



Statement of Accounts 2018-19

ASHFORD BOROUGH COUNCIL

ASHFORD





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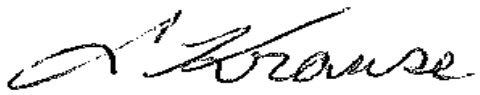
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Approval of the Statement of Accounts

The Audit Committee at its meeting on the 30 July 2019 approved the Statement of Accounts for the year ended 31 March 2019 in accordance with the Accounts and Audit Regulations 2015.

Signed:



Councillor Krause
Chairman Audit Committee
30 July 2019

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 89).

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 (2018/19), there have been very few changes to the Code, with only, *IFRS 9 Financial Instruments* affecting this Council.

The Core Financial Statements (page 10 to 14) 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 subsidiaries, A Better Choice for Property Ltd and the company's subsidiary company, A Better Choice for Property Development Ltd.

Overview of 2018/19 Financial Results and Activity

The Corporate Plan and Medium Term Financial Plan

The Council approved the Corporate Plan in 2015/16, covering the years 2015-2020.

The Corporate Plan includes four key themes and future projects look to complement these themes:

a. Enterprising Ashford
b. Living Ashford
c. Active and Creative Ashford
d. Attractive Ashford

The plan looks at how the Council can invest in opportunities to become less reliant on Government funding, including the creation of subsidiary companies, and further commercial development opportunities, which aim to provide income streams to the Council to support services.

During 2018/19, the Council's subsidiary company A Better Choice for Property Limited set up a subsidiary company, A Better Choice for Property Development Limited. This company has been set up to take forward development to enable the Property Company to fulfil its Business Plan objectives, to provide 400-500 units over the 3-5 years of the plan. This will deliver a significant return for the Council, contributing towards the self-sufficiency agenda.

This year saw the opening of Elwick Place, which includes a cinema, hotel and car park.

Carlton Road Industrial Estate was also completed this year, consisting of 26 industrial units.

The Council has reviewed its Medium Term Financial Plan (for the full paper see the cabinet agenda for November, 2018)

The Council set its budget for 2019/20 at the February Cabinet meeting. The budget requirement increased council tax by £5 to £162.50, for a band D property. The Council still has the lowest council tax in Kent, while providing excellent services.

The budget included a Treasury Management Strategy which will cover how cash flows are managed in the coming year, a review of fees and charges, as well as financial procedures.

The MTFP was updated to reflect the final year of the Local Government 4 Year Settlement and government plans to reform business rates and New Homes Bonus. The next spending review announcement has been delayed, pending the outcome of Brexit negotiations, and this creates some budget risk and uncertainty for the Council.

The MTFP report recognised a future emerging budget gap and highlights how this will be managed, through managing demand, digital transformation, and investment strategies.

The digital transformation agenda is a priority for the Council and impacts on all services. Digital transformation will look to manage increasing service demands by streamlining and improving processes.

The project will review back office functions and automate processes where possible. The efficiencies generated will not only save costs, but also generate capacity. The full budget report can be accessed on the Councils website.

In 2018/19 the Council took part in the 100% business rates retention pilot. This allowed Ashford, KCC and Kent Fire to retain all the business rates generated in the borough. The pilot status provided funding for increasing the sustainability of Local Authorities and provides a growth fund for the East Kent economic area. In 2018/19 Ashford received £930,000 as a result of the 100% retention scheme. A bid for the Kent pool to remain a pilot was unsuccessful and will therefore revert back to a business rates pool for 2019/20.

The Comprehensive Income and Expenditure Statement, and associated notes on page 10, includes:

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

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

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, reported to the Council's Management Team. Where risks are of strategic significance, they will be reported to the Audit Committee accordingly.

Services last reviewed risk registers as part of the service planning process for 2019/20.

Performance Management

The Council reports its wider performance data, including service specific indicators, to Overview and Scrutiny and Cabinet on a quarterly basis, these reports are available on the internet.

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.

General Fund (i.e. excluding the Housing Revenue Account)

A summary of the Council's General Fund position for 2018/19 is shown on page 5. This excludes the Housing Revenue Account (HRA), which is covered separately at page 6.

This differs from the statutory presentation of the Comprehensive Income and Expenditure Statement (page 10), and aims to present the information in a more meaningful manner.

During 2018/19 the Council had a number of variances between its budgeted and actual expenditure/income; however, the Council managed these variances through the budget monitoring processes and ended up £441,000 over the original budget.

Budget monitoring reports are presented to quarterly meetings of the Council's Cabinet (September, November and February); with a full year Financial Outturn report presented in June.

Some of the significant movements for 2018/19 are detailed below:-

The Chief Executive's area saw overall savings of £39,000 due to salary savings, despite a pressure of £11,000 from the Town Centre Bandstand entertainment programme.

The Finance and Economy Directorate had an overspend of £1.1m in 2018/19. £692,000 of this came from the Corporate Property and Projects Team which did not achieve anticipated rent increases, and incurred additional holding costs, due to delays in new tenants occupying premises.

The team carried out additional repairs and maintenance works to council assets.

Housing saw increased Bed and Breakfast costs of £115,000 and additional staffing pressures of £125,000, which were required to implement new Homelessness Legislation.

The Finance Team saw some pressure in year coming from an increase in bank and brokerage charges of £50,000.

The Directorate of Law and Governance reported an overall pressure of £77,000 above budget for 2018/19.

Contributing to the overall position was a pressure of £138,000 in Legal Services, an £80,000 savings target was not possible, in addition to a £50,000 reduction in legal income fees.

These pressures were supported by Parking Services which had additional season ticket income of £70,000 and a £30,000 reduction in lease charges.

The Directorate of Place and Space reported an overall saving of £11,000 in 2018/19.

This Directorate includes Planning and Development, which experienced significant staffing pressures during the year resulting in a net staffing pressure of £200,000 having used consultants to maintain services; offset by additional planning income of £200,000.

Other pressures included local plan costs of £75,000.

The planning reserve and a services contingency budget were also utilised to fund costs associated with defending planning appeals and taking enforcement action.

The Environmental and Land Management Service continued to see growth in subscription numbers for Green Waste, with additional income of £110,000.

Further savings of circa £200,000 were achieved across the wider Environmental and Land Management Service which included increased income from areas such as bulky waste collections, cemetery income, as well as savings in Public Convenience spending, canine control operations and pest control.

The Aspire grounds maintenance team continued to strengthen the appearance

of the Borough, the team generated salary savings.

Culture had an exceptionally busy year and delivered numerous events above its usual programme including the much acclaimed Snowdogs Trail and the WW1 commemorative events. These extra activities were largely funded through reserves.

There was a significant overspend in this area though, from utility costs at the Stour Centre, which saw them £170,000 over budget.

The Council's Treasury Management activity generated additional income of £254,000 in 2018/19. £243,000 was saved on interest payable as the council's borrowing requirement was less than anticipated. Additional investment income of £11,000 was achieved.

The overall useable reserves available to the Council increased by just over £4m. This was largely due to additional business rates income.

The Council's reserves remain at a healthy level and enable the Council to manage risk and explore new opportunities going forward.

This approach will help mitigate cuts from central government and ensure services in Ashford continue to provide excellent value for money and deliver on the aspirations highlighted in the Corporate Plan.

General Fund Final Outturn 2018/19

Service	Original Budget 2018/19	Revised Budget 2018/19	Final Outturn 2018/19	Variance
		A	B	B-A
	£'000	*£'000*	*£'000*	*£'000*
Chief Executive	1,218	1,226	1,187	(39)
Director of Finance & Economy	2,788	2,965	4,089	1,124
Director of Law & Governance	2,087	1,960	2,037	77
Director of Place & Space	10,221	10,367	10,356	(11)
Net Service Expenditure	16,314	16,518	17,669	1,151
Capital Charges and net interest	(3,388)	(3,388)	(3,053)	335
Levies and Grants	256	256	255	(1)
Contribution to Reserves	1,229	1,028	145	(883)
Net Expenditure	14,411	14,414	15,016	602
Funded by:				
New Homes Bonus	(2,479)	(2,478)	(2,501)	(23)
Business Rates	(4,537)	(4,538)	(4,849)	(311)
Council Tax	(7,395)	(7,395)	(7,225)	170
Total Financing	(14,411)	(14,411)	(14,575)	(164)
Outturn reported	0	3	441	438

Housing Revenue Account (HRA)

The outturn on the HRA is showing deficit of £0.7m, compared to a budget deficit of £1.2m, a reduction of £0.5m.

The HRA reserve balance at 31 March, 2019 was £6.2m, compared to £3.5m in 2017/18, a significant increase; however this is reflected as a reduction in the Major Repairs Reserve (MRR) which stands at £0.5m, compared to £3.6m in 2017/18.

Overall there has been a shift of balances from the MRR to general housing balances. The Council can utilise either balance to fund revenue or capital expenditure.

The accumulated HRA reserve balance at 31 March 2019 was £6.7m, compared to £7.2m in 2017/18.

Council dwellings are revalued at the end of each financial year, this year the movement during the year resulted in a net valuation decrease of £9.2m (£7.8m increase in 2017/18).

Housing Revenue Account Outturn 2018/19

Service	Revised Budget 2018/19	Final Outturn 2018/19	Variance
	A	B	B-A
	£'000	*£'000*	*£'000*
Income	(24,979)	(25,357)	(378)
Supervision and Management	5,267	5,224	(43)
Repairs and Maintenance	3,418	4,142	724
Other	17,445	13,303	(4,142)
Net Expenditure	1,151	(2,688)	(3,839)
Capital Works - Decent Homes	4,620	4,640	20
Capital works financed by:			
Major Repairs Allownance (from Self-Financing Determination)	(4,620)	(1,500)	3,120
	1,151	452	(699)

Capital Expenditure

Capital expenditure is investment in the acquisition, construction, enhancement or replacement of tangible assets such as land, buildings or major items of equipment and intangible assets in the purchase of computer software which will be used to benefit services over a number of years.

Major projects during 2018/19 included:

- Elwick Place - During the year work was completed on schedule with no significant variations to the build. Expenditure incurred in 2018/19 was £16.8m.
- Industrial units at Carlton Road were purchased, for economic and regeneration purposes, at a cost of £7.1m.
- A grant was received from MHCLG of £8m has been distributed to Highways England to facilitate the completion of works to junction 10A of the M20 motorway.
- £3.2m has been spent on purchasing open market properties to increase social housing with a further £2.3m on building social housing.
- Redevelopment of Danemore housing scheme has been completed, incurring final costs of £4.3m.
- Spend on existing housing stock amounted to £4.6m to ensure Decent Homes Standards are maintained.

In the financial year 2018/19, the outturn for the capital programme was:

Summary of Capital Spending and Financing

	£'000	*£'000*
Capital investment		
General Fund capital expenditure	37,348	
HRA capital expenditure	15,184	
Total expenditure		52,532
Sources of finance		
Prudential borrowing requirement		24,970
Capital receipts		
- 1-4-1 capital receipts	1,762	
- General capital receipts (HRA)	3,552	
- General capital receipts (GF)	2,273	7,587
Grants and contributions		
- External grants and contributions		9,374
Contribution to/(from) Major Repairs Reserve		4,640
Direct revenue contributions		
- General Fund financing		68
- Project Reserves (NHB)		544
- HRA Revenue contributions		4,753
- Developer contributions		596
Total financing		52,532

Treasury Management

Borrowing

At 31 March 2019, the Council had long and short-term borrowing of £190m. £113.7m of the borrowing relates to the housing subsidy buy-out with government. The remainder relates to General Fund borrowing which has been taken to fund capital projects.

Investments

At 31 March 2019, the Council had investments and cash deposits, with a fair value of £39.8m (£38.9m at 31 March 2018) detailed in note 22. In 2018/19 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.

A review of the Strategic longterm investments was undertaken in February 2019, as a result of this review some funds have been withdrawn from and new funds introduced.

Pensions

As part of the Conditions of Employment, the Council must offer staff retirement benefits under statutory requirements. At 31 March 2019, 92% of staff were part of the pension scheme, contributing between 5.5% and 12.5% of salary. The remainder of staff opted out of the scheme. Payments into the pension scheme 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 two wholly owned subsidiaries, A Better Choice for Building Consultancy Ltd., and A Better Choice for Property Ltd. A Better Choice for Property Ltd. also has a subsidiary A Better Choice for Property Development Ltd. 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. has not traded since November 2017 and has only occurred expenditure associated with keeping the company open, and is not material for consolidation purposes.

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 10 and 90 present a true and fair view of the financial position of Ashford Borough Council at 31 March 2019 and its income and expenditure for the year ended on that date.



Ben Lockwood
Chief Finance Officer
30 July 2019

Core Financial Statements

Comprehensive Income and Expenditure Statement

ABC 2017/18			Group 2017/18		ABC 2018/19			Group 2018/19
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
1,176	(4)	1,172	1,172	Chief Executive	1,535	(18)	1,517	1,517
48,788	(45,007)	3,781	3,781	Director of Finance & Economy	69,062	(45,280)	23,782	23,782
5,458	(3,477)	1,981	1,981	Director of Law & Governance	6,440	(3,547)	2,893	2,893
13,094	(3,682)	9,412	9,286	Director of Place & Space	26,567	(4,157)	22,410	22,247
28,071	(27,946)	125	125	Local Authority Housing	27,736	(28,694)	(958)	(958)
2,254	0	2,254	2,254	Non distributed costs	2,247	0	2,247	2,247
98,841	(80,116)	18,725	18,599	**Cost of Services**	133,587	(81,696)	51,891	51,728
				Other operating expenditure				
	1,684		1,684	Parish Council Precepts & Levies		1,869		1,869
	486		486	Payments to the Government Housing Capital Receipts Pool		486		486
	(1,655)	515	(1,655)	Disposal of non-current assets		(1,984)	371	(1,984)
				Financing and investment income and expenditure				
	4,942		5,110	Interest payable		5,312		5,629
	2,144		2,144	Net interest on the net defined benefit liability (asset)		1,919		1,919
	(1,123)		(1,123)	Interest receivable		(3,446)		(3,446)
	0	5,963	(123)	Income, Expenditure and Changes in fair value of Investment Property		0	3,785	229
				Taxation and non-specific grant income				
	0		21	Income Tax relating to companies		0		(39)
	(8,930)		(8,930)	Council Tax income		(8,840)		(8,840)
	(4,199)		(4,199)	Non-domestic rates income and expenditure		(7,122)		(7,122)
	(5,205)		(5,205)	Non-ringfenced government grants (Note 12)		(4,616)		(4,616)
	(6,753)	(25,087)	(6,753)	Capital grants received in year		(13,800)	(34,378)	(13,800)
		116	56	**(Surplus) or Deficit on Provision of Services**			21,669	22,013
	(14,781)		(14,781)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (see note 14)		(4,257)		(4,257)
	72		72	(Surplus) or deficit on revaluation of investments elected for FVOCI		119		119
	(7,308)		(7,308)	Remeasurements of the net defined benefit liability (See note 30)		(7,875)		(7,875)
		(22,017)	(22,017)	**Other Comprehensive Income and Expenditure**			(12,013)	(12,013)
		(21,901)	(21,961)	**Total Comprehensive Income and Expenditure**			9,656	10,000

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation, or rents, to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. Please see note 6 for the restatement. The restatement of the CI&ES was due to the restructuring of Council and reporting is now carried out at a Directorate level

Movement in Reserves Statement

2018/19	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied Account	Total Usable Reserves (excluding company)	Unusable Reserves (Note 21) (excluding company)	Total Usable Reserves (group)
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2018	(21,465)	(3,548)	(10,071)	(3,634)	(4,071)	(42,789)	(163,240)	(43,133)
Movements in Reserves during 2018/19								
Surplus or deficit on the provision of services	19,705	1,964				21,669		22,013
Other Comprehensive Income & Expenditure							(12,013)	
Total Comprehensive Income & Expenditure	19,705	1,964	0	0	0	21,669	(12,013)	22,013
Adjustments between accounting and funding basis under regulations								
Sources of Finance	4,922	478	7,586	4,640	4,069	21,695	(21,695)	21,695
Sums set-a-side for capital purposes	1,544	6,627				8,171	(8,171)	8,171
Revenue expenditure charged to capital under statute	(11,300)	0				(11,300)	11,300	(11,300)
Removal of items not chargeable to Fund Balances	0							0
- Capital adjustment account	(24,013)	(15,481)	0	(1,500)		(40,994)	40,994	(40,650)
- Capital grants unapplied account	8,141	256			(8,397)	0		0
- Capital receipts reserve (for HRA, see note 5)	(461)	3,861	(3,400)			0		0
- Deferred capital receipts reserve	0		(698)			(698)	698	(698)
- Pensions reserve	(2,491)	(390)				(2,881)	2,881	(2,881)
- Collection fund adjustment account	602					602	(602)	602
- Accumulated absences account	(28)	(4)				(32)	32	(32)
- Derecognition of FVOCI investments	(369)					(369)	369	(369)
Net increase or decrease	(3,748)	(2,689)	3,488	3,140	(4,328)	(4,137)	13,793	(3,793)
Balance at 31st March 2019	(25,213)	(6,237)	(6,583)	(494)	(8,399)	(46,926)	(149,447)	(46,926)

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.

2017/18	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 2017	(19,393)	(6,753)	(11,150)	(1,439)	(433)	(39,168)	(144,960)	(39,421)
Movements in Reserves Total Comprehensive Income & Expenditure	(2,158)	2,274	0	0	0	116	(22,019)	56
Adjustments between accounting and funding basis under regulations								
Sources of Finance	674	2,010	4,252	3,101	431	10,468	(10,468)	10,468
Sums set-a-side for capital purposes	2,458	8,296				10,754	(10,754)	10,754
Revenue expenditure charged to capital under statute	(972)	0				(972)	972	(972)
Removal of items not chargeable to Fund Balances								
- Capital adjustment account	(3,322)	(11,783)		(5,296)		(20,401)	20,401	(20,461)
- Capital grants unapplied account	4,069	0			(4,069)	0		0
- Capital receipts reserve (for HRA, see note 5)	(392)	2,866	(2,474)			0		0
- Deferred capital receipts reserve	0		(699)			(699)	699	(699)
- Pensions reserve	(2,833)	(458)				(3,291)	3,291	(3,291)
- Collection fund adjustment account	404					404	(404)	404
- Accumulated absences account	0	0				0	0	0
Increase or decrease during 2017/18	(2,072)	3,205	1,079	(2,195)	(3,638)	(3,621)	(18,280)	(3,741)
Balance at 31st March 2018	(21,465)	(3,548)	(10,071)	(3,634)	(4,071)	(42,789)	(163,240)	(43,102)

Balance Sheet

ABC	Group			ABC		Group
31 March 2018				31 March 2019		
£'000	*£'000*		*Notes*	*£'000*	*£'000*	*£'000*
409,310	409,310	Property, Plant & Equipment	14	413,672		413,672
2,588	2,588	Heritage Assets	17	2,767		2,767
0	6,205	Investment Property	16	0		26,560
0	0	Intangible Assets		118		118
21,877	21,703	Long Term Investments	22	21,986		21,717
11,247	5,337	Long Term Debtors	22	30,227		2,662
445,022	445,142	**Long Term Assets**			468,770	467,495
26	26	Short Term Investments	22	3,026		3,026
10,035	10,051	Short Term Debtors	24	14,138		15,097
17,687	18,011	Cash and Cash Equivalents	40	14,583		15,292
27,748	28,087	**Current Assets**			31,747	33,415
(37,078)	(37,078)	Short Term Borrowing		(81,383)		(81,383)
(15,532)	(15,679)	Short Term Creditors	25	(19,519)		(19,913)
(874)	(874)	PFI Current Liabilities	29	(933)		(933)
(53,484)	(53,631)	**Current Liabilities**			(101,835)	(102,229)
(1,655)	(1,655)	Long-term Provisions	28	(1,634)		(1,634)
(113,664)	(113,664)	Long Term Borrowing	22	(108,664)		(108,664)
(77,070)	(77,070)	Pension Liability	30	(72,076)		(72,076)
(20,749)	(20,749)	PFI Liability	29	(19,816)		(19,816)
(119)	(119)	Finance Lease Liability	27	(119)		(119)
(213,257)	(213,257)	**Long Term Liabilities**			(202,309)	(202,309)
206,029	206,342	**Net Assets**			196,373	196,372
		Financing (see MiRS)				
(42,789)	(43,102)	Usable Reserves		(46,926)		(46,925)
(163,240)	(163,240)	Unusable Reserves	26	(149,447)		(149,447)
(206,029)	(206,342)				(196,373)	(196,372)

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 Restated 2017/18 £'000	Group 2017/18 £'000		Notes	ABC 2018/19 £'000	Group 2018/19 £'000
116	56	Net (surplus) or deficit on the Provision of services		21,669	22,013
(18,946)	(18,917)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	35	(24,758)	(24,013)
7,069	7,069	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	36	12,336	12,336
(11,761)	(11,792)	Net cash flows from operating activities		9,247	10,336
33,597	35,633	Investing activities	38	32,290	52,616
(32,223)	(34,541)	Financing activities	39	(38,431)	(60,231)
(10,387)	(10,700)	Net movements in year excluding non-cash items		3,106	2,720
7,300	7,311	Cash and cash equivalents at the beginning of the reporting period		17,687	18,011
10,387	10,700	Net increase or (decrease) in cash and cash equivalents		(3,104)	(2,720)
17,687	18,011	Cash and cash equivalents at the end of the reporting period	40	14,583	15,291

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 2018/19 financial year and its position at the year ending 31 March 2019. 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 2018/19' (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) of £5,000 to aid faster closing, transactions below this limit are not accrued for as they are deemed not material to the understanding of these accounts.

3. **Estimation Techniques**

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

4. **Costs of Internal Support Services**

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

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

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

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

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

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

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

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

6. **Charges to Revenue**

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

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

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

External interest payable is debited in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement and amounts set aside from revenue for the repayment of external loans, are charged to the General Fund Balance in the Movement in Reserves Statement.

7. **Revenue Expenditure Funded from Capital Under Statute**

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as Property Plant and Equipment. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and have a direct impact upon Council Tax. These items are generally grants and expenditure on property not owned by the Council.

Such expenditure is charged to Cost of Services in the Comprehensive Income and Expenditure Statement but subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

8. **Government Grants and Contributions**

Grants received are credited to the Comprehensive Income and Expenditure Statement when the income is recognised and, once conditions have been met. Revenue Grants specific to a particular service will be shown against the service expenditure line. General Revenue Grants, in the form of Revenue Support Grant, and Capital Grants are credited and disclosed separately in the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Capital Grants and Capital Contributions will subsequently be transferred through the Movement in Reserves Statement to the Capital Adjustment Account or the Grants Unapplied Account, if expenditure has not been incurred.

If conditions have not been met, grants will be held as a creditor (Grants received in advance) on the Balance Sheet until conditions are met or grants are repaid.

9. **VAT**

VAT is accounted for separately and is not included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature. Input VAT, which is not recoverable from HM Revenue and Customs, will be charged to Service Revenue Accounts, or added to capital expenditure as appropriate. The Council's partial exemption status is reviewed on an annual basis.

10. **Heritage Assets**

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation or where not available, the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts. A de-minimis level has been set at £10,000 for heritage assets based on the method of valuation above.

11. **Assets Held for Sale (Current Assets)**

These assets have been declared surplus to the Council's operational requirements, are being actively marketed for disposal and have an estimated sale date within twelve months of the Balance Sheet date. They are reported on the Balance Sheet, at the lower of the carrying amount or the fair value (market value) of the asset, less the costs to sell the asset. Assets held for sale are not subject to depreciation. Potential 'Right-to-buy' sales are not accounted for until the date of sale, as they are not actively marketed in any conventional way.

12. **Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will benefit the Council for more than one financial year.

An intangible asset is initially measured at cost but will be revalued where the fair value of the asset differs significantly from its carrying value. The depreciable amount is amortised over its useful economic life to the relevant service line in the Comprehensive Income and Expenditure Statement, but subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

13. **Investment Assets**

These assets are held solely to earn rentals and/or capital appreciation. The property cannot be used for any other purpose to be classed as an investment asset.

They are held initially at cost and subsequently at fair value, being the price that would be received to sell such an asset.

Properties are not depreciated but are revalued annually according to market conditions at the year-end.

14. **Property, plant and equipment**

14.1. **Recognition**

All expenditure on the acquisition, creation, or enhancement of these assets is capitalised on an accruals basis. These assets are depreciated on a straight-line basis.

14.2. **Recognition Definition**

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
The category is split into seven 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 line in the Comprehensive Income and Expenditure Statement.

14.13. **Gains or Losses on Disposal of Property Plant and Equipment**

When an asset is disposed of or de-commissioned, the carrying value of the asset and any receipts from the sale, together with the costs of disposal, are shown on the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement which, therefore, bears a net gain or loss on disposal. Where the receipt is in excess of £10,000, it is appropriated to the Capital Receipts Reserve, via the Movement in Reserves Statement, where it can be used for any approved capital purpose, e.g. for new capital investment. The carrying value of the disposed asset is appropriated to the Capital Adjustment Account from the Movement on Reserves Statement. Costs of disposal are accounted for within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

15. **Leases**

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

15.1. **Finance Leases**

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

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

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

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

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

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

15.2. **Operating Leases**

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

16. **Current Assets and Liabilities**

16.1. **Short term Debtors and Creditors**

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

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

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

17. **Contingent Assets and Contingent Liabilities**

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

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

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

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

19. **Reserves**

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

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

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

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

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

20. **Employee Benefits**

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

20.1. **Benefits payable during employment**

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

Where considered of a material nature these are accrued.

20.2. **Termination benefits including Exit Packages**

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

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

20.3. **Post-employment benefits**

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

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price;
  - Property – market value.
- The change in net pensions liability is analysed into five components:
  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributable Costs.
  - Net interest on the net defined benefit liability (asset) – the change during the period in the net liability (asset) that arises from the passage of time. This is debited/ (credited) to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributable Costs.
  - Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated - debited to the Comprehensive Income and Expenditure Statement.

Under IAS 19, the Council recognises as an asset or liability, the surplus/deficit in pension costs calculated in accordance with the standard. This surplus/deficit is the excess/shortfall of the value of assets when compared to the present value of the pension liabilities. Where the contributions paid into the Pension Fund do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any

such mismatch is to be dealt with by an equivalent appropriation to or from the Pension Reserve together with any actuarial gains/losses. The difference between the recognised net pension liability and the amounts attributed to this Council in Kent County Pension Fund are shown in the Balance Sheet as Pensions Liability and this is offset by the Pensions Reserve (an adverse balance).

The Local Government Pension Scheme, applicable to this Council, is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets over the average future working life of its employees.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Pension Fund was at 31 March 2016 and changes to contribution rates as a result of that valuation took effect on 1 April 2017.

21. **Financial Instruments**

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

Detailed disclosure of the Council's holding of Financial Instruments is included in Note 22 on page 53.

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 line in the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed in the Movement in Reserves Statement by a transfer to or from Unusable Reserves (Financial Instruments Adjustment Account).

21.2. **Financial Assets**

Financial assets are classified 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 line 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 line 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.

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 line 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. **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement for interest receivable, are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (where specific) or to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

21.4. **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 59.

These disclosure requirements are equally applicable to outstanding debtors, see Note 24 on page 63 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 an accounting change required by these 'new' standards. This requirement applies to those standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2019 for 2018/19) but cannot be quantified and are not believed to have a material impact on the Statement of Accounts.

The following apply to these Financial Statements:

- Amendments to IAS 40 Investment property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council has set budgets and its medium-term financial plans on the basis of central funding already announced by the Government. If these were to change in the near future, it may well arise that an adjustment in local services will be required, to enable the Council to continue as a 'going concern'.
- From April 2013, changes in the accounting for business rates mean that the Council is at risk if income is lower than the threshold set by government. In particular, this will be affected by the level of successful appeals by ratepayers against their rateable value, last determined by the Valuation Office Agency with effect from 2017. The Council's budget takes into account the possible effect of these changes but, if these exceed estimates made, the Council will need to make future provision.
- The Council is a guarantor for the Pension Liabilities of Ashford Leisure Trust. In the event that the Trust fails to meet its obligations to the Fund, the Council will be called upon to cover these liabilities. As at the 31 March 2018 these liabilities, calculated under FRS 102 amounted to £1.6m, the trust remains a going concern and is not one and the same as the actual liability if the guarantee was to be called on. Current actuarial valuation of the fund suggests no payment would be required. The next triennial valuation is to be undertaken March 2019.
- The Council has an interest in two subsidiary companies. Following an assessment, the Council consolidated A Better Choice for Property Ltd. (and is subsidiary) based on materiality. A Better Choice for Building

Consultancy ceased to trade on 6 November 2017 and for 2018/19 only incurred holding costs which are not material for consolidation. It is intended that A Better Choice for Building Consultancy Ltd, will be formally de-registered with Companies House in December 2019.

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

The items in the Authority's Balance Sheet at 31 March 2019, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements, relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.1% change in the discount rate (the iBoxx Corporate Bond Index) would result in a change in the liability of £3.2m. A 1 year change in the mortality assumption would result in a £6.4m 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 28%. (2) there is not yet sufficient evidence to calculate the 2017 valuation list, therefore all Kent authorities have	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
	used 2.7% of Net Rates Payable.	
Recovery of Benefit over-payments	These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.	Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts, write-offs of uncollected debt will have to be met from future budgets.
Property valuations	The valuers have made a number of assumptions when valuing the Council's properties, based on current market conditions.	If the valuations were made under different assumptions, there could be significant changes in the accounts
Impairment Allowance for Bad Debts	The Council has impairment allowances for bad debts totalling £2,888,000 approximately 25% of the value of outstanding debt, compared to £2,272,000 approximately 27% in 2017/18.	Any decline in rates of collection for debt would result in a need to increase the allowance.

5. Expenditure and Funding Analysis

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

2018/19 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	1,187	276	1,463	54	1,517
Director of Finance & Economy	4,089	(2,523)	1,566	22,216	23,782
Director of Law & Governance	2,037	(219)	1,818	1,075	2,893
Director of Place & Space	10,356	(701)	9,655	12,755	22,410
Local Authority Housing (HRA)	(2,688)	(13,460)	(16,148)	15,190	(958)
Non distributed costs	0	2,203	2,203	44	2,247
Net Cost of Service	14,981	(14,424)	557	51,334	51,891
Other Income & Expenditure	(3,022)	(3,604)	(6,626)	(23,596)	(30,222)
(Surplus) or deficit	11,959	(18,028)	(6,069)	27,738	21,669
Opening GF and HR Balance 31 March 2018			(25,013)		
Closing GF and HRA Balance 31 March 2019			(31,082)		

Expenditure and Funding Analysis continued

2017/18 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	1,084	39	1,123	49	1,172
Director of Finance & Economy	4,076	(2,170)	1,906	1,875	3,781
Director of Law & Governance	1,776	(210)	1,566	415	1,981
Director of Place & Space	9,225	(2,665)	6,560	2,853	9,413
Local Authority Housing (HRA)	3,206	(18,994)	(15,788)	15,913	125
Non distributed costs	0	2,164	2,164	90	2,254
Net Cost of Service	19,367	(21,836)	(2,469)	21,195	18,726
Other Income & Expenditure	4	3,599	3,602	(22,212)	(18,610)
(Surplus) or deficit	19,371	(18,238)	1,133	(1,017)	116
Opening GF and HR Balance 31 March 2017			(26,146)		
Closing GF and HRA Balance 31 March 2018			(25,013)		

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

2018/19	Depreciation/ impairment reported at Directorate level *£'000*	Other adjustments in relation to management reporting *£'000*	Total to arrive at the amount charged to the GF and HRA *£'000*	Adjustments for capital purposes *£'000*	Net change for the Pension Adjustment *£'000*	Other differences *£'000*	Total Adjustment between funding and accounting basis *£'000*
Chief Executive	0	276	276	0	54	0	54
Director of Finance & Economy	(764)	(1,759)	(2,523)	21,932	284	0	22,216
Director of Law & Governance	(88)	(131)	(219)	855	220	0	1,075
Director of Place & Space	(1,056)	355	(701)	12,523	232	0	12,755
Local Authority Housing (HRA)	(5,587)	(10,561)	(16,148)	15,062	128	0	15,190
Non distributed costs	0	2,203	2,203	0	44	0	44
Net Cost of Service	(7,495)	(9,617)	(17,112)	50,372	962	0	51,334
Other Income & Expenditure	0	(3,972)	(3,972)	(24,948)	1,919	(570)	(23,599)
Total	(7,495)	(13,589)	(21,084)	25,424	2,881	(570)	27,735

Note to the Expenditure and Funding Analysis continued

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

7. Expenditure and Income Analysed by Nature

2017/18		2018/19		
Totals per CI&ES		Totals per Resources Allocations	Adjustments per Acounting Code	Totals per CI&ES
£'000		*£'000*	*£'000*	*£'000*
(42,043)	Fees, charges and other service income	(15,674)	(28,694)	(44,368)
(38,073)	Grants	(37,328)	0	(37,328)
(80,116)	**Total Income**	(53,002)	(28,694)	(81,696)
20,099	Employees	17,594	5,976	23,570
9,190	Premises	6,171	4,581	10,752
52,048	Supplies and Services	48,469	2,137	50,606
718	Transport	677	0	677
(11,868)	Recharged from other accounts	(13,914)	613	(13,301)
11,017	Recharged to other accounts	10,519	331	10,850
17,632	Capital Charges	2,133	48,295	50,428
5	Transfers To/From Reserves	5	0	5
98,841	**Total Expenditure**	71,654	61,933	133,587
18,725	**Cost of Services**	18,652	33,239	51,891
1,684	Parish Council Precepts & Levies	255	1,614	1,869
486	Payments to housing capital receipts pool	0	486	486
(1,655)	Gain or loss on disposal of non-current assets	0	(1,984)	(1,984)
4,942	Interest payable and similar charges	(686)	5,998	5,312
2,144	Pension interest cost and expected return on pensions assets	0	1,919	1,919
(1,123)	Interest receivable and similar income	(3,446)	0	(3,446)
(8,930)	Council Tax income	(7,226)	(1,614)	(8,840)
(4,199)	Non-domestic rates	(7,122)	0	(7,122)
(5,205)	Non-ringfenced government grants	(4,616)	0	(4,616)
(6,753)	Capital grants and contributions	0	(13,800)	(13,800)
116	**(Surplus) or Deficit on Provision of Services**	(4,189)	25,858	21,669
0	Transfer to/from reserves	4,581	(4,581)	0
(22,017)	**Other Comprehensive Income and Expenditure**	0	(12,013)	(12,013)
	Totals of Resources Allocations and Code adjustments	392	9,264	
(21,901)	**Total Comprehensive Income and Expenditure**			9,656

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:

2017/18 *£'000*		2018/19 *£'000*
342	Allowances	356
12	Expenses	12
354		368

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 2018/19

2018/19		Pay & expenses *	Benefits in kind	Total	Pension contri-butions	Total remun-eration
		£'000	*£'000*	*£'000*	*£'000*	*£'000*
Chief Executive		120		120	17	137
Corporate Director (Finance & Economy)	+	88		88	12	100
Corporate Director (Law & Governance)	+	95	7	102	13	115
Corporate Director (Place & Space)		48	6	54	1	55
Head of Corporate Property & Projects		71		71	10	81
Head of Health, Parking & Community Safety		71		71	10	81
Head of Finance (Interim)		65		65	9	74
Head of Housing		71		71	10	81
Head of Planning & Development		74		74	10	84
Head of Corporate Policy,Economic Development & Communications		67		67	9	76
Head of Legal & Democracy		71		71	10	81
Head of Environmental & Land Management		71		71	10	81
Head of HR & Customer Services		71		71	10	81
Head of Cultural Services		68	8	76	10	86
		1,051	21	1,072	141	1,213

+ Officers that also fulfil statutory roles.

Senior Employee Remuneration 2017/18 comparators

2017/18		Pay & expenses *	Benefits in kind	Total	Pension contri-butions	Total remun-eration
		£'000	*£'000*	*£'000*	*£'000*	*£'000*
Chief Executive		112		112	15	127
Corporate Director (Finance & Economy)	+	80		80	11	91
Corporate Director (Law & Governance)	+	90	6	96	13	109
Corporate Director (Place & Space)		97	6	103	14	117
Deputy Chief Executive		58	4	62	0	62
Head of Corporate Property & Projects		70		70	10	80
Head of Health, Parking & Community Safety		70		70	10	80
Head of Finance (Interim)		62		62	8	70
Head of Housing		68		68	9	77
Head of Planning & Development	**	26		26	3	29
Head of Corporate Policy,Economic Development & Communications	**	26		26	4	30
Head of Legal & Democracy	**	25		25	3	28
Head of Environmental & Land Management		65		65	9	74
Head of HR & Customer Services		66		66	9	75
Head of Cultural Services		63	6	69	9	78
		978	22	1,000	127	1,127

Where an officer is entitled to a lease car, they may instead take a 'cash alternative'. Where this is the case the cash alternative is shown under 'Salary', but where a lease car is taken, the taxable benefit is shown under 'Benefits in Kind'. The taxable benefit is not the same value as the subsidy paid by the Council to the employee.
** Part year appointment: not previously employed within the Council.
+ Officers that also fulfil statutory roles.

Other Employee Remuneration by Band

2017/18 *nos*	Remuneration bands	2018/19 *nos*
15	£50,000 - £54,999	18
3	£55,000 - £59,999	6
7	£60,000 - £64,999	8 *
1	£65,000 - £69,999	0
26		32

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

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

10. Termination Benefits

The Authority terminated the contracts of six employees in 2018/19 incurring liabilities of £90,158 (£74,520 in 2017/18).

2017/18			2018/19	
Voluntary	Compulsory	Exit package cost band (including special payments)	Voluntary	Compulsory
nos	*nos*		*nos*	*nos*
3	3	£0 - £19,999	3	2
		£20,000 - £39,999		
		£40,000 - £59,999	1	
3	3	Total number included in bandings and in CIES	4	2

11. External Audit Costs

In 2018/19, Ashford Borough Council paid the following fees relating to external audit and inspection:

2017/18		2018/19
£'000		*£'000*
60	Fees payable with regard to external Audit services carried out by the appointed Auditor for the year	46
10	Fees payable for the certification of grant claims and returns	18
70		64

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.

2017/18			2018/19	
£'000	*£'000*		*£'000*	*£'000*
		Credited to Cost of Services		
618		MHCLG: Homeless Initiatives including Refugee Project	1,287	
49		MHCLG: Major Sites Planning Grant	113	
135		DWP: Discretionary Housing Payments	143	
658		DWP: Benefit Administration Subsidy	607	
35,016		DWP: Benefits Subsidy	33,949	
30		Home Office: Community Safety	48	
395	36,901	Other government grants	500	36,647
272		KCC: Recycling Credits	272	
47	319	Preceptor Funding For CT Support Scheme	50	322
	37,220	Total credited to Cost of Services		36,969
		Credited to Taxation and Non-specific Grant Income		
		Non-ringfenced government grants:		
711		- Rate Support Grant	298	
1,093		- S31 Grant NNDR	1,663	
3,401		- New Homes Bonus	2,501	
6,753		- Capital grants and contributions	13,800	
	11,958			18,262
	49,178			55,231

13. General Fund Reserves

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

	Balance at 31st March 2018	2018/19		Balance at 31st March 2019
		Transfers In	Transfers Out	
	£'000	*£'000*	*£'000*	*£'000*
General fund general reserves	(2,552)	0	646	(1,906)
Earmarked general fund reserves				
Fund future expenditure	(7,194)	(7,974)	2,930	(12,238)
Provide for the maintenance of an asset	(4,203)	(551)	438	(4,316)
Required by statute reserves	(196)	(16)	53	(159)
Developer contributions	(7,320)	(36)	1,131	(6,225)
	(18,913)	(8,577)	4,552	(22,938)

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

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

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

- Elections reserve
- Economic risk reserve
- Planning appeals
- Section 106 monitoring fee

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 2018/19	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 2018	277,763	96,177	2,743	2,435	1,716	3,661	27,149	411,644	17,344
Additions	6,829	10,188	375	0	0	180	23,601	41,173	31
Revaluation recognised in the Revaluation Reserve	(2,726)	(2,962)	0	0	0	2,829	0	(2,859)	79
Revaluation recognised in the Provision of Services	(6,478)	(23,732)	0	0	0	(1,367)	0	(31,577)	(3)
Derecognition - disposals	(1,913)	(29)	0	0	0	0	0	(1,942)	(257)
Transfer between classes of Assets	6,664	27,898	0	61	0	(59)	(34,564)	0	0
31 March 2019	280,139	107,540	3,118	2,496	1,716	5,244	16,186	416,439	17,194
Accumulated Depreciation and Impairment									
1 April 2018	1	(1,312)	(785)	(8)	(229)	0	0	(2,333)	0
Depreciation charge	(5,573)	(1,652)	(255)	(5)	0	0	0	(7,485)	(344)
Depreciation written out - Revaluation Reserve	5,559	880	0	0	0	3	0	6,442	342
Downward movements recognised in the Revaluation Reserve	0	589	0	0	0	0	0	589	0
Derecognition - disposals	20	0	0	0	0	0	0	20	2
Other movements in Depreciation and Impairment	(6)	9	0	0	0	(3)	0	0	0
31 March 2019	1	(1,486)	(1,040)	(13)	(229)	0	0	(2,767)	0
Net book value									
31 March 2019	280,140	106,054	2,078	2,483	1,487	5,244	16,186	413,672	17,194
31 March 2018	277,764	94,865	1,958	2,427	1,487	3,661	27,149	409,311	17,344

Property, Plant and Equipment continued

Property, Plant & Equipment 2017/18	Council dwellings	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total property, plant & equipment	PFI assets included in Property, plant & equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation									
1 April 2017	259,247	104,263	2,208	2,435	1,716	3,404	9,903	383,176	16,339
Additions	9,882	2,174	204	0	0	443	25,124	37,827	10
Revaluation recognised in the Revaluation Reserve	11,723	(7,748)	0	0	0	(39)	0	3,936	995
Revaluation recognised in the Provision of Services	(9,168)	(2,642)	0	0	0	(147)	0	(11,957)	0
Derecognition - disposals	(1,338)	0	0	0	0	0	0	(1,338)	0
Transfer between classes of Assets	7417	130	331	0	0	0	-7878	0	0
31 March 2018	277,763	96,177	2,743	2,435	1,716	3,661	27,149	411,644	17,344
Accumulated Depreciation and Impairment									
1 April 2017	1	(5,163)	(538)	(4)	(229)	0	0	(5,933)	0
Depreciation charge	(5,296)	(1,573)	(247)	(4)	0	0	0	(7,120)	(327)
Depreciation written out - Revaluation Reserve	5,281	1,675	0	0	0	0	0	6,956	327
Impairment recognised in the Revaluation Reserve	0	3,749	0	0	0	0	0	3,749	0
Derecognition - disposals	15	0	0	0	0	0	0	15	0
31 March 2018	1	(1,312)	(785)	(8)	(229)	0	0	(2,333)	0
Net book value									
31 March 2018	277,764	94,865	1,958	2,427	1,487	3,661	27,149	409,311	17,344
31 March 2017	259,248	99,100	1,670	2,431	1,487	3,404	9,903	377,243	16,339

Surplus Assets

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

Land at Elwick Road has become operational so has transferred to Land and Buildings.

The ex-allotment site at Torrington Road has been revalued to reflect its potential as a development site.

The Council purchased Mecca Bingo Hall and in year transferred to surplus assets until redevelopment plans are finalised, following vacation of the tenant.

At Court Wurtin two flats were purchased, which at present are all non-operational, but with a view to becoming operational in the near future.

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.

2017/18		2018/19
£'000		*£'000*
1,950	Land at Elwick Road	0
0	Land Tilden Gill	1,619
0	Torrington Road Ex-Allotment Site	1,068
778	Commercial Quarter & associated land	800
607	Land at Coneybeare, Torrington Road	607
295	Land at Blinds Groom Lane	295
0	Court Wurtin Flats	330
0	Mecca	524
30	Various other land sites	0
3,660		5,243

Movement of Surplus Assets	1st April	Additions & disposals	Transfer between classes of assets	Revaluation gains/ losses	31st March
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
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.

Depreciation

The useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – the useful life of 50 years (previously used the Major Repairs Allowance as a proxy for depreciation between 25-60 years)
- Other Land and Buildings – the useful life estimated by a qualified valuer between 15-60 years
- Vehicles, Plant, Furniture & Equipment – subject to professional view on life between 5-15 years.
- Infrastructure – the useful life estimated between 15-60 years

15. Revaluation Gains and Impairments

There have been valuation movements of the HRA Dwellings. Please see the HRA supplementary statement, note 7 on page 85.

General Fund land and buildings were revalued as at 31st March 2019. There have been downward revaluations of £1,493,669 recognised through the Revaluation Reserve and downward revaluation movements of £22,102,314 written out through the Consolidated Income and Expenditure Statement.

Assets were valued, using information available at 28 February 2019 based on expected valuations as at 31 March 2019. The valuers have reported that there are no further material changes required. In total 90 assets with a total value of £3.1m where not valued as their individual value is not material.

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 2017/18 £'000		Group Position 2018/19 £'000
6,205	Property Portfolio - (A Better Choice for Property Ltd. and its Subsidiary)	26,560
6,205		26,560

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
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:

2017/18 £'000		2018/19 £'000
1,130	Windmills at Woodchurch & Willesborough	1,175
435	Doctor Wilkes Hall	465
750	Hubert Fountain (Victoria Park)	750
273	Mayor's regalia, including mace and badges	281
0	Queen Marie Statue	96
2,588		2,767

During 2018/19 insurance valuations on the above assets were sought and this resulted in Doctor Wilkes Hall increased in value by £29,000 and the Windmills at Woodchurch and Willesborough increasing by £45,000, and the Mayors Mace and regalia increased by £8,000.

The statue of Queen Marie of Romania that stands in Elwick Plaza has been added this year as a new Heritage asset.

18. Capital Expenditure and Capital Financing

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

2017/18 *£'000*		2018/19 *£'000*
157,276	*Opening Capital Financing Requirement*	174,854
	Capital investment:	
37,827	Property, Plant and Equipment	41,173
0	Intangible Assets	129
972	Revenue Expenditure funded from Capital under Statute	11,300
38,799		52,602
	Sources of Finance:	
(4,252)	Capital Receipts	(7,586)
(2,684)	Government grants and contributions (received in year)	(5,401)
(431)	Government grants and contributions (brought forward)	(4,069)
(3,100)	Major Repairs Reserve	(4,640)
(10,467)		(21,696)
	Sums set aside from revenue	
(6,772)	- Direct revenue contributions	(5,962)
(3,982)	- Minimum revenue provision (MRP)	(2,209)
(10,754)		(8,171)
174,854	*Closing Capital Financing Requirement*	197,589
	Explanation of movements in year	
21,560	Increase in underlying need to borrowing (unsupported by government financial assistance)	24,970
(3,982)	Provision for the repayment of debt	(2,209)
17,578		22,761

19. Capital Receipt

During the year the Council received £4.6m in capital receipts and used £7.5m to fund capital expenditure. At 31 March 2019, the Council had capital receipt reserves of £6.6m of which £6m is set aside for the provision of affordable housing.

2017/18	*Movements in year*	2018/19
£'000		*£'000*
(11,150)	Balance at 1 April	(10,071)
(2,931)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,890)
(69)	Other Capital Receipts not arising from the disposal of a non-current asset	(49)
4,252	Use of the Capital Receipts Reserve to finance new Capital Expenditure	7,586
21	Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	34
486	Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	486
(699)	Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	(698)
19	Capital receipts to treated as revenue income	19
1,079	Movement in year	3,488
(10,071)	Balance at 31 March	(6,583)

20. Capital Grants

During the year the Council received £13.7m in capital grants, including £8m or the provision of Junction 10a. Capital expenditure was funded by £9.4m of grants, the remaining amounts ring-fenced for future earmarked projects. At 31 March 2019, the Council had capital grant reserves of £8.4m.

2017/18		2018/19
£'000		*£'000*
(433)	Balance at 1 April	(4,071)
431	Application of grants to capital financing transferred to the Capital Adjustment Account	4,069
(2,684)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied in year	(5,401)
2,684	Capital grants and contributions applied in year credited to the Comprehensive Income and Expenditure Statement	5,401
(4,069)	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(8,397)
(3,638)	Movement in year	(4,328)
(4,071)	Balance at 31 March	(8,399)

21. Capital Commitments

At 31 March 2019, the Council has an approved capital programme for future years budgeted to cost £53m. The value of capital contractual commitments is:

31-Mar-18		31-Mar-19
£'000		*£'000*
17,907	Elwick Place	4,404
	Housing Revenue Account - Major Projects	
4,121	Danemore Sheltered Housing Redevelopment	45
122	Farrow Court Sheltered Housing Redevelopment	0
0	East Stour Court Demolition	128
4,689	New Build Programme	3,001

22. Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition are summarised below:

	IAS39 31/03/2018	Reclassification	IFRS9 01/04/2018
Financial Assets			
Investments			
Cash and Cash Equivalents	17,687	(17,687)	0
Loans and receivables	3,026	(3,026)	0
Available-for-sale financial assets	18,877	(18,877)	0
Amortised Cost		3,026	3,026
FVOCI		488	488
FVPL		36,076	36,076
Total Investments	39,590	0	39,590
Debtors			
Trade Debtors - Amortsed cost	2,694	0	2,694
Financial assets carried at contract amounts - Amortised cost	11,247	0	11,247
Total Included in Debtors	13,941	0	13,941
Total Financial Assets	**53,531**	**0**	**53,531**
Financial Liabilities			
Borrowings			
Amortised Cost	(150,742)	0	(150,742)
Other Long Term Liabilities			
Amortised cost	(21,623)	0	(21,623)
Creditors			
Amortised cost	(8,645)	0	(8,645)
Total Financial Liabilities	**(181,010)**	**0**	**(181,010)**

FVOCI: fair value through other comprehensive income

FVPL: fair value through profit and loss

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

As a result of the implementation of IFRS9, the annual fair value movement in investments now has to be recognised in year, unless they are elected to be treated through other comprehensive income.

The table below identifies the Council's investments that were previously treated under available for sale financial assets. The investment that has been elected for accounting through other comprehensive income is considered to be a long-term strategic holdings and changes in fair value are not considered to be part of the Council's annual financial performance.

All other Fair Value investments are held as Fair Value through Profit and Loss.

City Financial and M&G Global Dividend Fund show zero balances for 2018/19. These balances reflect the Council's decision to redeem it shares in these funds during the year.

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

	Market Value as at 31/03/2018	(Sale) / Purchase of shares during the year	Gains and (Losses) moved to General Fund Reserve	Change in Market Value during the year recongnised in FVOCI	Market Value as at 31/03/2019	*Investment Interest* *2018/19*	*Investment Interest* *2017/18*
Elected for fair value through FVOCI	£'000	£'000	£'000	£'000	£'000	*£'000*	*£'000*
A Better Choice for Property Ltd.	488	100	0	(315)	273	*0*	*0*
Total	**488**	**100**	**0**	**(315)**	**273**	***0***	***0***

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

	Market Value as at 31/03/2018	(Sale) / Purchase of shares during the year	Gains and (Losses) moved to General Fund Reserve	Change in Market Value during the year recongnised in FVPL	Market Value as at 31/03/2019	*Investment Interest* *2018/19*	*Investment Interest* *2017/18*
Not elected, fair value through profit and loss	£'000	£'000	£'000	£'000	£'000	*£'000*	*£'000*
CCLA Local Authorities' Property Fund	11,208	1,000	0	96	12,304	*(492)*	*(456)*
CCLA Diversified Income Fund**	2,889	0	0	92	2,981	*(97)*	*(39)*
Schroder Income Maximiser Fund	1,034	0	0	(27)	1,007	*(77)*	*(79)*
UBS Multi-Asset Income Fund	972	2,000	0	(43)	2,929	*(126)*	*(38)*
Investec Diversified Income Fund*	0	2,500	0	(8)	2,492	*0*	*0*
City Financial Multi Asset Diversified Fund	932	(905)	(93)	(27)	0	*(15)*	*(25)*
M&G Global Dividend Fund	1,354	(1,460)	462	106	0	*(28)*	*(35)*
Goldman Sachs	52	0	2	(2)	52	*0*	*0*
Payden and Regal	2,990	0	(16)	10	2,984	*(27)*	*(21)*
Total	**21,431**	**3,135**	**355**	**196**	**24,749**	***(863)***	***(693)***

* Investec was purchased on the 28th March 2019 and therefore no dividend was payable in 2018/19.

** The 2017/18 dividend for this fund is reduced as the shares were purchased during 2017/18 and therefore do not represent a full year.

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Financial Instruments

Long-term	Current		Long-term	Current
31 March 2018			31 March 2019	
£'000	*£'000*		*£'000*	*£'000*
		Investments		
18,389	17,687	FVPL	21,713	14,583
3,000	26	Amortised cost		3,026
488	0	FVOCI	273	0
21,877	17,713	Total Investments	21,986	17,609
		Debtors		
11,247	2,694	Amortised cost	30,227	6,313
33,124	**20,407**	**Total assets**	**52,213**	**23,922**
		Borrowings		
(113,664)	(37,078)	Amortised cost	(108,664)	(81,383)
		Other Long-term Liabilities		
(20,749)	(874)	Amortised cost	(19,816)	(933)
		Creditors		
(119)	(8,526)	Financial liabilities	(119)	(7,752)
(134,532)	(46,478)	***Total liabilities***	(128,599)	(90,068)

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 £27,610,789 as at 31 March 2019 (£5,934,876 as at 31 March 2018). These loans are secured against charges on the properties acquired by the Property Company.

2017/18		2018/19
£'000		*£'000*
4,943	Interest payable	5,312
(1,124)	Interest Income	(3,446)
72	Surplus arising from the revaluation of financial assets	119
3,891	Net gains/loss for the year	1,985

Fair Values of Assets and Liabilities

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

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

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

Balance Sheet	Fair Value		Fair Value	Balance Sheet	Fair Value
		Financial assets held at fair value:			
17,070	17,070	Money market funds	1	14,904	14,904
7,181	7,181	Equity funds	1	9,408	9,408
11,208	11,208	Property fund	1	12,304	12,304
488	488	Shares in A Better Choice for Property Ltd.	3	273	273
35,948	35,948	Subtotal where fair value is applicable		36,889	36,889
		Financial assets held at amortised cost:			
3,000	*	Long-term loans to local authorities	2	0	*
3,313	*	Short-term debtors		6,313	*
26	*	Short-term investments		3,026	*
11,247	*	Long-term debtors		30,227	*
53,534				76,455	

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31 March 2018				31 March 2019	
£'000	*£'000*			*£'000*	*£'000*
		Financial Liabilities held at Amortised Cost:			
(113,664)	(134,094)	Long Term loans from PWLB	2	(108,664)	(127,962)
(21,623)	(27,619)	PFI Liabilities	3	(20,749)	(28,624)
(119)	(339)	Lease Payables	3	(119)	(404)
(135,406)	(162,052)	Subtotal where fair value is applicable		(129,532)	(156,990)
(8,526)	*	Short-term creditors		(7,752)	*
(37,078)	*	Short-term borrowing		(81,383)	*
(181,010)				(218,667)	

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

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

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

Long term debtors are carried at amortised cost.

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

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 2018	(113,664)	(37,078)	(119)	(150,861)
Cash flows:				
- Repayment		54,000		54,000
- Proceeds		(93,305)		(93,305)
Non-cash:				
- Reclassification	5,000	(5,000)		0
31 March 2019	(108,664)	(81,383)	(119)	(190,166)

23. Nature and Extent of Risks Arising from Financial Instruments

Risk management in this area is carried out by a central treasury team (supported by specialist external advisors) under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for risk management, has adopted the CIPFA Treasury Management Code of Practice, and has set Treasury Management indicators to control key Financial Instrument risks in accordance with CIPFA's Prudential Code.

The Council's investment portfolio as at 31 March 2019 was as follows:

Credit Risk

Counter party	*Maturity date*	*Amount*	*Credit rating*
		£'000	
Deposit with other local authorities/government			
Blaenau Gwent	27 Oct 2019	3,000	N/a
Deposits/investments with other financial institutions			
Goldman Sachs	Instant	52	AAA
Invesco Money Market Fund	Instant	10,034	AAA
BNP Paribas Money Market Fund	Instant	1,831	AAA
UBS Multi Asset Income Fund	2 Days Notice	2,929	N/A
Investec Diversified Income Fund	2 Days Notice	2,492	N/A
Schroder Income Maximiser Fund	2 Days Notice	1,007	N/A
CCLA Diversified Income Fund	2 Days Notice	2,981	N/A
Payden & Rygel	3 Days Notice	2,987	N/A
CCLA Local Authority Property Fund	Variable	12,304	N/A
A Better Choice for Property Ltd.	Variable	273	N/A

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

The Code requires the Council to estimate the potential maximum exposure to credit risk, based on experience of defaults and collection rates over recent years. However, as the Council has not experienced any defaults on investments, the Council is unable to quantify its exposure with any degree of accuracy.

Credit risk arises from investments, some of the Council's customers commercial rent and trade debtors, excluding Council Tax and Business Rate debts.

The Council has not experienced any losses from default by counterparties in the past in relation to investments. The Council's investments are such that it does not expect any losses by any of its counterparties in relation to investments.

The table below compares the percentage of the Council's investment portfolio that was invested at each credit level at the beginning and at the end of the year.

31 March 2018		31 March 2019
%		%
44	AAA	37
8	AA or Local Authority's	0
47	Unrated pooled Funds	62
1	Unrated Company	1

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

31 March 2018		31 March 2019
£'000		*£'000*
658	Less than 30 days	399
27	31 days to 90 days	79
56	91 days to 364 days	100
441	More than 1 year	492
1,181		1,070
(573)	Impairment allowance	(630)

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 £555,000 and an increase or decrease in variable loan payments of £487,000. 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 £26.5m. 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 which 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 2018			31 March 2019	
£'000	*£'000*		*£'000*	*£'000*
	4,464	Central government bodies		4,251
	(4)	Other Local Authorities		0
		Other entities and individuals:		
1,192		- Housing Tenants	1,524	
(797)	395	*Less* : Impairment Allowance	(959)	565
987		- Local Taxpayers/ratepayers	1,293	
(308)	679	*Less* : Impairment Allowance	(310)	983
6,100		- Other	9,958	
(1,599)	4,501	*Less* : Impairment Allowance	(1,619)	8,339
	10,035	Balance at 31st March		14,138

Movement in Debtors

2017/18		2018/19
£'000		*£'000*
563	Benefit Subsidy owed by government	(747)
1,562	Other amounts owed by government	534
(60)	Amounts owed by housing tenants	332
(373)	Amounts owed by local taxpayers/ratepayers	306
(84)	Movement in payments in advance	500
898	Amounts owed by Sundry Debtors	3,362
21	Change in Impairment Allowance	(184)
2,527	Movement in the year	4,103

25. Creditors

These amounts were due to be paid by the Council at 31 March 2019

31 March 2018		31 March 2019
£'000		*£'000*
(1,312)	Central government bodies	(162)
(2,215)	Other Local Authorities	(3,611)
	Other entities and individuals:	
(970)	- Housing Tenants	(1,129)
(193)	- Local Taxpayers	(157)
(360)	- Business Rate Payers	(263)
(1,363)	- Business Rates Pool/Pilot	(5,489)
(2,312)	- Developer contributions	(2,553)
(6,807)	- Sundry Creditors	(6,155)
(15,532)		(19,519)

Movement in Creditors

2017/18		2018/19
£'000		*£'000*
898	NNDR liability	932
(1,677)	Other amounts owed to government	218
1,476	Amounts owed to Other Local Authorities	(1,396)
(79)	Amounts owed by housing tenants	(159)
(1)	Amounts owed by local taxpayers	36
(1,077)	Amounts owed by Business Rate payers	97
0	Amounts owed to East Kent Cluster (Business Rate Pilot)	(4,126)
327	Change in Developer contributions	(241)
(820)	Amounts owed to Sundry Creditors	652
(953)	Movement in the year	(3,987)

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.
- *Available-for -Sale Financial Instruments Reserve* - Store of gains on revaluation of investments not yet realised through sales.
- *Capital Adjustment Account* - *(see note (b))* Store of capital resources set aside to meet past expenditure.
- *Financial Instruments Adjustment Account* - Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.
- *Deferred Capital Receipts* - Recognises that amounts included in long term Debtors will produce capital receipts in the future.
- *Pensions Reserve* - Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.
- *Collection Fund Adjustment Account* - 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

2018/19

	Revaluation balances			Adjustment accounts					
	Revaluation Reserve *	Available for Sale Financial Instruments	Financial Instrument Revaluation reserve	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	Total Unusable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2018	(84,183)	(1,712)	0	(152,842)	(2,171)	77,070	412	186	(163,240)
Movements in Reserves during the year									
Other comprehensive income & expenditure	(4,257)	0	119			(7,875)			(12,013)
Total comprehensive income & expenditure	(4,257)	0	119	0	0	(7,875)	0	0	(12,013)
Adj between accounting and funding basis				22,427	698	2,881	(601)	32	25,437
Net movement before transfers to other reserves	(4,257)	0	119	22,427	698	(4,994)	(601)	32	13,424
Transfers to/from other Unusable reserves	2,051	1,712	(1,712)	(2,051)	0				0
Transfer to/from useable reserves			369						369
Increase or decrease during the year	(2,206)	1,712	(1,224)	20,376	698	(4,994)	(601)	32	13,793
Balance at 31st March 2019	(86,389)	0	(1,224)	(132,466)	(1,473)	72,076	(189)	218	(149,447)

* Analysed in tables (a) and (b)

Unusable Reserves

2017/18

	Revaluation balances			Adjustment accounts				
	Revaluation Reserve *	Available for Sale Financial Instruments	Capital Adjustment Account *	Deferred Capital Receipts	Pensions Reserve	Collection Fund Adj Acc	Accum -ulated Absences	Total Unusable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2017	(69,916)	(1,784)	(152,479)	(2,870)	81,087	816	186	(144,960)
Movements in Reserves during the year								
Other comprehensive income & expenditure	(14,781)	72			(7,308)			(22,017)
Total comprehensive income & expenditure	(14,781)	72	0	0	(7,308)	0	0	(22,017)
Adj between accounting and funding basis			151	699	3,291	(404)	0	3,737
Net movement before transfers to other reserves	(14,781)	72	151	699	(4,017)	(404)	0	(18,280)
Transfers to/from other Unusable reserves	514		(514)	0				0
Increase or decrease during the year	(14,267)	72	(363)	699	(4,017)	(404)	0	(18,280)
Balance at 31st March 2018	(84,183)	(1,712)	(152,842)	(2,171)	77,070	412	186	(163,240)

* Analysed in tables (a) and (b)

(a) Revaluation Reserve:

2017/18 £'000			2018/19 £'000
	Comprehensive Income and Expenditure Statement		
(4,078)	Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,775	
(10,705)	Depreciation and downward revaluations written out to the Revaluation Reserve	(7,031)	
(14,783)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(4,256)
	Transfers to/from Capital Adjustment Account		
373	Difference between fair value depreciation and historical cost depreciation	1,717	
143	Accumulated gains on assets sold or scrapped	333	
	Amount written off to the Capital Adjustment Account		2,050
(14,267)	Increase or decrease during year		(2,206)

(b) Capital Adjustment Account

2017/18 £'000		2018/19 £'000
(10,468)	Sources of Finance	(21,696)
(10,754)	Sums set-a-side for capital purposes	(8,171)
972	Revenue expenditure met from capital under statute	11,300
20,403	Removal of items not chargeable to Fund Balances	40,993
153	*Total accounting adjustments between funding basis under statute*	22,426
(516)	Adjustment with Revaluation Reserve	(2,050)
(363)	Increase or decrease during year	20,376

27. Leases

Council as a Lessee - Finance Leases

The Council has leased the fourth floor on the Edinburgh Road Car Park. The following balance is included on the balance sheet.

2017/18 £'000		2018/19 £'000
119	Other land & Buildings	119

The Council is committed to making the following payments for this lease, with a remaining life of 40 years.

	Repayment of principal	Service cost	Interest cost	Total lease payment
	£'000	*£'000*	*£'000*	*£'000*
Within 1 year	0	0	16	16
2 - 5 years	0	0	64	64
Later than 5 years	119	4	413	536
	119	4	493	616

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 36 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	105	105	210
Later than 5 years	893	325	1,218
	1,018	452	1,470

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:

2017/18		2018/19
£'000		*£'000*
512	Within 1 year	494
1,638	2 - 5 years	1,492
1,012	Later than 5 years	675
3,162		2,661

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

2017/18		2018/19
£'000		*£'000*
622	Within 1 year	906
1,325	2 - 5 years	2,240
805	Later than 5 years	992
2,752		4,138

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:

2017/18		2018/19
£'000		*£'000*
619	Within 1 year	526
802	2 - 5 years	1,375
817	Later than 5 years	1,453
2,238		3,354

The Council opened its Elwick Place facility in December 2018 which is an entertainment complex featuring a cinema a hotel and several eateries.

2017/18		2018/19
£'000		*£'000*
N/A	Within 1 year	501
N/A	2 - 5 years	2,005
N/A	Later than 5 years	9,633
N/A		12,139

28. Provisions

2017/18 £'000		2018/19 £'000
(1,528)	Business Rates Appeals	(1,491)
(127)	Municipal Mutual Insurance	(143)
(1,655)		(1,634)

The reasons for movement in provisions are:

2017/18 £'000		2018/19 £'000
(1,692)	Additional provision made in year	(70)
1,394	Amounts used in year	91
(298)	Movement in the year	21

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 is for 30 years.

The total value of the contract (assuming an annual inflationary increase of 2.5%) was £140m, which included construction costs of £28m net of a capital contribution by the authority. The contract was benchmarked and reduced to £127m in 2011/12. 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 (undertaken January 2017).

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	1,205	237	933	1,231	3,606
2 - 5 years	4,652	1,164	4,168	4,339	14,323
6 - 10 years	5,796	2,917	4,882	4,070	17,665
11 - 15 years	6,073	2,199	6,638	2,465	17,375
16 - 20 years	3,683	2,158	4,128	466	10,435
	21,409	8,675	20,749	12,571	63,404

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.

2017/18 *£'000*	Local Government Pension Scheme	2018/19 *£'000*
	Comprehensive Income & Expenditure Statement	
	Service cost comprising:	
4,578	- current service cost	4,564
56	- past service costs	0
49	Administration expenses	51
	Financing and Investment Income and Expenditure	
2,144	- net interest expense	1,919
6,827	*Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	6,534
	Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(734)	- return on plan assets (excluding the amount included in net interest expense)	(5,337)
0	- actuarial gains and losses arising on changes in demographic assumptions	(10,261)
(6,574)	- actuarial gains and losses arising on changes in financial assumptions	6,393
(7,308)	*Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	(9,205)
(481)	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	(2,671)
	Movement in Reserves Statement	
(6,827)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(6,534)
	- actual amount charged against the General Fund Balance for pensions in the year:	
3,536	employers' contributions payable to scheme	3,653
(3,291)		(2,881)

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:

2017/18 *£'000*	Local Government Pension Scheme	2018/19 *£'000*
(176,201)	Present value of the defined benefit obligation	(178,516)
102,182	Fair value of plan assets	109,209
(74,019)		(69,307)
(3,051)	Other movements in the liability (asset)	(2,769)
(77,070)	Net liability arising from defined benefit liability	(72,076)

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:

2017/18 *£'000*	Local Government Pension Scheme	2018/19 *£'000*
99,059	Opening fair value of scheme assets	102,182
2,671	Interest income	2,595
	Remeasurement gain/(loss)	
734	- return on plan assets, excluding the amount included in net interest expense	5,337
3,536	Contributions from employer	3,653
819	Contributions from employees into the scheme	854
(4,339)	Benefits paid - funded	(5,124)
(249)	Benefits paid - unfunded	(237)
0	Other remeasurement	0
(49)	Administration expenses	(51)
102,182	Closing fair value of scheme assets	109,209

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

2017/18 £'000	Local Government Pension Scheme	2018/19 £'000
(180,146)	Opening balance at 1st April	(179,252)
(4,578)	Current service cost	(4,564)
(4,815)	Interest cost	(4,514)
(819)	Contributions from scheme participants	(854)
	Remeasurement (gains)/loss	
0	- actuarial gains/losses arising from changes in demographic assumptions	10,261
6,574	- actuarial gains/losses arising from changes in financial assumptions	(7,723)
(56)	Past service cost	0
4,339	Benefits paid - funded	5,124
249	Benefits paid - unfunded	237
0	Experience loss/(gain) on defined benefit obligation	0
(179,252)	Closing balance at 31st March	(181,285)

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

2017/18 £'000				2018/19 £'000
3,386	Cash and cash equivalents	1.7%		1,905
68,185	Equity instruments:	68.6%		74,887
	Bonds			
782	- gilts	0.7%	718	
9,770	- other	9.1%	9,944	10,662
12,848	Property	12.0%		13,117
7,211	Target return portfolio	7.9%		8,638
102,182	Total assets			109,209

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Pension Fund's liabilities were assessed by Barnett Waddingham, an independent firm of actuaries; the last full valuation of the scheme was as at 31 March 2016, the results of this were implemented from April 2017.

The significant assumptions used by the actuary have been:

2017/18		2018/19
	Assumed life expectations from age 65 are:	
	Retiring today	
23.1	- Men	22.0
25.2	- Women	24.0
	Retiring in 20 years	
25.3	- Men	23.7
27.5	- Women	25.8
	Additional assumptions	
	- Members will exchange half of their commutable pension for cash at retirement	
	- Active members will retire one year later than they are first able to do so without reduction	
3.35%	Rate of inflation - Retail price index (RPI)	3.40%
2.35%	Rate of inflation - Consumer price index (CPI)	2.40%
3.85%	Rate of increase in salaries	3.90%
2.35%	Rate of increase in pensions	2.40%
2.55%	Rate for discounting scheme liabilities	2.40%

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.

2017/18			2018/19	
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)		
186,155	172,613	- Present value of total obligation	186,449	173,688
4,451	4,180	- Projected service cost	4,643	4,340
		Rate for discounting scheme liabilities inflation (increase or decrease by 0.1%)		
176,130	182,433	- Present value of total obligation	176,816	183,153
4,208	4,421	- Projected service cost	4,379	4,602
		Rate of increase in salaries (increase or decrease by 0.1%)		
179,599	178,908	- Present value of total obligation	180,318	179,595
4,313	4,313	- Projected service cost	4,489	4,489
		Rate of increase in pensions (increase or decrease by 1%)		
182,089	176,466	- Present value of total obligation	182,787	177,173
4,421	4,207	- Projected service cost	4,601	4,379

The projected pension expense for the year ended 31 March 2020 are:

	Year to 31 Mar 2019
	£'000
Service Cost	4,489
Net Interest on the defined liability (asset)	1,654
Administration Expenses	55
	6,198
Employer contributions	3,417

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 2018/19, 4 forms were not returned, 3 current Councillors and 1 ex-Councillor. There was 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 three group companies, two wholly owned subsidiaries, A Better Choice for Property Limited, which also has a subsidiary, A Better Choice for Property Development Limited, and A Better Choice for Building Consultancy Limited.

There are no significant restrictions on the Council's ability to access or use assets and settle liabilities of the Group.

A Better Choice for Property Limited

The property company has a Facilities Agreement with the Council that enables it to drawdown loans to the value of £100m during the first five years. As at 31

March 2019 the Company has approved drawdown facilities of £72.3m with £27.6m actually drawn down by way of loans which are at market rates.

The Facilities Agreement does not provide liquidity issues for the Council as drawdowns by the Company can be matched against borrowing by the Council.

In terms of security of loans, the Facilities Agreement has certain financial covenants, which must be reported on an annual basis, one covenant being the ratio of all outstanding loans under the facilities agreements to the market value of the properties not exceeding 1:1. On the 31 March 2019 this ratio was 1.05:1 (0.96:1 in 2017/18) and is therefore not in compliance with the financial covenants. This breach of covenant has been reported to the Council with appropriate explanation. This ratio has been breached due to negative fair value movements in assets under construction and costs incurred, such as stamp duty on the La Scierie acquisition which are not reflected in the asset value. The Council has charges on all the properties acquired by the property company that act as security over the loans taken by the Company.

The Council as sole shareholder in the Company and as at 31st March 2019 had acquired 275,001 shares with a nominal value of £1 per share. During 2017/18 the Council approved a further 300,000 shares be released over the next three years in tranches of 100,000 shares per annum to support the growth aspiration of the Company (200,000 are still to be drawn). The Company had equity of £272,000 as at 31 March 2019, this represented a loss of £215,000 on the 31 March 2018 figure.

A Better Choice for Building Consultancy Limited

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

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 9,000 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.

In 2018/19 the Court of Appeal determined that Automated Teller Machines hosted by retailers should not be assessed separately for business rates and refused the Valuation Office Agency leave to appeal to the Supreme Court. The VOA could and did petition the Supreme Court for leave to appeal. Dependent on the outcome the potential subsequent impact on business rates liability refunds could be due to certain business ratepayers.

34. Events after the Balance Sheet Date

There are none.

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

2017/18 *£'000*		2018/19 *£'000*
	Adjustment for items that are operating activities	
(7,120)	Depreciation	(7,485)
(11,957)	Impairment and downward valuations	(31,577)
0	Amortisation	(11)
(19,077)	Items relating to Capital Adjustment Account	(39,073)
	Deferred sale proceeds	
21	Increase/(decrease) in impairment for bad debts	(184)
2,506	(Increase)/decrease in debtors	4,287
753	Increase/(decrease) in creditors	(3,987)
(3,291)	Movement in pension liability	(2,881)
(1,324)	Carrying amount of non-currents and Held for Sale sold or derecognised	(1,921)
(298)	Contributions to/from Provisions	21
1,764	Other non-cash items charged to the net surplus of deficit on the provision of services	18,980
(18,946)	*Total non-cash adjustments of operating activities*	(24,758)

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

2017/18 £'000		2018/19 £'000
	Adjustment for items that are investing and financing activities	
3,000	Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	3,939
4,069	Capital grants and contributions applied	8,397
0	Other items for which cash effects are investing or financing cash flows	0
7,069	*Total non-cash adjustments of investing and financing activities*	12,336

37. Cash Flow Statement - Operating Activities

2017/18 £'000		2018/19 £'000
3,643	Interest paid	3,755
(372)	Interest received	(599)
(693)	Dividend received	(1,272)
2,578		1,884

38. Cash Flow Statement - Investing Activities

2017/18			2018/19	
ABC £'000	Group £'000		ABC £'000	Group £'000
36,122	36,689	Purchase of property, plant and equipment, investment property and intangible assets	41,302	61,628
9,085	9,085	Purchase of short-term and long-term investments	5,600	5,600
(3,000)	(3,000)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,939)	(3,939)
(4,541)	(4,541)	Proceeds from short-term and long-term investments	(2,372)	(2,372)
(4,069)	(4,069)	Other receipts from investing activities	(8,301)	(8,301)
33,597	34,164	*Net cash flows from investing activities*	32,290	52,616

39. Cash Flow Statement - Financing Activities

2017/18			2018/19	
£'000	Group £'000		ABC £'000	Group £'000
(36,039)	(36,039)	Cash receipts of short- and long-term borrowing	(93,305)	(115,105)
816	(1,502)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	874	874
3,000	3,000	Repayments of short- and long-term borrowing	54,000	54,000
(32,223)	(34,541)	*Net cash flows from financing activities*	(38,431)	(60,231)

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

31 March 2018		31 March 2019
£'000		*£'000*
76	Cash held by the Council	76
541	Bank Current Accounts	(397)
17,070	Bank Call Accounts	14,904
17,687	Cash and cash equivalents at the end of the reporting period	14,583

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).

2017/18		2018/19	
£'000		*£'000*	*£'000*
	Expenditure		
3,886	Repairs and maintenance	4,581	
5,383	Supervision and management	5,113	
41	Rents, rates, taxes and other charges	16	
2,121	Special services	2,121	
5,332	Depreciation	5,587	
10,421	Impairment of non-current assets	9,475	
86	Debt management costs	62	
216	Movement in the allowance for bad debts	168	
27,486	*Total Expenditure*		27,123
	Income		
(23,589)	Dwelling rents	(23,925)	
(11)	Non-dwelling rents	(8)	
(906)	Charges for services and facilities	(1,147)	
0	Leaseholder charges for services and facilities	(236)	
(439)	Contributions towards expenditure	(378)	
(1)	Sale of land	0	
(3,000)	PFI Subsidy receivable	(3,000)	
(27,946)	*Total Income*		(28,694)
(460)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(1,571)
585	HRA services' share of Corporate and Democratic Core		613
327	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		331
452	Net Cost for HRA Services		(627)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,541)	Gain or (loss) on sale of HRA non-current assets		(1,942)
	Other capital receipts		
	Payment to Housing Capital Receipts Pool		
3,757	Interest payable and similar charges		3,740
1,331	Interest payable on PFI contracts and Finance Leases		1,282
(13)	Interest and investment income		(16)
298	Net interest on the net defined benefit liability (asset)		261
(2,010)	Capital grants and contributions receivable		(734)
2,274	(Surplus) or deficit for the year on HRA services		1,964

Movement on the HRA Statement

2017/18		2018/19
£'000		*£'000*
(6,753)	Balance on the HRA at the end of the previous year	(3,548)
2,274	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	1,964
931	Adjustments between accounting basis and funding basis under statute	(4,653)
3,205	Net (increase) or decrease before transfers to or from reserves	(2,689)
(3,548)	Balance on the HRA at the end of the current year	(6,237)

Notes to the Housing Revenue Account

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

31 March 2018		31 March 2019
Units	*Dwellings by type*	*Units*
3,393	Houses and bungalows	3,390
1,591	Flats, bedsits and maisonettes	1,617
4,984		5,007
(315)	*Less* properties managed under Stanhope PFI	(312)
4,669		4,695

31 March 2018		31 March 2019
£'000		*£'000*
278,533	Operational assets - dwellings, land and buildings	280,988
3	Non-Operational assets	1,949
4,077	Assets Under Construction	2,863
282,613		285,800

2. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Council's HRA as at 1 April 2018 was £845,894,500 (£792,124,400 as at 1 April 2017). 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.

3. Major Repairs Reserve

2017/18 *£'000*	*Movements in year*	2018/19 *£'000*
(1,439)	Balance at the end of the previous year	(3,634)
(5,295)	Amount transferred to the Reserve during the year	(1,500)
3,100	Debits to the Reserve in respect of capital expenditure on HRA land, houses and other property	4,640
(3,634)	Balance at the end of the financial year	(494)

4. Summary of Capital Expenditure and Financing

2017/18 *£'000*		2018/19 *£'000*
	Capital investment:	
3,296	Expenditure on Existing Dwellings	4,640
1,792	Expenditure on New Stock Purchases	3,562
8,513	Expenditure on new developments (including Assets Under Construcion)	6,982
13,601		15,184
	Sources of Finance:	
(819)	Capital Receipts	(5,314)
(3,100)	Major Repairs Reserve	(4,640)
(2,010)	External Contributions - HCA Grant	(478)
(3,332)	Borrowing	0
(4,340)	Revenue Contribution from the Housing Revenue Account	(4,752)
(13,601)		(15,184)

5. Capital Receipts from Disposal of Assets

2017/18 *£'000*		2018/19 *£'000*
(2,818)	Receipts from Right-to-buy sales	(3,788)
(15)	Receipts from Repayment of Discounts	0
(53)	Receipts from the sale of Housing land	(103)
0	Other non right-to-buy sales	0
(2,886)	Total receipts	(3,891)
21	Costs of disposal	29
(2,865)		(3,862)

6. Depreciation

The Housing Revenue Account for the year includes charges for depreciation of £5,587,000 (2017/18, £5,332,000), as summarised below, the Council calculated depreciation using proper accounting practices.

2017/18		2018/19
£'000		*£'000*
5,296	Council dwellings	5,575
36	PV panels and other assets	12
5,332		5,587

7. 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 a charge to the Housing Revenue Account of £9,475,000 and an increase to the Revaluation Reserve of £4,602,000.

8. Pensions

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when benefits are eventually paid as pensions. However, the charge the Council is required to make against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the Housing Revenue Account Balance. The following transactions have been made in the Income and Expenditure Account and the Statement Movement.

2017/18		2018/19
£'000		*£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
637	- current service cost	619
8	- past service costs	0
7	- administration expenses	7
	Financing and Investment Income and Expenditure	
298	- net interest expense cost	261
950	*Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	887
	Movement in Reserves Statement	
(950)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(887)
	- actual amount charged against the General Fund Balance for pensions in the year:	
492	employers' contributions payable to scheme	497

9. Rent Arrears

During the year 2018/19 arrears totalling £6,400 (£39,000 – 2017/18) 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 2019 was £958,000 (£797,000 at 31 March 2018).

31 March 2018		31 March 2019
£'000		*£'000*
827	Gross arrears	972
(797)	Provision for Bad Debts	(958)

The majority of this debt, amounting to £802,000 is over 26 weeks old and is assumed unrecoverable for accounting purposes, the debt will still be actively pursued.

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund; it shows the transactions in relation to non-domestic rates, including distribution to government; and council tax, illustrating the way this has been distributed to precepting authorities and the General Fund.

2017/18 Business Rates	2017/18 Council Tax		2018/19 Business Rates	2018/19 Council Tax
£'000	*£'000*		*£'000*	*£'000*
		Income		
	(72,354)	- Council Tax		(77,083)
(49,180)		- Business Rates	(51,225)	
		- Transitional Protection Payments		
(49,180)	(72,354)	*Total Income*	(51,225)	(77,083)
		Expenditure		
		Precepts, Demand & Shares		
4,453	52,660	- Kent County Council	28,810	56,537
0	7,020	- Kent Police Authority		7,727
495	3,277	- Kent and Medway Fire Authority	488	3,449
19,793	8,313	- Ashford Borough Council (including Parish Precepts)	19,532	8,809
24,741		- Central Government		
49,482	71,270		48,830	76,522
		Charges to the Collection Fund		
		- Write-Offs of uncollectable amounts	98	
148	(266)	- (Increase)/Decrease in Bad Debt Provisions	336	24
526		- (Increase)/Decrease in Provision for Appeals	(91)	
101		- Disregarded amounts	100	
181		- Costs of Collection Allowance	187	
53		- Transitional Protection Payments	50	
1,009	(266)		680	24
		Contributions		
(2,378)	1,996	- Towards previous year's estimated Collection Fund Surplus/Deficit	(307)	2,000
48,113	73,000	*Total Expenditure*	49,203	78,546
(1,067)	646	Deficit/(Surplus) in Year	(2,022)	1,463
2,867	(2,945)	Balance at 1st April	1,800	(2,299)
1,800	(2,299)	Balance at 31st March	(222)	(836)
		Apportionment of Balance to Preceptors/Borough Council		
162	(1,699)	- Kent County Council	(877)	(626)
	(226)	- Kent Police Authority		(93)
18	(106)	- Kent and Medway Fire Authority	(2)	(38)
720	(268)	- Ashford Borough Council	(89)	(79)
900		- Central Government	746	
1,800	(2,299)		(222)	(836)

Notes to the Collection Fund

1. 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 and for 2018/19 only a Kent wide 100% Business Rates Retention pilot. The total amount for 2018/19 only, less certain reliefs and other deductions, is shared between Ashford Borough Council (40%), Kent County Council (59%) and the Kent Fire and Rescue Authority (1%).

2017/18 *£'000*		2018/19 *£'000*
	Total Non-Domestic Rateable Values at:	
115,779	- 1st April	128,204
128,204	- 31st March	128,066
12,425	Increase/(decrease) in year	(138)

2017/18 *p*		2018/19 *p*
	Uniform rate (multiplier) set by the government:	
46.6	For rateable values below £18,000	48.0
47.9	For rateable values £18,000 and above	49.3

2. Band D Council Tax

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

2017/18 £		2018/19 £
1,178.82	Kent County Council	1,237.68
157.15	Kent Police Authority	169.15
73.35	Kent and Medway Fire Authority	75.51
154.00	Ashford Borough Council	157.50
1,563.32	Council Tax - basic amount	1,639.84
32.1	(including Parish Precepts)	35.34
1,595.42	Council Tax - Borough average	1,675.18

3. Council Tax Base

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

	2017/18			2018/19		
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	8.30	5 /9	4.58	8.00	5 /9	4.44
A	3,517.80	6 /9	2,345.17	4,300.00	6 /9	2,866.67
B	11,061.30	7 /9	8,603.19	11,373.50	7 /9	8,846.06
C	11,705.80	8 /9	10,405.11	12,139.30	8 /9	10,790.44
D	8,334.70	9 /9	8,334.69	8,694.60	9 /9	8,694.60
E	5,958.80	11 /9	7,282.92	6,009.50	11 /9	7,344.94
F	4,973.30	13 /9	7,183.58	5,040.80	13 /9	7,281.08
G	2,936.30	15 /9	4,893.75	2,957.50	15 /9	4,929.17
H	162.30	18 /9	324.50	158.50	18 /9	317.00
Tax Base before Council Tax Support			49,377.50			51,074.41
Less Council Tax Support			(4,368.26)			(4,933.43)
Tax Base after Council Tax Support			45,009.24			46,140.98
Estimated Collection Rate			99.25%			99.00%
Council Tax Base			44,671.67			45,679.57

4. Precepts

2017/18		2018/19
£'000		*£'000*
	Demand	
6,879	- Ashford Borough Council	7,195
1,434	- Parish Precepts	1,614
8,313		8,809

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

2017/18		2018/19
£'000		*£'000*
336	Tenterden Town Council	416
145	Kingsnorth	211
175	Great Chart with Singleton	177
87	Charing	91
88	Wye with Hinxhill	90

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ashford Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 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 2018/19.

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 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting

for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and the information included in the Statement of Accounts at pages 1-8,i.e. the information in the Statement of Accounts other than the Authority and group 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 of the group and Authority 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 this 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 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 the 'Delivering Good Governance in Local Government: Framework (2016)' 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 matter 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 gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement 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 more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, 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 2018/19, 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 group's and the Authority'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 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.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

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 EC2N
4AY

14 August 2019

Glossary

Agency Services – services which are performed for another Authority or public body, where the principal Authority responsible for the service reimburses the agent Authority doing the work for the cost of the work carried out.

Amortised – the deduction of capital expenses over a specific period. Similar to depreciation, it is a method of measuring the consumption of the value of long-term assets like equipment or buildings and intangible assets e.g. software.

Appointed Auditors – external auditors of Local Authorities appointed by the Public Sector Audit Appointments Ltd, previously the Audit Commission, in Ashford's case, Grant Thornton carries out this function.

Budget – a statement defining the Council's 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.

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