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services, although they are reversed out through a statutory override.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis. The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through other Comprehensive Income (FVOCI) It is the policy of the Council that certain equity assets will be designated as Financial Assets Measured at Fair Value through other Comprehensive Income. Designation is considered when the investment would normally fall into the Fair Value through Profit of Loss classification, the investment meets the definition of an equity instrument and is not held for trading.

Any designation is determined so that a reliable accounting policy is maintained for the investment reflecting the long term strategical nature of each investment. Designation is irrevocable so that gain/losses in movements in fair value are not recognised in usable reserves until the investment matures or is sold.

23.3. 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 23 on page 63.

These disclosure requirements are equally applicable to outstanding debtors, see Note 24 on page 67 for an analysis of debtors. In addition to this, a provision for impairment is also included in the Statement.

24. 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.

25. 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 current 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.

26. Group Accounts

Group Accounts are 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.

The decision 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.

27. 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.

28. 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 changes to accounting standards which have been issued but not yet adopted.

The accounting standards which have been issued but not yet adopted in the 2021/22 financial statements are listed below.

Adoption of these standards is not expected to have a material impact on the Council's financial statements. The revised standard IFRS 16 on leases became effective on 1 January 2019 but implementation has now been deferred to 2023/24.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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 an interest in two subsidiary companies currently operating. Following an assessment, the Council consolidated A Better Choice for Property Limited, and its subsidiary, A Better Choice of Property Development, based on materiality.

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

The items in the Authority's Balance Sheet at 31 March 2022, for which there is a significant risk of material adjustment in the forthcoming financial year, are shown in the following table.

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements, relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% increase or decrease in the discount rate would result in a change in the liability of £4.773m and £9.875m respectively. A 1 year increase or decrease in the mortality assumption would result in a change in the pension liability of £7.123m and £6.548m respectively.
NNDR appeals liability	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. 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 this has an average success rate of 34%. (2) There is not yet sufficient evidence to calculate the 2017 valuation list,	If the level of successful appeals exceeds the assumptions already made, the cost will be met from future budgets.

Item	Uncertainties	Effect if Actual Results Differ from assumptions
	therefore Kent authorities have used 2.7% of Net Rates Payable, where necessary appropriate provisions will be made for specific national appeals.	
PPE - Property valuations	We are still in a period of uncertainty in relation to many economic factors from the withdrawal from EU. The effect by reference to transactions in the property marketplace is difficult to gauge. It will certainly require valuations to be kept under regular review.	If the valuations were made under different assumptions, there could be significant changes in the accounts.
PPE Property Assets	Property valuations will need to be kept under regular review.	If the valuations were made under different assumptions, there could be significant changes in the accounts. A 1% change in valuations would result in an overall movement in valuations of Council Dwellings £3.7m, Land and Buildings £1.3m and Surplus Assets £67,000.

5. Expenditure and Funding Analysis

The Expenditure and Funding Analysis has the objective to demonstrate to council taxpayers 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 to provide 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:

2021/22 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*
Ashford Port Health	0	2,485	2,485	415	2,900
Corporate Core	454	265	719	63	782
Corp. Policy, Eco. Dev. & Comm.	1,184	(10)	1,174	136	1,310
Community Safety and Wellbeing	1,101	(263)	838	824	1,662
Hr & Customer Services	(14)	(113)	(127)	282	155
Legal & Democratic Services	1,286	(20)	1,266	173	1,439
Corporate Property & Projects	(1,498)	(934)	(2,432)	2,281	(151)
Finance & Ict	2,462	(2,503)	(41)	431	390
Housing Services	1,181	(660)	521	1,084	1,605
Culture	3,729	(241)	3,488	(8,385)	(4,897)
Environmental & Land Management	4,852	26	4,878	322	5,200
Planning	2,783	(1,078)	1,705	423	2,128
Local Authority Housing (HRA)	3,554	(18,866)	(15,312)	29,459	14,147
Non distributed costs	0	2,110	2,110	70	2,180
Net Cost of Service	21,075	(19,803)	1,272	27,578	28,850
Other Income & Expenditure	(4,109)	12,772	8,663	(32,170)	(23,507)
(Surplus) or deficit	16,966	(7,031)	9,935	(4,592)	5,343
Opening GF and HR Balance 31 March 2021			(53,277)		
Closing GF and HRA Balance 31 March 2022			(43,342)		

Expenditure and Funding Analysis continued

Restated 2020/21 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*
Ashford Port Health	(50)	(4,187)	(4,236)	29	(4,207)
Corporate Core	804	184	988	65	1,053
Corp. Policy, Eco. Dev. & Comm.	1,360	(338)	1,022	131	1,153
Community Safety and Wellbeing	2,005	(84)	1,921	31	1,952
Hr & Customer Services	75	(205)	(130)	269	139
Legal & Democratic Services	1,180	37	1,217	147	1,364
Corporate Property & Projects	(1,733)	354	(1,379)	14,164	12,785
Finance & Ict	1,951	(2,464)	(515)	357	(158)
Housing Services	1,377	(39)	1,338	779	2,117
Culture	4,562	(946)	3,615	10,029	13,644
Environmental & Land Management	5,180	385	5,565	227	5,792
Planning	2,433	(139)	2,294	343	2,637
Local Authority Housing	(3,479)	(12,345)	(15,823)	15,770	(53)
Non distributed costs	0	1,883	1,883	70	1,953
Net Cost of Service	15,665	(17,904)	(2,240)	42,411	40,171
Other Income & Expenditure	15,081	(37,677)	(22,596)	(6,653)	(29,250)
(Surplus) or deficit	30,746	(55,581)	(24,836)	35,758	10,921
Opening GF and HR Balance 31 March 2020			(32,663)		
Closing GF and HRA Balance 31 March 2021			(57,499)		

Restatement due to restructuring of Council and reporting at the Service Structure level.

6. Note to the Expenditure and Funding Analysis

2021/22	Depreciation/ impairment reported at Directorate level	Other adjustments in relation to management reporting	Total to arrive at the amount charged to the GF and HRA	Adjustments for capital purposes	Net change for the Pension Adjustment	Net change for Pooled Investments	Net change for Collection Fund Section 31 Grant	Total Adjustment between funding and accounting basis
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Ashford Port Health	(20)	2,505	2,485	18	397	0	0	415
Corporate Core	0	265	265	0	63	0	0	63
Corp. Policy, Eco. Dev. & Comm.	0	(10)	(10)	0	136	0	0	136
Community Safety and Wellbeing	(160)	(103)	(263)	520	304	0	0	824
Hr & Customer Services	(125)	12	(113)	125	157	0	0	282
Legal & Democratic Services	0	(20)	(20)	0	173	0	0	173
Corporate Property & Projects	(908)	(26)	(934)	2,099	182	0	0	2,281
Finance & Ict	(20)	(2,483)	(2,503)	20	411	0	0	431
Housing Services	(30)	(630)	(660)	915	169	0	0	1,084
Culture	(751)	510	(241)	(8,485)	100	0	0	(8,385)
Environmental & Land Management	(99)	125	26	98	224	0	0	322
Planning	(32)	(1,046)	(1,078)	32	391	0	0	423
Local Authority Housing (HRA)	(7,173)	(11,693)	(18,866)	29,067	392	0	0	29,459
Non distributed costs	0	2,110	2,110	0	70	0	0	70
Net Cost of Service	(9,318)	(10,485)	(19,803)	24,409	3,169	0	0	27,578
Other Income & Expenditure	0	12,772	12,772	(23,609)	1,786	(2,425)	(7,922)	(32,170)
Total	(9,318)	2,287	(7,031)	800	4,955	(2,425)	(7,922)	(4,592)

Note to the Expenditure and Funding Analysis continued

Restated 2020/21	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	Net change for Pooled Investments £'000	Other differences £'000	Total Adjustment between funding and accounting basis £'000
Ashford Port Health	(1)	(4,184)	(4,185)	1	28	0	0	29
Corporate Core	0	184	184	0	65	0	0	65
Corp. Policy, Eco. Dev. & Comm.	0	(338)	(338)	0	131	0	0	131
Community Safety and Wellbeing	(81)	(3)	(84)	(254)	285	0	0	31
Hr & Customer Services	(130)	(75)	(205)	130	139	0	0	269
Legal & Democratic Services	0	37	37	0	147	0	0	147
Corporate Property & Projects	(822)	1,176	354	13,972	190	0	0	14,162
Finance & Ict	0	(2,466)	(2,466)	0	359	0	0	359
Housing Services	(20)	(19)	(39)	631	148	0	0	779
Culture	(787)	(159)	(946)	9,931	97	0	0	10,029
Environmental & Land Management	(101)	486	385	22	205	0	0	227
Planning	0	(139)	(139)	0	343	0	0	343
Local Authority Housing (HRA)	(5,935)	(6,410)	(12,345)	15,404	366	0	0	15,770
Non distributed costs	0	1,883	1,883	0	70	0	0	70
Net Cost of Service	(7,877)	(10,027)	(17,904)	39,837	2,573	0	0	42,411
Other Income & Expenditure	0	(37,678)	(37,678)	(19,245)	1,816	(2,324)	13,102	(6,653)
Total	(7,877)	(47,998)	(55,875)	20,592	4,387	(2,324)	13,102	35,758

Telling the story - Prior year adjustment of statement

This year the presentation of the Comprehensive Income and Expenditure Statement has changed, during 2021/22 Ashford Borough Council implemented a restructure of the organisation. This restructure returned to service reporting instead of directorates.

Restatement of the 2020/21 CIES *cost of services.*

	Chief executive	Director of Finance & Economy	Director of Law & Governance	Director of Place & Space	Local Authority Housing	Non distributed costs	Cost of Services
Ashford Port Health	0	0	(4,206)	0	0	0	(4,206)
Corporate Core	0	1,053	0	0	0	0	1,053
Corp Policy, Eco Dev & Comms	1,153	0	0	0	0	0	1,153
Health, Parking & Comm Safety	0	0	1,952	0	0	0	1,952
Hr & Customer Services	0	0	140	0	0	0	140
Legal & Democratic Services	0	0	1,365	0	0	0	1,365
Corporate Property & Projects	0	12,776	0	7	0	0	12,783
Finance & Ict	0	(158)	0	0	0	0	(158)
Housing Services	0	2,116	0	0	0	0	2,116
Culture	0	0	0	13,644	0	0	13,644
Environmental & Land Mgmn	0	0	0	5,792	0	0	5,792
Planning	(89)	0	0	2,727	0	0	2,638
Local Authority Housing	0	0	0	0	(54)	0	(54)
Non distributed costs	0	0	0	0	0	1,953	1,953
Cost of Services	1,064	15,787	(749)	22,170	(54)	1,953	**40,171**

7. Expenditure and Income Analysed by Nature

2020/21 Totals per CI&ES *£'000*		2021/22 Totals per CI&ES *£'000*
(42,904)	Fees, charges and other service income	(46,609)
(41,241)	Grants	(34,516)
(84,145)	**Total Income**	(81,125)
23,393	Employees	27,550
10,490	Premises	13,379
49,489	Supplies and Services	45,136
741	Transport	792
(10,998)	Recharged from other accounts	(11,680)
10,169	Recharged to other accounts	10,354
40,896	Capital Charges	24,440
4	Transfers To/From Reserves	4
124,184	**Total Expenditure**	109,975
40,039	**Cost of Services**	28,850
2,504	Parish Council Precepts & Levies	2,559
486	Payments to housing capital receipts pool	485
(1,698)	Gain or loss on disposal of non-current assets	(1,872)
4,983	Interest payable and similar charges	5,216
1,816	Pension interest cost and expected return on pensions assets	1,786
(6,097)	Interest receivable and similar income	(5,114)
(10,246)	Council Tax income	(10,499)
6,848	Non-domestic rates	521
(12,934)	Section 31 Grant - Collection Fund	(6,920)
(7,487)	Non-ringfenced government grants	(5,530)
(7,425)	Capital grants and contributions	(4,138)
10,789	**(Surplus) or Deficit on Provision of Services**	5,344
(36,204)	**Other Comprehensive Income and Expenditure**	(59,324)
(25,415)	**Total Comprehensive Income and Expenditure**	(53,980)

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:

2020/21 *£'000*		2021/22 *£'000*
374	Allowances	382
1	Expenses	2
375		384

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.

Senior Employee Remuneration 2021/22

2021/22		Pay & expenses *£'000*	Benefits in kind *£'000*	Total *£'000*	Pension contri-butions *£'000*	Total remun-eration *£'000*
Chief Executive	+	143	0	143	25	168
Corporate Director (Finance & Economy)	+	98	0	98	17	115
Corporate Director (Law & Governance)	+	66	11	77	12	89
Head of Planning & Development		74	0	74	13	87
Head of Corporate Policy, Economic Development & Communications	*	59	0	59	10	69
Head of Health,Parking & Community		80	0	80	13	93
Head of Environment & Land Management		74	0	74	13	87
Head of Corporate Property & Projects		74	0	74	13	87
Head of HR & Customer Services		74	0	74	13	87
Head of Housing		74	0	74	13	87
Head of Finance & IT		73	0	73	13	86
Head of Cultural Services		72	4	76	13	89
		961	15	976	168	1,144

+ Officers that also fulfil statutory roles.

* Left 16th January 2022

Senior Employee Remuneration 2020/21 comparators

2020/21		Pay & expenses	Benefits in kind	Total	Pension contri-butions	Total remun-eration
		£'000	*£'000*	*£'000*	*£'000*	*£'000*
Chief Executive	+	130	0	130	22	152
Corporate Director (Finance & Economy)	+	97	0	97	17	114
Corporate Director (Law & Governance)	+	93	9	102	17	119
Head of Planning & Development		78	0	78	13	91
Head of Corporate Policy, Economic Development &		76		76	13	89
Head of Health,Parking & Community		76		76	13	89
Head of Environment & Land Management		73		73	13	86
Head of Corporate Property & Projects		73		73	13	86
Head of HR & Customer Services		81		81	13	94
Head of Housing		73		73	13	86
Head of Finance & IT		73		73	13	86
Head of Cultural Services		70	9	79	13	92
		993	18	1,011	173	1,184

+ Officers that also fulfil statutory roles.

Other Employee Remuneration by Band

2020/21 *nos*	Remuneration bands	2021/22 *nos*
18	£50,000 - £54,999	21
13	£55,000 - £59,999	12
6	£60,000 - £64,999	15
3	£65,000 - £69,999	2
2	£70,000 - £74,999	0
42		50

The bandings only include the remuneration of senior employees and relevant officers that have not been disclosed individually within the Senior Employee Remuneration table above.

10. Termination Benefits

The Authority terminated the contracts of three employees in 2021/22 incurring liabilities of £9,539 (£50,263 in 2020/21).

2020/21			2021/22	
Voluntary	Compulsory	Exit package cost band (including special payments)	Voluntary	Compulsory
nos	*nos*		*nos*	*nos*
	2	£0 - £19,999	2	1
1		£20,000 - £39,999		
		£40,000 - £59,999		
1	2	Total number included in bandings and in CIES	2	1

11. External Audit Costs

In 2021/22, Ashford Borough Council paid the following fees relating to external audit and inspection:

2020/21		2021/22
£'000		*£'000*
82	Fees payable with regard to external Audit services carried out by the appointed Auditor for the year	56
24	Fees payable for the certification of grant claims and returns	24
106		80

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.

2020/21			2021/22	
£'000	*£'000*		*£'000*	*£'000*
		Credited to Cost of Services		
1,332		MHCLG: Homeless Initiatives including Refugee Project	2,639	
250		MHCLG: Major Sites Planning Grant	135	
124		DWP: Discretionary Housing Payments	172	
658		DWP: Benefit Administration Subsidy	584	
26,268		DWP: Benefits Subsidy	23,818	
29		Home Office: Community Safety	26	
4,643		DfT: Port Infrastructure Grant	2,257	
969		Covid Hardship Scheme	0	
5,141		Covid Grant Paid as Principal	1,763	
1,523	40,937	Other government grants	2,829	34,223
272		KCC: Recycling Credits	272	
89	361	CT Family Annexes Support Scheme	100	372
	41,298	Total credited to Cost of Services		34,595
		Credited to Taxation and Non-specific Grant Income		
		Non-ringfenced government grants:		
83		- Rural Services Support Grant	87	
12,934		- S31 Grant NNDR	6,920	
(1,021)		- S31 Grant Other	930	
4,372		- Covid Support Grant	2,505	
1,000		- EU Exit Preparation Grant	0	
3,053		- New Homes Bonus	1,908	
7,424		- Capital grants and contributions	4,138	
	27,845			16,488
	69,143			51,083

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 31 March 2021	2021/22		Balance at 31 March 2022
		Transfers In	Transfers Out	
	£'000	£'000	£'000	£'000
General fund general reserves	(2,562)	(39)	0	(2,601)
Earmarked general fund reserves				
Fund future expenditure	(36,397)	(5,468)	10,216	(31,649)
Provide for the maintenance of an asset	(5,657)	(1,360)	1,393	(5,624)
Required by statute reserves	(102)	0	30	(72)
Developer contributions	(1,370)	(26)	122	(1,274)
	(43,526)	(6,854)	11,761	(38,619)

	Balance at 31 March 2020	2020/21		Balance at 31 March 2021
		Transfers In	Transfers Out	
	£'000	£'000	£'000	£'000
General fund general reserves	(2,395)	(167)	0	(2,562)
Earmarked general fund reserves				
Fund future expenditure	(14,812)	(26,459)	4,874	(36,397)
Provide for the maintenance of an asset	(3,704)	(2,249)	296	(5,657)
Required by statute reserves	(144)	0	42	(102)
Developer contributions	(1,702)	(872)	1,203	(1,371)
	(20,362)	(29,580)	6,415	(43,527)

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
- Planning appeals
- Section 106 monitoring fee
- £7.7m is earmarked to fund Collection Fund deficit

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 2021/22	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation									
1 April 2021	337,966	118,327	3,856	2,496	1,716	5,006	19,403	488,770	22,713
Additions	7,770	2,533	513	0	0	1,758	24,035	36,609	6
Revaluation recognised in the Revaluation Reserve	27,862	5,866	0	0	0	337	0	34,065	6,108
Revaluation recognised in the Provision of Services	(12,974)	(843)	0	0	0	(347)	0	(14,164)	(338)
Acc Depreciation & Impairment written out									
Derecognition - disposals	(2,166)	(29)	(10)	0	0	0	0	(2,205)	0
Assets reclassified (to)/from Held for Sale	0	526	0	0	0	0	0	526	0
Transfer between classes of Assets	18,773	16,404	0	0	0	(2,676)	(32,501)	0	0
31 March 2022	377,231	142,784	4,359	2,496	1,716	4,078	10,937	543,601	28,489
Accumulated Depreciation and Impairment									
1 April 2021	(13)	(2,364)	(1,606)	(36)	(229)	(14)	0	(4,262)	0
Depreciation charge	(7,045)	(1,789)	(422)	(11)	0	0	0	(9,267)	(339)
Depreciation written out - Revaluation Reserve	7,033	989	0	0	0	0	0	8,022	339
Depreciation written out - Provision of Services	0	0	0	0	0	0	0	0	0
Downward movements recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment written out - Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment written out - Provision of Service									
Derecognition - disposals	20	0	9	0	0	0	0	29	0
Other movements in Depreciation and Impairment	5	22	0	0	0	0	0	27	0
31 March 2022	0	(3,142)	(2,019)	(47)	(229)	(14)	0	(5,451)	0
Net book value									
31 March 2022	377,231	139,642	2,340	2,449	1,487	4,064	10,937	538,150	28,489
31 March 2021	337,953	115,963	2,250	2,460	1,487	4,992	19,403	484,508	22,713

Property, Plant and Equipment continued

Property, Plant & Equipment 2020/21	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation									
1 April 2020	288,311	122,257	3,297	2,496	1,716	4,934	15,883	438,894	16,937
Additions	18,051	7,067	559	0	0	0	19,950	45,627	6
Revaluation recognised in the Revaluation Reserve	41,411	(3,437)	0	0	0	36	0	38,010	6,108
Revaluation recognised in the Provision of Services	(9,399)	(21,329)	0	0	0	0	0	(30,728)	(338)
Acc Depreciation & Impairment written out									
Derecognition - disposals	(1,031)	(714)	0	0	0	0	0	(1,745)	0
Assets reclassified (to)/from Held for Sale	0	(1,288)	0	0	0	0	0	(1,288)	
Transfer between classes of Assets	623	15,771	0	0	0	36	(16,430)	0	0
31 March 2021	337,966	118,327	3,856	2,496	1,716	5,006	19,403	488,770	22,713
Accumulated Depreciation and Impairment									
1 April 2020	1	(2,217)	(1,217)	(24)	(229)	0	0	(3,686)	0
								0	
Depreciation charge	(5,906)	(1,526)	(389)	(12)	0	0	0	(7,833)	(339)
Depreciation written out - Revaluation Reserve	5,882	890	0	0	0	0	0	6,772	339
Depreciation written out - Provision of Services	0	0	0	0	0	0	0	0	0
Downward movements recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment written out - Revaluation Reserve	0	475	0	0	0	0	0	475	
Impairment written out - Provision of Service									
Derecognition - disposals	10	0	0	0	0	0	0	10	0
Other movements in Depreciation and Impairment	0	14	0	0	0	(14)	0	0	0
31 March 2021	(13)	(2,364)	(1,606)	(36)	(229)	(14)	0	(4,262)	0
Net book value									
31 March 2021	337,953	115,963	2,250	2,460	1,487	4,992	19,403	484,508	22,713
31 March 2020	288,312	120,040	2,080	2,472	1,487	4,934	15,883	435,208	16,937

Surplus Assets

Land at St Stephens Walk and The Vicarage at Rolvenden have been purchased and to be held in the surplus category whilst plans for redevelopment are being established. Orchard Cottage and Mabledon Avenue have been transferred to Land and Building as works have commenced at these sites

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.

2020/21		2021/22
£'000		*£'000*
62	Bockhanger Site	62
725	Torrington Road Ex-Allotment Site	725
607	Land at Coneybeare, Torrington Road	607
392	Land at Blinds Groom Lane	393
230	Court Wurtin Flats	208
524	Mecca	419
1,466	Site Mabledon Avenue	0
985	Site Orchard Cottage, Tile Kiln Road	0
	Land at St Stephens Walk	550
	The Vicarage Rolvenden	1,100
4,991		4,064

Movement of Surplus Assets	1st April	Additions & disposals	Transfer between classes of assets	Revaluation gains/ losses	31st March
	£'000	£'000	£'000	£'000	£'000
2021/22	4,991	1,758	(2,676)	(10)	4,064
2020/21	4,934	0	22	35	4,991

Asset Valuation

A valuation exercise and impairment review was completed by external qualified (RICS) valuers, Wilks Head and Eve LLP, in accordance with the relevant guidance. Valuation movements are reviewed and challenged where significant movement has occurred.

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 6 on page 89.

General Fund assets were revalued as at 31st March 2022. Overall there have been upward revaluations of £6,787,836 recognised through the Revaluation Reserve and upward revaluation movements of £7,728,811 written through the CIES to reverse previous year impairments.

Assets were valued, using information available at 28 February 2022 based on expected valuations as at 31 March 2022. The valuers have confirmed the valuations did not significantly move between the 28 February and year-end.

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 Pares (Taylor Riley) Limited, 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 22, the valuation of the property portfolio is assessed at level 2.

For the Development Company the works are shown as assets under construction at cost, the total is shown separately from the Property Company investment properties.

The cashflow statement has the movements to reflect these purchases.

Group Position 2020/21 *£'000*		Group Position 2021/22 *£'000*
22,593	Property Portfolio - (A Better Choice for Property Ltd.)	23,823
10,764	Assets under construction - (A Better Choice for Property Development Ltd.)	11,270
33,357		35,092

Movements in Investment Property (A Better Choice for Property Ltd. and its subsidiary)	1st April *£'000*	Additions & disposals *£'000*	Revaluation gains/ losses *£'000*	31st March *£'000*
2021/22	33,357	506	1,229	35,092
2020/21	28,224	4,422	711	33,357
2019/20	26,560	1,664	1	28,224
2018/19	6,205	20,584	(229)	26,560
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

17. Heritage Assets

Heritage assets have been identified and disclosed in these accounts. The following assets are disclosed in the Balance Sheet:

2020/21 *£'000*		2021/22 *£'000*
2,161	Windmills at Woodchurch & Willesborough	4,997
860	Doctor Wilkes Hall	250
750	Hubert Fountain (Victoria Park)	750
266	Mayor’s regalia, including mace and badges	266
96	Queen Marie Statue	96
4,133		6,359

During 2021/22, valuations on the Windmills were sought from Millwrights resulting in £2.8m upward revaluation for both Woodchurch and Willesborough windmills. Dr Wilkes Hall was valued by WHE resulting in a £610,000 downwards valuation.

18. Capital Expenditure and Capital Financing

This year the Capital Financing Requirement has increased, mainly due to purchase of East block (Stour Heights) at the New Quarter, refurbishment of the Stour Centre and Julie Rose Stadium and Tenterden Leisure Centre roof.

2020/21		2021/22
£'000		*£'000*
236,142	*Opening Capital Financing Requirement*	263,665
	Capital investment:	
45,627	Property, Plant and Equipment	36,609
0	Intangible Assets	248
4,413	Loans to subsidiaries	427
1,231	Revenue Expenditure funded from Capital under Statute	928
51,271		38,212
	Sources of Finance:	
(4,421)	Capital Receipts	(3,718)
(6,658)	Government grants and contributions (received in year)	(3,232)
(1,848)	Major Repairs Reserve	(2,081)
(12,927)		(9,031)
	Sums set aside from revenue and subsidiaries	
(383)	- Repayment of subsidiary loans	(296)
(950)	- Direct revenue contributions	(3,697)
(932)	- Repayment of HRA debt - PFI scheme	(1,108)
(7,000)	- Repayment of HRA debt	(9,425)
(1,556)	- Minimum revenue provision (MRP)	(1,835)
(10,821)		(16,361)
263,665	*Closing Capital Financing Requirement*	276,485
	Explanation of movements in year	
37,711	Increase in underlying need to borrowing (unsupported by government financial assistance)	25,189
(10,188)	Provision for the repayment of debt	(12,368)
27,523		12,821

19. Capital Receipt

During the year the Council received £5.1m in capital receipts and used £3.7m to fund capital expenditure. At 31 March 2022, the Council had capital receipt reserves of £3.2m of which £2.8m is set aside for the provision of affordable housing.

2020/21	*Movements in year*	2021/22
£'000		*£'000*
(4,353)	Balance at 1 April	(3,341)
(4,223)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,100)
(88)	Other Capital Receipts not arising from the disposal of a non-current asset	(38)
3,721	Use of the Capital Receipts Reserve to finance new Capital Expenditure	3,717
422	Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	329
486	Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	486
700	Repayment of borrowing	0
(26)	Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	(59)
20	Capital receipts to treated as revenue income	20
1,012	Movement in year	(645)
(3,341)	Balance at 31 March	(3,986)

20. Capital Grants

During the year the Council received £4.1m in capital grants of which £2.8m funded Capital Expenditure in year. At 31 March 2022, the Council had capital grant reserves of £1.6m.

2020/21		2021/22
£'000		*£'000*
(5)	Balance at 1 April	(771)
0	Application of grants to capital financing transferred to the Capital Adjustment Account	0
(6,658)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied in year	(3,232)
6,658	Capital grants and contributions applied in year credited to the Comprehensive Income and Expenditure Statement	3,232
(766)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(905)
(766)	Movement in year	(905)
(771)	Balance at 31 March	(1,676)

21. Capital Commitments

At 31 March 2022, the Council had an approved capital programme for the next three years totalling £381m. The value of capital contractual commitments is £1.7m as detailed below:

31-Mar-21		31-Mar-22
£'000		*£'000*
	Tenterden Leisure Centre	370
	Housing Revenue Account - Major Projects	
3,895	The Poplars	510
2,282	East Stour Court	380
2,932	Halstow Way	462

22. Financial Instruments

Equity instruments elected to fair value through other comprehensive income (FVOCI) or profit and loss (FVPL)

The tables below identify investments that have recognised through FVPL and FVOCI and detail the annual movements in their fair value.

Equity instruments elected to fair value through other comprehensive income (FVOCI)

	Market Value as at 31/03/2021	(Sale) / Purchase of shares during the year	Change in Market Value during the year recongnised in FVOCI	Market Value as at 31/03/2022	Investment Interest 2021/22	Investment Interest 2020/21
Elected Fair value OCI	£'000	£'000	£'000	£'000	£'000	£'000
A Better Choice for Property Ltd.	1,093	187	1,010	2,290	0	0
Total	**1,093**	**187**	**1,010**	**2,290**	**0**	**0**

Equity instruments elected to fair value through Profit and Loss (FVPL)

				Investment Interest	
	Market Value as at 31/03/2021	Change in Market Value during the year recongnised in FVPL	Market Value as at 31/03/2022	2021/22	2020/21
Not elected, fair value through profit and loss	£'000	£'000	£'000	£'000	£'000
Goldman Sachs	53	1	54	0	0
Payden and Regal	3,007	(39)	2,968	13	17
CCLA Local Authorities' Property Fund	11,780	2,067	13,847	518	515
CCLA Diversified Income Fund	2,941	136	3,077	74	93
Schroder Income Maximiser Fund	2,943	569	3,512	213	181
UBS Multi-Asset Income Fund	2,824	(145)	2,679	128	138
Ninety One Diversified Income Fund	2,482	(111)	2,371	89	93
UBS Global Income Fund	1,412	(23)	1,389	107	128
Aegon Diversified Monthly Income Fund	5,471	(27)	5,444	272	236
Total	**32,913**	**2,428**	**35,341**	**1,414**	**1,401**

Financial Instruments

Long-term	Current		Long-term	Current
31 March 2021			31 March 2022	
£'000	*£'000*		*£'000*	*£'000*
		Investments		
32,914	8,889	FVPL	35,341	1,491
1,096	0	FVOCI	2,290	0
34,010	8,889	Total Investments	37,631	1,491
		Debtors		
33,157	5,686	Amortised cost	33,259	17,588
67,167	**14,575**	**Total assets**	**70,890**	**19,079**
		Borrowings		
(97,664)	(127,549)	Amortised cost	(125,264)	(101,270)
		Other Long-term Liabilities		
(17,776)	(1,108)	Amortised cost	(16,687)	(1,089)
		Creditors		
(119)	(12,238)	Financial liabilities	(119)	(22,466)
(115,559)	(140,895)	***Total liabilities***	(142,070)	(124,825)

Financial assets carried at contract amounts include loans to the Council's property and development companies, A Better Choice For Property Ltd and its subsidiary A Better Choice For Property Development Limited amounting to £32.4m as at 31 March 2022 (£32.3m as at 31 March 2021). These loans are secured against charges on the properties and land acquired by the Companies.

Financial Instruments – Gains and losses

2020/21		2021/22
£'000		*£'000*
4,983	Interest payable	5,216
(3,773)	Interest and Investment Income	(2,686)
(2,324)	Downward/upward revaluation of financial assets (FVPL)	(2,428)
(579)	Downward/upward revaluation of financial assets (FVOCI)	(1,010)
(1,693)	Net gainsfor the year	(908)

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 2021				31 March 2022	
£'000	*£'000*			*£'000*	*£'000*
		Financial assets held at fair value:			
8,772	8,772	Money market funds	1	1,388	1,388
21,134	21,134	Equity funds	1	21,494	21,494
11,780	11,780	Property fund	1	13,847	13,847
1,093	1,093	Shares in A Better Choice for Property Ltd.	3	2,290	2,290
42,779	42,779	Subtotal where fair value is applicable		39,020	39,020
		Financial assets held at amortised cost:			
5,686	*	Short-term debtors		17,588	*
0	*	Short-term investments		0	*
33,157	*	Long-term debtors		33,259	*
81,622				89,867	

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31 March 2021				31 March 2022	
£'000	*£'000*			*£'000*	*£'000*
		Financial Liabilities held at Amortised Cost:			
(97,664)	(118,144)	Long Term loans from PWLB	2	(125,264)	(130,927)
(18,884)	(25,833)	PFI Liabilities	3	(17,776)	(22,160)
(119)	(406)	Lease Payables	3	(119)	(195)
(116,667)	(144,384)	Subtotal where fair value is applicable		(143,159)	(153,282)
(12,238)	*	Short-term creditors		(22,466)	*
(127,549)	*	Short-term borrowing		(101,270)	*
(256,454)				(266,895)	

* 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 group 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.

Reconciliation of liabilities arising from financing activities for the year ended 31st March

	Long term borrowings	Short-term borrowings	Lease liabilities	Total
	£'000	*£'000*	*£'000*	*£'000*
1 April 2021	(97,664)	(127,549)	(119)	(225,332)
Cash flows:				
- Repayment		149,300		149,300
- Proceeds	(32,000)	(118,500)		(150,500)
Non-cash:				
- Accruals		(121)		(121)
- Reclassification	4,400	(4,400)		0
31 March 2022	(125,264)	(101,270)	(119)	(226,653)

23. Nature and Extent of Risks Arising from Financial Instruments

Risk management in this area is carried out by a central treasury team and supported by specialist external advisor. Policies approved by the Council in the Annual Treasury Management Strategy provide provides written principles for risk management and 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 2022 was as follows:

Credit Risk

Counter party	*Maturity date*	*Amount* *£'000*	*Credit rating*
Deposits/investments with other financial institutions			
Goldman Sachs	Instant	54	AAA
Payden Money Market Fund	3 Days Notice	2,968	AAA
UBS Multi Asset Income Fund	2 Days Notice	2,679	N/A
Ninety One Diversified Income Fund	2 Days Notice	2,371	N/A
UBS Global Income Equity Fund	2 Days Notice	1,389	N/A
Aegon Diversified Monthly Income Fund	2 Days Notice	5,444	N/A
Schroder Income Maximiser Fund	2 Days Notice	3,512	N/A
CCLA Diversified Income Fund	2 Days Notice	3,077	N/A
CCLA LAMIT Property Fund	Variable	13,847	N/A
Investment In A Better Choice for Property	Variable	1,093	N/A
Black Rock Money Market Fund	Variable	84	AAA
BNP Paribas Money Market Fund	Variable	1,034	AAA
CCLA Public Sector Disposit Fund	Variable	210	AAA
HSBC Money Market Fund	Variable	1	AAA
Invesco Money Market Fund	Variable	60	AAA

Credit rating are assigned to each investment using information from ratings agencies, 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, unless it was the Council’s banking provider.

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 2021		31 March 2022
%		*%*
28	AAA	12
70	Unrated pooled Funds	85
3	Unrated Company	3

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

31 March 2021		31 March 2022
£'000		*£'000*
1,386	Less than 30 days	1,165
39	31 days to 90 days	13
297	91 days to 364 days	269
629	More than 1 year	742
2,351		2,189
(1,099)	Impairment allowance	(992)

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 PWLB has tightened its lending criteria in recent years and has made it clear that it will not support lending that is for the purpose of 'Debt for Yield' investments. The Council does not anticipate the changes to impact on any future borrowing need or be restricted from accessing the facility.

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 £341,000 and an increase or decrease in variable loan payments of £1.078m. The Council's long-term borrowing is fixed rate and therefore a material movement is not anticipated. In relation to the movement in Investment this is an indicative figure as the movement in the long-term strategic investment are not directly linked to base rate movements.

Interest rates rose sharply towards the end of 2021/22 and therefore the Council will be paying considerably more for short term borrowing that in recent years. The Council will need be mindful of the trajectory of short term rates and how this impacts upon debt expenses.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI or FVPL), either on a 12-month or lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has considered it financial assets and considers any losses that would need to be set aside would be immaterial to the accounts.

The most significant asset considered is the loans that have been made to the Council's subsidiary A Better Choice for Property Ltd. which total £32m and these loans are secured against the assets of the business. The Council has considered the history of the loan repayments made by the company and is satisfied that no loan defaults will be made in the next 12 months. The council has also assessed the entity as low risk and has sufficient cash flows to meet its liabilities, the cash flows of the company have been shared with the Council as sole shareholder of the Company for review.

24. Debtors

These amounts were due to the Council:

31 March 2021			31 March 2022	
£'000	*£'000*		*£'000*	*£'000*
	1,922	Central government bodies		1,548
		Other entities and individuals:		
2,054		- Housing Tenants	1,766	
(1,064)	990	*Less* : Impairment Allowance	(896)	870
3,470		- Local Taxpayers/ratepayers	2,414	
(1,094)	2,376	*Less* : Impairment Allowance	(825)	1,589
27,898		- Other	24,278	
(2,243)	25,655	*Less* : Impairment Allowance	(1,588)	22,690
	30,943	Balance at 31st March		26,697

Movement in Debtors

2020/21 *£'000*		2021/22 *£'000*
0	Benefit Subsidy owed by government	0
573	Other amounts owed by government	(374)
793	Amounts owed by housing tenants	(288)
1,858	Amounts owed by local taxpayers/ratepayers	(1,056)
106	Movement in payments in advance	175
22,012	Amounts owed by Sundry Debtors	(3,812)
(1,387)	Change in Impairment Allowance	1,092
83	Transfer from Long term Debtors	16
24,038	Movement in the year	(4,247)

25. Grants receipts in advance

These are grants and contributions received but which as yet have not been applied to revenue and capital projects. Those with conditions are treated as receipts in advance under long term liabilities and those without conditions are treated as a reserve.

2020/21 *£'000*		2021/22 *£'000*
	Grants receipts in advance capital	
(4,824)	Miscellaneous grants	(6,266)
	Grants receipts in advance revenue	
(507)	Miscellaneous grants	(469)
(5,331)		(6,735)

26. Creditors

These amounts were due to be paid by the Council at 31 March 2021

31 March 2021 £'000		31 March 2022 £'000
(196)	Central government bodies	(28)
0	Other Local Authorities	0
	Other entities and individuals:	
(1,276)	- Housing Tenants	(972)
(284)	- Local Taxpayers	(294)
(344)	- Business Rate Payers	(587)
(816)	- Business Rates Pool	(1,202)
(4,572)	- Developer contributions	(5,433)
(30,391)	- Sundry Creditors	(29,435)
(37,879)		(37,951)

Movement in Creditors

2020/21 £'000		2021/22 £'000
(1,346)	NNDR liability	(5,701)
1,308	Other amounts owed to government	5,869
454	Amounts owed to Other Local Authorities	0
(777)	Amounts owed by housing tenants	304
(62)	Amounts owed by local taxpayers	(10)
(281)	Amounts owed by Business Rate payers	(243)
(152)	Amounts owed to East Kent Cluster (Business Rate Pilot)	(386)
(1,791)	Change in Developer contributions	(861)
(18,691)	Amounts owed to Sundry Creditors	956
(21,338)	Movement in the year	(72)

27. Unusable Reserves

This category of reserves is 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.
- *Pooled Investment Financial Instruments* – this represents the reversal of movements in the fair value on investments recorded through profit and loss, which are then reversed through statutory override.
- *Capital Adjustment Account* - *(see note (b))* Store of capital resources set aside to meet past expenditure.
- *Financial Instruments Revaluation Reserve* – This is the reserve representing the fair value of investment recognised through other comprehensive income.
- *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* - 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		Revaluation balances			Adjustment accounts					
2021/22	Revaluation Reserve *	Pooled Investment Financial Instruments	Financial Instrument Revaluation reserve	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	Total Unusable Reserves	Total Unusable Reserves (Group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	(146,672)	121	(491)	(112,243)	(1,427)	91,418	12,841	219	(156,234)	(157,185)
Movements in Reserves during the year										
Surplus or deficit on the provision of services (accounting basis)	0	0	0	0	0	0	0	0	0	(1,229)
Other comprehensive income & expenditure	(44,309)	0	(1,010)			(14,004)			(59,323)	(59,323)
Total comprehensive income & expenditure	(44,309)	0	(1,010)	0	0	(14,004)	0	0	(59,323)	(60,552)
Adj between accounting and funding basis				2,254	59	4,956	(7,920)	0	(651)	(651)
Net movement before transfers to other reserves	(44,309)	0	(1,010)	2,254	59	(9,048)	(7,920)	0	(59,974)	(61,203)
Transfers to/from other Unusable reserves	3,446	(2,425)		(3,450)	0				(2,429)	(2,429)
Increase or decrease during the year	(40,863)	(2,425)	(1,010)	(1,196)	59	(9,048)	(7,920)	0	(62,403)	(63,632)
Balance at 31 March 2022	(187,535)	(2,304)	(1,501)	(113,439)	(1,368)	82,370	4,921	219	(218,637)	(220,817)

* Analysed in tables (a) and (b)

Unusable Reserves		Revaluation balances			Adjustment accounts					
2020/21	Revaluation Reserve *	Pooled Investment Financial Instruments	Financial Instrument Revaluation reserve	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	Total Unusable Reserves	Total Unusable Reserves (Group)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(102,443)	2,445	88	(129,292)	(1,453)	76,099	(261)	219	(154,598)	(154,838)
Movements in Reserves during the year										
Surplus or deficit on the provision of services (accounting basis)	0	0	0	0	0	0	0	0	0	(711)
Other comprehensive income & expenditure	(46,557)	0	(579)			10,932			(36,204)	(36,204)
Total comprehensive income & expenditure	(46,557)	0	(579)	0	0	10,932	0	0	(36,204)	(36,915)
Adj between accounting and funding basis				19,377	26	4,387	13,102	0	36,892	36,892
Net movement before transfers to other reserves	(46,557)	0	(579)	19,377	26	15,319	13,102	0	688	(23)
Transfers to/from other Unusable reserves	2,328	(2,324)		(2,328)	0				(2,324)	(2,324)
Increase or decrease during the year	(44,229)	(2,324)	(579)	17,049	26	15,319	13,102	0	(1,636)	(2,347)
Balance at 31 March 2021	(146,672)	121	(491)	(112,243)	(1,427)	91,418	12,841	219	(156,234)	(157,185)

* Analysed in tables (a) and (b)

(a) Revaluation Reserve:

2020/21			2021/22
£'000			*£'000*
	Comprehensive Income and Expenditure Statement		
(39,309)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	(36,289)	
(7,249)	Depreciation and downward revaluations written out to the Revaluation Reserve	(8,022)	
(46,558)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(44,311)
	Transfers to/from Capital Adjustment Account		
1,559	Difference between fair value depreciation and historical cost depreciation	2,544	
769	Accumulated gains on assets sold or scrapped	903	
2,328	Amount written off to the Capital Adjustment Account		3,448
(44,230)	Increase or decrease during year		(40,863)

(b) Capital Adjustment Account

2020/21		2021/22
£'000		*£'000*
(12,228)	Sources of Finance	(9,031)
(11,138)	Sums set-a-side for capital purposes	(16,065)
1,231	Revenue expenditure met from capital under statute	928
41,513	Removal of items not chargeable to Fund Balances	26,421
19,378	*Total accounting adjustments between funding basis under statute*	2,252
(2,328)	Adjustment with Revaluation Reserve	(3,448)
17,050	Increase or decrease during year	(1,196)

(c) Collection fund Adjustment Account Split between Council Tax and Business Rates (NNDR)

2020/21			2021/22	
Business Rates	Council Tax		Business Rates	Council Tax
£'000	*£'000*		*£'000*	*£'000*
92	(62)	Opening Balance	12,783	58
(67)	62	Reversal of Previous Year's Balance	(12,765)	(58)
(5)		Ashford Share of Renewable Energy	(10)	
12,764	58	Ashford's Share of in year (surplus) / deficit	5,314	(402)
12,784	58	Closing Balance	5,322	(402)

28. Leases

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

	Principal receivable	Interest	Total lease payment
	£'000	*£'000*	*£'000*
Within 1 year	21	21	42
2 - 5 years	112	98	210
Later than 5 years	824	268	1,092
	957	387	1,344

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 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, is detailed in the tables below.

The Council owns the Park Mall Shopping Complex. The expected future income from the current shop leases is detailed below:

2020/21		2021/22
£'000		*£'000*
486	Within 1 year	465
1,550	2 - 5 years	1,443
299	Later than 5 years	199
2,335		2,107

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

2020/21		2021/22
£'000		*£'000*
794	Within 1 year	878
1,567	2 - 5 years	2,333
478	Later than 5 years	569
2,839		3,780

The Council also owns various smaller leases including industrial units, estate shops, and other small units. These figures now include Matalan and shops at Court Wurtin which were not included in last year’s accounts, details of future income is detailed in the table below:

2020/21		2021/22
£'000		*£'000*
1,221	Within 1 year	1,294
3,545	2 - 5 years	3,702
2,497	Later than 5 years	1,857
7,263		6,853

The Council owns Elwick Place which is an entertainment complex featuring a cinema, hotel and a mixture of commercial units.

2020/21		2021/22
£'000		*£'000*
426	Within 1 year	1,025
2,291	2 - 5 years	4,101
11,332	Later than 5 years	11,606
14,049		16,732

29. Provisions

2020/21 *£'000*		2021/22 *£'000*
(2,449)	Business Rates Appeals	(2,654)
(193)	Municipal Mutual Insurance	(193)
(2,642)		(2,847)

The reasons for movement in provisions are:

2020/21 *£'000*		2021/22 *£'000*
(1,953)	Additional provision made in year	(1,193)
1,679	Amounts used in year	987
(274)	Movement in the year	(206)

30. PFI and Similar Contracts

Stanhope PFI

On the 13 April 2007 the Council entered into a design, build, finance, and operate contract with the Chrysalis Consortium (the Contractor) for the provision of the regeneration of the Stanhope Estate and housing management services for the duration of the contract. The contract was 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. A further benchmarking exercise in 2016/17 showed that the PFI was performing consistently within its peer group, therefore no changes were made to the calculations. A benchmarking exercise was also carried out in 2020/21, again this showed that the PFI was performing consistently within its peer group, therefore no changes were made to the calculations.

Details of the PFI assets held on the Balance Sheet are included in note 14.

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 (a benchmarking exercise was completed in 2020/21, with the next expected in 2025/26).

Analysis of minimum forecast Unitary Charge assuming 0% inflation

	Service cost	Life Cycle Costs	Repayment of liability	Interest cost	Total payment
	£'000		*£'000*	*£'000*	*£'000*
Within 1 year	1,126	307	1,089	1,054	3,576
2 - 5 years	4,698	1,969	3,934	3,596	14,197
6 - 10 years	5,963	2,649	5,700	3,182	17,494
11 - 15 years	6,050	2,864	7,062	1,214	17,190
16 - 20 years	51	118	(9)	(1)	159
	17,888	7,907	17,776	9,045	52,616

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, for example £4.125m in year 20
2. Force Majeure, for example £3.675m in year 20

Other Service Contracts

The Council has a refuse collection and street cleansing contract, which 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 £140m over 10 years to be allocated between the three contracting authorities, 2022/23 is the last year of the contract and is currently out to tender.

31. 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.

2020/21 *£'000*	Local Government Pension Scheme	2021/22 *£'000*
	Comprehensive Income & Expenditure Statement	
	Service cost comprising:	
6,328	- current service cost	7,368
0	- past service costs	0
82	Administration expenses	80
	Financing and Investment Income and Expenditure	
1,816	- net interest expense	1,786
8,226	*Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	9,234
	Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(28,067)	- return on plan assets (excluding the amount included in net interest expense)	(915)
(2,046)	- actuarial gains and losses arising on changes in demographic assumptions	(5,447)
43,459	- actuarial gains and losses arising on changes in financial assumptions	(6,718)
(2,414)	- gains/losses on defined benefit obligation	(924)
10,932	*Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	(14,004)
19,158	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	(4,770)
	Movement in Reserves Statement	
(8,226)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(9,234)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,839	employers' contributions payable to scheme	4,278
(4,387)		(4,956)

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:

2020/21 *£'000*	Local Government Pension Scheme	2021/22 *£'000*
(221,332)	Present value of the defined benefit obligation	(216,999)
129,913	Fair value of plan assets	134,629
(91,419)	Net liability arising from defined benefit liability	(82,370)

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:

2020/21 *£'000*	Local Government Pension Scheme	2021/22 *£'000*
99,760	Opening fair value of scheme assets	129,913
1,667	Interest income	2,590
	Remeasurement gain/(loss)	
28,067	- return on plan assets, excluding the amount included in net interest expense	915
3,839	Contributions from employer	4,278
908	Contributions from employees into the scheme	1,075
(5,801)	Benefits paid - funded	(6,154)
(214)	Benefits paid - unfunded	0
0	Other remeasurement	2,092
1,769	Settlement Price Received/Paid	0
(82)	Administration expenses	(80)
129,913	Closing fair value of scheme assets	134,629

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

2020/21 £'000	Local Government Pension Scheme	2021/22 £'000
(175,858)	Opening balance at 1st April	(221,331)
(6,328)	Current service cost	(7,368)
(3,483)	Interest cost	(4,376)
(908)	Contributions from scheme participants	(1,075)
	Remeasurement (gains)/loss	
2,046	- actuarial gains/losses arising from changes in demographic assumptions	5,447
(41,640)	- actuarial gains/losses arising from changes in financial assumptions	6,718
5,801	Benefits paid - funded	5,946
214	Benefits paid - unfunded	208
(3,589)	Liabilities extinguished on settlements	0
2,414	Experience loss/(gain) on defined benefit obligation	(1,168)
(221,331)	Closing balance at 31st March	(216,999)

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

2020/21 £'000				2021/22 £'000
6,442	Cash and cash equivalents	2.2%		2,974
83,655	Equity instruments:	62.2%		83,676
	Bonds			
772	- gilts	0.6%	774	
16,224	- other	13.7%	18,464	19,238
13,445	Property	11.7%		15,770
9,375	Target return portfolio	7.4%		9,913
0	Infrastructure	2.3%		3,058
129,913	Total assets			134,629

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. A full actuarial valuation is carried out every 3 years, the results of the last valuation are effective from 1 April 2019. The next actuarial valuation of the fund will be carried out as at 31 March 2022 and will set contributions for the period 1 April 2023 to 31 March 2026.

The significant assumptions used by the actuary have been:

2020/21		2021/22
	Assumed life expectations from age 65 are:	
	Retiring today	
21.6	- Men	21.0
23.6	- Women	23.5
	Retiring in 20 years	
22.9	- Men	22.3
25.3	- Women	24.9
	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	
3.20%	Rate of inflation - Retail price index (RPI)	3.55%
2.80%	Rate of inflation - Consumer price index (CPI)	3.25%
3.80%	Rate of increase in salaries	4.25%
2.80%	Rate of increase in pensions	3.25%
2.00%	Rate for discounting scheme liabilities	2.60%

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.

2020/21			2021/22	
Increase in assumption	Decrease in assumption	Local Government Pension Scheme	Increase in assumption	Decrease in assumption
£'000	*£'000*		*£'000*	*£'000*
		Longevity (increase or decrease in 1 year)		
231,590	211,554	- Present value of total obligation	226,959	207,497
6,887	6,343	- Projected service cost	7,123	6,548
		Rate for discounting scheme liabilities inflation (increase or decrease by 0.1%)		
217,109	225,640	- Present value of total obligation	196,620	240,743
6,388	6,839	- Projected service cost	5,704	8,199
		Rate of increase in salaries (increase or decrease by 0.1%)		
221,828	220,840	- Present value of total obligation	219,178	214,910
6,614	6,606	- Projected service cost	6,849	6,811
		Rate of increase in pensions (increase or decrease by 1%)		
225,106	217,629	- Present value of total obligation	238,279	263,156
6,837	6,390	- Projected service cost	8,164	5,731

The projected pension expenses for the year ended 31 March 2022 are:

	Year to 31 Mar 2022
	£'000
Service Cost	6,830
Net Interest on the defined liability (asset)	2,085
Administration Expenses	81
	8,996
Employer contributions	4,120

32. 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 2021/22. 44 forms (out of 52) were returned with nothing significant declared.

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

33. Interest in Companies

The council has interest in two companies, one wholly owned subsidiary, A Better Choice for Property Limited, and its wholly owned subsidiary, A Better Choice for Property Development 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 £150m. As at 31 March 2022 the Company had drawn down £37m of loans which are at market rates, of this drawn facility £32m remains outstanding.

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 2022 this ratio had strengthened to 0.92:1 (0.96:1 in 2020/21) and therefore in compliance with the financial covenants.

The Council as sole shareholder in the Company and as at 31st March 2022 had acquired 789,059 shares with a nominal value of £1 per share.

During the year the Council approved further equity to be reinvested into the Property Company to enable operations as they development new properties. This will see the Council reinvesting around 20% of received interest receipts from the company back as share capital. This will be approved annually through the Trading & Enterprise Board. The Company including its subsidiary had equity of £2,291,464 as at 31 March 2022 representing a gain of £1,502,405 over its original investment value.

34. Restatement of 2020/21 audited figures

Ashford Borough Council has been accounting for Developer Contributions (DC) under Earmarked Reserves which are part of the Usable Reserves. The DC grants received had conditions to be met before they could be applied to revenue and capital projects and if unspent these would have to be returned. Because this is a material prior period adjustment, it has been corrected by retrospective restatement, in the first financial statements issued following the discovery of the error. Please see below the Balance Sheet lines impacted by this correction.

Balance sheet	20/21 Audited		20/21 Restated figures		Variance	
	ABC	Group	ABC	Group	ABC	Group
Current liabilities						
Short Term Creditors	(38,695)	(38,995)	(37,879)	(38,179)	816	816
Long Term Liabilities						
Grants receipts in advance - capital	0	0	(4,824)	(4,824)	(4,824)	(4,824)
Grants receipts in advance - revenue	0	0	(507)	(507)	(507)	(507)
Net assets	220,085	220,564	215,570	216,049	(4,515)	(4,515)
Usable Reserves	(63,851)	(63,379)	(59,336)	(58,864)	4,515	4,515
Net effect					0	0

35. 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 Drovers Roundabout and the M20 junction 9 and footbridge. Regional 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, and a share of CIL funds received, will be paid to HCA. The Council's liability is limited to the total amount received, and a proportion of the total CIL funds 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, and a share of CIL funds received, will be paid to HCA. The Council's liability is limited to the total amount received and a proportion of the total CIL funds received, in each case.

The Council has agreed to underwrite the rental income and service charge for 18,000 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 £450,000 per annum until June 2028. Currently 3,800 square foot remains to be leased.

The Council is party to an Asset Protection Agreement with Stanhope PLC and High Speed 1 (HS1). This agreement resulted in the Council undertaking a commitment to HS1 to underwrite the costs of remedying any incidents that affect the High Speed line as a result of construction activity by Stanhope on the Elwick site. Under the development agreements, this obligation in respect of Phase 1 has been passed to the developer and they have provided adequate insurance for this obligation in respect of Phase 1, however the Council would be liable for a payment in the event that the developer and the insurance fail to cover these liabilities. This obligation also applies to Phase 2 although as at 31 March 2022 no construction activities had commenced on Phase 2.

36. Events after the Balance Sheet Date

On 10 May 2022, Ashford Borough Council acquired 65% of the shares in Ashford International Development Company Limited (formerly known as Quinn Estates Newtown Works Limited).

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

2020/21 *£'000*		2021/22 *£'000*
	Adjustment for items that are operating activities	
(7,833)	Depreciation	(9,240)
(30,728)	Impairment and downward valuations	(14,164)
(46)	Amortisation	(78)
(38,607)	Items relating to Capital Adjustment Account	(23,482)
(1,387)	Increase/(decrease) in impairment for bad debts	1,092
25,342	(Increase)/decrease in debtors	(5,354)
(21,349)	Increase/(decrease) in creditors	(1,711)
(4,387)	Movement in pension liability	(4,955)
(2,906)	Carrying amount of non-currents and Held for Sale sold or derecognised	(2,939)
(274)	Contributions to/from Provisions	(206)
4,030	Other non-cash items charged to the net surplus of deficit on the provision of services	119
2,324	(Increase)/decrease in FVPL investments	2,425
(37,214)	*Total non-cash adjustments of operating activities*	(35,011)

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

2020/21 *£'000*	*Adjustment for items that are investing and financing activities*	2021/22 *£'000*
4,311	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,139
766	Capital grants and contributions applied	905
5,077	*Total non-cash adjustments of investing and financing activities*	6,044

39. Cash Flow Statement – Interest

2020/21 £'000		2021/22 £'000
4,342	Interest paid	4,024
(1,007)	Interest received	(1,078)
(1,355)	Dividend received	(1,448)
1,980		1,498

40. Cash Flow Statement - Investing Activities

2020/21			2021/22	
ABC £'000	Group £'000		ABC £'000	Group £'000
45,180	49,327	Purchase of property, plant and equipment, investment property and intangible assets	37,094	37,600
140	140	Purchase of short-term and long-term investments	184	184
(4,311)	(4,311)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,139)	(5,139)
(766)	(766)	Other receipts from investing activities	(905)	(905)
40,243	44,390	*Net cash flows from investing activities*	31,234	31,740

41. Cash Flow Statement - Financing Activities

2020/21			2021/22	
ABC *£'000*	Group *£'000*		*ABC* *£'000*	Group *£'000*
(233,759)	(238,302)	Cash receipts of short- and long-term borrowing	(150,621)	(151,232)
932	932	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	1,108	1,108
227,000	227,383	Repayments of short- and long-term borrowing	149,300	149,596
(5,827)	(9,987)	*Net cash flows from financing activities*	(213)	(528)

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

31 March 2021 *£'000*		31 March 2022 *£'000*
85	Cash held by the Council	85
32	Bank Current Accounts	18
8,772	Bank Call Accounts	1,388
8,889	Cash and cash equivalents at the end of the reporting period	1,491

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).

2020/21		2021/22	
£'000		*£'000*	*£'000*
	Expenditure		
4,235	Repairs and maintenance	5,792	
5,928	Supervision and management	6,538	
188	Rents, rates, taxes and other charges	395	
2,200	Special services	1,866	
5,935	Depreciation	7,173	
9,469	Impairment of non-current assets	21,894	
80	Debt management costs	95	
200	Movement in the allowance for bad debts	305	
	Other revenue expenditure funded from capital under statute		
	HRA self-financing - revenue expenditure funded from capital under statute		
28,235	*Total Expenditure*		44,058
	Income		
(24,418)	Dwelling rents	(26,139)	
(7)	Non-dwelling rents	(4)	
(1,077)	Charges for services and facilities	(1,105)	
(45)	Leaseholder charges for services and facilities	(61)	
(341)	Contributions towards expenditure	(117)	
(8)	Sale of land	(2)	
(3,000)	PFI Subsidy receivable	(3,000)	
(28,896)	*Total Income*		(30,428)
(661)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		13,630
607	HRA services' share of Corporate and Democratic Core		560
429	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		275
375	Net Cost for HRA Services		14,465
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,541)	Loss on sale of HRA non-current assets		(1,577)
	Other capital receipts		
3,750	Interest payable and similar charges		3,909
1,175	Interest payable on PFI contracts and Finance Leases		1,120
(3)	Interest and investment income		0
259	Net interest on the net defined benefit liability (asset)		220
(3,991)	Capital grants and contributions receivable		(1,749)
24	(Surplus) or deficit for the year on HRA services		16,388

Movement on the HRA Statement

2020/21 £'000		2021/22 £'000
(5,552)	Balance on the HRA at the end of the previous year	(7,187)
24	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	16,388
(1,659)	Adjustments between accounting basis and funding basis under statute	(11,320)
(1,635)	(Increase) or decrease in year on the HRA (MIRS)	5,068
(7,187)	Balance on the HRA at the end of the current year	(2,119)

Notes to the Housing Revenue Account

1. Number and type of Housing Stock, Balance Sheet Opening and Closing Values

31 March 2021 *Units*		31 March 2022 *Units*
5,095	Total Dwellings	5,212

31 March 2021 *£'000*		31 March 2022 *£'000*
342,693	Operational assets - dwellings, land and buildings	381,025
2,681	Non-Operational assets	4,534
14,065	Assets Under Construction	6,178
359,439		391,737

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 31 March 2022 was £1,140m (£1,013m as at 31 March 2021). The difference between this and the Balance Sheet value shows the cost of providing council housing at less than open market rents.

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

3. Major Repairs Reserve

2020/21 *£'000*	*Movements in year*	2021/22 *£'000*
(2,889)	Balance at the end of the previous year	(1,947)
(5,932)	Amount transferred to the Reserve during the year	(7,170)
5,000	Debits in respect of any repayment, made in the year, of the principal of any amount borrowed where the repayment was met by payment out of the reserve	5,000
1,848	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	2,081
26	Reversal of depreciation (other than Council Dwellings)	126
(1,947)	Balance at the end of the financial year	(1,910)

4. Summary of Capital Expenditure and Financing

2020/21 *£'000*		2021/22 *£'000*
	Capital investment:	
1,848	Expenditure on Existing Dwellings	2,081
16,371	Expenditure on New Stock Purchases	5,346
13,523	Expenditure on new developments (including Assets Under Construction)	21,320
31,742		28,747
	Sources of Finance:	
(3,492)	Capital Receipts	(3,485)
(1,848)	Major Repairs Reserve	(2,081)
(3,991)	External Contributions - HCA Grants and COMF	(1,751)
(22,411)	Borrowing	(18,930)
0	Revenue Contribution from the Housing Revenue Account	(2,500)
(31,742)		(28,747)

5. Capital Receipts from Disposal of Assets

2020/21 *£'000*		2021/22 *£'000*
(2,058)	Receipts from Right-to-buy sales	(3,234)
(32)	Receipts from Repayment of Discounts	(25)
(1,680)	Receipts from the sale of Housing land	(355)
0	Other non right-to-buy sales	(140)
(3,770)	Total receipts	(3,754)
38	Costs of disposal	33
(3,732)		(3,721)

6. Valuations

Land and Buildings are held individually and the total housing stock (including land and garages) had increases and decreases in valuation.

The net adjustments of these valuations as reported saw an increase to the Housing Revenue Account of £35,298,583 recognised in the Revaluation Reserve and £21,893,976 written out through the Consolidated Income and Expenditure Statement.

7. 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.

2020/21 *£'000*		2021/22 *£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
901	- current service cost	949
0	- past service costs	0
12	- administration expenses	9
	Financing and Investment Income and Expenditure	
259	- net interest expense cost	220
1,172	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	1,178
	Movement in Reserves Statement	
(1,172)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,178)
	- actual amount charged against the General Fund Balance for pensions in the year:	
547	employers' contributions payable to scheme	523

8. Rent Arrears

During the year 2021/22 arrears totalling £472,799 (£53,800 – 2020/21) 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 2022 was £895,740 (£1,063,540 at 31 March 2021).

31 March 2021		31 March 2022
£'000		*£'000*
1,106	Gross arrears	926
(1,063)	Provision for Bad Debts	(895)

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.

2020/21			2021/22	
Business Rates	Council Tax		Business Rates	Council Tax
£'000	*£'000*		*£'000*	*£'000*
		Income		
	(87,015)	- Council Tax		(92,341)
(26,567)		- Business Rates	(42,919)	
	(930)	- Transfer from General Fund for Covid19 Hardship		6
(26,567)	(87,945)	*Total Income*	(42,919)	(92,335)
		Expenditure		
		Precepts, Demand & Shares		
4,767	63,915	- Kent County Council	4,721	64,090
	9,609	- Kent Police Authority		9,854
530	3,750	- Kent and Medway Fire Authority	525	3,651
21,184	10,157	- Ashford Borough Council (including Parish Precepts)	20,983	10,075
26,480		- Central Government	26,229	
52,961	87,431		52,458	87,670
		Charges to the Collection Fund		
54	53	- Write-Offs of uncollectable amounts	196	246
1,224	963	- Increase/(Decrease) in Bad Debt Provisions	(902)	732
1,938		- Increase/(Decrease) in Provision for Appeals	1,193	
92		- Disregarded amounts	90	
192		- Costs of Collection Allowance	196	
213		- Transitional Protection Payments	371	
3,713	1,016		1,144	978
		Contributions		
1,636	536	- Towards previous year's estimated Collection Fund Surplus/Deficit	(29,310)	(319)
58,310	88,983	*Total Expenditure*	24,292	88,329
31,743	1,038	Deficit/(Surplus) in Year	(18,627)	(4,006)
169	(537)	Balance at 1st April	31,912	501
31,912	501	Balance at 31st March	13,285	(3,505)
		Apportionment of Balance to Preceptors/Borough Council		
2,859	366	- Kent County Council	1,196	(2,562)
	55	- Kent Police Authority		(395)
319	22	- Kent and Medway Fire Authority	133	(146)
12,765	58	- Ashford Borough Council	5,314	(402)
15,969		- Central Government	6,642	
31,912	501		13,285	(3,505)

Notes to the Collection Fund

1. Collection Fund - Allocation of Arrears, Prepayments and Other Balances

for the year ended 31st March 2022

2021/22	2021/22					
	Ashford Borough Council	*Kent County Council*	*Police & Crime Commissioner for Kent*	*Kent & Medway Fire and Rescue Service*	*Central Government*	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Council Tax:						
Council Tax Arrears (excl. costs)	778	4,974	777	280	0	6,809
Council Tax Overpayments and Prepayments	(294)	(1,880)	(293)	(106)	0	(2,573)
Council Tax Provision for Bad and Doubtful Debts	(312)	(1,994)	(311)	(112)	0	(2,729)
Council Tax Cash	230	1,462	222	84	0	1,998
Council Tax Collection Fund Surplus	(402)	(2,562)	(395)	(146)	0	(3,505)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR Arrears (excl. costs)	1,052	237	0	26	1,315	2,630
NNDR Overpayments and Prepayments	(587)	(132)	0	(15)	(734)	(1,468)
NNDR Provision for Bad and Doubtful Debts	(288)	(65)	0	(7)	(360)	(720)
NNDR Provision for Alteration of Lists and Appeals	(2,654)	(597)	0	(66)	(3,317)	(6,634)
NNDR Cash	(2,837)	(639)	0	(71)	(3,546)	(7,093)
NNDR Collection Fund Deficit	5,314	1,196	0	133	6,642	13,285
	0	0	0	0	0	0
Total	0	0	0	0	0	0

for the year ended 31st March 2021

2020/21	2020/21					
	Ashford Borough Council	*Kent County Council*	*Police & Crime Commissioner for Kent*	*Kent & Medway Fire and Rescue Service*	*Central Government*	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Council Tax:						
Council Tax Arrears (excl. costs)	795	5,004	752	294	0	6,845
Council Tax Overpayments and Prepayments	(284)	(1,790)	(269)	(106)	0	(2,449)
Council Tax Provision for Bad and Doubtful Debts	(232)	(1,461)	(219)	(86)	0	(1,998)
Council Tax Cash	(337)	(2,119)	(319)	(124)	0	(2,899)
Council Tax Collection Fund Deficit	58	366	55	22	0	501
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR Arrears (excl. costs)	1,741	391	0	44	2,176	4,352
NNDR Overpayments and Prepayments	(344)	(77)	0	(9)	(430)	(860)
NNDR Provision for Bad and Doubtful Debts	(649)	(146)	0	(16)	(811)	(1,622)
NNDR Provision for Alteration of Lists and Appeals	(2,448)	(551)	0	(61)	(3,061)	(6,121)
NNDR Cash	(11,065)	(2,476)	0	(277)	(13,843)	(27,661)
NNDR Collection Fund Deficit	12,765	2,859	0	319	15,969	31,912
	0	0	0	0	0	0
Total	0	0	0	0	0	0

2. NNDR Rateable Value

The Council collects business rates for its area, based on rateable values and multipliers set by central government (details below). The Council is a member of the Kent Business Rates Pool. The total amount for 2021/22, less certain reliefs and other deductions, is shared between Central Government (50%), Ashford Borough Council (40%), Kent County Council (9%) and the Kent Fire and Rescue Authority (1%).

2020/21		2021/22
£'000		*£'000*
	Total Non-Domestic Rateable Values at:	
131,921	- 1st April	133,566
133,566	- 31st March	135,061
1,645	Increase/(decrease) in year	1,495

2020/21		2021/22
p		*p*
	Uniform rate (multiplier) set by the government:	
49.9	For rateable values below £18,000	49.9
51.2	For rateable values £18,000 and above	51.2

3. Band D Council Tax

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

2020/21		2021/22
£		*£*
1,351.26	Kent County Council	1,418.76
203.15	Kent Police Authority	218.15
79.29	Kent and Medway Fire Authority	80.82
167.50	Ashford Borough Council	172.50
1,801.20	Council Tax - basic amount	1,890.23
47.23	(including Parish Precepts)	50.53
1,848.43	Council Tax - Borough average	1,940.76

4. Council Tax Base

The number of chargeable dwellings in each valuation band (adjusted where discounts apply) converted into an equivalent number of Band D dwellings, was calculated has follows:

	2020/21			2021/22		
Band	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (a)*	*Multi-pliers (b)*	*Band D equivalents properties (a x b)*	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (c)*	*Multi-pliers (d)*	*Band D equivalents properties (c x d)*
A with disabled relief	10.30	5 /9	5.69	9.35	5 /9	5.14
A	3,803.30	6 /9	2,535.50	3,436.50	6 /9	2,291.00
B	11,515.80	7 /9	8,956.69	11,408.50	7 /9	8,873.28
C	12,013.00	8 /9	10,678.22	11,778.80	8 /9	10,470.00
D	8,759.40	9 /9	8,759.41	8,643.00	9 /9	8,642.95
E	6,148.80	11 /9	7,515.14	6,182.25	11 /9	7,556.08
F	5,182.50	13 /9	7,485.82	5,238.30	13 /9	7,566.36
G	3,039.50	15 /9	5,065.82	3,065.00	15 /9	5,108.33
H	167.30	18 /9	334.50	161.50	18 /9	323.00
Tax Base before Council Tax Support			51,336.81			50,836.14
Tax Base before Council Tax Support			51,336.81			50,836.14
Less Council Tax Support			(3,558.73)			(4,975.82)
Tax Base after Council Tax Support			47,778.08			45,860.32
Estimated Collection Rate			0.99			0.985
Council Tax Base			47,300.30			45,173.00

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

Glossary

Actuary – a business professional who advises on the measurement and management of risk and uncertainty. In Ashford's case Barnett Waddington undertake this work for the Local Government Pension Scheme.

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, in Ashford's case, Grant Thornton carries out this function.

Budget – a statement defining the Council's financial plans for the year of expenditure and income.

Budget Requirement – the estimated revenue expenditure on General Fund services that needs to be financed from Council Tax, Government Grant and NNDR 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. And has approval from the Financial Reporting Advisory Board to issue the Accounting Code of Practice, which prescribes the content and format of the Statement of Accounts.

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.

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 social 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.

Pooled Investments – a pooled investment fund collects money from multiple investors and puts it in one managed portfolio.

Principal Arrangement – this is where the Council is administering grants on behalf of another body but has an element of control over the award, and therefore the cost and receipt of grant are reflected in the costs of service. Where no control over allocation exist then this is an Agency arrangement and costs would not be shown in the councils cost of service.

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. In 2018 the Government announced that new PFIs could no longer be created, however existing contracts would continue.

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.

Usable Reserves – funds available to the Council and represent specific amounts set-aside for future policy purposes or earmarked purposes, including the General Fund and the Capital Receipts Reserve.

Unusable Reserves – These are non-cash reserves that are kept to manage the accounting processes for non-current assets, investments, retirement benefits, employee benefits and collection fund adjustments and do not represent usable resources for the Council.

Finance and IT

Ask for: Lee Foreman
Email: Lee.Foreman@Ashford.gov.uk
Direct line: (01233) 330509

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Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Date: 28/11/2023

Dear Sirs,

Ashford Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Ashford Borough Council and its subsidiary undertaking, A Better Choice for Property Limited, for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the net pension liability, the valuation of land and buildings, the valuation of investment property and surplus assets, depreciation, provisions, fair value estimates, accruals and credit loss allowances. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

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

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

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

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

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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

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

xiv. The prior period adjustments disclosed in Note 34 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

  a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

  b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

  c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xvi. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvii. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xviii. We have provided you with:

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

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

  c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

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

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

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

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

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

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council’s Audit Committee at its meeting on 28 November 2023.

Yours faithfully

Name……Cllr L Krause

Position……Chair Audit Committee.

Date…………………………….

Name……Mr B C Lockwood

Position…Deputy Chief Executive

Date…………………………….

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Agenda Item No:	6
Report To:	Audit Committee
Date of Meeting:	28 November 2023
Report Title:	Internal Audit & Assurance Progress Report
Report Author & Job Title:	Katherine Woodward – Head of Mid Kent Audit Partnership

Summary:

This report provides information to Members on the work completed by internal audit during 2023/24.

This report is for information and summarises progress towards delivering the plan up to 15 November 2022. In addition, it also provides updates on:

- Completed 2022/23 audits which will be used to inform the 2023/24 Audit Opinion.
- Resource changes with the Mid Kent Audit Partnership team.
- Other work and overall progress, including planned vs actual days.
- The results of the follow up of agreed management actions.

Key Decision:	No
Significantly Affected Wards:	All
Recommendations:	**The Audit Committee is recommended to:-** **1.** That work completed so far on the 2023/24 Audit & Assurance Plan be noted.
Policy Overview:	N/A
Financial Implications:	N/A
Legal Implications:	N/A
Equalities Impact Assessment:	N/A
Data Protection Impact Assessment:	N/A
Risk Assessment (Risk Appetite Statement):	N/A

Sustainability Implications:	N/A
Other Material Implications:	N/A
Exempt from Publication:	**NO**
Background Papers:	Full reports which support the audit engagements summarised in this report are available on request. In addition, previous Audit Committee reports can be found here.
Contact:	Katheirne.woodward@midkent.gov.uk

Report Title: Internal Audit and Assurance Plan Progress Report 2023/24

Introduction and Background

1. The Audit Committee approved the 2023/24 audit plan in March 2023. This report provides information to Members on the work completed by internal audit since the last report in July 2023.

Proposal

2. We present the report to Members for their information and for noting.

Equalities Impact Assessment

3. n/a

Consultation Planned or Undertaken

4. We present the report for Member information and for noting. There has been no formal consultation, but its content has been discussed with the Deputy Chief Executive.

Other Options Considered

5. n/a

Reasons for Supporting Option Recommended

6. n/a

Next Steps in Process

7. n/a

Conclusion

8. n/a

Portfolio Holder's Views

9. n/a

Contact and Email

Katherine Woodward, Head of Mid Kent Audit Partnership
Katherine.woodward@midkent.gov.uk

MID KENT AUDIT

Internal Audit & Assurance Progress Report

November 2023

Ashford Borough Council

MID KENT AUDIT

Introduction

1. The Institute of Internal Audit 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 reporting.

Audit Charter

3. This Committee approved our *Audit Charter* in September 2021, and it remains in place through this audit year. A revised Audit Charter will be presented to the Audit Committee next year.

Independence of internal audit

4. 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.

5. Within Ashford Borough Council during 2023, 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.

6. We have worked with full independence as defined in our Audit Charter and Standard 1100. On no occasion have officers or Members sought or gained undue influence over our scope or findings.

Management response to risk

7. We include the results of our work in the year so far later in this report. In our work we often raise recommendations for management action. During the year so far, management have agreed to act on all recommendations we have raised. We report on progress towards implementation in the section titled *Agreed Actions Follow Up Results*.

8. There are no risks we have identified in our work that we believe management have unreasonably accepted.

Resource Need

9. We reported in our plan presented to this Committee in March 2023 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:

MKA has the skills and expertise to deliver the 2023/24 Audit Plan and it is confirmed that planned audit work will enable a Head of Audit opinion for 2023/24 to be delivered in Spring 2024.

10. Since March 2023 we have experienced further change within the audit team:

    - The Interim Deputy Head of Audit / Audit Manager left the council in June 2023.
    - Two other members of the team, an Auditor and the Risk and Governance officer also left to pursue other opportunities.

11. The departures since March 2023 and those prior to March, gave rise to an opportunity to consider the structure and capacity of the Mid Kent Audit team. Following a restructure to ensure the service is fit to deliver the services required for each of the partners and to fulfil its statutory responsibilities, a number of appointments have been made.

12. Since August 2023 we have recruited two internal auditors and internally promoted three members of the team. We currently have three vacant posts, one of which is being covered through use of external contractors, who are also resourcing the staffing gap we had in place prior to the recent recruitment exercises.

13. Despite all this change we continue to make progress through the Audit Plan although overall delivery of the plan has been impacted.

Audit Plan Progress: Closing 2022/23

14. In July, there were three audit engagements, approaching completion that did not finish in time for Committee deadlines. The results of these audits will now feed into the Head of Audit Partnership annual assurance opinion for 2023/24.

Audit Review (bfw 2022/23)	**Audit status**	**Assurance rating**	**Number of Actions by Priority Rating**		
			High	**Medium**	**Low**
IT Disaster Recovery	Complete	Sound		3	
Leisure Services Contract Management	*Work in Progress*				
Temporary Accommodation	*Work in progress*				

Audit Plan Progress: 2023/24

15. The table below shows current and expected progress through the engagements described in the 2022/23 Audit Plan:

Audit Review	**Current position**
Budgetary Control	Work in progress
General Ledger	Allocated
Building Control	
Social Media	Work in progress
Business Continuity	Allocated
CCTV and Monitoring	Allocated
Safeguarding	Allocated
Complaint Handling	Work in progress
Conservation and Heritage	Work in progress
Elections Management	Audit under review
HR Policy Compliance	
Payroll & HR Systems	Work in progress
ICT Network Controls	Work in progress
Home Improvement Grants	
Lettings	
Members Allowances	Allocated
Subsidiary Company Governance	
Housing Benefits	Allocated
* Council Tax Reduction Scheme	Work in progress
Street Cleaning	To be replaced

* shared service audits, work will include all authorities included in the shared service

16. The Audits that have not been allocated yet will be allocated when resources become available within the team.

Other work and overall progress

17. The Internal Audit team has provided Grant certification work for Homes England funding projects.

18. The table below also summarises (up to 31st October) current days on audit plan progress.

Plan Area	Plan Days	Actual to 31-Oct-23
Risk Based Audits	300	62
Following up of agreed actions	21	7
Consultancy & Member Support	33	15
Planning	24	4
Counter Fraud & Governance Support	9	1
Total	**387**	**89**

19. The significantly lower number of audit days delivered to date is due to the number of vacant posts at the beginning of the year and the natural length of time to get a contractor appointed and delivering audit work. This will balance out towards the end of the year, but there will be an impact on overall plan delivery for 2023/24.

Agreed Actions Follow Up Results

20. Our approach to agreed actions is to follow up each as it falls due in line with the plan agreed with management when we finish our reporting. We report progress on implementation to Corporate Leadership Team each quarter. This includes noting any matters of continuing concern and where we have revisited an assurance rating (typically after addressing key actions).

21. As detailed in the yearend report in July, work on following up of actions was paused at that time due to resourcing constraints. This work has now resumed and has highlighted some outstanding actions from previous years and some changes that have been required to the process for ensuring actions are completed. In total, we summarise in the table below the current position on following up agreed actions:

	High	Medium	Low	Total
Total actions 2022/23				
Actions agreed	0	14	9	23
Actions cleared	0	8	1	9
Actions not due	0	5	8	13
Outstanding actions 2022/23	**0**	**1**	**0**	**1**
Outstanding actions 2020/21	0	1	1	2
Total Outstanding actions	**0**	**2**	**1**	**3**

22. These outstanding actions have been raised with the Management Team who are addressing the concerns we have raised regarding implementation of the outstanding work. An update will be provided to the committee in the yearend report, once the new process has embedded within the organisation.

Appendix I

IT Disaster Recovery (September 2023)

We are satisfied that the service has appropriate controls in place run by experienced officers to manage the risks related to disaster recovery. Our testing confirmed that council’s data is backed up through secure channels and is encrypted. Data is held securely off site and held within the UK. Backups are carried out in accordance with the councils back up schedule. We found that the council had tested that they can restore system and files from backup. However, a full disaster recovery test has not yet been carried out.

We found some areas of improvements that could be made to the disaster recovery planning. The council prioritization list of which systems should be restored first has not been agreed by senior management. In addition to this, the backup strategy including the frequency of back ups has not been agreed by senior management.

Audit Committee - Tracker - 2023/24

Dates to Note	
Date of Meeting	**28/11/2023**
Publication of Agenda Date	20/11/2023
Reports to Management Team	16/11/2023
Full Council	14/12/2023

Items for Inclusion on the Audit Agenda

Part I - For Decision

1	Statement of Accounts 2021/22 and External Auditors Findings	LF
2	Corporate Health & Safety	AB

Part II - Monitoring/Information Items

3	Internal Audit Interim Report	KW
4	Report Tracker	KM

Dates to Note	
Date of Meeting	**19/03/2024**
Publication of Agenda Date	11/03/2024
Reports to Management Team	07/03/2024
Full Council	16/05/2024

Items for Inclusion on the Audit Agenda

Part I - For Decision

1	Corporate Risk Register (on agenda every six months)	CH	
2	Approval of Annual Governance Statement	AS	
3	Homes England – Compliance Audit Annual Report for Ashford Borough Council	MJ	
4	Internal Audit and Assurance Plan 2024/25	KW	
5	Progress update on the 2022/23 External Audit	Gr Th	
6	Presentation of Financial Statements	MH	

Part II - Monitoring/Information Items			
7	Report Tracker	KM	

2024/25

Dates to Note	
Date of Meeting	**18/06/2024**
Publication of Agenda Date	10/06/2024
Reports to Management Team	06/06//2024
Full Council	18/07/2023

Items for Inclusion on the Audit Agenda		
Part I - For Decision		
1	Internal Audit Annual Report & Opinion 2023/24	KW
Part II - Monitoring/Information Items		
2	External Audit Progress Report	Gr Th
3	Report Tracker	KM

Dates to Note	
Date of Meeting	**01/10/2024**
Publication of Agenda Date	23/09/2024
Reports to Management Team	19/09/2024
Full Council	17/10/2024

	Items for Inclusion on the Audit Agenda	
	Part I - For Decision	
1	Corporate Risk Register (on agenda every six months)	CH
2	Annual Governance Statement – Progress on Remedying Exceptions	AS
3	Corporate Enforcement Support & Investigations Team Annual Report 2023/24	DD
4	Annual Report of the Audit Committee	KW
	Part II - Monitoring/Information Items	
5	External Audit Progress Report	Gr Th
6	Report Tracker	KM

Dates to Note	
Date of Meeting	**17/12/2024**
Publication of Agenda Date	09/12/2024
Reports to Management Team	05/12/2024
Full Council	06/03/2025

	Items for Inclusion on the Audit Agenda	
	Part I - For Decision	
1	Statement of Accounts 2022/23 and External Auditors Findings	LF
2	Audit Fee Letter	MH
3	Homes England – Compliance Audit Annual Report for Ashford Borough Council	MJ

Part II - Monitoring/Information Items		
4	Informing the Audit Risk Assessment 2024/25	LF/Gr Th
5	Internal Audit Interim Report	KW
6	2023/24 Audit Plan (External Audit)	Gr Th
7	External Audit Progress Report	Gr Th
8	Report Tracker	KM