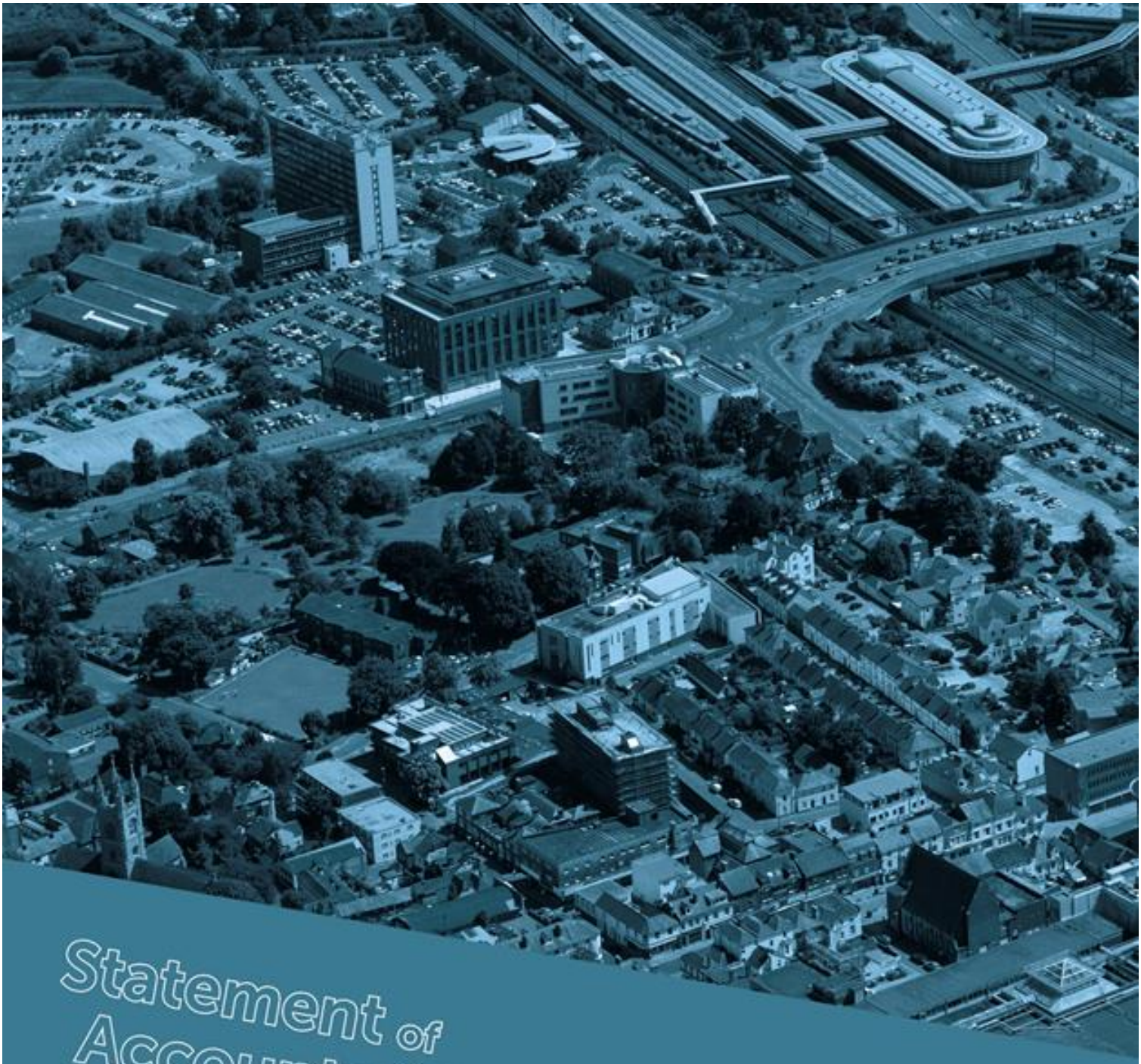


Statement of Accounts 2020-21

ASHFORD BOROUGH COUNCIL

ASHFORD







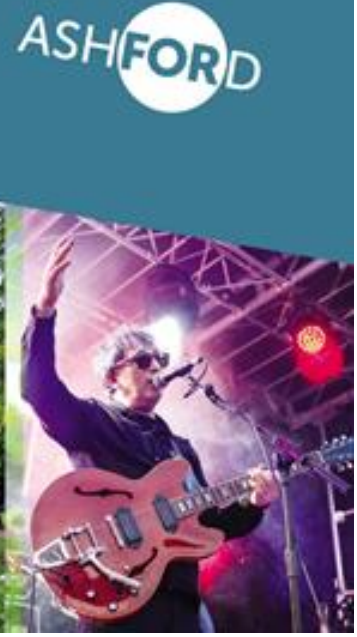


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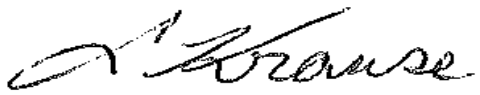
Approval of the Statement of Accounts

The Audit Committee at its meeting on 15 March 2022 approved the Statement of Accounts for the year ended 31 March 2021 in accordance with the Accounts and Audit Regulations 2015, subject to the Accounts and Audit (Amendment) Regulations 2021.

The Ministry of Housing, Communities and Local Government (MHCLG) 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 2021. This means that accounts that must be confirmed by the responsible finance officer (RFO) and be published by 31 July 2021 at the latest.

Signed:



Councillor Krause
Chairman Audit Committee
5 December 2022

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 100).

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 (2020/21), there have been no changes to the code which effect this Council.

The Core Financial Statements (page 13 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 its 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 2020/21 Financial Results and Activity

The Corporate Plan and Medium Term Financial Plan

The Council's previous Corporate Plan covered the period 2015-2020 with the introduction of a new Corporate Plan due in 2020. However, due to the emergence of the Covid19 Pandemic and the economic challenges that has provided, the Council developed an 18 month Recovery Plan to guide the Council through the pandemic and allow it to grow back stronger as we enter the post-pandemic recovery phase.

The recovery plan identified four key themes for the Council to focus upon which are:

- supporting economic recovery
- supporting community recovery
- place making, regeneration & infrastructure
- organisational change & workforce development

The Pandemic also resulted in considerable stress for the Council's Finances, and as discussed more fully later. However Government's actions to support Authorities during the pandemic have meant that the Council's finances are in a similar position to the start of the pandemic. However there remains considerable uncertainty over the way in which the Council's income streams and the broader economy will recover.

A new Corporate Plan (2022-2024) is currently being developed and subject to approval and consultation will come into effect in January 2022.

In addition to Covid19, 2020 saw the UK officially leave the European Union on the 31 January 2020. In response to this event, multi agency co-ordination and co-operation was necessary to identify and develop strategies to respond to potential risks to the local economy and infrastructure during this transitional period.

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 that the Council (Ashford Port Health) would become responsible for carrying out various port health controls on behalf of the government.

This was/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 although this date has been delayed at the request of Government.

To support the costs of setting up the "Ashford Port Health (APH)" the Council applied for and received an initial set-up grant of £4.6m. £400,000 of this grant was allocated to costs within 2020/21, the expenditure incurred was less than expected as recruitment was slowed as Government pushed back the go-live date.

Moving forward in 2021/22, a new Head of Service for the APH has been approved and an appropriate budget has been set. The remaining £4.2m of grant has been moved to reserves and will be used to support further set-up costs and support any deficits arising from reduced income within 2021/22 as the go live date is delayed. The APH is designed to be a cost neutral service for the Council with expenditure recoverable from the charges it makes.

A new multi-year funding settlement for local authorities was delayed while Government focused on the EU Exit, and COVID19 response. There is continued uncertainty over when a multi-year settlement will be completed with latest indications being that it could be another two years. These delays create uncertainty around future funding streams that hampers medium to long term planning.

The Council reviewed its Medium Term Financial Plan (MTFP) when setting the 2021/22 budget and this was presented to cabinet in November 2020.

The MTFP report recognised a future emerging budget gap and the Council has responded in approving a savings plan as part of its budget and are looking at ways to increase income, with a focus on the Commercial Strategy. The Council is continuing to manage growth in services through digital transformation, and improving efficiencies.

The Council has strengthened its plans to deliver commercialisation and has introduced a commercial hub to support and nurture ideas. This has led to a more commercial mind-set in how we target new clients through better advertising and marketing. This approach has increased income levels in some areas within 2020/21. A proportion of the increased income has been set-aside to support further ideas/initiatives going forward through the hub.

The Council set its budget for 2021/22 at the March 2021 Council meeting, increasing council tax by £5 to £172.50, 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. The most recent valuation of the Fund was carried out at 31 March 2019. This set the employer's contributions for the period from 1 April 2020 to 31 March 2023 at a rate of 17.9%.

COVID-19 our response and the impact on this statement

Covid19 developed into a global pandemic during 2020/21 having emerged towards the back end of 2019/20.

During 2020/21 the Covid pandemic presented significant new challenges to the Council, its Members, Officers, and the members of the public it serves, everybody was impacted in one way or another to varying degrees.

During the emergence of the Pandemic, the Council invoked its Emergency plan with Management Team meeting regularly to discuss what actions were required to support residents of the borough.

Ashford's Critical Emergency Resilience committee (ACER) also convened and worked with various support groups throughout the borough to support those most in need. A special Community Ashford You publication covering how the Council responded can be viewed here Ashford You Community Issue.

In relation to the Council's financial position, a report entitled 'Financial impact of Covid19 on the Council' was reported to Cabinet in May 2020. This report was written at a time when government support for Councils looked limited and the long-term impact of the Pandemic was uncertain.

At that time, the report highlighted a possible budget pressure of circa £4.5m to the Councils general fund primarily from lost income. Members acted swiftly in response to this possibility and reallocated reserves to match this anticipated pressure. Management Team also implemented a number of cost saving measures including limiting staff recruitment as previous referenced.

The outlook changed with Central Government changing its funding methodology releasing more funding to District Councils (such as Ashford) to support the rising costs of the pandemic, overall Ashford received general Covid support grant of just over £2.5m in 2020/21.

The Government also developed a Sales Fees and Charges compensation scheme which supported most of the income streams (excluding Property rents) that were coming under pressure (a key issue for Ashford's budget). The scheme compensated Councils for 75 pence in the pound of lost income, having met 5% of losses. This support package resulted in a claim of circa £1.87m. This scheme was extended for the first quarter of 2021/22.

Despite Government support for many sectors, some areas were not sufficiently supported. One of the major areas of concern was Council Leisure operators.

The main pressures arising from the Covid19 pandemic within services were a loss of car parking income, circa £1.8m, and support for Leisure Operators £1.1m including the transfer of the Julie Rose Stadium and Stour Centre to a new Operator. These pressures are reflected in the Directorate of Law and Governance (Parking) and the Directorate of Place and Space (Culture) as shown in table at page 7.

The Council made use of the enforced closure of facilities to accelerate works in rejuvenating the Stour Centre although had to delay the proposed tender of the Tenterden site. To ensure that leisure facilities within the Borough were accessible and open in accordance with Government guidelines, the Council supported our leisure operators within 2020/21 by circa £1.1m across both sites, some of this was recovered through Sports England Grant which was not paid until late in 2020/21.

Overall considering all of the additional expenditure incurred, lost income, grants received and savings within services the Council reported a small surplus as its outturn position and has grown reserves. The full outturn report will be present to the July 2021 Cabinet with the headlines covered further on in the narrative report.

In relation to the statement of accounts, the biggest impact on financial statements is within the collection fund, which is shown on Page 92. Due to the way in which this is accounted for, Business rates shows a year end deficit of £32m, which is primarily split between the Council £12.8m and Central Government £16m. This variance is because many businesses were given business rates relief during the pandemic with cash not being collected but amounts were withdrawn from the collection fund in line with pre pandemic estimates. However, Government Grant has already funded the deficit and Ashford's has been moved to reserves to fund this accordingly. These amounts will be paid into the collection fund over the next year restoring the position.

The Council's Revenues and Benefits Service has been put under incredible pressure during the Pandemic as they have been responsible for administering a number of grant schemes funded by Government.

For the Council's financial statements a judgement has to be made as to whether the Council was acting as an agent or principal.

- 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. The Revenues and Benefits team paid out circa 8,000 grants during 2020/21 totalling £41.5m 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 these. During 2020/21, they processed 2,402 grants totalling £4.9m; this shows as income and expenditure within Economic Development and is reported within the Chief Executive Directorate row within the Comprehensive Income and Expenditure Statement (CIES.)

Although the global economy has been significantly turbulent due to the Covid19 Pandemic, the Council's commercial property portfolio has continued to attract fresh interest throughout the period with the Elwick Road development nearly fully occupied and new tenants identified for Carlton Road industrial site.

The Council's strategic investment portfolio recovered strongly in 2020/21 making capital gains of £2.3m.

Moving forward into 2021/22, the global pandemic is still prevalent with some restrictions in place until at least July 2021.

The Council will continue to provide support to government in administering grants and supporting the voluntary sector where appropriate as the nation enters the recovery phase of the pandemic.

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.

Operational risks are monitored by individual Services and 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 and these are available on the internet. These indicators have been

updated to reflect the themes within the recovery plan.

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.

General Fund (excluding the Housing Revenue Account)

A summary of the Council's General Fund position for 2020/21 is shown on page 7.

This excludes the Housing Revenue Account (HRA), which is shown separately on page 8.

This differs from the statutory presentation of the Comprehensive Income and Expenditure Statement (page 13), and aims to present the information in a more meaningful manner.

The Covid19 Pandemic dominated 2020/21 as previously reported, although significant revenue savings, including circa £1.5m of salary savings and Government Support packages resulted in a reported outturn surplus of £168,000.

The medium long-term impact of Covid19 on commercial property budgets is still to be determined and the Council will continue to work closely with its tenants and monitor this position throughout 2021/22.

Housing reported a £400,000 pressure within the Homelessness budget for 2020/21, although Government funding was provided to support accommodation costs for rough sleepers as they were safeguarded against Covid19.

Capital Charges and Net interest saw a surplus of £709,000 with a reduction of £1.3m in borrowing costs to the Council as borrowing costs dropped and a short-term strategy was pursued. £500,000 of historical capital expenditure was also funded to reduce statutory payments in future years.

Over the course of the year the Council's useable reserves increased by £23.9m, although £13m is to fund Ashford's proportion of the Collection Fund deficit as previously referenced.

The additional growth in reserves has enabled the Council to review its overall reserves position and make provision for future economic risks, funding to support emerging gaps in the MTFP, and fund the new corporate plan and carbon neutrality strategy.

The appropriateness of the reserves allocation is monitored on an ongoing basis and recommendations to reallocate reserves to mitigate emerging risks and priorities will be made.

The Financial Outturn Report for 2020/21 was reported to Cabinet in July 2021 and will provide further detail of movements at a Head of Service Level.

The Comprehensive Income and Expenditure Statement, and associated notes from page 13 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 2020/21

Service	Original Budget 2020/21	Revised Budget 2020/21 A	Final Outturn 2020/21 B	Variance B-A
	£'000	*£'000*	*£'000*	*£'000*
Chief Executive	1,416	1,416	1,360	(56)
Director of Finance & Economy	2,741	2,831	2,398	(433)
Director of Law & Governance	2,051	1,990	3,209	1,219
Director of Place & Space	10,922	10,893	12,177	1,284
Net Service Expenditure	17,130	17,130	19,144	2,014
Capital Charges and net interest	(2,588)	(2,588)	(4,246)	(1,658)
Levies and Grants	271	271	270	(1)
Contribution to Reserves	1,154	1,154	19,059	17,905
Net Expenditure	15,967	15,967	34,227	18,260
Funded by:				
Grant Funding	(3,053)	(3,053)	(8,336)	(5,283)
Business Rates	(4,991)	(4,991)	(18,047)	(13,056)
Council Tax	(7,923)	(7,923)	(8,012)	(89)
Total Financing	(15,967)	(15,967)	(34,395)	(18,428)
Outturn reported	0	0	(168)	(168)

Housing Revenue Account (HRA)

The outturn on the HRA is showing a surplus of £3.479m, compared to a budgeted deficit of £630,000, a movement of £4.109m.

The primary movement from budget was £3.325 of revenue expenditure identified for capital purposes which was not applied in year as capital expenditure did not come forward as anticipated. Capital works on existing properties also slowed due to Covid19 with £2.5m of the £4.4m budget remaining at year-end. The reduction in these two capital programmes and a contribution from the major repairs reserve enabled £7m of debt to be repaid in year. A proportion on these works will be completed in 2021/22 as the program recovers.

The HRA currently maintains 5,175 properties and has a detailed repair and maintenance schedule for each property at a component level, i.e. kitchen replacement, 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 over its whole lifecycle.

Combining these features results in the HRA delivering value for money for the Council.

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

The HRA reserve balance at 31 March 2021 was £7.1m, (compared to £5.5m in 2019/20).

The Major Repairs Reserve (MRR) stands at £1.9m, (compared to £2.8m in 2019/20), and is available to fund the Decent Homes Programme.

The total reserve balance for the HRA is £9m (compared to £8.3m in 2019/20).

Council dwellings are revalued at the end of each financial year and all stock was revalued at 31 March 2021, this resulted in an increase of £32m compared to a £4.3m decrease in 2019/20.

Housing Revenue Account Outturn 2020/21

Service	Revised Budget 2020/21	Final Outturn 2020/21	Variance
	A	B	B-A
	£'000	*£'000*	*£'000*
Income	(25,369)	(25,595)	(226)
Supervision and Management	6,283	6,505	222
Repairs and Maintenance	3,758	3,404	(354)
Other	15,958	12,207	(3,751)
Net Expenditure	630	(3,479)	(4,109)
Capital Works - Decent Homes	4,435	1,848	(2,587)
Capital works financed by:			
Major Repairs Allownance (from Self-Financing Determination)	(4,435)	(1,848)	2,587
	630	(3,479)	(4,109)

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 2020/21 included:

- Purchase of NCP carpark £2.9m which will generate parking revenues to the Council and is a strategic location.
- Stour Centre renovation programme £3.3m, plus additional £1.4m decarbonisation works funded from external grant.
- Purchase of 44 new Apartments (Somerset Heights) in the town centre comprising of one and two bed apartments for £7.8m, Homes England grant funding was secured on this acquisition totalling £1.29m.
- Street Purchase scheme during 2020/21 saw 46 units added to the HRA portfolio costing around £9.7m. Capital receipts totalling £3.1m from the sale of RTB (right to buy) Council properties supported these costs.
- Work commenced on the site of Halstow Way costing £1.3m and will once complete deliver 17 affordable apartments.
- Spend on existing housing stock amounted to £1.8m ensuring Decent Homes Standards are maintained. This was lower than the forecasted £4.4m due to the Covid19 Pandemic.

In the financial year 2020/2021, the outturn for the capital programme was:

Summary of Capital Spending and Financing

	£'000	*£'000*
Capital investment		
General Fund capital expenditure	15,115	
HRA capital expenditure	31,743	
Total expenditure		46,858
Sources of finance		
Prudential borrowing	33,681	33,681
Capital receipts		
- 1-4-1 capital receipts	3,115	
- General capital receipts (HRA)	376	
- General capital receipts (GF)	230	3,721
Grants and contributions		
- External grants and contributions	6,658	6,658
Contribution to/(from) Major Repairs Reserve	1,848	1,848
Direct revenue contributions		
- General Fund financing	368	368
- Project NNDR funded	385	385
- HRA Revenue contributions	0	0
- Developer contributions	197	197
Total financing		46,858

Treasury Management

Borrowing

At 31 March 2021, the Council had long and short-term borrowing of £225m. £97m of long-term borrowing relates to the acquisition of the Council's Social Housing Stock from Government in 2013. The remaining short-term borrowing is a mix of HRA and General Fund borrowing capital projects.

Excluding the long-term HRA debt, the Council maintained a short-term borrowing strategy in 2020/21 to take advantage of low interest rates as the Bank of England Base rate dropped to support the economy as Covid19 emerged.

Investments

At 31 March 2021, the Council had investments and cash deposits, with a fair value of £42m (£52m at 31 March 2020) detailed in note 22 Financial Instruments. In 2020/21 the Council continued to maintain a diversified investment portfolio in terms of counterparties and duration of investments, with more long-term investments continuing to be held.

The Council's strategic investment capital values increased by £2.3m in 2020/21. The investment values are now broadly back to the cost of acquisition having had capital gains before the pandemic. Despite the pandemic investment income performed better than expected in 2020/21 but this will be closely monitored in 2021/22 as the longer term impacts of Covid19 unfold.

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 significant deficit at year-end due to the accounting treatment of reliefs. Ashford's share of the deficit is covered by government grant and has been moved into reserves. This is fully reported within the collection fund note on page 92.

Pensions

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

At 31 March 2021, 88% of staff were part of the full pension scheme, contributing between 5.5% and 12.5% of salary. 5% of staff were opted into the 50/50 section of the scheme contributing between 2.25% and 6.25%, and the remaining 7% 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 30.

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 29.

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.

A Better Choice for Building Consultancy Ltd. had its final Gazette Notice for voluntary strike-off with the Company strike-off dated 21/09/2020, and dissolution on 29/09/2020 having not traded since November 2017.

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 13 and 98 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2021 and its income and expenditure for the year ended on that date.



Ben Lockwood
Chief Finance Officer
5 December 2022

Core Financial Statements

Comprehensive Income and Expenditure Statement

ABC 2019/20 Gross Expenditure £'000	ABC 2019/20 Gross Income £'000	ABC 2019/20 Net Expenditure £'000	Group 2019/20 Net Expenditure £'000		ABC 2020/21 Gross Expenditure £'000	ABC 2020/21 Gross Income £'000	ABC 2020/21 Net Expenditure £'000	Group 2020/21 Net Expenditure £'000
1,732	(180)	1,552	1,552	Chief Executive	6,508	(5,444)	1,064	1,064
50,110	(40,665)	9,445	9,445	Director of Finance & Economy	55,567	(39,779)	15,788	15,133
6,337	(3,696)	2,641	2,641	Director of Law & Governance	5,823	(6,573)	(750)	(750)
23,116	(3,732)	19,384	18,925	Director of Place & Space	25,330	(3,454)	21,876	21,876
27,078	(28,475)	(1,397)	(1,397)	Local Authority Housing	28,841	(28,895)	(54)	(54)
2,231	0	2,231	2,231	Non distributed costs	1,953	0	1,953	1,953
110,604	(76,748)	33,856	33,397	**Cost of Services**	124,022	(84,145)	39,877	39,222
				Other operating expenditure				
	2,317		2,317	Parish Council Precepts & Levies		2,504		2,504
	486		486	Payments to the Government Housing Capital Receipts Pool		486		486
	(2,773)	30	(2,773)	Disposal of non-current assets		(1,698)	1,292	(1,698)
				Financing and investment income and expenditure				
	9,135		9,951	Interest payable and similar charges		4,983		4,983
	1,686		1,686	Net interest on the net defined benefit liability (asset)		1,816		1,816
	(4,344)		(4,344)	Interest receivable and movmenet in FVPL investments		(6,097)		(5,442)
	0	6,477	(1)	Income, Expenditure and Changes in fair value of Investment Property		0	702	(711)
				Taxation and non-specific grant income				
	0		5	Income Tax relating to companies		0		144
	(9,645)		(9,645)	Council Tax income		(10,246)		(10,246)
	(4,016)		(4,016)	Non-domestic rates income and expenditure		6,848		6,848
	(2,346)		(2,346)	Section 31 Grant - Collection Fund		(12,934)		(12,934)
	(2,650)		(2,650)	Non-ringfenced government grants (note 12)		(7,487)		(7,487)
	(1,755)	(20,412)	(1,755)	Capital grants received in year (note 20)		(7,425)	(31,244)	(7,425)
		19,951	20,312	**(Surplus) or Deficit on Provision of Services**			10,627	10,060
	(16,617)		(16,617)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (note 14)		(46,557)		(46,557)
	86		86	(Surplus) or deficit on revaluation of investments elected for FVOCI		(579)		(579)
	1,225		1,225	Remeasurements of the net defined benefit liability (note 30)		10,932		10,932
		(15,306)	(15,306)	**Other Comprehensive Income and Expenditure**			(36,204)	(36,204)
		4,645	5,006	**Total Comprehensive Income and Expenditure**			(25,577)	(26,144)

Adjustment to 2019/20 published figures

The value of £5.006m for the 2019/20 total Comprehensive income and expenditure line has reduced by £320,000 (originally £5.326m) from the previously published accounts. This reflects the impact of a number of adjustments relating to the funding of capital expenditure that had been incorrectly accounted for in 2019/20. The largest adjustment was for £940,000 related to grant funding which had been incorrectly allocated from the general fund, rather than the Housing Revenue Account which is a ring fenced fund. This restatement also affects the MiRS, Balance Sheet and the relevant 2019/20 disclosure notes.

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.

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 26) (excluding company)	Total Usable Reserves (group)	Unusable Reserves (Note 26) Group
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31 March 2020	(27,110)	(5,553)	(4,353)	(2,889)	(5)	(39,910)	(154,598)	(39,582)	(154,838)
Movements in Reserves during 2020/21									
Surplus or deficit on the provision of services	10,603	24				10,627		10,060	(711)
Other Comprehensive Income & Expenditure							(36,204)		(36,204)
Total Comprehensive Income & Expenditure	10,603	24	0	0	0	10,627	(36,204)	10,060	(36,915)
Adjustments between accounting and funding basis under regulations									
Sources of Finance	2,667	3,991	3,721	1,848	0	12,227	(12,227)	12,227	(12,227)
Sums set-a-side for capital purposes	2,506	2,932	700	5,000		11,138	(11,138)	11,138	(11,138)
Revenue expenditure charged to capital under statute	(1,231)	0				(1,231)	1,231	(1,231)	1,231
Removal of items not chargeable to Fund Balances									
- Capital adjustment account	(23,916)	(11,689)	0	(5,906)		(41,511)	41,511	(41,511)	41,511
- Capital grants unapplied account	766	0			(766)	0		0	0
- Capital receipts reserve (for HRA, see note 5)	(349)	3,732	(3,383)			0		0	0
- Deferred capital receipts reserve	0		(26)			(26)	26	(26)	26
- Pensions reserve	(3,762)	(625)				(4,387)	4,387	(4,387)	4,387
- Collection fund adjustment account	(13,102)					(13,102)	13,102	(13,102)	13,102
- Adjustments betw een group accounts and authority accounts	0							711	
- Pooled Investment Adjustment Account	2,324	0				2,324	(2,324)	2,324	(2,324)
Increase or decrease during 2020/21	(23,494)	(1,635)	1,012	942	(766)	(23,941)	(1,636)	(23,797)	(2,347)
Balance at 31 March 2021	(50,604)	(7,188)	(3,341)	(1,947)	(771)	(63,851)	(156,234)	(63,379)	(157,185)

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.
- £13m of the increase in earmarked general fund reserve will be used to fund the Collection fund deficit as discussed previously within this report.

Movement in Reserves Statement

2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves	Unusable Reserves (Note 21)	Total Usable Reserves (group)
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2019	(25,213)	(6,237)	(6,583)	(494)	(8,399)	(46,926)	(152,229)	(46,925)
Movements in Reserves								
Surplus or deficit on the provision of services	18,844	1,107				19,951		20,312
Other Comprehensive Income & Expenditure							(15,304)	
Total Comprehensive Income & Expenditure	18,844	1,107	0	0	0	19,951	(15,304)	20,312
Adjustments between accounting and funding basis under regulations								
Sources of Finance	815	940	8,075	3,262	8,394	21,486	(21,486)	21,486
Sums set-a-side for capital purposes	2,379	5,333				7,712	(7,712)	7,712
Revenue expenditure charged to capital under statute	(10,775)	0				(10,775)	10,775	(10,775)
Removal of items not chargeable to Fund Balances								
- Capital adjustment account	(7,415)	(11,869)		(5,657)		(24,941)	24,941	(24,941)
- Capital grants unapplied account	0	0			0	0		0
- Capital receipts reserve (for HRA, see note 5)	272	5,553	(5,825)			0		0
- Deferred capital receipts reserve	0		(20)			(20)	20	(20)
- Pensions reserve	(2,418)	(379)				(2,797)	2,797	(2,797)
- Collection fund adjustment account	72					72	(72)	72
- Adjustments between group accounts and Local Authorities	0	0				0	0	(87)
- Pooled Investment Adjustment Account	(3,671)					(3,671)	3,671	(3,671)
Net increase or decrease before transfers to Earmarked Reserves	(1,897)	685	2,230	(2,395)	8,394	7,017	(2,370)	7,291
Transfers to/from Earmarked Reserves						0		0
Increase or decrease	(1,897)	685	2,230	(2,395)	8,394	7,017	(2,370)	7,291
Balance at 31st March 2020	(27,110)	(5,552)	(4,353)	(2,889)	(5)	(39,910)	(154,598)	(39,634)

Balance Sheet

ABC	Group			ABC		Group
31 March 2020				31 March 2021		
£'000	*£'000*		*Notes*	*£'000*	*£'000*	*£'000*
435,208	435,208	Property, Plant & Equipment	14	484,507		484,507
2,834	2,834	Heritage Assets	17	4,133		4,133
0	28,224	Investment Property	16	0		33,357
171	171	Intangible Assets		125		125
30,968	29,872	Long Term Investments	22	34,012		33,407
29,210	1,489	Long Term Debtors	22	33,157		1,447
0	1	Deferrred Tax Asset		0		1
498,391	497,799	**Long Term Assets**			555,934	556,977
1,170	1,170	Current held for sale		1,289		1,289
6,905	6,558	Short Term Debtors	24	30,943		30,628
21,958	22,405	Cash and Cash Equivalents	40	8,889		9,121
30,033	30,133	**Current Assets**			41,121	41,038
(111,790)	(111,790)	Short Term Borrowing		(127,549)		(127,549)
(17,061)	(17,507)	Short Term Creditors	25	(38,695)		(38,995)
(932)	(932)	PFI Current Liabilities	29	(1,108)		(1,108)
(129,783)	(130,229)	**Current Liabilities**			(167,352)	(167,652)
(2,367)	(2,367)	Long-term Provisions	28	(2,641)		(2,641)
(106,664)	(106,664)	Long Term Borrowing	22	(97,664)		(97,664)
(76,099)	(76,099)	Pension Liability	30	(91,418)		(91,418)
(18,884)	(18,884)	PFI Liability	29	(17,776)		(17,776)
(119)	(119)	Finance Lease Liability	27	(119)		(119)
0	(46)	Deferred Tax Liability		0		(181)
(204,133)	(204,179)	**Long Term Liabilities**			(209,618)	(209,799)
194,508	193,524	**Net Assets**			220,085	220,564
		Financing (see MiRS)				
(39,910)	(38,926)	Usable Reserves		(63,851)		(63,379)
(154,598)	(154,598)	Unusable Reserves	26	(156,234)		(157,185)
(194,508)	(193,524)				(220,085)	(220,564)

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
2019/20 Re-stated	2019/20			2020/21	2020/21
£'000	*£'000*		*Notes*	*£'000*	*£'000*
19,951	20,312	Net (surplus) or deficit on the Provision of services		10,627	10,060
(39,469)	(40,499)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	*35*	(37,051)	(36,961)
6,366	6,366	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	*36*	5,077	5,782
(13,152)	(13,821)	Net cash flows from operating activities		(21,347)	(21,119)
33,251	34,959	Investing activities	*38*	40,243	44,390
(27,474)	(28,251)	Financing activities	*39*	(5,827)	(9,987)
(7,375)	(7,113)	Net movements in year excluding non-cash items		13,069	13,284
14,583	15,291	Cash and cash equivalents at the beginning of the reporting period		21,958	22,404
7,375	7,113	Net increase or (decrease) in cash and cash equivalents		(13,069)	(13,284)
21,958	22,404	Cash and cash equivalents at the end of the reporting period	*40*	8,889	9,120

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 2020/21 financial year and its position at the year ending 31 March 2021. 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 2020/21' (the Code), supported by International Financial Reporting Standards (IFRS).

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

1. **Accounting Concepts and Conventions**

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

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

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

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

2. **Accruals of Income and Expenditure**

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

The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of Accounts for the year in which those effects are experienced, and not in the year in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as

income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

As per IFRS 15, revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. There is a de minimis limit for manual accruals (not automatic accruals) which has been increased to £10,000 to aid faster closing, transactions below this limit are not accrued for as they are deemed not material to the understanding of these accounts.

3. **Estimation Techniques**

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

4. **Costs of Internal Support Services**

All costs of management and administration are fully allocated to services. The basis of allocation used for the main costs of management and administration are outlined below:

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

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

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

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

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

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

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

6. **Charges to Revenue**

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

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

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

External interest payable is debited in the Financing and Investment Income and Expenditure 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. **Leases**

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

15.1. **Finance Leases**

As lessee, the Council shall recognise finance leases as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

The Council recognises an asset under a finance lease in the Balance Sheet at an amount equal to the net investment of the lease.

Assets recognised under a finance lease are depreciated; the depreciation policy for leased assets is consistent with the policy for other property, plant and equipment. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset is depreciated over the shorter of the lease term and its useful economic life. After initial recognition, assets recognised under a finance lease are subject to accounting policies in the same way as any other asset.

As lessor, the Council derecognises the asset and show this as a long-term debtor. Lease rentals receivable are apportioned between a charge for the acquisition of capital (applied to write down the lease debtor) and finance income

– which is credited to the Financing and Investment Income section in the Comprehensive Income and Expenditure Statement. The Code required this income to be treated as a capital receipt and therefore, it is reversed out via the Movement in Reserves Statement to the Capital Receipts Reserve. For finance leases that existed at 31st March 2010, regulations allow these capital receipts to remain credited to the Comprehensive Income and Expenditure Statement.

15.2. **Operating Leases**

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council.

16. **Current Assets and Liabilities**

16.1. **Short term Debtors and Creditors**

With exception set out above (policy no 2), the Revenue and Capital accounts of the Council are maintained on an accruals basis in accordance with the Code and other relevant IASs. That is, sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year.

16.2. **Impairment Allowance for Bad and Doubtful Debts**

The figure shown in the Statement of Accounts for Debtors is adjusted for bad debts. This amount is to provide for debts that are unlikely to be collected in future years. The percentage used to reduce the Debtors figure is based on historical evidence of collection and management judgements.

17. **Contingent Assets and Contingent Liabilities**

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the liability is disclosed together with a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

18. **Short term and long-term Provisions**

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. When utilised, the payment is charged to Provisions and not to Service Expenditure.

19. **Reserves**

The Council holds Usable and Unusable Reserves. Usable Reserves give the Council discretion to meet expenditure without having a direct impact on Council Tax. In contrast, Unusable Reserves do not give the Council such discretion and

are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits.

Usable Reserves are created when the Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement; this is then offset by a reserve appropriation within the Movement in Reserves Statement. The exception is amounts required for the repayment of external loans and for financing capital expenditure from revenue sources. Where this applies, amounts are appropriated from the General Fund Balance in the Movement in Reserves Statement.

The General Fund Balance acts as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies. Earmarked reserves, such as the repairs and renewals reserve, are for specific purposes. The Capital Receipts Reserve can only be used for certain statutory purposes such as financing capital expenditure.

The Major Repairs Reserve is required by statutory provision to be set up in relation to the Housing Revenue Account.

20. **Employee Benefits**

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

20.1. **Benefits payable during employment**

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

Where considered of a material nature these are accrued.

20.2. **Termination benefits including Exit Packages**

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. These are often lump-sum payments, but also include enhancement of retirement benefits and salary until the end of a specified notice period, if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred. These costs are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where the Council is committed to the termination of employment.

20.3. **Post-employment benefits**

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

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price;
  - Property – market value.
- The change in net pensions liability is analysed into five components:
  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributable Costs.
  - Net interest on the net defined benefit liability (asset) – the change during the period in the net liability (asset) that arises from the passage of time. This is debited/ (credited) to the Financing and Investment Income and Expenditure 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.

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.

21. Financial Instruments

The Code has significant disclosure requirements relating to Financial Instruments (e.g. loans and investments). They relate to the identification of the various types of Financial Instruments, gains and losses arising from transactions during the year, comparative valuation statements, and the assessment of risks associated with holding Financial Instruments.

Detailed disclosure of the Council's holding of Financial Instruments is included in Note 22 on page 59.

21.1. Financial Liabilities

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

21.2. **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 derecognition 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 derecognition 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.

21.3. **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 67.

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.

22. **Cash and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value and are shown on the Balance Sheet at their nominal value; these include investments that can be accessed immediately without incurring a penalty, such as call accounts. Cash and cash equivalents are shown net of any bank overdraft that forms part of the Council’s cash management.

23. **Private Finance Initiative (PFI)**

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

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

The stock is recognised at 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.

24. **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.

25. Exceptional Items and Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate, or on the face of the Comprehensive Income and Expenditure Account, if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

Prior year adjustments arise as a result of a change in accounting policies or to correct a material error. When either of the circumstances applies, the Council will show the extent of the adjustment in a table, reconciling the adjusted opening and closing balances and/or comparative amounts shown for a prior period.

26. Events after the Balance Sheet Date

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts in the Statement of Accounts and any affected disclosures should be adjusted.

Where an event occurs after the Balance Sheet date and is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts should not be adjusted but a disclosure made, including:

- the nature of the event;
- an estimate of the financial effect.

Events after the Balance Sheet date should be reflected up to the date when the Statement of Accounts is authorised for issue, as per the approved policies by the council.

2. Accounting Standards that have been issued but not adopted

The Code requires disclosure of the impact (where material), of 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 2020/21 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 2022/23.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- b. Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- c. 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 2021, for which there is a significant risk of material adjustment in the forthcoming financial year, are shown in the following table.

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements, relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% change in the discount rate would result in a change in the liability of £4.3m. A 1 year change in the mortality assumption would result in a £9.7m change in the pension liability.
NNDR appeals liability	From April 2013, the Council has been responsible for refunding successful appeals against past NNDR liabilities. Business Rates were revalued as at April 2017, therefore estimates of the possible effects on this council have been taken into account in these accounts and future funding assumptions. In regards to the provision for appeals, estimates have been calculated using the following methods, for each valuation list: (1) for the 2010 valuation list an estimate of successful appeals has been calculated using the Council's historic experience of appeals this has an average success rate of 29%. (2) there is not yet sufficient evidence to calculate the 2017 valuation list,	If the level of successful appeals exceeds the assumptions already made, the cost will be met from future budgets.

Item	Uncertainties	Effect if Actual Results Differ from assumptions
	therefore Kent authorities have used 2.7% of Net Rates Payable. Where necessary additional appropriate provisions will be made.	
PPE - Property valuations and Investment Property Valuations	2020/21 represented the 5 year of the revaluation cycle and therefore resulted in the Council having all its general fund assets revalued. This revaluation exercise will remove some uncertainty from not valuing properties under £250,000 on the general fund that are not normally re-valued In respect to the Council's Car park and retail assets, as at the valuation date the valuer noted that *"they continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements".* Car parks and retail assets are valued at £14.7m and £24.5m respectively, this represents 34% of the overall general fund portfolio. Investment Properties are valued annually at fair value. For 2020/21 the valuer has reported that Covid-19 introduced material valuation uncertainty to the market which could result in volatility of future market valuations. The value of operational investment properties at note 16 subject to material valuation uncertainly for 2020/21 was £22.6m out of a total of £33.6m.	If the valuations were made under different assumptions, there could be significant changes in the accounts. A 1% change in PPE valuations would result in an overall movement in valuations of Council Dwellings £3.4m, Land and Buildings £1.1m and Surplus Assets £50,000. A 1% change in the total value of investment properties (excluding assets under construction) would be £226,000. As stated opposite there remains significant uncertainty around car park and retail valuations and for some investment properties

Item	Uncertainties as a result of COVID 19	Effect if actual results differ from assumptions
Pensions – Property Assets	As with the Council's property valuations the Kent Pension Fund will also have some valuation uncertainty in respect of the directly held property assets. As at Note 30, for Ashford this represents a value of £13.5m.	Any impact to property valuations could see a decline in returns.

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:

2020/21 Expenditure and Funding Analysis	As reported for resource Management	Adjustment to arrive at the net amount chargeable to GF and HRA balances	Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Chief Executive	1,360	(445)	915	149	1,064
Director of Finance & Economy	2,398	(1,973)	425	15,362	15,787
Director of Law & Governance	3,209	(4,435)	(1,226)	476	(750)
Director of Place & Space	12,177	(884)	11,293	10,582	21,875
Local Authority Housing (HRA)	(3,479)	(12,345)	(15,824)	15,770	(54)
Non distributed costs	0	1,883	1,883	70	1,953
Net Cost of Service	15,665	(18,198)	(2,533)	42,408	39,875
Other Income & Expenditure	15,081	(37,677)	(22,596)	(6,653)	(29,249)
(Surplus) or deficit	30,746	(55,875)	(25,129)	35,755	10,626
Opening GF and HR Balance 31 March 2020			(32,663)		
Closing GF and HRA Balance 31 March 2021			(57,792)		

Expenditure and Funding Analysis continued

2019/20 Expenditure and Funding Analysis	As reported for resource Management	Adjustment to arrive at the net amount chargeable to GF and HRA balances	Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Chief Executive	1,373	116	1,489	63	1,552
Director of Finance & Economy	4,083	(2,556)	1,527	7,918	9,445
Director of Law & Governance	1,656	654	2,310	331	2,641
Director of Place & Space	10,434	(1,597)	8,836	10,548	19,384
Local Authority Housing (HRA)	668	(16,182)	(15,514)	14,117	(1,397)
Non distributed costs	0	2,177	2,177	54	2,231
Net Cost of Service	18,214	(17,389)	825	33,031	33,856
Other Income & Expenditure	(1,841)	(197)	(2,038)	(11,867)	(13,905)
(Surplus) or deficit	16,373	(17,586)	(1,213)	21,164	19,951
Opening GF and HR Balance 31 March 2019			(31,450)		
Closing GF and HRA Balance 31 March 2020			(32,663)		

6. Note to the Expenditure and Funding Analysis

2020/21	Depreciation/ impairment reported at Directorate level *£'000*	Other adjustments in relation to management reporting *£'000*	Total to arrive at the amount charged to the GF and HRA *£'000*	Adjustments for capital purposes *£'000*	Net change for the Pension Adjustment *£'000*	Net change for Pooled Investments *£'000*	Net change for Collection Fund Section 31 Grant *£'000*	Total Adjustment between funding and accounting basis *£'000*
Chief Executive	0	(445)	(445)	0	149	0	0	149
Director of Finance & Economy	(841)	(1,131)	(1,972)	14,602	760	0	0	15,362
Director of Law & Governance	(212)	(4,223)	(4,435)	(123)	599	0	0	476
Director of Place & Space	(889)	6	(883)	9,955	627	0	0	10,582
Local Authority Housing (HRA)	(5,935)	(6,410)	(12,345)	15,404	366	0	0	15,770
Non distributed costs	0	1,883	1,883	0	70	0	0	70
Net Cost of Service	(7,877)	(10,320)	(18,197)	39,837	2,571	0	0	42,409
Other Income & Expenditure	0	(37,678)	(37,678)	(19,245)	1,816	(2,324)	13,102	(6,651)
Total	(7,877)	(47,998)	(55,875)	20,592	4,387	(2,324)	13,102	35,758

Note to the Expenditure and Funding Analysis continued

2019/20	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*
Chief Executive	0	116	116	0	63	0	0	63
Director of Finance & Economy	(927)	(1,629)	(2,556)	7,592	326	0	0	7,918
Director of Law & Governance	(122)	776	654	82	249	0	0	331
Director of Place & Space	(890)	(1,327)	(2,217)	10,278	270	0	0	10,548
Local Authority Housing (HRA)	(5,657)	(10,525)	(16,182)	13,968	149	0	0	14,117
Non distributed costs	0	2,177	2,177	0	54	0	0	54
Net Cost of Service	(7,596)	(10,412)	(18,008)	31,920	1,111	0	0	33,031
Other Income & Expenditure	0	(197)	(197)	(9,810)	1,686	(3,671)	(72)	(11,867)
Total	(7,596)	(10,609)	(18,205)	22,110	2,797	(3,671)	(72)	21,164

7. Expenditure and Income Analysed by Nature

2019/20		2020/21		
Totals per CI&ES		Totals per Resources Allocations	HRA	Totals per CI&ES
£'000		*£'000*	*£'000*	*£'000*
(45,150)	Fees, charges and other service income	(14,008)	(28,896)	(42,904)
(31,598)	Grants	(41,241)	0	(41,241)
(76,748)	**Total Income**	(55,249)	(28,896)	(84,145)
24,837	Employees	18,221	5,172	23,393
11,477	Premises	5,999	4,491	10,490
44,986	Supplies and Services	46,630	3,264	49,894
697	Transport	613	128	741
(12,736)	Recharged from other accounts	(13,934)	2,936	(10,998)
10,171	Recharged to other accounts	9,889	280	10,169
30,546	Capital Charges	4,027	36,302	40,329
6	Transfers To/From Reserves	4	0	4
109,984	**Total Expenditure**	71,449	52,573	124,022
33,236	**Cost of Services**	16,200	23,677	39,877
2,317	Parish Council Precepts & Levies	270	2,234	2,504
486	Payments to housing capital receipts pool	0	486	486
(2,773)	Gain or loss on disposal of non-current assets	(157)	(1,541)	(1,698)
9,135	Interest payable and similar charges	58	4,925	4,983
1,686	Pension interest cost and expected return on pensions assets	0	1,816	1,816
(4,344)	Interest receivable and similar income	(6,097)	0	(6,097)
(9,645)	Council Tax income	(8,012)	(2,234)	(10,246)
(4,016)	Non-domestic rates	(6,086)	12,934	6,848
	Section 31 Grant - Collection Fund		(12,934)	(12,934)
(4,996)	Non-ringfenced government grants	(7,487)	0	(7,487)
(816)	Capital grants and contributions	0	(7,425)	(7,425)
20,270	**(Surplus) or Deficit on Provision of Services**	(11,311)	21,938	10,627
(15,305)	**Other Comprehensive Income and Expenditure**	0	(36,204)	(36,204)
4,965	**Total Comprehensive Income and Expenditure**			(25,577)

** 2019/20 re-stated to reflect adjustment to 2019/20 published figures.

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:

2019/20 £'000		2020/21 £'000
368	Allowances	374
10	Expenses	1
378		375

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 2020/21

2020/21		Pay & expenses	Benefits in kind	Total	Pension contri-butions	Total remun-eration
		£'000	£'000	£'000	£'000	£'000
Chief Executive	+	130	0	130	22	152
Corporate Director (Finance & Economy)	+	97	0	97	17	114
Corporate Director (Law & Governance)	+	93	9	102	17	119
Head of Planning & Development		78	0	78	13	91
Head of Corporate Policy, Economic Development & Communications		76		76	13	89
Head of Cultural Services		70	9	79	13	92
		544	18	562	95	657

+ Officers that also fulfil statutory roles.

Senior Employee Remuneration 2019/20 comparators

2019/20		Pay & expenses	Benefits in kind	Total	Pension contri-butions	Total remun-eration
		£'000	*£'000*	*£'000*	*£'000*	*£'000*
Chief Executive	+	127		127	18	145
Corporate Director (Finance & Economy)	+	94		94	13	107
Corporate Director (Law & Governance)	+	92	9	101	13	114
Corporate Director (Place & Space)	a	10	1	11	0	11
Head of Planning & Development		77		77	10	87
Head of Corporate Policy, Economic Development & Communications		72		72	10	82
Head of Cultural Services		69	9	78	10	88
		541	19	560	74	634

+ Officers that also fulfil statutory roles.
a – Officer retired in May 2019

Other Employee Remuneration by Band

2019/20			2020/21
nos		Remuneration bands	*nos*
16		£50,000 - £54,999	18
9		£55,000 - £59,999	13
7		£60,000 - £64,999	6
2		£65,000 - £69,999	3
5		£70,000 - £74,999	6
0		£75,000 - £79,999	1
0		£80,000 - £84,999	1
1	*	£120,000 - £124,999	0
40			48

If figures are marked with an * this indicates bands which include officers who have received redundancy payments within their remuneration for the year.

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

10. Termination Benefits

The Authority terminated the contracts of three employees in 2020/21 incurring liabilities of £50,263 (£133,244 in 2019/20).

2019/20			2020/21	
Voluntary	Compulsory	Exit package cost band (including special payments)	Voluntary	Compulsory
nos	*nos*		*nos*	*nos*
5	1	£0 - £19,999		2
	1	£20,000 - £39,999	1	
1		£40,000 - £59,999		
6	2	Total number included in bandings and in CIES	1	2

11. External Audit Costs

In 2020/21, Ashford Borough Council paid the following fees relating to external audit and inspection:

2019/20		2020/21
£'000		*£'000*
61	Fees payable with regard to external Audit services carried out by the appointed Auditor for the year	82
20	Fees payable for the certification of grant claims and returns	24
81		106

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.

2019/20			2020/21	
£'000	*£'000*		*£'000*	*£'000*
		Credited to Cost of Services		
966		MHCLG: Homeless Initiatives including Refugee Project	1,332	
173		MHCLG: Major Sites Planning Grant	250	
236		DWP: Discretionary Housing Payments	124	
488		DWP: Benefit Administration Subsidy	658	
28,674		DWP: Benefits Subsidy	26,268	
81		Home Office: Community Safety	29	
0		DfT: Port Infrastructure Grant	4,643	
0		Covid Hardship Scheme	969	
0		Covid Grant Paid as Principal	5,141	
660	31,278	Other government grants	1,523	40,937
272		KCC: Recycling Credits	272	
91	363	CT Family Annexes Support Scheme	89	361
	31,641	Total credited to Cost of Services		41,298
		Credited to Taxation and Non-specific Grant Income		
		Non-ringfenced government grants:		
83		- Rural Services Support Grant	83	
2,301		- S31 Grant NNDR	12,934	
0		- S31 Grant Other	(1,021)	
0		- Covid Support Grant	4,372	
277		- EU Exit Preparation Grant	1,000	
2,954		- New Homes Bonus	3,053	
816		- Capital grants and contributions	7,424	
	6,431			27,845
	38,072			69,143

13. General Fund Reserves

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

	Balance at 31 March 2020	2020/21 Transfers In	2020/21 Transfers Out	Balance at 31 March 2021
	£'000	*£'000*	*£'000*	*£'000*
General fund general reserves	(2,395)	(167)	0	(2,562)
Earmarked general fund reserves				
Fund future expenditure	(14,812)	(26,459)	4,874	(36,397)
Provide for the maintenance of an asset	(3,704)	(2,249)	296	(5,657)
Required by statute reserves	(144)	0	42	(102)
Developer contributions	(6,055)	(1,034)	1,203	(5,886)
	(24,715)	(29,742)	6,415	(48,042)

	Balance at 31st March 2019	2019/20 Transfers In	2019/20 Transfers Out	Balance at 31st March 2020
	£'000	*£'000*	*£'000*	*£'000*
General fund general reserves	(2,275)	(121)	0	(2,396)
Earmarked general fund reserves				
Fund future expenditure	(12,238)	(6,317)	3,746	(14,809)
Provide for the maintenance of an asset	(4,316)	(895)	1,507	(3,704)
Required by statute reserves	(159)	0	14	(145)
Developer contributions	(6,225)	(1,634)	2,121	(5,738)
	(22,938)	(8,846)	7,388	(24,396)

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

Property, Plant and Equipment continued

Property, Plant & Equipment 2019/20	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation									
1 April 2019	280,139	110,322	3,118	2,496	1,716	5,244	16,186	419,221	16,621
Additions	11,613	5,105	316	0	0	3,419	7,835	28,288	7
Revaluation recognised in the Revaluation Reserve	2,429	6,754	0	0	0	912	0	10,095	640
Revaluation recognised in the Provision of Services	(6,751)	(5,525)	0	0	0	(1,272)	0	(13,548)	1
Acc Depreciation & Impairment written out									(332)
Derecognition - Disposal	(1,534)	(281)	(137)	0	0	(1,619)	0	(3,571)	0
	0	0	0	0	0	0	0	0	
Assets reclassified (to)/from Held for Sale	0	(1,591)	0	0	0	0	0	(1,591)	
Transfer between classes of Assets	2,415	7,473	0	0	0	(1,750)	(8,138)	0	0
31 March 2020	288,311	122,257	3,297	2,496	1,716	4,934	15,883	438,894	16,937
Accumulated Depreciation and Impairment									
1 April 2019	1	(1,486)	(1,040)	(13)	(229)	0	0	(2,767)	0
Depreciation charge	(5,640)	(1,604)	(314)	(11)	0	0	0	(7,569)	(332)
Depreciation written out - Revaluation Reserve	5,623	831	0	0	0	0	0	6,454	332
Depreciation written out - Provision of Services	0	0	0	0	0	0	0	0	0
Impairment recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment recognised in the Provision of Services									
Derecognition - disposals	17	42	137	0	0	0	0	196	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
31 March 2020	1	(2,217)	(1,217)	(24)	(229)	0	0	(3,686)	0
Net book value									
31 March 2020	288,312	120,040	2,080	2,472	1,487	4,934	15,883	435,208	16,937
31 March 2019	280,140	108,836	2,078	2,483	1,487	5,244	16,186	416,454	16,621

Surplus Assets

The Bockhanger Library and Community Centre have been demolished so the sites will be held in the surplus category whilst plans for redevelopment are being established.

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.

2019/20		2020/21
£'000		*£'000*
0	Bockhanger Site	62
725	Torrington Road Ex-Allotment Site	725
607	Land at Coneybeare, Torrington Road	607
393	Land at Blinds Groom Lane	392
184	Court Wurtin Flats	230
524	Mecca	524
1,496	Site Mabledon Avenue	1,466
1,005	Site Orchard Cottage, Tile Kiln Road	985
4,934		4,991

Movement of Surplus Assets	1st April	Additions & disposals	Transfer between classes of assets	Revaluation gains/ losses	31st March
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
2020/21	4,934	0	22	35	4,991
2019/20	5,243	1800	(1,749)	(360)	4,934
2018/19	3,660	179	(58)	1,462	5,243
2017/18	3,404	443	0	(186)	3,660
2016/17	2,513	0	1,255	(364)	3,404
2015/16	969	384	(368)	1,528	2,513
2014/15	968	0	0	1	969

Asset Valuation

A valuation exercise and impairment review was completed by external qualified (RICS) valuers, 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 90.

General Fund assets were revalued as at 31st March 2021. Overall there have been downward revaluations of £2,136,464 recognised through the Revaluation Reserve and downward revaluation movements of £21,260,711 written out through the Consolidated Income and Expenditure Statement.

Assets were valued, using information available at 28 February 2021 based on expected valuations as at 31 March 2021. 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.

The cashflow statement has the movements to reflect these purchases.

Group Position 2019/20 £'000		Group Position 2020/21 £'000
28,224	Property Portfolio - (A Better Choice for Property Ltd. and its Subsidiary)	33,357
28,224		33,357

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
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
2014/15	0	1,113	(17)	1,096

17. Heritage Assets

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

2019/20 £'000		2020/21 £'000
1,216	Windmills at Woodchurch & Willesborough	2,161
481	Doctor Wilkes Hall	860
750	Hubert Fountain (Victoria Park)	750
291	Mayor's regalia, including mace and badges	266
96	Queen Marie Statue	96
2,834		4,133

During 2020/21 insurance valuations on the above assets were sought and this resulted in the Windmills at Woodchurch and Willesborough increasing by £946,000, the Doctor Wilkes Hall increased in value by £379,000 and the Mayors Mace and regalia decreased by £25,000.

18. Capital Expenditure and Capital Financing

This year the Capital Financing Requirement has increased, mainly due to purchase of West block (Somerset Heights) at the New Quarter, Elwick Road development, refurbishment of the Stour Centre and the purchase of NCP carpark at Park Mall.

2019/20	2019/20 Re-stated		2020/21
£'000	*£'000*		*£'000*
197,589	225,412	*Opening Capital Financing Requirement*	236,142
		Capital investment:	
28,288	28,288	Property, Plant and Equipment	45,627
80	80	Intangible Assets	0
0	4,851	Loans to subsidiaries	4,413
10,775	10,775	Revenue Expenditure funded from Capital under Statute	1,231
39,143	43,994		51,271
		Sources of Finance:	
(8,075)	(8,075)	Capital Receipts	(4,421)
(1,755)	(1,755)	Government grants and contributions (received in year)	(6,658)
(8,394)	(8,394)	Government grants and contributions (brought forward)	0
(3,262)	(3,262)	Major Repairs Reserve	(1,848)
(21,486)	(21,486)		(12,927)
		Sums set aside from revenue and subsidiaries	
0	(4,065)	- Repayment of subsidiary loans	(383)
(5,944)	(5,944)	- Direct revenue contributions	(950)
(933)	(933)	- Repayment of HRA debt - PFI scheme	(932)
0	0	- Repayment of HRA debt - Other	(7,000)
(835)	(835)	- Minimum revenue provision (MRP)	(1,556)
(7,712)	(11,777)		(10,821)
207,534	236,142	*Closing Capital Financing Requirement*	263,665
		Explanation of movements in year	
11,674	12,460	Increase in underlying need to borrowing (unsupported by government financial assistance)	37,711
(1,768)	(1,768)	Provision for the repayment of debt	(10,188)
9,906	10,692		27,523

The 2019/20 figures were also restated to incorporate the Loans made to the Council's subsidiary A Better Choice for Property Ltd.

19. Capital Receipt

During the year the Council received £4.2m in capital receipts and used £3.7m to fund capital expenditure. At 31 March 2021, the Council had capital receipt reserves of £3.3m of which £3m is set aside for the provision of affordable housing.

2019/20	*Movements in year*	2020/21
£'000		*£'000*
(6,583)	Balance at 1 April	(4,353)
(6,301)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,223)
(65)	Other Capital Receipts not arising from the disposal of a non-current asset	(88)
8,075	Use of the Capital Receipts Reserve to finance new Capital Expenditure	3,721
35	Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	422
486	Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	486
0	Funding of Capital Expenditure 2019/20	700
(20)	Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	(26)
20	Capital receipts to treated as revenue income	20
2,230	Movement in year	1,012
(4,353)	Balance at 31 March	(3,341)

20. Capital Grants

During the year the Council received £7.4m in capital grants of which £6.6m funded Capital Expenditure in year. At 31 March 2021, the Council had capital grant reserves of £771,000.

2019/20		2020/21
£'000		*£'000*
(8,399)	Balance at 1 April	(5)
8,394	Application of grants to capital financing transferred to the Capital Adjustment Account	0
(1,755)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied in year	(6,658)
1,755	Capital grants and contributions applied in year credited to the Comprehensive Income and Expenditure Statement	6,658
(5)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(766)
5	Other Adjustments	0
0	Transfers to/from Earmarked Reserves (Note 12)	
8,394	Movement in year	(766)
(5)	Balance at 31 March	(771)

21. Capital Commitments

At 31 March 2021, the Council had an approved capital programme for the next three years totalling £278m. The value of capital contractual commitments is £11.9m as detailed below:

31-Mar-20		31-Mar-21
£'000		*£'000*
	Stour Centre	2,214
2,198	Elwick Place	594
	Housing Revenue Account - Major Projects	
6,751	The Poplars	3,895
5,331	East Stour Court	2,282
11	Halstow Way	2,932

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 31/03/2020	(Sale) / Purchase of shares during the year	Change in Market Value during the year recognised in FVOCI	Market Value as at 31/03/2021		Investment Interest	
						2020/21	2019/20
Elected Fair value OCI	£'000	£'000	£'000	£'000		£'000	£'000
A Better Choice for Property Ltd.	387	130	576	1,093		0	0
Total	**387**	**130**	**576**	**1,093**		**0**	**0**

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

	Market Value as at 31/03/2020	(Sale) / Purchase of shares during the year	Change in Market Value during the year recognised in FVPL	Market Value as at 31/03/2021	2020/21	2019/20
Not elected, fair value through profit and loss	£'000	£'000	£'000	£'000	£'000	£'000
Goldman Sachs	51		3	53		0
Payden and Regal	2,943		64	3,007	17	29
CCLA Local Authorities' Property Fund	11,864		(85)	11,780	515	533
CCLA Diversified Income Fund	2,713		228	2,941	93	99
Schroder Income Maximiser Fund	2,393		550	2,943	181	207
UBS Multi-Asset Income Fund	2,555		269	2,824	138	137
Investec Diversified Income Fund	2,258		224	2,482	93	111
UBS Global Income Fund	1,227		185	1,412	128	0
Kames Diversified Monthly Income Fund*	4,576	10	886	5,471	236	239
Total	**30,580**	**10**	**2,324**	**32,913**	**1,401**	**1,355**

.* The additional purchase in this fund is due to the re-investment of management fee rebates.

Financial Instruments

Long-term	Current		Long-term	Current
31 March 2020			31 March 2021	
£'000	*£'000*		*£'000*	*£'000*
		Investments		
30,581	21,958	FVPL	32,914	8,889
0	0	Amortised cost	0	0
387	0	FVOCI	1,096	0
30,968	21,958	Total Investments	34,010	8,889
		Debtors		
29,210	2,919	Amortised cost	33,157	5,686
60,178	**24,877**	**Total assets**	**67,167**	**14,575**
		Borrowings		
(106,664)	(111,790)	Amortised cost	(97,664)	(127,549)
		Other Long-term Liabilities		
(18,884)	(932)	Amortised cost	(17,776)	(1,108)
		Creditors		
(119)	(10,184)	Financial liabilities	(119)	(12,238)
(125,667)	(122,906)	***Total liabilities***	(115,559)	(140,895)

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 £32,257,000 as at 31 March 2021 (£28,184,840 as at 31 March 2020). These loans are secured against charges on the properties and land acquired by the Companies.

Financial Instruments – Gains and losses

2019/20		2020/21
£'000		*£'000*
5,463	Interest payable	4,983
(4,344)	Interest and Investment Income	(3,773)
3,672	Downward/(upward) revaluation of financial assets (FVPL)	(2,324)
86	Downward/(upward) revaluation of financial assets (FVOCI)	(579)
4,877	Net gains/loss for the year	(1,693)

Fair Values of Assets and Liabilities

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

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

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

Balance Sheet 31 March 2020 £'000	Fair Value 31 March 2020 £'000		Fair Value Level	Balance Sheet 31 March 2021 £'000	Fair Value 31 March 2021 £'000
		Financial assets held at fair value:			
21,064	21,064	Money market funds	1	8,772	8,772
18,716	18,716	Equity funds	1	21,134	21,134
11,864	11,864	Property fund	1	11,780	11,780
387	387	Shares in A Better Choice for Property Ltd.	3	1,093	1,093
52,030	52,030	Subtotal where fair value is applicable		42,779	42,779
		Financial assets held at amortised cost:			
2,919	*	Short-term debtors		5,686	*
0	*	Short-term investments		0	*
29,210	*	Long-term debtors		33,157	*
84,159				81,622	

Balance Sheet 31 March 2020 £'000	Fair Value 31 March 2020 £'000		Fair Value Level	Balance Sheet 31 March 2021 £'000	Fair Value 31 March 2021 £'000
		Financial Liabilities held at Amortised Cost:			
(106,664)	(126,971)	Long Term loans from PWLB	2	(97,664)	(118,144)
(19,816)	(25,427)	PFI Liabilities	3	(18,884)	(25,833)
(119)	(370)	Lease Payables	3	(119)	(406)
(126,599)	(152,767)	Subtotal where fair value is applicable		(116,667)	(144,384)
(10,184)	*	Short-term creditors		(12,238)	*
(111,790)	*	Short-term borrowing		(127,549)	*
(248,573)				(256,454)	

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

Fair values have been determined with reference to Arlingclose or Bloomberg where applicable.

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

Long term debtors are carried at amortised cost.

Short term debtors and creditors are carried at cost, as this is a fair approximation of their value.

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

	Long term borrowings	Short-term borrowings	Lease liabilities	Total
	£'000	*£'000*	*£'000*	*£'000*
1 April 2020	(106,664)	(111,790)	(119)	(218,573)
Cash flows:				
- Repayment		227,000		227,000
- Proceeds		(234,000)		(234,000)
Non-cash:				
- Accruals		241		241
- Reclassification	9,000	(9,000)		0
31 March 2021	(97,664)	(127,549)	(119)	(225,332)

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 2021 was as follows:

Credit Risk

Counter party	*Maturity date*	*Amount*	*Credit rating*
		£'000	
Deposits/investments with other financial institutions			
Goldman Sachs	Instant	52	AAA
Payden Money Market Fund	3 Days Notice	3,007	AAA
UBS Multi Asset Income Fund - L - Inc	2 Days Notice	2,824	N/A
Investec Diversified Income Fund	2 Days Notice	2,482	N/A
UBS Global Income Equity Fund	2 Days Notice	1,412	N/A
Kames Diversified Income Fund	2 Days Notice	5,471	N/A
Schroder Income Maximiser Fund - Z - Inc	2 Days Notice	2,944	N/A
CCLA Diversified Income Fund - Inc	2 Days Notice	2,941	N/A
CCLA LAMIT Property Fund	Variable	11,780	N/A
Investment In A Better Choice for Property	Variable	1,093	N/A
CCLA Public Sector Deposit Fund	Variable	8,772	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 2020		31 March 2021
%		%
46	AAA	28
53	Unrated pooled Funds	70
1	Unrated Company	3

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

31 March 2020		31 March 2021
£'000		£'000
776	Less than 30 days	1,386
41	31 days to 90 days	39
186	91 days to 364 days	297
586	More than 1 year	629
1,589		2,351
(835)	Impairment allowance	(1,099)

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise funds to meet its commitments. Instead, the risk is that the Council may have to re-invest a significant proportion of its investments at a time of unfavourable interest rates.

The future of the PWLB has been subject to consultation and it is recommended that it be abolished with its powers transferred to the Treasury to strengthen its governance arrangements. These proposals are still to be laid before parliament although any change is not anticipated to have any impact over the operational aspects of accessing money, and therefore will not have an impact on the Council's liquidity risk.

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

Market Risk interest rates/prices/exchange rates

The council is exposed to interest rate risk on some of its borrowing and if interest rates had been 1% higher or lower during the year, this would have resulted in an increase or decrease in variable investment income of £317,000 and an increase or decrease in variable loan payments of £1.147m. The Council's long-term borrowing is predominantly 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.

Expected Credit Loss Model

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

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

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

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

24. Debtors

These amounts were due to the Council:

31 March 2020			31 March 2021	
£'000	*£'000*		*£'000*	*£'000*
	1,349	Central government bodies		1,922
		Other entities and individuals:		
1,261		- Housing Tenants	2,054	
(918)	343	*Less* : Impairment Allowance	(1,064)	990
1,612		- Local Taxpayers/ratepayers	3,470	
(379)	1,233	*Less* : Impairment Allowance	(1,094)	2,376
5,697		- Other	27,898	
(1,717)	3,980	*Less* : Impairment Allowance	(2,243)	25,655
	6,905	Balance at 31st March		30,943

Movement in Debtors

2019/20		2020/21
£'000		*£'000*
0	Benefit Subsidy owed by government	0
(2,902)	Other amounts owed by government	573
(263)	Amounts owed by housing tenants	793
319	Amounts owed by local taxpayers/ratepayers	1,858
(109)	Movement in payments in advance	106
(4,616)	Amounts owed by Sundry Debtors	22,012
(126)	Change in Impairment Allowance	(1,387)
464	Transfer from Long term Debtors	83
(7,233)	Movement in the year	24,038

25. Creditors

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

31 March 2020 £'000		31 March 2021 £'000
(158)	Central government bodies	(196)
(454)	Other Local Authorities	0
	Other entities and individuals:	
(499)	- Housing Tenants	(1,276)
(222)	- Local Taxpayers	(284)
(63)	- Business Rate Payers	(344)
(664)	- Business Rates Pool	(816)
(2,781)	- Developer contributions	(4,572)
(12,220)	- Sundry Creditors	(31,206)
(17,061)		(38,694)

Movement in Creditors

2019/20 £'000		2020/21 £'000
(441)	NNDR liability	(1,346)
1,405	Other amounts owed to government	1,308
3,159	Amounts owed to Other Local Authorities	454
630	Amounts owed by housing tenants	(777)
(65)	Amounts owed by local taxpayers	(62)
200	Amounts owed by Business Rate payers	(281)
4,825	Amounts owed to East Kent Cluster (Business Rate Pilot)	(152)
(228)	Change in Developer contributions	(1,791)
(7,026)	Amounts owed to Sundry Creditors	(18,986)
2,459	Movement in the year	(21,633)

26. 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

2020/21

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

* Analysed in tables (a) and (b)

Unusable Reserves

2019/20

	Revaluation balances			Adjustment accounts						
	Revaluation Reserve *	Pooled Investment Financial Instruments	Financial Instrument Revaluation reserve	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	Total Unusable Reserves	Total Unusable Reserves (Group)
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31 March 2019	(89,171)	(1,226)	2	(132,466)	(1,473)	72,076	(189)	218	(152,229)	(152,229)
Movements in Reserves during the year										
Surplus or deficit on the provision of services (accounting basis)	0	0	0	0	0	0	0	0	0	(240)
Other comprehensive income & expenditure	(16,617)	0	86			1,225			(15,306)	(15,306)
Total comprehensive income & expenditure	(16,617)	0	86	0	0	1,225	0	0	(15,306)	(15,546)
Adj between accounting and funding basis				6,518	20	2,798	(72)	1	9,265	9,265
Net movement before transfers to other reserves	(16,617)	0	86	6,518	20	4,023	(72)	1	(6,041)	(6,281)
Transfers to/from other Unusable reserves	3,345	3,671		(3,344)	0				3,672	3,672
Increase or decrease during the year	(13,272)	3,671	86	3,174	20	4,023	(72)	1	(2,369)	(2,609)
Balance at 31 March 2020	(102,443)	2,445	88	(129,292)	(1,453)	76,099	(261)	219	(154,598)	(154,838)

(a) Revaluation Reserve:

2019/20 £'000			2020/21 £'000
	Comprehensive Income and Expenditure Statement		
(10,163)	Revaluation (increases)/decreases recognised in the Revaluation Reserve	(39,309)	
(6,453)	Depreciation and downward revaluations written out to the Revaluation Reserve	(7,249)	
(16,616)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(46,558)
	Transfers to/from Capital Adjustment Account		
1,355	Difference between fair value depreciation and historical cost depreciation	1,559	
1,988	Accumulated gains on assets sold or scrapped	769	
	Amount written off to the Capital Adjustment Account		2,328
(13,273)	Increase or decrease during year		(44,230)

(b) Capital Adjustment Account

2019/20 £'000		2020/21 £'000
(21,487)	Sources of Finance	(12,229)
(7,712)	Sums set-a-side for capital purposes	(11,138)
10,775	Revenue expenditure met from capital under statute	1,231
24,941	Removal of items not chargeable to Fund Balances	41,513
6,517	*Total accounting adjustments between funding basis under statute*	19,377
(3,343)	Adjustment with Revaluation Reserve	(2,328)
3,174	Increase or decrease during year	17,049

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

	Council Tax £'000	NNDR £'000
Total Collection Fund Adjustment	**58**	**12,783**
Balance Represents:		
Final Deficit on Collection Fund	501	31,912
Ashford Share of Deficit not yet recognised	58	12,765
Ashford Share of Renewable Energy Shortfall not yet recognised	0	19
Expected balance on Collection Fund Adj. Account	**58**	**12,784**
Ashford Share of Deficit as a %	**11.6%**	**40.0%**

27. 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 34 years. The table below shows the income due on this lease:

	Principal receivable	Interest	Total lease payment
	£'000	*£'000*	*£'000*
Within 1 year	20	22	42
2 - 5 years	109	101	210
Later than 5 years	848	286	1,134
	977	409	1,386

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.

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

2019/20		2020/21
£'000		*£'000*
507	Within 1 year	486
1,690	2 - 5 years	1,550
646	Later than 5 years	299
2,843		2,335

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

2019/20		2020/21
£'000		*£'000*
758	Within 1 year	794
1,694	2 - 5 years	1,567
737	Later than 5 years	478
3,189		2,839

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

2019/20		2020/21
£'000		*£'000*
720	Within 1 year	824
1,746	2 - 5 years	2,238
2,315	Later than 5 years	2,432
4,781		5,494

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

2019/20		2020/21
£'000		*£'000*
258	Within 1 year	426
2,002	2 - 5 years	2,291
8,143	Later than 5 years	11,332
10,403		14,049

28. Provisions

2019/20 £'000		2020/21 £'000
(2,189)	Business Rates Appeals	(2,448)
(178)	Municipal Mutual Insurance	(193)
(2,367)		(2,641)

The reasons for movement in provisions are:

2019/20 £'000		2020/21 £'000
(2,126)	Additional provision made in year	(1,953)
1,393	Amounts used in year	1,679
(733)	Movement in the year	(274)

29. 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. 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 us currently underway and will be concluded in 2021/22).

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	1,198	160	1,108	1,120	3,586
2 - 5 years	4,687	1,610	4,104	3,839	14,240
6 - 10 years	5,854	2,983	5,223	3,492	17,552
11 - 15 years	6,103	2,164	7,336	1,649	17,252
16 - 20 years	1,244	1,150	1,113	65	3,572
	19,086	8,067	18,884	10,165	56,202

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 £97m over 10 years to be allocated between the three contracting authorities.

30. 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.

2019/20 £'000	Local Government Pension Scheme	2020/21 £'000
	Comprehensive Income & Expenditure Statement	
	Service cost comprising:	
4,813	- current service cost	6,328
0	- past service costs	0
63	Administration expenses	82
	Financing and Investment Income and Expenditure	
1,686	- net interest expense	1,816
6,562	*Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	8,226
	Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
10,687	- return on plan assets (excluding the amount included in net interest expense)	(28,067)
(2,682)	- actuarial gains and losses arising on changes in demographic assumptions	(2,046)
(15,996)	- actuarial gains and losses arising on changes in financial assumptions	43,459
9,216	- gains/losses on defined benefit obligation	(2,414)
1,225	*Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	10,932
7,787	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	19,158
	Movement in Reserves Statement	
(6,562)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(8,226)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,765	employers' contributions payable to scheme	3,839
(2,797)		(4,387)

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:

2019/20 £'000	Local Government Pension Scheme	2020/21 £'000
(175,859)	Present value of the defined benefit obligation	(221,332)
99,760	Fair value of plan assets	129,913
(76,099)	Net liability arising from defined benefit liability	(91,419)

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:

2019/20 £'000	Local Government Pension Scheme	2020/21 £'000
109,209	Opening fair value of scheme assets	99,760
2,607	Interest income	1,667
	Remeasurement gain/(loss)	
(10,687)	- return on plan assets, excluding the amount included in net interest expense	28,067
3,765	Contributions from employer	3,839
888	Contributions from employees into the scheme	908
(5,575)	Benefits paid - funded	(5,801)
(222)	Benefits paid - unfunded	(214)
(162)	Other remeasurement	0
0	Settlement Price Received/Paid	1,769
(63)	Administration expenses	(82)
99,760	Closing fair value of scheme assets	129,913

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

2019/20 *£'000*	Local Government Pension Scheme	2020/21 *£'000*
(181,285)	Opening balance at 1st April	(175,858)
(4,813)	Current service cost	(6,328)
(4,293)	Interest cost	(3,483)
(888)	Contributions from scheme participants	(908)
	Remeasurement (gains)/loss	
2,682	- actuarial gains/losses arising from changes in demographic assumptions	2,046
15,996	- actuarial gains/losses arising from changes in financial assumptions	(41,640)
0	Past service cost	0
5,575	Benefits paid - funded	5,801
222	Benefits paid - unfunded	214
0	Liabilities extinguished on settlements	(3,589)
(9,054)	Experience loss/(gain) on defined benefit obligation	2,414
(175,858)	Closing balance at 31st March	(221,331)

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

2019/20 *£'000*				2020/21 *£'000*
2,611	Cash and cash equivalents	5.0%		6,442
61,372	Equity instruments:	64.4%		83,655
	Bonds			
775	- gilts	0.6%	772	
13,003	- other	12.5%	16,224	16,996
13,574	Property	10.3%		13,445
8,425	Target return portfolio	7.2%		9,375
99,760	Total assets			129,913

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:

2019/20		2020/21
	Assumed life expectations from age 65 are:	
	Retiring today	
21.8	- Men	21.6
23.7	- Women	23.6
	Retiring in 20 years	
23.2	- Men	22.9
25.2	- Women	25.1
	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	
2.75%	Rate of inflation - Retail price index (RPI)	3.20%
1.95%	Rate of inflation - Consumer price index (CPI)	2.80%
2.95%	Rate of increase in salaries	3.80%
1.95%	Rate of increase in pensions	2.80%
2.35%	Rate for discounting scheme liabilities	2.00%

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.

2019/20			2020/21	
Increase in assumption	Decrease in assumption	Local Government Pension Scheme	Increase in assumption	Decrease in assumption
£'000	*£'000*		*£'000*	*£'000*
		Longevity (increase or decrease in 1 year)		
183,244	168,793	- Present value of total obligation	231,590	211,554
4,522	4,256	- Projected service cost	6,887	6,343
		Rate for discounting scheme liabilities inflation (increase or decrease by 0.1%)		
172,515	179,270	- Present value of total obligation	217,109	225,640
4,272	4,505	- Projected service cost	6,388	6,839
		Rate of increase in salaries (increase or decrease by 0.1%)		
176,236	175,484	- Present value of total obligation	221,828	220,840
4,389	4,385	- Projected service cost	6,614	6,606
		Rate of increase in pensions (increase or decrease by 1%)		
178,903	172,873	- Present value of total obligation	225,106	217,629
4,503	4,274	- Projected service cost	6,837	6,390

The projected pension expense for the year ended 31 March 2021 are:

	Year to 31 Mar 2021
	£'000
Service Cost	6,610
Net Interest on the defined liability (asset)	1,790
Administration Expenses	107
	8,507
Employer contributions	3,647

31. 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 2020/21. All forms 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.

32. 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, £50m of this approved during this financial year. As at 31 March 2021 the Company had drawn down £36.6m 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 2021 this ratio had reduced due to the expansion of the company and the ongoing capital works in progress where the cost associated with progressing the development sites would not be fully recoverable if the site was to be sold. The ratio on 31 March 2021 was 1.1:1 (1.06:1 in 2019/20) and therefore in breach of the financial covenants. The Company has reported this breach to the Council in accordance with the Facilities Agreement and no action will be taken as the circumstances surrounding the breach are understood.

The Council as sole shareholder in the Company and as at 31st March 2021 had acquired 605,001 shares with a nominal value of £1 per share.

During the year the Council approved further equity to be reinvested into the Property Company to enable operations as they development new properties. This will see the Council reinvesting around 20% of received interest receipts from the company back as share capital. This will be approved annually through the Trading & Enterprise Board. The Company including its subsidiary had equity of £1,084,017 as at 31 March 2021 representing a gain of 479,016 over its original investment value.

33. 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, over a 10 year period. 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 1has 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.

34. Events after the Balance Sheet Date

On 10 May 2022, Ashford Borough Council acquired 65% (£1.4m) of the shares in Ashford International Development Company Limited (formerly known as Quinn Estates Newtown Works Limited). At 30 March 2022 the council provided a loan of £10.5m to the company for refinancing of existing debt.

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

2019/20 *£'000*		2020/21 *£'000*
	Adjustment for items that are operating activities	
(7,569)	Depreciation	(7,833)
(13,548)	Impairment and downward valuations	(30,728)
(27)	Amortisation	(46)
(21,144)	Items relating to Capital Adjustment Account	(38,607)
	Deferred sale proceeds	
0	(Increase)/decrease in inventories	0
(126)	Increase/(decrease) in impairment for bad debts	(1,387)
(7,107)	(Increase)/decrease in debtors	25,342
923	Increase/(decrease) in creditors	(21,186)
(2,797)	Movement in pension liability	(4,387)
(3,797)	Carrying amount of non-currents and Held for Sale sold or derecognised	(2,906)
(733)	Contributions to/from Provisions	(274)
(1,017)	Other non-cash items charged to the net surplus of deficit on the provision of services	4,030
(3,671)	(Increase)/decrease in FVPL investments	2,324
(39,469)	*Total non-cash adjustments of operating activities*	(37,051)

* 2019/20 re-stated to rebalance contra difference between HRA and GF funds.

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

2019/20 *£'000*		2020/21 *£'000*
	Adjustment for items that are investing and financing activities	
6,366	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,311
0	Capital grants and contributions applied	766
0	Other items for which cash effects are investing or financing cash flows	0
6,366	*Total non-cash adjustments of investing and financing activities*	5,077

37. Cash Flow Statement – Interest

2019/20		2020/21
£'000		*£'000*
4,201	Interest paid	4,342
(1,134)	Interest received	(1,007)
(1,701)	Dividend received	(1,355)
1,366		1,980

38. Cash Flow Statement - Investing Activities

2019/20			2020/21	
ABC	Group		ABC	Group
£'000	*£'000*		*£'000*	*£'000*
29,904	31,612	Purchase of property, plant and equipment, investment property and intangible assets	45,180	49,327
12,739	12,739	Purchase of short-term and long-term investments	140	140
(6,366)	(6,366)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,311)	(4,311)
(3,026)	(3,026)	Proceeds from short-term and long-term investments	0	0
0	0	Other receipts from investing activities	(766)	(766)
33,251	34,959	*Net cash flows from investing activities*	40,243	44,390

39. Cash Flow Statement - Financing Activities

2019/20			2020/21	
	Group		*ABC*	Group
£'000	*£'000*		*£'000*	*£'000*
(219,407)	(220,184)	Cash receipts of short- and long-term borrowing	(233,759)	(238,302)
933	933	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	932	932
191,000	191,000	Repayments of short- and long-term borrowing	227,000	227,383
(27,474)	(28,251)	*Net cash flows from financing activities*	(5,827)	(9,987)

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

31 March 2020		31 March 2021
£'000		*£'000*
85	Cash held by the Council	85
809	Bank Current Accounts	32
21,064	Bank Call Accounts	8,772
21,958	Cash and cash equivalents at the end of the reporting period	8,889

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).

2019/20		2020/21	
£'000		*£'000*	*£'000*
	Expenditure		
4,381	Repairs and maintenance	4,235	
5,722	Supervision and management	5,928	
122	Rents, rates, taxes and other charges	188	
2,232	Special services	2,200	
5,657	Depreciation	5,935	
8,310	Impairment of non-current assets	9,469	
62	Debt management costs	80	
(7)	Movement in the allowance for bad debts	200	
26,479	*Total Expenditure*		28,235
	Income		
(23,827)	Dwelling rents	(24,418)	
(6)	Non-dwelling rents	(7)	
(1,094)	Charges for services and facilities	(1,077)	
(52)	Leaseholder charges for services and facilities	(45)	
(461)	Contributions towards expenditure	(341)	
(36)	Sale of land	(8)	
(2,999)	PFI Subsidy receivable	(3,000)	
(28,475)	*Total Income*		(28,896)
(1,996)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(661)
599	HRA services' share of Corporate and Democratic Core		607
280	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		429
(1,117)	Net Cost for HRA Services		375
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,995)	Gain or (loss) on sale of HRA non-current assets		(1,541)
	Other capital receipts		
3,725	Interest payable and similar charges		3,750
1,231	Interest payable on PFI contracts and Finance Leases		1,175
(26)	Interest and investment income		(3)
229	Net interest on the net defined benefit liability (asset)		259
(940)	Capital grants and contributions receivable		(3,991)
1,107	(Surplus) or deficit for the year on HRA services		24

Movement on the HRA Statement

2019/20 *£'000*		2020/21 *£'000*
(6,237)	Balance on the HRA at the end of the previous year	(5,552)
1,107	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	24
(422)	Adjustments between accounting basis and funding basis under statute	(1,659)
685	Net (increase) or decrease before transfers to or from reserves	(1,635)
685	(Increase) or decrease in year on the HRA (MIRS)	(1,635)
(5,552)	Balance on the HRA at the end of the current year	(7,187)

Notes to the Housing Revenue Account

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

31 March 2020 *Units*		31 March 2021 *Units*
5,020	Total Dwellings	5,095

31 March 2020 *£'000*		31 March 2021 *£'000*
288,954	Operational assets - dwellings, land and buildings	342,693
2,684	Non-Operational assets	2,681
2,958	Assets Under Construction	14,065
294,596		359,439

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 31 March 2021 was £1,013,348,000(£849,720,000 as at 31 March 2020). 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

2019/20 £'000	Movements in year	2020/21 £'000
(494)	Balance at the end of the previous year	(2,889)
(5,657)	Amount transferred to the Reserve during the year	(5,932)
0	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
3,262	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	1,848
0	Reversal of depreciation (other than Council Dwellings)	26
(2,889)	Balance at the end of the financial year	(1,947)

4. Summary of Capital Expenditure and Financing

2019/20 £'000		2020/21 £'000
	Capital investment:	
3,262	Expenditure on Existing Dwellings	1,848
8,351	Expenditure on New Stock Purchases	16,371
6,033	Expenditure on new developments (including Assets Under Construction)	13,523
17,646		31,742
	Sources of Finance:	
(6,363)	Capital Receipts	(3,492)
(3,262)	Major Repairs Reserve	(1,848)
(1,196)	External Contributions - HCA Grant	(3,991)
(2,425)	Borrowing	(22,411)
(4,400)	Revenue Contribution from the Housing Revenue Account	0
(17,646)		(31,742)

5. Capital Receipts from Disposal of Assets

2019/20 £'000		2020/21 £'000
(3,060)	Receipts from Right-to-buy sales	(2,058)
0	Receipts from Repayment of Discounts	(32)
(2,527)	Receipts from the sale of Housing land	(1,680)
0	Other non right-to-buy sales	0
(5,587)	Total receipts	(3,770)
33	Costs of disposal	38
(5,554)		(3,732)

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 £47,393,885 recognised in the Revaluation Reserve and £9,468,548 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.

2019/20 *£'000*		2020/21 *£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
653	- current service cost	901
0	- past service costs	0
9	- administration expenses	12
	Financing and Investment Income and Expenditure	
229	- net interest expense cost	259
891	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	1,172
	Movement in Reserves Statement	
(891)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,172)
	- actual amount charged against the General Fund Balance for pensions in the year:	
512	employers' contributions payable to scheme	547

8. Rent Arrears

During the year 2020/21 arrears totalling £53,800 (£34,600 – 2019/20) 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 2021 was £1,063,540 (£917,000 at 31 March 2020).

31 March 2020		31 March 2021
£'000		*£'000*
948	Gross arrears	1,106
(917)	Provision for Bad Debts	(1,063)

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.

2019/20			2020/21	
Business Rates	Council Tax		Business Rates	Council Tax
£'000	*£'000*		*£'000*	*£'000*
		Income		
	(83,015)	- Council Tax		(87,015)
(52,498)		- Business Rates	(26,567)	
		- Transitional Protection Receipts		
		- Transfer from General Fund for Covid19 Hardship		(930)
(52,498)	(83,015)	*Total Income*	(26,567)	(87,945)
		Expenditure		
		Precepts, Demand & Shares		
4,473	60,423	- Kent County Council	4,767	63,915
	8,981	- Kent Police Authority		9,609
497	3,616	- Kent and Medway Fire Authority	530	3,750
19,878	9,609	- Ashford Borough Council (including Parish Precepts)	21,184	10,157
24,847		- Central Government	26,480	
49,695	82,629		52,961	87,431
		Charges to the Collection Fund		
0		- Write-Offs of uncollectable amounts	54	53
365	386	- Increase/(Decrease) in Bad Debt Provisions	1,224	963
1,744		- Increase/(Decrease) in Provision for Appeals	1,938	
99		- Disregarded amounts	92	
189		- Costs of Collection Allowance	192	
549		- Transitional Protection Payments	213	
2,946	386		3,713	1,016
		Contributions		
248	299	- Towards previous year's estimated Collection Fund Surplus/Deficit	1,636	536
52,889	83,314	*Total Expenditure*	58,310	88,983
391	299	Deficit/(Surplus) in Year	31,743	1,038
(222)	(836)	Balance at 1st April	169	(537)
169	(537)	Balance at 31st March	31,912	501
		Apportionment of Balance to Preceptors/Borough Council		
29	(393)	- Kent County Council	2,859	366
	(58)	- Kent Police Authority		55
2	(24)	- Kent and Medway Fire Authority	319	22
67	(62)	- Ashford Borough Council	12,765	58
71		- Central Government	15,969	
169	(537)		31,912	501

Notes to the Collection Fund

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

for the year ended 31st March 2021

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

for the year ended 31st March 2020

2019/20	2019/20					
	Ashford Borough Council	*Kent County Council*	*Police & Crime Commissioner for Kent*	*Kent & Medway Fire and Rescue Service*	*Central Government*	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Council Tax:						
Council Tax Arrears (excl. costs)	394	2,480	373	146	0	3,393
Council Tax Overpayments and Prepayments	(222)	(1,395)	(210)	(82)	0	(1,909)
Council Tax Provision for Bad and Doubtful Debts	(120)	(756)	(114)	(44)	0	(1,034)
Council Tax Cash	10	64	9	4	0	87
Council Tax Collection Fund Surplus	(62)	(393)	(58)	(24)	0	(537)
	0	0	0	0	0	0
Business Rates (NNDR):						
NNDR Arrears (excl. costs)	551	124	0	14	687	1,376
NNDR Overpayments and Prepayments	(63)	(14)	0	(2)	(79)	(158)
NNDR Provision for Bad and Doubtful Debts	(159)	(36)	0	(4)	(199)	(398)
NNDR Provision for Alteration of Lists and Appeals	(2,189)	(492)	0	(55)	(2,737)	(5,473)
NNDR Cash	1,793	390	0	45	2,257	4,485
NNDR Collection Fund Deficit	67	28	0	2	71	168
	0	0	0	0	0	0
Total	0	0	0	0	0	0

Note 1 to the Collection Fund (Continued) to support tables above

The Allocation of Arrears, Prepayments and Other Balances above is effectively the 'Collection Fund Balance Sheet'. The impact of the pandemic on Business Rates customers, including business closures, has had a far greater impact on the *Collection Fund* during the year than the Council Tax element of the fund.

The impact on Ashford Borough Council itself of the deficits arising is worse for Business Rates than Council Tax, with deficits of £31.912m and £501,000 respectively at 31/03/21 as shown in the tables above. The Council's share of the Business rates deficit is larger for the Council, as we are entitled to 40% of the Business Rates precept, but only receive 11.6% (including Parish Precept) for Council Tax. This leads to deficit shares for Ashford Borough Council of £12.765m for Business Rates and £58,000 for Council Tax.

Council Tax

To assist Council Tax customers during the pandemic, Covid19 Hardship discounts were given to Council Tax payers totalling £929,000, and a compensating amount was transferred into the Collection Fund from the General Fund to cover these unbudgeted reductions in bills so that the Collection Fund balance remains unaffected. Separately, within the General Fund CIES, an amount of Covid19 Grant was awarded by Central Government to reimburse the General Fund.

However, there was a significant increase in the Council Tax Reduction Scheme discounts awarded to Council Tax payers during the year (compared to the tax base budgeted), which is one of the main causes of the deficit shown. A further amount of 'Tax Income Guarantee' (TIG) compensation grant from Central Government is accrued within the General Fund CIES to partly reimburse the Council for its share of the deficit.

Council Tax Arrears have increased from £3.393m at 31/03/20 to £6.845m at 31/03/21, as shown in the tables above. The collection rate for Council Tax has been lower than normal due to the pandemic and due to no recovery action being taken through the courts. The final in-year collection rate was 97.70% for Council Tax (vs.98.1% for 2019/20), which has necessitated some increases in allowances for bad and doubtful debts and these have increased from £(1.034)m at 31/03/20 to £(1.998)m at 31/03/21, as shown in the tables. This is a further contributing factor towards the deficit during 2020/21.

As a result, the Council Tax Collection Fund Surplus of £(537,000) at 31/03/20 has become a deficit of £501k by 31/03/21 as shown in the tables above. However, the Council's share of the total deficit at 31/03/21 is only £58,000, which is 11.6% of the total deficit, in line with its precept share. All preceptors will need to contribute their shares of the collection fund deficit back to the collection fund in future years and in accordance with statutory guidelines.

The statutory amount to be contributed back to the Collection Fund in 2021/22 is based on the estimate of the closing balance at 31/03/21, calculated during January 2021, before the final outturn is known, which was estimated to be a deficit of £317,000 (Ashford B.C. share £37,000). As the final deficit at 31/03/21 is £501,000, there will be a shortfall in contributions during 2021/22 of £184,000. This will form part of the estimate of the collection fund balance at 31/03/22 to be calculated in January 2022. If there is still a shortfall, it will be recalculated at this point for contribution during the 2022/23 year.

Business Rates

To assist Business Rates customers during the pandemic, Retail and Nursery Discounts were given, which form part of the Collection Fund accounting (separate business *grants* were also given but these are part of the General Fund support measures and therefore do not impact the Collection fund). £27.555m of Retail and Nursery Discounts were granted to Business Rates customers, which is £26.421m more than the £1.134m originally budgeted (NNDR1 stage forecast for 2020/21).

Similarly, an additional £537,000 more unoccupied property reliefs were given, and business rates growth was lower than expected.

Business Rates Arrears have increased from £1.376m at 31/03/20 to £4.352m at 31/03/21, as shown in the tables above. The collection rate for Business Rates has been lower than normal due to the pandemic and due to no recovery action being taken through the courts as a result. The final in-year collection rate was 90.82% (vs.99.1% for 2019/20), which has necessitated some increases in allowances for bad and doubtful debts from £(398,000) at 31/03/20 to £(1.622)m at 31/03/21, as shown in the tables.

There has also been an increase in the 'Provision for Alteration of Ratings Lists and Appeals' from £5.473m at 31/03/20 to £6.121m at 31/03/21, as shown in the tables. This includes an additional provision of £474,000 to allow for an estimated 10% reduction in the 2017 rateable values of Hospitals and Fire stations at 31/03/21, which have not yet been processed by The Valuation Office but are expected to occur.

As a result of the above factors, Net Rates Payable by businesses decreased to £26.567m from £54.819m budgeted (NNDR1 stage forecast for 20/21), a decrease of £28.252m or 51.5%.

Precepts were paid to preceptors during 2020/21 based on the original 'NNDR1 2020/21' estimates calculated in January 2020, and which totalled £52.960m. As a result of paying preceptors their shares based on these estimates, the amount billed to Businesses was reduced to less than half the expected amount. Having allowed for additional reliefs, discounts and allowances for bad debts and appeals, there is a deficit on the Collection Fund for Business Rates of £31.912m at 31/03/21 compared to only £168,000 deficit at 31/03/20.

The Council's share of the total deficit at 31/03/21 is £12.765m, which is 40% of the total deficit, in line with its precept share. All preceptors will need to contribute their shares of the collection fund deficit back to the collection fund in future years and in accordance with statutory guidelines.

As a result of paying out more money to preceptors than the value of net rates billed to Business Rates payers, alongside the reduction in the in-year collection rate on the amounts *actually* billed, the cash position within the Collection Fund has changed for Business Rates from a cash surplus of £4.485m at 31/03/20 to a cash shortfall of £27.661m at 31/03/21, as shown in the tables above.

In order to compensate preceptors for the additional Retail and Nursery Discounts given to Business Rates Payers, extra S31 Grant has been awarded by Central Government to preceptors, which is credited to the General Fund CIES (not the Collection Fund) and has been moved into reserves to fund our share of the deficit.

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 2020/21, 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%).

2019/20 *£'000*		2020/21 *£'000*
	Total Non-Domestic Rateable Values at:	
128,066	- 1st April	131,921
131,921	- 31st March	133,566
3,855	Increase/(decrease) in year	1,645

2019/20 *p*		2020/21 *p*
	Uniform rate (multiplier) set by the government:	
49.1	For rateable values below £18,000	49.9
50.4	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.

2019/20 *£*		2020/21 *£*
1,299.42	Kent County Council	1,351.26
193.15	Kent Police Authority	203.15
77.76	Kent and Medway Fire Authority	79.29
162.50	Ashford Borough Council	167.50
1,732.83	Council Tax - basic amount	1,801.20
44.15	(including Parish Precepts)	47.23
1,776.98	Council Tax - Borough average	1,848.43

4. Council Tax Base

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

	2019/20			2020/21		
Band	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (a)*	*Multi-pliers (b)*	*Band D equivalents properties (a x b)*	*Estimated Number of properties (Net of exemptions, discounts & reliefs) (c)*	*Multi-pliers (d)*	*Band D equivalents properties (c x d)*
A with disabled relief	8.00	5 /9	4.44	10.30	5 /9	5.69
A	3,491.50	6 /9	2,327.67	3,803.30	6 /9	2,535.50
B	11,434.30	7 /9	8,893.31	11,515.80	7 /9	8,956.69
C	11,628.30	8 /9	10,336.22	12,013.00	8 /9	10,678.22
D	8,399.50	9 /9	8,399.50	8,759.40	9 /9	8,759.41
E	6,110.80	11 /9	7,468.69	6,148.80	11 /9	7,515.14
F	5,121.30	13 /9	7,397.36	5,182.50	13 /9	7,485.82
G	3,008.00	15 /9	5,013.33	3,039.50	15 /9	5,065.82
H	166.00	18 /9	332.00	167.30	18 /9	334.50
Tax Base before Council Tax Support			50,172.53			51,336.81
Less Council Tax Support			(4,453.93)			(3,558.73)
Tax Base after Council Tax Support			45,718.60			47,778.08
Estimated Collection Rate			99.00%			99.00%
Council Tax Base			45,261.41			47,300.30

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Ashford Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.
In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by

CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

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

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21), The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003 the Local Government Act 1972, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012

- We enquired of senior officers and the Audit committee concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and

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

- We enquired of senior officers and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included evaluating the risk of management override of controls, the risk of improper revenue recognition (rebutted) and the risk of fraud in expenditure recognition (rebutted, other than for the risk of error around estimation and cut-off processes at year end) and significant accounting estimates. We determined that the principal risks were in relation to journal entries and management bias in the calculation of estimates.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on the journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included large manual journals and journals containing keywords which might indicate fraud and journals posted after year end.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of property, plant and equipment valuations; defined benefit pensions liability valuation and expenditure recognition.
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;

- knowledge of the local government sector;
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation;
  - guidance issued by CIPFA, LASAAC and SOLACE;
  - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

Responsibilities of the Authority

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

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

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

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

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

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

Report on other legal and regulatory requirements – Certificate of completion of the audit

We certify that we have completed the audit of the financial statements of Ashford Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Darren Wells

Darren Wells, Key Audit Partner

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

London

5 December 2022

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. At its inception, this was 90% funded by Government.

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

Creditors – money owed by the Council to others.

Debtors – money owed to the Council by others.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outturn – actual income and expenditure in a financial year.

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

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

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 a 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. The PFI is supported by a number of incentives to encourage Authorities' participation.

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

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

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

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

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

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

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

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.