



# Statement of Accounts 2021-22

 Ashford  
Borough Council







# 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
<b>Independent Auditor's report to the Members of Ashford Borough Council .....</b>	<b>96</b>
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 totalling £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	Revised Budget	Final Outturn	Variance
	2021/22	2021/22	2021/22	
	£'000	A £'000	B £'000	B-A £'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
<b>Net Service Expenditure</b>	<b>16,303</b>	<b>16,303</b>	<b>17,520</b>	<b>1,217</b>
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
<b>Net Expenditure</b>	<b>13,881</b>	<b>13,881</b>	<b>13,411</b>	<b>(470)</b>
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
<b>Total Financing</b>	<b>(13,881)</b>	<b>(13,881)</b>	<b>(13,450)</b>	<b>431</b>
<b>Outturn reported</b>	<b>0</b>	<b>0</b>	<b>(39)</b>	<b>(39)</b>

## **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
<b>Income</b>	(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)
<b>Net Expenditure</b>	4,270	4,270	3,554	(716)
Capital Works - Decent Homes	5,914	5,914	2,081	(3,833)
<i>Capital works financed by:</i>				
Debt repayment	0	0	5,000	5,000
Major Repairs Allowance (from Self-Financing Determination)	(5,914)	(5,914)	(7,081)	(1,167)
<b>Outturn reported</b>	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
<i>Capital investment</i>		
General Fund capital expenditure	9,041	
HRA capital expenditure	28,747	
Total expenditure		37,788
<i>Sources of finance</i>		
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.**



**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	<b>Cost of Services</b>	109,975	(81,125)	28,850	28,119	
	2,504		2,504	Other operating expenditure					
	486		486	Parish Council Precepts & Levies		2,559		2,559	
	(1,698)	1,292	(1,698)	Payments to the Government Housing Capital Receipts Pool		485		485	
				Disposal of non-current assets		(1,873)	1,171	(1,873)	
	4,983		4,983	Financing and investment income and expenditure					
	1,816		1,816	Interest payable and similar charges		5,216		5,216	
	(6,097)		(5,442)	Net interest on the net defined benefit liability (asset)		1,786		1,786	
	0	702	(711)	Interest receivable		(5,114)		(4,419)	
				Income, Expenditure and Changes in fair value of Investment Property		0	1,888	(1,229)	
	0		144	Taxation and non-specific grant income		0		242	
	(10,246)		(10,246)	Income Tax relating to companies		(10,499)		(10,499)	
	6,848		6,848	Council Tax income		521		521	
	(12,934)		(12,934)	Non-domestic rates income and expenditure		(6,920)		(6,920)	
	(7,487)		(7,487)	Section 31 Grant - Collection Fund		(5,530)		(5,530)	
	(7,425)	(31,244)	(7,425)	Non-ringfenced government grants (Note 12)		(4,138)	(26,566)	(4,138)	
		10,921	10,354	Capital grants received in year					
				<b>(Surplus) or Deficit on Provision of Services</b>			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)	<b>Other Comprehensive Income and Expenditure</b>			(59,323)	(59,323)	
		(25,283)	(25,850)	<b>Total Comprehensive Income and Expenditure</b>			(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)
<i>Movements in Reserves during 2021/22</i>									
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)
<b>Adjustments between accounting and funding basis under regulations</b>									
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)
<i>Movements in Reserves during 2020/21</i>									
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)
<b>Adjustments between accounting and funding basis under regulations</b>									
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			31 March 2022		
1 April 2020		31 March 2021				£'000	£'000	£'000
£'000	£'000	£'000	£'000	Notes				
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	Deferred Tax Asset		0		1
<b>498,391</b>	<b>498,509</b>	<b>555,934</b>	<b>556,977</b>	<b>Long Term Assets</b>			<b>615,694</b>	<b>618,171</b>
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
<b>30,033</b>	<b>30,133</b>	<b>41,121</b>	<b>41,038</b>	<b>Current Assets</b>			<b>28,188</b>	<b>27,873</b>
(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)
<b>(129,263)</b>	<b>(129,709)</b>	<b>(166,536)</b>	<b>(166,836)</b>	<b>Current Liabilities</b>			<b>(140,310)</b>	<b>(140,555)</b>
(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)
<b>(209,006)</b>	<b>(209,052)</b>	<b>(214,949)</b>	<b>(215,130)</b>	<b>Long Term Liabilities</b>			<b>(234,022)</b>	<b>(234,437)</b>
<b>190,155</b>	<b>189,880</b>	<b>215,570</b>	<b>216,049</b>	<b>Net Assets</b>			<b>269,550</b>	<b>271,052</b>
				<b>Financing (see MiRS)</b>				
(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)
<b>(190,155)</b>	<b>(189,880)</b>	<b>(215,570)</b>	<b>(216,049)</b>				<b>(269,550)</b>	<b>(271,052)</b>

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
10,920	10,353	Net (surplus) or deficit on the Provision of services		5,343
(37,214)	(37,124)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	37	(35,010)
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
(21,217)	(20,989)	Net cash flows from operating activities		(23,623)
40,243	44,390	Investing activities	40	31,234
(5,827)	(9,987)	Financing activities	41	(213)
13,199	13,414	Net movements in year excluding non-cash items		7,398
21,958	22,404	Cash and cash equivalents at the beginning of the reporting period		8,889
(13,069)	(13,284)	Net increase or (decrease) in cash and cash equivalents		(7,398)
8,889	9,121	Cash and cash equivalents at the end of the reporting period	42	1,491

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:

<b>Cost</b>	<b>Basis of Allocation</b>
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 31<sup>st</sup> 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	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements, relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>A 0.1% increase or decrease in the discount rate would result in a change in the liability of £4.773m and £9.875m respectively.</p> <p>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.</p>
NNDR appeals liability	<p>From April 2013, the Council has been responsible for refunding successful appeals against past NNDR liabilities. Business Rates were revalued as at April 2017, therefore estimates of the possible effects on this council have been taken into account in these accounts and future funding assumptions.</p> <p>In regards to the provision for appeals, estimates have been calculated using the following methods, for each valuation list: (1) for the 2010 valuation list an estimate of successful appeals has been calculated using the Council's historic experience of appeals this has an average success rate of 34%. (2) There is not yet sufficient evidence to calculate the 2017 valuation list,</p>	<p>If the level of successful appeals exceeds the assumptions already made, the cost will be met from future budgets.</p>

Item	Uncertainties	Effect if Actual Results Differ from assumptions
	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.	<p>If the valuations were made under different assumptions, there could be significant changes in the accounts.</p> <p>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.</p>

## 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
<b>Net Cost of Service</b>	21,075	(19,803)	1,272	27,578	28,850
Other Income & Expenditure	(4,109)	12,772	8,663	(32,170)	(23,507)
<b>(Surplus) or deficit</b>	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

<b>Restated</b> 2020/21 expenditure and Funding Analysis	As reported for resource Management £'000	Adjustment to arrive at the net amount chargeable to GF and HRA balances £'000	Net Expenditure Chargeable to the GF and HRA Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
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
<b>Net Cost of Service</b>	15,665	(17,904)	(2,240)	42,411	40,171
Other Income & Expenditure	15,081	(37,677)	(22,596)	(6,653)	(29,250)
<b>(Surplus) or deficit</b>	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
<b>Net Cost of Service</b>	<b>(9,318)</b>	<b>(10,485)</b>	<b>(19,803)</b>	<b>24,409</b>	<b>3,169</b>	<b>0</b>	<b>0</b>	<b>27,578</b>
Other Income & Expenditure	0	12,772	12,772	(23,609)	1,786	(2,425)	(7,922)	(32,170)
<b>Total</b>	<b>(9,318)</b>	<b>2,287</b>	<b>(7,031)</b>	<b>800</b>	<b>4,955</b>	<b>(2,425)</b>	<b>(7,922)</b>	<b>(4,592)</b>

## Note to the Expenditure and Funding Analysis continued

<b>Restated</b> 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
<b>Net Cost of Service</b>	<b>(7,877)</b>	<b>(10,027)</b>	<b>(17,904)</b>	<b>39,837</b>	<b>2,573</b>	<b>0</b>	<b>0</b>	<b>42,411</b>
Other Income & Expenditure	0	(37,678)	(37,678)	(19,245)	1,816	(2,324)	13,102	(6,653)
<b>Total</b>	<b>(7,877)</b>	<b>(47,998)</b>	<b>(55,875)</b>	<b>20,592</b>	<b>4,387</b>	<b>(2,324)</b>	<b>13,102</b>	<b>35,758</b>

## 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 Mgmt	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
<b>Cost of Services</b>	<b>1,064</b>	<b>15,787</b>	<b>(749)</b>	<b>22,170</b>	<b>(54)</b>	<b>1,953</b>	<b>40,171</b>

## 7. Expenditure and Income Analysed by Nature

2020/21		2021/22
Totals per CI&ES		Totals per CI&ES
£'000		£'000
(42,904)	Fees, charges and other service income	(46,609)
(41,241)	Grants	(34,516)
<b>(84,145)</b>	<b>Total Income</b>	<b>(81,125)</b>
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
<b>124,184</b>	<b>Total Expenditure</b>	<b>109,975</b>
40,039	<b>Cost of Services</b>	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)
<b>10,789</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>5,344</b>
<b>(36,204)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(59,324)</b>
<b>(25,415)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(53,980)</b>

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
<u>375</u>		<u>384</u>

## 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 contributions £'000	Total remuneration £'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
		<u>961</u>	<u>15</u>	<u>976</u>	<u>168</u>	<u>1,144</u>

+ Officers that also fulfil statutory roles.

\* Left 16<sup>th</sup> January 2022

## Senior Employee Remuneration 2020/21 comparators

2020/21		Pay & expenses	Benefits in kind	Total	Pension contributions	Total remuneration
		£'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
		<u>993</u>	<u>18</u>	<u>1,011</u>	<u>173</u>	<u>1,184</u>

+ Officers that also fulfil statutory roles.

## Other Employee Remuneration by Band

2020/21		2021/22
<i>nos</i>	Remuneration bands	<i>nos</i>
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
<u>42</u>		<u>50</u>

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

## 11. External Audit Costs

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

2020/21 £'000		2021/22 £'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
<u>106</u>		<u>80</u>

## 12. Grant Income

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

2020/21			2021/22	
£'000	£'000		£'000	£'000
		<i>Credited to Cost of Services</i>		
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
		<i>Credited to Taxation and Non-specific Grant Income</i>		
		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	2021/22		Balance at 31
	March 2021	Transfers In	Transfers Out	March 2022
	£'000	£'000	£'000	£'000
General fund general reserves	(2,562)	(39)	0	(2,601)
<u>Earmarked general fund reserves</u>				
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)
	<u>(43,526)</u>	<u>(6,854)</u>	<u>11,761</u>	<u>(38,619)</u>

	Balance at 31	2020/21		Balance at 31
	March 2020	Transfers In	Transfers Out	March 2021
	£'000	£'000	£'000	£'000
General fund general reserves	(2,395)	(167)	0	(2,562)
<u>Earmarked general fund reserves</u>				
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)
	<u>(20,362)</u>	<u>(29,580)</u>	<u>6,415</u>	<u>(43,527)</u>

#### The Purpose of the Earmarked Reserves

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

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

- Elections reserve
- Economic risk reserve
- 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
<i>Cost or Valuation</i>									
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
<i>Accumulated Depreciation and Impairment</i>									
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	0	0	0	0	0	0	0	0	0
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
<i>Net book value</i>									
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
<i>Cost or Valuation</i>									
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
<i>Accumulated Depreciation and Impairment</i>									
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
<i>Net book value</i>									
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
<u>4,991</u>		<u>4,064</u>

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 31<sup>st</sup> 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		Group Position
2020/21		2021/22
£'000		£'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
<u>33,357</u>		<u>35,092</u>

Movements in Investment Property (A Better Choice for Property Ltd. and its subsidiary)	1st April	Additions & disposals	Revaluation gains/ losses	31st March
	£'000	£'000	£'000	£'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		2021/22
£'000		£'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
<u>4,133</u>		<u>6,359</u>

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	<i>Opening Capital Financing Requirement</i>	263,665
	<i>Capital investment:</i>	
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
	<i>Sources of Finance:</i>	
(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	<i>Closing Capital Financing Requirement</i>	276,485
	<i>Explanation of movements in year</i>	
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	<i>Movements in year</i>	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
	<i>Housing Revenue Account - Major Projects</i>	
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 recognised in FVOCI	Market Value as at 31/03/2022	Investment Interest	
					2021/22	2020/21
<i>Elected Fair value OCI</i>	£'000	£'000	£'000	£'000	£'000	£'000
A Better Choice for Property Ltd.	1,093	187	1,010	2,290	0	0
<b>Total</b>	<b>1,093</b>	<b>187</b>	<b>1,010</b>	<b>2,290</b>	<b>0</b>	<b>0</b>

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

	Market Value as at 31/03/2021	Change in Market Value during the year recognised in FVPL	Market Value as at 31/03/2022	Investment Interest	
				2021/22	2020/21
<i><b>Not elected, fair value through profit and loss</b></i>	£'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
<b>Total</b>	<b>32,913</b>	<b>2,428</b>	<b>35,341</b>	<b>1,414</b>	<b>1,401</b>

## Financial Instruments

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

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 £'000		2021/22 £'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)
<u>(1,693)</u>	Net gains for the year	<u>(908)</u>

## Fair Values of Assets and Liabilities

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

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

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

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31 March 2021				31 March 2022	
£'000	£'000			£'000	£'000
<b>Financial assets held at fair value:</b>					
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
<b>Financial assets held at amortised cost:</b>					
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
<b>Financial Liabilities held at Amortised Cost:</b>					
(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
<b>1 April 2021</b>	<b>(97,664)</b>	<b>(127,549)</b>	<b>(119)</b>	<b>(225,332)</b>
<b>Cash flows:</b>				
- Repayment		149,300		149,300
- Proceeds	(32,000)	(118,500)		(150,500)
<b>Non-cash:</b>				
- Accruals		(121)		(121)
- Reclassification	4,400	(4,400)		0
<b>31 March 2022</b>	<b>(125,264)</b>	<b>(101,270)</b>	<b>(119)</b>	<b>(226,653)</b>

## 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

<i>Counter party</i>	<i>Maturity date</i>	<i>Amount</i> £'000	<i>Credit rating</i>
<i>Deposits/investments with other financial institutions</i>			
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
<u>2,351</u>		<u>2,189</u>
(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 than in recent years. The Council will need to 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 its 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		1,548
2,054		1,766	
(1,064)		(896)	
3,470	990	2,414	870
(1,094)		(825)	
27,898	2,376	24,278	1,589
(2,243)		(1,588)	
	25,655		22,690
	<u>30,943</u>		<u>26,697</u>
	Balance at 31st March		

### Movement in Debtors

2020/21		2021/22
£'000		£'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
<u>24,038</u>	Movement in the year	<u>(4,247)</u>

## 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		2021/22
£'000		£'000
	<b>Grants receipts in advance capital</b>	
(4,824)	Miscellaneous grants	(6,266)
	<b>Grants receipts in advance revenue</b>	
(507)	Miscellaneous grants	(469)
<u>(5,331)</u>		<u>(6,735)</u>

## 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)
<u>(37,879)</u>		<u>(37,951)</u>

### 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
<u>(21,338)</u>	Movement in the year	<u>(72)</u>

## 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				Total Unusable Reserves	Total Unusable Reserves (Group)
	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		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
2021/22										
Balance at 31 March 2021	(146,672)	121	(491)	(112,243)	(1,427)	91,418	12,841	219	(156,234)	(157,185)
<i>Movements in Reserves during the year</i>										
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				Total Unusable Reserves	Total Unusable Reserves (Group)
	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		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
2020/21										
Balance at 31 March 2020	(102,443)	2,445	88	(129,292)	(1,453)	76,099	(261)	219	(154,598)	(154,838)
<i>Movements in Reserves during the year</i>										
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 £'000		2021/22 £'000
	<i>Comprehensive Income and Expenditure Statement</i>	
(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)
	<i>Transfers to/from Capital Adjustment Account</i>	
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 £'000		2021/22 £'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	<i>Total accounting adjustments between funding basis under statute</i>	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 £'000	Council Tax £'000		Business Rates £'000	Council Tax £'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 £'000	Interest £'000	Total lease payment £'000
Within 1 year	21	21	42
2 - 5 years	112	98	210
Later than 5 years	824	268	1,092
	<u>957</u>	<u>387</u>	<u>1,344</u>

This balance is held within the long-term debtor's line on the Balance Sheet.

### Council as a Lessor - Operating Leases

The Council leases out property under operating leases for 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 £'000		2021/22 £'000
486	Within 1 year	465
1,550	2 - 5 years	1,443
299	Later than 5 years	199
<u>2,335</u>		<u>2,107</u>

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

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

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
<u>7,263</u>		<u>6,853</u>

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
<u>14,049</u>		<u>16,732</u>

## 29. Provisions

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

The reasons for movement in provisions are:

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

## 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
	<u>17,888</u>	<u>7,907</u>	<u>17,776</u>	<u>9,045</u>	<u>52,616</u>

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

### Extra Care Housing PFI

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

1. Contractor default, 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
	<b>Comprehensive Income &amp; Expenditure Statement</b>	
	<i>Service cost comprising:</i>	
6,328	- current service cost	7,368
0	- past service costs	0
82	Administration expenses	80
	<i>Financing and Investment Income and Expenditure</i>	
1,816	- net interest expense	1,786
8,226	<i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	9,234
	<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
	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	<i>Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(14,004)
19,158	<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(4,770)
	<b>Movement in Reserves Statement</b>	
(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
<b>(91,419)</b>	<b>Net liability arising from defined benefit liability</b>	<b>(82,370)</b>

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)
<b>129,913</b>	<b>Closing fair value of scheme assets</b>	<b>134,629</b>

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)
<u>(221,331)</u>	Closing balance at 31st March		<u>(216,999)</u>

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%	<u>18,464</u>	19,238
13,445	Property	11.7%		15,770
9,375	Target return portfolio	7.4%		9,913
0	Infrastructure	2.3%		3,058
<u>129,913</u>	Total assets			<u>134,629</u>



## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Pension Fund's liabilities were assessed by Barnett Waddingham, an independent firm of actuaries. 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 £'000	Decrease in assumption £'000	Local Government Pension Scheme	Increase in assumption £'000	Decrease in assumption £'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
	<u>8,996</u>
Employer contributions	<u>4,120</u>

## 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 31<sup>st</sup> 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 develop 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
<b>Current liabilities</b>						
Short Term Creditors	(38,695)	(38,995)	(37,879)	(38,179)	816	816
<b>Long Term Liabilities</b>						
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)
<b>Net assets</b>	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
<b>Net effect</b>					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
	<i>Adjustment for items that are operating activities</i>	
(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)	<i>Total non-cash adjustments of operating activities</i>	(35,011)

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

2020/21 £'000		2021/22 £'000
	<i>Adjustment for items that are investing and financing activities</i>	
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	<i>Total non-cash adjustments of investing and financing activities</i>	6,044

### 39. Cash Flow Statement – Interest

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

### 40. Cash Flow Statement - Investing Activities

2020/21			2021/22	
ABC	Group		ABC	Group
£'000	£'000		£'000	£'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)
<u>40,243</u>	<u>44,390</u>	<i>Net cash flows from investing activities</i>	<u>31,234</u>	<u>31,740</u>

### 41. Cash Flow Statement - Financing Activities

2020/21			2021/22	
ABC	Group		ABC	Group
£'000	£'000		£'000	£'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
<u>(5,827)</u>	<u>(9,987)</u>	<i>Net cash flows from financing activities</i>	<u>(213)</u>	<u>(528)</u>

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

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

## Supplementary Single Entity Statements

### Housing Revenue Account

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

2020/21 £'000		2021/22 £'000	£'000
	<i>Expenditure</i>		
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	<i>Total Expenditure</i>		44,058
	<i>Income</i>		
(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)	<i>Total Income</i>		(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
	<i>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</i>		
(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	<i>Movements in year</i>	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
<u>(1,947)</u>	Balance at the end of the financial year	<u>(1,910)</u>

### 4. Summary of Capital Expenditure and Financing

2020/21 £'000		2021/22 £'000
	<i>Capital investment:</i>	
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
<u>31,742</u>		<u>28,747</u>
	<i>Sources of Finance:</i>	
(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)
<u>(31,742)</u>		<u>(28,747)</u>

### 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)
<u>(3,770)</u>	Total receipts	<u>(3,754)</u>
38	Costs of disposal	33
<u>(3,732)</u>		<u>(3,721)</u>

## 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	
	<i>Cost of Services:</i>	
901	- current service cost	949
0	- past service costs	0
12	- administration expenses	9
	<i>Financing and Investment Income and Expenditure</i>	
259	- net interest expense cost	220
1,172	<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	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 £'000	Council Tax £'000	Business Rates £'000	Council Tax £'000
<i>Income</i>			
	(87,015)		(92,341)
(26,567)		(42,919)	
	(930)		6
(26,567)	(87,945)	(42,919)	(92,335)
<i>Expenditure</i>			
<i>Precepts, Demand &amp; Shares</i>			
4,767	63,915	4,721	64,090
	9,609		9,854
530	3,750	525	3,651
21,184	10,157	20,983	10,075
26,480		26,229	
52,961	87,431	52,458	87,670
<i>Charges to the Collection Fund</i>			
54	53	196	246
1,224	963	(902)	732
1,938		1,193	
92		90	
192		196	
213		371	
3,713	1,016	1,144	978
<i>Contributions</i>			
1,636	536	(29,310)	(319)
58,310	88,983	24,292	88,329
31,743	1,038	(18,627)	(4,006)
169	(537)	31,912	501
31,912	501	13,285	(3,505)
<i>Apportionment of Balance to Preceptors/Borough Council</i>			
2,859	366	1,196	(2,562)
	55		(395)
319	22	133	(146)
12,765	58	5,314	(402)
15,969		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					Total
	Ashford Borough Council	Kent County Council	Police & Crime Commissioner for Kent	Kent & Medway Fire and Rescue Service	Central Government	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Tax:</b>						
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
<b>Business Rates (NNDR):</b>						
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
<b>Total</b>	0	0	0	0	0	0

for the year ended 31st March 2021

2020/21	2020/21					Total £'000
	Ashford Borough Council £'000	Kent County Council £'000	Police & Crime Commissioner for Kent £'000	Kent & Medway Fire and Rescue Service £'000	Central Government £'000	
<b>Council Tax:</b>						
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
<b>Business Rates (NNDR):</b>						
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
<b>Total</b>	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
	<i>Total Non-Domestic Rateable Values at:</i>	
131,921	- 1st April	133,566
133,566	- 31st March	135,061
<u>1,645</u>	Increase/(decrease) in year	<u>1,495</u>

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
<u>1,801.20</u>	Council Tax - basic amount	<u>1,890.23</u>
47.23	(including Parish Precepts)	50.53
<u>1,848.43</u>	Council Tax - Borough average	<u>1,940.76</u>



#### 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 as follows:

Band	2020/21			2021/22		
	<i>Estimated Number of properties (Net of exemptions, discounts &amp; reliefs) (a)</i>	<i>Multipliers (b)</i>	<i>Band D equivalents properties (a x b)</i>	<i>Estimated Number of properties (Net of exemptions, discounts &amp; reliefs) (c)</i>	<i>Multipliers (d)</i>	<i>Band D equivalents properties (c x d)</i>
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.