

**THANET DISTRICT COUNCIL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2006**

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EXPLANATORY FOREWORD

1. INTRODUCTION

The Council's accounting year 2005/06 ended on the 31 March 2006 and the Accounts were formally closed on the 23 June 2006.

The Accounts and Audit Regulations 2003 require that the Statement of Accounts - signed by the Corporate Director (Responsible Finance Officer) to certify that in her view they present fairly the financial position of the authority and its income and expenditure - receive approval by 30 June 2006.

The Council's role in approving the Statement is to demonstrate their ownership of the Accounts and their confidence in the Responsible Finance Officer and in the process by which she maintains the accounting records and prepares the Statement.

The Council is required to achieve only a broad understanding of the content of the Statement of Accounts, and satisfy itself that it is consistent with other financial information it may have received, and is happy with the answers given on behalf of the Responsible Finance Officer to specific questions.

The notes within the Statement itself are there to help the reader understand the content of the various accounts and balance sheets.

The accounts are 'on deposit' from the 10 July 2006 for 20 working days during which time they are open for public inspection. The District Auditor has set aside the 8 August to hear any matters raised by the public and the audit will commence on the 3 July 2006.

Following the audit the District Auditor is required to attach an opinion statement and issue a letter outlining any significant items that need to be brought to the attention of Members.

2. STATEMENT OF ACCOUNTS – BRIEF EXPLANATIONS

The Statement contains details of the following accounts that the Accounts and Audit Regulations require to be shown separately: -

Consolidated Revenue Account (pages 16-24) – shows the expenditure and income of the General Fund and Housing Revenue Accounts, precepts collected on behalf of parish councils, transfers to and from Reserves and Central Government support through Revenue Support Grant and shares of the Non Domestic Rate (NDR) pool.

Housing Revenue Account (pages 25-29) - shows separately income and expenditure on managing, maintaining and providing the council's housing stock.

Consolidated Balance Sheet (pages 30-39) - represents the financial health of the Council as at 31 March 2006.

Statement of Capital Expenditure and Financing (pages 40-42) – details the capital expenditure that took place during the year and how it was financed.

Statement of Total Movement in Reserves (pages 43-46) – this brings together all the recognised gains and losses of the Authority during the period. The statement also separates the movements between revenue and capital reserves.

Cash Flow Statement (pages 47-49) - shows the cash movements for the year.

Collection Fund Account (pages 50-52) - shows income from Business Rates and Council Tax and Precepts paid to the Kent County Council, the Kent Police Authority, Kent Fire and Rescue and Thanet District Council.

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Statement of Internal Control (pages 53-74) – explains the Internal Control Environment at Thanet District Council.

Glossary of Terms (pages 75-80) – explains terms used within the Statement.

1. FINANCIAL SUMMARY

General Fund

The Council's budget strategy in recent years has been to achieve and maintain a balanced budget and to hold a prudent level of reserves. This was once again achieved in 2005/06 with an original net budget of £19,322,000. The revised budget was increased to £19,422,000 following an anticipation of an additional £100,000 from the Local Authority Business Growth Incentive Scheme.

The final position, after the following adjustments for the year ended 31 March 2006 was an outturn of £19,330,000 some £140,000 under the revised budget after adjustment for additional Local Authority Business Growth Incentive Scheme, £48,000 (£548,000 against a revised budget of £500,000) and the budgeted withdrawal of £215,520 from earmarked reserves. The overall reduction was due to a number of variances throughout the budget but key variances include additional income, savings on administration costs, receipt of grant to fund expenditure in 2006/07 and expenditure which will now occur in 2006/07. To comply with FRS15 Subsequent Expenditure, capitalised expenditure of £285,000 was reclassified as revenue expenditure.

Due to the overall reduction in net expenditure, the following adjustments have been made. £1,164,985 will be used to fund expenditure planned for 2005/06, £165,000 for the introduction of the corporate document imaging programme, £30,000 for the Thanet Manager Scheme, £100,000 to fund projects to assist with facilitating improved performance or achievement of the Council's priorities, £25,000 for further office accommodation works, £25,000 for memorial safety works, and £275,000 to help bolster capital reserves. Finally £285,565 in relation to Car Parking Decriminalisation surplus will be carried forward to fund expenditure relating to car parking and highways related matters. These adjustments are reflected in the reported net outturn.

A total of £140,000 was transferred to the General Fund Balance from the Consolidated Revenue Account. The General Fund Balance as at 31 March 2006 is £4,388,000. The movements on all reserves and an explanation of each are shown in note 14 on page 37.

The net cost of Housing and Council Tax Benefit is included within General Fund Housing and Central Services to the Public. The net cost, including administration, was £832,491 which was £40,465 more than the revised estimate. This includes an adjustment relating to the 2004/05 housing benefit subsidy claim which decreased income by £34,824 and does not include expenditure on DIP and Workflow systems.

The notes to the Consolidated Revenue Account on pages 17 - 24 give additional information supporting the Account.

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Housing Revenue Account

The Housing Revenue Account (HRA) is shown in more detail on page 25 and the notes on pages 26 to 29 give information regarding numbers and types of dwellings, rent arrears and housing repairs etc.

There was a surplus of Housing Revenue Account income over expenditure of £1,125,933 in 2005/06, which compares with a revised budget surplus of £85,310. The additional surplus is largely a result of additional Housing Subsidy grant relating to both 2004/05 and 2005/06 of £639,229, additional interest earned on Housing Revenue Account balances of £85,310, an unspent budget provision of £80,000 which was allowed for in the accounts to ensure the General Fund was not disadvantaged financially by administering the Housing Revenue Account Rent Rebates, identified expenditure of £111,180 that will be incurred in 2006/07, and a reduction of central support charges of £153,211 which represents savings in officer time and costs charged to the Housing Revenue Account. The balance on the HRA at 31 March 2006 was £2,902,975.

Capital Expenditure

Total expenditure on capital items, including grants and loans, amounted to £17,248,292, of which £7,026,226 was met by capital grants, £135,587 from revenue resources, £2,321,921 from capital receipts, £2,502,495 from the major repairs reserve and £5,262,063 from borrowing.

Capital funding has been utilised to carry out a number of schemes in 2005/06 including the award of Disabled Facilities Grants and the promotion of Economic Development. In addition the Council replaced the heating system at the Council Offices and purchased vehicles to assist the delivery of the refuse and street cleaning service that will be run in-house from 1 April 2006.

Further detail can be found in the Statement of Capital Expenditure and Financing on pages 40 to 42.

Compliance with FRS15 has resulted in expenditure of £285,000 being reclassified as revenue expenditure.

During 2005/06 a number of fixed tangible assets have been reclassified in accordance with the guidance issued, for further information see Note 1 to the Consolidated Balance Sheet on page 31. The change has had the following effects on the current period:

| | Original | Restated |
|------------------------|-----------------|-----------------|
| | £'000s | £'000s |
| Council Dwellings | 181,553 | 181,553 |
| Other Land & Buildings | 32,565 | 33,910 |
| Community Assets | - | - |
| Investment Properties | 27,352 | 26,007 |

In March 2006, Thanet District Council (TDC) entered into an agreement with the South East England Development Agency (SEEDA) to purchase the old Margate Marks and Spencer site, along with two areas of land, to facilitate regeneration in Margate by opening up a key area to increase connectivity between areas of the new and old towns. The purchase was completed on 30 March 2006. Thanet District Council agreed to purchase the sites using SEEDA grant whilst

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contributing various holding and running costs for the forthcoming period. The plans for the project, still currently being developed, are to enter into a joint venture with SEEDA, demolish the current building, and rebuild a new development consisting of retail, office space and residential, whilst creating walkways connecting Cecil Square, the High Street and the Old Town areas. At the time of publication of the Statement of Accounts, details are still to be finalised and so we have only been able to account for the assets as they are in use currently. Should no agreement be reached between the Council and SEEDA, the Council has to repay the grant to SEEDA and would probably need to sell the site to finance this.

Further details of the assets acquired and reclassified can be found in Note 1 to the Balance Sheet on page 31.

In line with FRS10 Goodwill and Intangible Assets, intangible fixed assets have been capitalised at cost and written down in the year that they occur.

The Council's weighted borrowing for 2005/06 was £23,147,334 (£23,185,911 in 2004/05).

4. NEW LEGISLATION

Local Authorities with interests in subsidiaries, associates and joint ventures are now required under the 2005 SORP to prepare Group Accounts in addition to their financial statements. In determining whether it is necessary to publish Group Accounts a local authority should consider their interests in all types of organisations. Thanet District Council has considered their relationships with organisations and concluded Group Accounts are not required.

The Council does however have a number of significant relationships with outside organisations. Those organisations and the Council's interest in the companies are outlined below:

- East Kent Spatial Development, a company limited by guarantee is responsible for promoting economic and environmental wellbeing within the districts of Thanet and Dover. In particular the company is responsible for undertaking and procuring the provision of infrastructure works and the provision and promotion of economic development and support activities. Under the Articles of Association the Council has a right to appoint a Director onto the Board.
- Thanet Community Development Trust is a company limited by Guarantee set up to promote and advance urban and rural regeneration within the Isle of Thanet. The Council has the right to nominate one elected Member to sit on the management committee with 7 other members.
- Thanet Leisure Force was set up under the Industrial and Provident Societies Acts 1965 – 1978. The aim of this company is to maintain and manage leisure centres and associated leisure facilities open to the public. Two out of the 11 Members sitting on the Management Committee are appointed by the Council.

The 'Euro'

The adaptation of operational and information systems to accommodate the 'Euro' will be required as it becomes established as a major currency and as the possible date for British participation in EMU is identified.

The contracts for the replacement of the Council's income and cash receipting and Financial Information systems, including those at Ramsgate Harbour, includes an undertaking from the supplier that the software will accommodate a Single European Currency. Similarly the

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programme for the replacement of car parking pay and display machines will take account of the 'Euro' requirements.

Due to the ongoing uncertainty surrounding the issue, no detailed work has yet been undertaken to identify the costs likely to be incurred. Consequently no provision other than these two immediate areas has been established to cover future costs arising from the introduction of the Single European Currency.

5. APPROVAL

In accordance with Regulation 11 of the Accounts and Audit Regulations 2003, the Governance and Audit Committee approved the 2005/06 Financial Statement on 29 June 2006.

Signed :

Date: 29 June 2006

Chair of the Governance and Audit Committee

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Both the Council and the Corporate Director (s151 Officer) (the Responsible Finance Officer) have certain responsibilities in respect of the Statement of Accounts.

The Authority's Responsibilities

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; and
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

In this Authority, the Responsible Officer is the Corporate Director (Section 151 Officer).

Corporate Director (Section 151 Officer) Responsibilities

The Corporate Director (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year.

In preparing this statement of accounts, the Corporate Director (Section 151 Officer) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities; and
- gained appropriate assurance over the accuracy of the statement of accounts prior to approval.

The Statement of Accounts presents fairly the financial position of Thanet District Council as at 31 March 2006 and its income and expenditure for the year ended on that date.

Jennifer Seeley CPFA
Corporate Director (Section 151 Officer)

Date: 22/06/06

INDEPENDENT AUDITOR'S REPORT

OPINION ON THE FINANCIAL STATEMENTS

I have audited the financial statements of Thanet District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Thanet District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER AND AUDITORS

The Chief Finance Officer responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

INDEPENDENT AUDITOR'S REPORT

CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

AUTHORITY'S RESPONSIBILITIES

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

AUDITOR'S RESPONSIBILITIES

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me/us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

CONCLUSION

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Thanet District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except for the failure to put in place arrangements to manage its significant business risks and those that are designed to promote and ensure probity and propriety in the conduct of its business.

BEST VALUE PERFORMANCE PLAN

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 in September 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Lindsey Mallors
Audit Commission
First Floor
16 South Park
Sevenoaks
Kent
TN13 1AN
Date: 28 September 2006

STATEMENT OF ACCOUNTING POLICIES

GENERAL

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs and FRSs).

The qualitative characteristics, fundamental accounting principles, concepts and estimation techniques upon which the accounts have been prepared are set out below:

QUALITATIVE CHARACTERISTICS OF FINANCIAL INFORMATION

1. Relevance

In accordance with FRS18, Accounting Policies, all information about the Authority's financial performance which is useful for assessing the stewardship of public funds and making economic decisions is disclosed within the accounts.

2. Reliability

The accounts represent fairly the substance of transactions which have taken place. The accounts are free from material error, complete within the bounds of materiality and have been prudently prepared.

3. Comparability

Comparative figures have been included to allow performance to be compared with a prior period.

4. Understandability

In accordance with FRS18, the accounts have been prepared in such a way to aid the understanding of the reader. We do, however, recognise the complexities contained within the Statement of Accounts. The Statements are prepared in accordance with accounting concepts, treatments and terminology that require reasonable knowledge of accounting and local government if they are to be properly understood. Summarised Accounts for 2005/06 will be published in Thanet Matters later in the year.

5. Materiality

Strict compliance with the Code of Practice on Local Authority Accounting in the United Kingdom, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the Authority and to the understanding of the Statement of Accounts by a reader.

ACCOUNTING CONCEPTS

1. Accruals

The Accounts, other than cash flow information, have been prepared on an accruals basis. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

STATEMENT OF ACCOUNTING POLICIES

2. Going Concern

The accounts have been prepared on a going concern basis, on the assumption that the Authority will continue in operational existence for the foreseeable future. This means in particular that the Consolidated Revenue Account and Balance Sheet assume no intention to curtail significantly the scale of the operation.

3. Primacy of Legislation

Local Authorities derive their power from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. Where there is a clash between a legal requirement and an accounting standard, the legal requirement has taken precedence over the accounting standard.

ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

An accounting policy specifies the basis on which an item is to be measured. Where there is uncertainty over the monetary amount corresponding to that basis the amount will be arrived at using an estimation technique.

1. Support Services

All costs of management and administration have been fully allocated during the year on the following bases:-

| | | |
|-------------|---|---------------------------|
| Departments | - | Time spent by staff |
| Buildings | - | Area occupied |
| Computing | - | Actual use and PC numbers |

The computerised Resource Management System (time recording and cost allocation software) allows management and administration to charge services on a weekly basis.

2. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Compliance with FRS15 Subsequent Expenditure, has resulted in £285,000 being reclassified as revenue expenditure.

All operational or non-operational assets have been included in the balance sheet based upon the valuations issued and certified by the Council's Principal Estates Surveyor, who has taken expert advice, where necessary, on specialised assets such as the Ramsgate Harbour and Port. Additions and disposals throughout 2005/06 have been adjusted for accordingly. Infrastructure has been included at historical cost outstanding whilst Community Assets have been included at a nominal value of £1 per asset.

At the beginning of the year Council dwellings had been valued using a discounted open market value (£173.330m) whilst other assets had been valued using open market value (£45.414m), depreciated replacement cost (£8.658m), profit methodology (£0.268m) and actual cost (£14.825m).

Surpluses or losses arising from any revaluation of assets are credited or debited to the Fixed Asset Restatement Account. Revaluations of fixed assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of the Authority's assets annually. Council Dwellings are revalued annually using the Beacon principle. Material changes to asset valuations will be adjusted in the interim period, as they occur.

The value at which each category of asset is included in the balance sheet is reviewed

STATEMENT OF ACCOUNTING POLICIES

annually, and where there is reason to believe that its value has changed materially during the accounting period (impairment), the valuation has been adjusted accordingly. Where an impairment loss on a fixed asset has occurred as a result of a clear consumption of economic benefits (e.g. through physical damage or deterioration), the loss is recognised in the Asset Management Revenue Account and the service revenue account. Other impairments (e.g. reflecting a general fall in prices) are recognised in the Fixed Asset Restatement Account.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans or paid to the Housing Capital Receipt Pool, and has not been used to finance capital expenditure, is included in the balance sheet as usable capital receipts.

3. Intangible Fixed Assets.

In line with FRS10, Goodwill and Intangible Assets, purchased intangible fixed assets have been capitalised at cost. An intangible fixed asset is one that has no physical substance but is identifiable and the Authority has control (either through custody or legal protection) over the future economic benefits. Council policy is to write down intangible assets in the year that they occur. The full cost is charged to the relevant service in the Consolidated Revenue Account but then reversed out through the Appropriation Section to ensure that there is no effect on the revenue accounts as a whole.

4. Depreciation

With the exception of Investment Properties and Land, assets are depreciated on a straight line basis over their useful economic life as follows:

| | |
|-------------------|--|
| Council Dwellings | Up to 80 years |
| Infrastructure | Up to 40 years |
| Other Buildings | Specifically determined by Estates Officer |
| Vehicles | Up to 12 years |
| Plant | Up to 10 years |

Newly acquired assets and revalued assets are depreciated in the year following acquisition or revaluation unless the change in depreciation charge is considered material. Assets in the course of construction are depreciated when they are brought into use.

5. Capital Charges

Capital charges equate to depreciation plus a notional rate of interest (determined by Central Government) applied to the asset's valuation or, in the case of infrastructure assets, to the outstanding historical cost. The notional rates of interest used for 2005/06 are 3.5% for those operational fixed assets included in the balance sheet at current value and 4.95% for infrastructure assets, plant and equipment included in the balance sheet at historical cost. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges charged to services.

Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

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Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

6. Capital Accounting

The revenue accounts of the Authority are charged a capital charge for all fixed assets used in the delivery of services and the Balance Sheet includes fixed assets at current value.

The actual capital financing costs (debt charges) are met by the Asset Management Revenue Account and the Revenue Appropriation Account, both of which are disclosed separately in the Consolidated Revenue Account. The capital charge charged to services are credited to the Asset Management Revenue Account so that the net charge to revenue is the true cost of debt.

7. Deferred Charges

These occur when payments do not create a tangible or intangible asset. Council policy is to write down deferred charges in the year that they occur. The full cost is charged to the relevant service in the Consolidated Revenue Account but then reversed out through the Appropriation Section to ensure that there is no effect on the revenue accounts as a whole.

8. Government Grants and Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants deferred account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

9. Capital Receipts

Receipts from the disposal of capital assets are held in the capital receipts unapplied account until such time as they are used to finance other capital expenditure. The General Fund and the Housing Revenue Account benefit from the interest accruing from the unspent and set aside capital receipts.

10. Debtors and Creditors

Revenue and Capital accounts are based on a system of accrued income and expenditure in accordance with FRS18. This means that sums due to or from the Council in respect of the year of account are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle are public utility accounts which are charged according to date of meter reading and some recurring sundry debtor accounts for which the due dates do not coincide with normal quarter dates. This policy is applied consistently each year and does not have a material effect on the year's accounts.

The income to be recovered through ongoing benefit deduction is accounted for in the year of account and not when the cash has been received or paid in the year. This change of accounting policy was introduced in 2003/04.

To comply with FRS18, the Council has changed the way in which it accounts for the recovery of car parking fines. The income to be recovered through the issue of fines is now

STATEMENT OF ACCOUNTING POLICIES

accounted for in the year of account and not when the cash has been received or paid in the year. This accounting policy represents a change to those applied in prior years. Previous policy was to recognise the recovery in the year of receipt. The change has had the following effects on the results of the current and prior periods:

- For 2005/06 the net costs disclosed for highways, roads and transport services have reduced by 10.7% and the Net Operating Expenditure is 0.23% lower than it would otherwise have been.
- For 2004/05 the net costs disclosed for highways, roads and transport services services have reduced by 35% and the Net Operating Expenditure is 0.9% lower than it would otherwise have been.

11. Stocks, Rechargeable Works and Work in Progress

Stocks now relate to just printing and stationery and marketing merchandise held at Visitor Information Centres and Museums.

The Code and SSAP9, Stocks and Long-term contracts, require stocks to be shown at the lower of actual cost or net realisable value. The Council's stocks are measured at average cost of stock held as it is considered that the financial effect of the different treatment is not material.

Rechargeable Works are included at cost.

12. Provisions/Reserves

The Council sets aside amounts for liabilities that have been incurred as a result of past events. These amounts are charged to the appropriate services and are referred to as Provisions.

Other sums referred to as Reserves are set aside to meet liabilities certain to be incurred but uncertain of the amount or the date on which they will arise. Details of the Council's reserves can be found within note 15 to the Balance Sheet (page 37). Capital Reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. Two of these reserves are non distributable reserves and are therefore referred to as accounts. The Fixed Asset Restatement Account and the Capital Financing Accounts are examples of such reserves.

13. Pensions

The Accounting Standard, FRS17 Retirement Benefits, requires recognition of pension assets and liabilities in the Balance Sheet and the operating costs of providing retirement benefits together with changes in the value of assets and liabilities to be reflected in the Consolidated Revenue Account.

In order that FRS17 requirements do not impact upon council tax levels, the movement on the net assets and liabilities (net of the employer's contributions and actuarial gains and losses) is reversed out to the pension reserve.

STATEMENT OF ACCOUNTING POLICIES

The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2004, with the next formal valuation due as at 31 March 2007.

In assessing liabilities for retirement benefits as at 31 March 2006 for the 2005/06 Accounts, the actuary was required by the SORP to use a rate based on the current rate of return on a high-quality corporate bond of equivalent current and term to scheme liabilities. The actuary has advised that a rate based upon the yield of an iBox Sterling Corporate Bond (AA over 15 years) was used.

FRS17 also requires the disclosure of any additional liabilities, for example those in respect of additional pensions paid on retirement under the Discretionary Payment Regulations ("compensatory added years pensions") which are not paid from the Fund itself. This information has been provided by the Actuaries and is included within the liabilities figures quoted.

14. Investments

Investments are included in the Balance Sheet at cost less provision, where appropriate, for loss in value. Interest and dividends earned are credited to the General Fund and Housing Revenue Account.

15. Investment Interest

Interest is credited to the General Fund based on actual returns and the Housing Revenue Account based on the level of its balances throughout the year.

16. Leases

Rentals payable under operating leases are charged to revenue services on a straight-line basis over the term of the lease.

17. Provision for Bad and Doubtful Debts

Provisions are made for bad and doubtful debts and these are charged to the appropriate revenue account. In accordance with the CIPFA guidelines, for Council Tax and Business Rate debts, the older the debt the greater the provision, although depending on specific circumstances this may not be applied. Debts relating to garage rents are subject to a flat rate percentage based on historical trends whilst provision for harbour related debts over £100 are based upon individual circumstances.

All HRA related debts and sundry debts over £10,000 are analysed and a provision made depending on individual circumstances, whilst debts under £10,000 are subject to a range of specified percentages depending on validity of the existing debt, age and possibility of further recovery action.

18. Value Added Tax

In accounting for VAT, we comply with the SSAP5, Accounting for Value Added Tax and VAT is excluded from the main statements unless it is unrecoverable.

19. Exceptional Items

The Council accounts for exceptional items in accordance with FRS3, Reporting Financial Performance.

20. Contingent Liabilities

Contingent liabilities are defined as possible obligations that arise from past events and

STATEMENT OF ACCOUNTING POLICIES

whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. The Council measures and accounts for such events in line with the table below:

| <u>Likelihood of outcome</u> | <u>Probability</u> | <u>Accounting treatment</u> |
|------------------------------|--------------------|---|
| Reasonably certain | over 95% | Accrue |
| Probable | 50 – 95% | If we can estimate with reasonable certainty, we accrue, if not, we would make a contingent liability note. |
| Possible or remote | less than 50% | Add a note to the accounts. |

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

| Restated 2004/05 Net Expenditure £'000s | | 2005/06 Gross Expenditure £'000s | 2005/06 Income £'000s | 2005/06 Net Expenditure £'000s |
|---|---|---|-----------------------------|---|
| STATEMENT OF NET EXPENDITURE | | | | |
| 17,456 | Cultural, Environmental and Planning | 20,095 | 5,470 | 14,625 |
| 434 | Highways, Roads & Transport | 7,493 | 6,225 | 1,268 |
| 5,348 | Housing Services | 57,940 | 51,416 | 6,524 |
| 872 | Central Services to the Public | 13,435 | 12,423 | 1,012 |
| 3,634 | Corporate & Democratic Core | 4,138 | 615 | 3,523 |
| 427 | Non-distributed costs | 1,236 | 538 | 698 |
| 28,171 | NET COST OF SERVICES | 104,337 | 76,687 | 27,650 |
| 419 | Precepts paid to Parish Councils | | | 448 |
| (5,260) | Asset Management Revenue Account | | | (5,620) |
| 2,100 | Contribution of Housing Capital Receipts to Government Pool | | | 1,569 |
| (1,163) | Interest receivable and Investment Income | | | (1,328) |
| 4,538 | Pension Interest Cost | | | 5,910 |
| (3,801) | Expected Return in Pension Assets | | | (4,050) |
| 25,004 | NET OPERATING EXPENDITURE | | | 24,579 |
| APPROPRIATIONS | | | | |
| 356 | Surplus/(Deficit) transferred to HRA balances | | | 1,126 |
| (40) | Contribution to/(from) Revenue Reserves | | | (215) |
| (2,100) | Transfer from usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts | | | (1,569) |
| 613 | Capital Grants Deferred | | | 608 |
| 533 | Financing of Capital Expenditure | | | 128 |
| (1,323) | Provision for repayment of External Loans | | | (1,648) |
| (5,526) | Deferred Charges and Intangible Assets | | | (2,952) |
| (6) | Movement on Pension Reserve | | | (727) |
| 17,511 | AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS | | | 19,330 |
| SOURCES OF FINANCE | | | | |
| (7,794) | Precept demanded from the Collection Fund | | | (8,147) |
| 87 | Transfers to/(from) Collection Fund | | | 110 |
| (7,105) | Revenue Support Grant (RSG) | | | (7,745) |
| (3,476) | Contribution from Non-Domestic Rate (NDR)Pool | | | (3,688) |
| 777 | SURPLUS/(DEFICIT) FOR THE YEAR | | | 140 |
| 3,471 | Net Revenue A/c Opening Balance | | | 4,248 |
| 4,248 | Net Revenue A/c Closing Balance | | | 4,388 |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. RESERVES

A net total of £215,520 was transferred from the Council's reserves during 2005/06. Further analysis can be found on page 37, note 14, and in the Statement of Total Movements in Reserves on pages 43 to 46.

The statement of net expenditure reflects income and expenditure in the main service accounts.

2. FINANCING OF GENERAL EXPENDITURE

The Council's net General Fund expenditure is funded from Government grants paid directly to the General Fund and the Council's demand on the Collection Fund (Council Tax receipts).

3. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended October 2000), empowers local authorities to make contributions to charities and non-profit making bodies providing a public service for the benefit of the area or its inhabitants.

The Council's actual expenditure for 2005/06 was £207,320 (£193,709 in 2004/05) in respect of assistance to voluntary bodies promoting wellbeing in the local area.

2. HIGHWAYS, ROADS AND TRANSPORT

Highways' expenditure, under Best Value requirements, is included within "Cultural, Environmental and Planning Services" and "Highways, Roads and Transport Services".

During 2004/05 the Council carried out works on behalf of the Kent County Council (KCC) for highways under a partnership agreement. All direct expenditure was paid for by KCC. This agreement terminated on 1 April 2005.

To comply with FRS18, the Council has changed the way in which it accounts for the recovery of car parking fines. The income to be recovered through car parking fines is now accounted for in the year of account and not when the cash has been received or paid in the year. This accounting policy represents a change to those applied in prior years. Previous policy was to recognise the fines in the year of receipt. The following transactions have been made in the Consolidated Revenue Account:

| | 2004/05 £'000s | 2005/06 £'000s |
|--|-------------------|-------------------|
| Net Cost of Service | | |
| Highways, Road and Transport Services | 668 | 1,322 |
| Accrued Income re car parking fines | (294) | (54) |
| Income written off | <u>60</u> | <u>-</u> |
| Highways, Road and Transport Services Restated | <u>434</u> | <u>1,268</u> |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The impact of this change in policy on Net Operating Expenditure is shown below:-

| | 2004/05 £'000s | 2005/06 £'000s |
|------------------------------------|---------------------------------|---------------------------------|
| Net Operating Expenditure | 25,238 | 24,633 |
| Net Adjustment | <u>(234)</u> | <u>(54)</u> |
| Restated Net Operating Expenditure | <u>25,004</u> | <u>24,579</u> |

3. HARBOURS

Expenditure on harbours includes the Port of Ramsgate, Ramsgate Royal Harbour, Broadstairs and Margate Harbours and is included under the heading Highways, Roads and Transport Services. The majority of income and expenditure takes place within the Ramsgate operations.

| | 2004/05 (Surplus)/ Deficit £'000s | 2005/06 Expenditure £'000s | 2005/06 Income £'000s | 2005/06 (Surplus)/ Deficit £'000s |
|------------------------|--|---|--|--|
| Ramsgate New Port | 240 | 3,252 | 1,971 | 1,281 |
| Ramsgate Royal Harbour | 259 | 1,699 | 1,689 | 10 |
| Broadstairs Harbour | (5) | 49 | 60 | (11) |
| Margate Harbour | <u>20</u> | <u>11</u> | <u>8</u> | <u>3</u> |
| | <u>514</u> | <u>5,011</u> | <u>3,728</u> | <u>1,283</u> |

6. ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

The CIPFA Code of Practice requires services to receive a capital charge that relates to the current value of assets held as opposed to the historic cost and outstanding debt.

The AMRA was created to receive the debit of the true cost of Council debt (external interest) and depreciation charged to services. Credits to the account equal the capital charges debited to services and capital grants released to the General Fund annually.

The following table provides a breakdown of the AMRA transactions for 2005/06 and additional information can be found in note 10 to the Housing Revenue Account on page 29.

| | GF £'000s | HRA £'000s | Total £'000s |
|--------------------------------|----------------------------|-----------------------------|-------------------------------|
| Capital Charges – Interest | (2,012) | (5,044) | (7,056) |
| Capital Charges – Depreciation | <u>(2,049)</u> | <u>(2,225)</u> | <u>(4,274)</u> |
| Capital Charges – Total | (4,061) | (7,269) | (11,330) |
| Capital Grants | (608) | - | (608) |
| External Interest | 841 | 1,203 | 2,044 |
| Depreciation | <u>2,049</u> | <u>2,225</u> | <u>4,274</u> |
| Total | <u>(1,779)</u> | <u>(3,841)</u> | <u>(5,620)</u> |

7. CONTRIBUTION OF HOUSING CAPITAL RECEIPTS TO GOVERNMENT POOL

The treatment of specified housing capital receipts changed in 2004/05 and a proportion of these receipts have to be paid into a Government pool for redistribution. In total the Council has paid £1,568,605 into the pool for 2005/06 with the majority of the payment resulting from payment of 75% of the proceeds from the sale of council houses and 50% from the proceeds from the sale of other HRA assets.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

8. DEFERRED CHARGES

Deferred charges are debited to services in the year that they occur and are reversed out of the Consolidated Revenue Account (CRA) by a credit to the Appropriation Account.

| | |
|---|---------------|
| | £'000s |
| Regeneration Related | 1,758 |
| Disabled Facility and Other Housing Related | <u>404</u> |
| Reversed out of CRA | <u>2,162</u> |

Additional notes can be found in note 3 to the Balance Sheet on page 33.

9. INTANGIBLE ASSETS

Intangible assets are debited to services in the year that they occur and are reversed out of the Consolidated Revenue Account (CRA) by a credit to the Appropriation Account.

| | |
|---------------------|---------------|
| | £'000s |
| Software | <u>790</u> |
| Reversed out of CRA | <u>790</u> |

Additional notes can be found in note 4 to the Balance Sheet on page 33.

10. GENERAL FUND AND HOUSING REVENUE ACCOUNT RECONCILIATION

| | General Fund | Housing Revenue Account | Total |
|---|-------------------------|--|---------------|
| | £'000s | £'000s | £'000s |
| Net Operating Expenditure | 25,133 | (554) | 24,579 |
| Less Parish Precepts | <u>(448)</u> | <u>-</u> | <u>(448)</u> |
| Revised Council Operating Expenditure | 24,685 | (554) | 24,131 |
| Financing of Capital Expenditure | 128 | - | 128 |
| Provision for the Repayment of External Loans | (1,648) | - | (1,648) |
| Deferred Charges | (2,189) | 27 | (2,162) |
| Amortisation of Intangible Assets | (790) | - | (790) |
| Contribution to Housing Revenue Account | - | 1,126 | 1,126 |
| Contribution to/(from) Earmarked Reserves | 314 | (529) | (215) |
| Transfer from Usable Capital Receipts | (1,569) | - | (1,569) |
| Pension Adjustments | (657) | (70) | (727) |
| Capital Grants Deferred | <u>608</u> | <u>-</u> | <u>608</u> |
| Net Expenditure for Year | 18,882 | - | 18,882 |
| Add back Parish Precepts | <u>448</u> | <u>-</u> | <u>448</u> |
| Met from Gov't Grant and Local Tax Payers | <u>19,330</u> | <u>-</u> | <u>19,330</u> |

11. FINANCE AND OPERATING LEASES

The authority acquires vehicles and some equipment through operating leases. The amount paid under these arrangements in 2005/06 was £369,206.

The last assets acquired through finance leases were during January 2003. Total finance lease payments for the year amounted to £1,500.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The authority was committed at 31 March 2006 to making payments under operating leases of £632,000 broken down over years as follows:

| | Operating Leases £'000s |
|---|--|
| 2006/07 | 296 |
| Leases expiring between 2007/08 and 2011/12 | 336 |
| Leases expiring after 2011/12 | - |
| | 632 |

12. PUBLICITY

Under the provisions of Section 5 of the Local Government Act 1986 the Council is required to record separately the expenditure incurred on publicity. In 2005/06 this totalled £490,767 (2004/05, £350,343).

The expenditure in 2005/06 comprises resort marketing and promotion £253,817, recruitment advertising £72,738, harbour advertising £37,554, economic development marketing £73,066 and public notices £53,592.

13. BUILDING CONTROL

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as the provision of general advice to the fire authority, other statutory authorities, the public, etc. The following statement shows the income and expenditure of the building control functions, divided between these chargeable and non-chargeable activities.

| Building Regulations Charging Account | Chargeable | Non Chargeable | Total Building Control |
|--|-------------------|-----------------------|-----------------------------------|
| | £'000s | £'000s | £'000s |
| Expenditure | | | |
| Employee Expenses | 316 | - | 316 |
| Premises | 15 | - | 15 |
| Transport | 11 | - | 11 |
| Supplies and Services | 46 | - | 46 |
| Central Support Services | 15 | 4 | 19 |
| Total Expenditure | 403 | 4 | 407 |
| Income | | | |
| Building Regulation Charges | (482) | - | (482) |
| Miscellaneous | - | - | - |
| Total Income | (482) | - | (482) |
| (Surplus)/Deficit for year | (79) | 4 | (75) |
| Comparatives for 2004/05 | | | |
| Expenditure | 354 | 47 | 401 |
| Income | (424) | - | (424) |
| (Surplus)/Deficit for year | (70) | 47 | (23) |

14. PENSION COSTS

As part of the terms and conditions of employment of its officers, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Thanet District Council participates in the Local Government Scheme administered by Kent County Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against the council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure. The following transactions have been made in the CRA during the year.

| | 2004/05 £'000s | 2005/06 £'000s |
|---|---------------------------------|---------------------------------|
| Net Cost of Services | | |
| Current Service costs | 1,776 | 1,787 |
| Past Service Costs | 117 | 190 |
| Settlement and Curtailments | 254 | 470 |
| Net Operating Expenditure | | |
| Interest costs | 4,538 | 5,910 |
| Expected Return on Assets | (3,801) | (4,050) |
| Appropriations | | |
| Movement on Pension Reserve | (2,884) | (4,307) |
| Actual Amount Charged against Council Tax for pensions in the year | | |
| Employer's contributions payable to scheme. | 2,878 | 3,580 |

The Council's current contributions of £1,121,844 are replaced by Current Service costs (as determined by the Actuary) of £1,787,328. The Current Service costs represents the present value of the scheme liabilities expected to arise from employee service in the current year.

Past service costs are non periodic costs arising from decisions taken in this financial year, but whose financial effect is derived from years of service earned in earlier years. Under FRS17 these costs need to be accounted for when the entitlement to the benefit becomes due and not when the payment falls due. During 2005/06, 2 former employees retired prematurely on efficiency grounds before they attained the Rule of 85 age. The capitalised cost of the additional benefits relative to those reserved for under FRS17 was £190,000. In addition for 2005/06, 4 former employees retired prematurely on redundancy grounds before they had attained their Rule of 85 age. The capitalised cost of the additional benefits relative to those reserved for under FRS17 was calculated to be £470,000.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

These changes required under FRS17 for the current year are reflected below:

| | 2005/06 | | |
|---|------------------|----------------------|------------------|
| | Original Figures | FRS17 Adjustments | Restated Figures |
| | £'000s | £'000s | £'000s |
| Net Cost of Services | | | |
| Current Service costs | 1,122 | 665 | 1,787 |
| Past Service Costs (including Settlements and Curtailments) | 1,945 | (1,285) | 660 |
| Net Cost of Services | 28,270 | (620) | 27,650 |
| Net Operating Expenditure | 23,339 | 1,240 | 24,579 |

The figures for 2004/05 are shown below:

| | 2004/05 | | |
|-----------------------------|------------------|----------------------|------------------|
| | Original Figures | FRS17 Adjustments | Restated Figures |
| | £'000s | £'000s | £'000s |
| Net Cost of Services | | | |
| Current Service costs | 1,049 | 727 | 1,776 |
| Past Service Costs | 1,850 | (1,479) | 371 |
| Net Cost of Services | 28,923 | (752) | 28,171 |
| Net Operating Expenditure | 25,019 | (15) | 25,004 |

Additional employer's contributions to the Superannuation Scheme are contained within the Consolidated Balance Sheet. The relevant amounts for the current year and prior year are shown below.

| | 2004/05 £'000s | 2005/06 £'000s |
|---|-------------------|-------------------|
| Employer's contributions payable to superannuation scheme . | 62 | 53 |

Note 16 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movements in Reserves details the changes that have occurred to the Pension Reserve.

The current cost of retirement benefits is allocated to the HRA, however the actual charge against the HRA is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the HRA after Net Operating Expenditure. Further information can be found in the Notes to the Housing Revenue Account, Note 13 on page 29.

Further information on the change within the HRA is shown in note 13 to the Housing Revenue Account on page 29 and note 16 to the Balance Sheet on page 38.

Further information can be found in Kent County Council's Superannuation Fund's Annual

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Report which is available upon request from the Investment Section, County Hall, Maidstone, Kent, ME14 1XQ.

15. STAFF EMOLUMENTS

| Remuneration Band | 2004/05 | 2005/06 | |
|-------------------|-----------------|---------|------------------|
| | Number of Staff | Total | Left during year |
| 50,001 – 60,000 | 8 | 15 | 4 |
| 60,001 – 70,000 | 2 | 1 | 1 |
| 70,001 – 80,000 | 2 | 3 | - |
| 80,001 – 90,000 | 1 | - | - |
| 90,001 – 100,000 | 1 | 1 | 1 |
| 100,001 – 110,000 | - | 1 | - |

The table above shows the number of employees whose remuneration exceeded £50,000. Remuneration is defined as the amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance and the estimated money value of any other benefits received by an employee other than cash. Pension contributions are excluded. Following the management restructure some officers received early retirement payments placing them in a higher band.

16. MEMBERS' ALLOWANCES

| | 2004/05 | 2005/06 |
|----------------------------------|------------|------------|
| | £'000s | £'000s |
| Basic Allowance | 175 | 258 |
| Special Responsibility Allowance | <u>52</u> | <u>81</u> |
| Total | <u>227</u> | <u>339</u> |

Member allowances were reviewed in 2005/06 which was informed by the recommendations of the Independent Remuneration Panel which is the key reason for the overall increase in the payments made.

17. ACCOUNTABLE BODY

Thanet District Council is the Accountable Body for Thanet's Single Regeneration Budget (SRB), Sure Start programmes and East Kent Partnership.

As the awards are to Thanet and not the Council, the Local Authority role is as custodians of the grants administering the claims from grant recipients. The Council is then required to claim this grant from the South East England Development Agency (SRB £0.5m), Kent County Council (Sure Start £0.1m) and East Kent Partnership (£0.7m) and make payment to the recipients.

CIPFA guidance requires all Regeneration expenditure incurred by a Local Authority to be reflected through the Local Authority Accounts, even when the Council is only acting in its Accountable Body status.

This expenditure along with the related grant income has been charged to the Consolidated Revenue Account, including Regeneration capital grants that have been treated as deferred charges.

18. RELATED PARTY TRANSACTIONS

FRS 8 requires that the statement draws attention to the possibility that the reported financial position of the Council may have been affected by the existence of related parties and by material transactions with them.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Related party transactions can occur where one party has direct or indirect control of the other party, or the parties are subject to common control from a third party, where one party has influence over the financial and operating policies of the other, or where parties entering into a transaction are subject to influence from the same source, inhibiting those parties from pursuing their own separate interests. The transaction must be material to either party to require disclosure.

Related Parties can include Central Government, other Local Authorities, Subsidiary and Associated Companies, Joint Venture Parties, Members, the Chief Executive, the Directors and the Council's Monitoring Officer. Close family within any of the above groups may also be classed as Related Parties.

Members and certain officers (identified above) have direct control over the financial and operating policies of the authority and are therefore in a position of influence. During 2005/06 a questionnaire was distributed to the 56 Members and relevant officers. Four Members declared an interest relating to grants paid to voluntary organisations totalling £93,178 and the relevant Members did not take part in any discussion or decision relating to these grants.

Related Party Transactions have occurred with the following:

Government Departments – SRB grant of £0.5m, Sure Start grants of £0.1m, European grants of £1.2m and lottery grants of £0.1m were received along with other Local Authority standard grants such as Revenue Support and NDR Redistribution grants.

County Council – As well as the Precept levied on Thanet District Council, support is received from the County Council towards conservation grants and coast protection debt charges. In addition, rent and service charges are paid by Kent County Council for the library accommodation occupied as well as contributions towards the cost of refuse tipping and recycling. Thanet District Council also acts as an agent for the sale of Concessionary Bus Passes. Note 14 on page 20 also explains the relationship that exists with the County in respect of the Superannuation scheme.

Other Local Authorities – No material third party transactions have been identified.

Thanet Indoor Bowls Club (company) - The Council owns 25% of the ordinary share capital of the company. One set of four directors is appointed by the Council. The land occupied by the company is owned by the Council in respect of which the company pays an annual rent of £6,916. The Council also granted discretionary rate relief. Note 7 to the Balance Sheet on page 34 gives more information.

19. AUDIT FEES

The Council incurred the following fees relating to external audit and inspection:

| <u>2004/05</u> | Fees payable to the Audit Commission | <u>2005/06</u> |
|----------------|--|----------------|
| £'000s | | £'000s |
| 100 | External audit services carried out by the appointed auditor | 87 |
| 11 | Statutory Inspection | 15 |
| 38 | Performance | 34 |
| 83 | Certification of grant claims and returns | 60 |

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

| 2004/05 £'000s | | 2005/06 £'000s |
|--|--|-------------------|
| INCOME | | |
| 8,870 | Dwelling Rents (gross) | 9,064 |
| 201 | Non-dwelling Rents (gross) | 190 |
| 203 | Charges for services and facilities | 208 |
| 129 | Contributions towards expenditure | 65 |
| - | Housing Revenue Account subsidy receivable (including MRA) | 738 |
| 9,403 | Sub-Total income | 10,265 |
| EXPENDITURE | | |
| 3,182 | Repairs and maintenance or contribution to Housing Repairs Account | 2,967 |
| 2,226 | Supervision and management – General | 2,412 |
| 413 | Supervision and management – Special | 380 |
| 59 | Housing Revenue Account subsidy payable to the Secretary of State | - |
| 9 | Rents, rates, taxes and other charges | 12 |
| - | Rent rebates (now funded through the General Fund) | 80 |
| 230 | Increased provision for bad or doubtful debts | 204 |
| 4,720 | Cost of Capital Charge | 5,044 |
| 2,142 | Depreciation and impairments of fixed assets | 2,225 |
| 7 | Amortisation of deferred charges | 27 |
| 18 | Debt Management Costs | 16 |
| 13,006 | Sub-Total Expenditure | 13,367 |
| 3,603 | Net Cost of Services | 3,102 |
| (3,643) | Net HRA income or (expenditure) on the asset management revenue account | (3,868) |
| (231) | HRA Investment income (interest on mortgages and notional cash balances) | (297) |
| (271) | Net Operating Expenditure/(Income) | (1,063) |
| (85) | HRA Net contributions to/(from) the Pension Reserve | (70) |
| - | Revenue Contribution to Capital | 7 |
| - | HRA Contribution to Minimum Repayment Provision | - |
| (356) | (Surplus)/Deficit for the Year | (1,126) |
| Housing Revenue Account Balance | | |
| (1,421) | (Surplus)/Deficit at Beginning of Year | (1,777) |
| (356) | (Surplus)/Deficit For Year | (1,126) |
| (1,777) | (Surplus)/Deficit at End of Year | (2,903) |

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING REVENUE ACCOUNT

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is “ringfenced” and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

2. HOUSING STOCK

The Council was responsible for managing an average of 3,181 dwellings during 2005/06 including the Authority’s share of shared ownership dwellings.

| | 2005 | 2006 |
|--------------------|---------------------|---------------------|
| Stock at 1st April | | |
| Houses | 1,678 | 1,656 |
| Flats | <u>1,515</u> | <u>1,513</u> |
| | <u>3,193</u> | <u>3,169</u> |

The stock as at 31 March 2006 is comprised of the following types of dwellings:

| | Pre 1919 | 1919-44 | 1945-64 | Post 1964 | Total |
|-------------------------------------|------------|------------|--------------|--------------|--------------|
| Low-Rise Flats (Up to 2 Storeys) | | | | | |
| 1 Bedroom | 2 | | 3 | 39 | 44 |
| 2 Bedrooms | 2 | 1 | 135 | 14 | 152 |
| 3 Bedrooms | | | 1 | | 1 |
| Medium-Rise Flats (3 to 5 Storeys) | | | | | |
| 1 Bedroom | 24 | | 84 | 212 | 320 |
| 2 Bedrooms | 16 | | 136 | 363 | 515 |
| 3 Bedrooms | 5 | | 41 | 28 | 74 |
| High-Rise Flats (6 Storeys or more) | | | | | |
| 1 Bedroom | | | 248 | 24 | 272 |
| 2 Bedrooms | | | 93 | 41 | 134 |
| 3 Bedrooms | | | | 1 | 1 |
| Houses | | | | | |
| 1 Bedroom | 1 | | | | 1 |
| 2 Bedrooms | 20 | 142 | 167 | 298 | 627 |
| 3 Bedrooms | 26 | 378 | 394 | 174 | 972 |
| 4 or more Bedrooms | 12 | 19 | 21 | 4 | 56 |
| Total | 108 | 540 | 1,323 | 1,198 | 3,169 |

NOTES TO THE HOUSING REVENUE ACCOUNT

The total balance sheet value of the land, houses and other property within the Housing Revenue Account was as follows:

| | 31 March 2005 | 31 March 2006 |
|------------------------------|----------------------|----------------------|
| | £'000s | £'000s |
| Council Dwellings | 173,330 | 147,461 |
| Operational Land & Buildings | 773 | 1,268 |
| Non-Operational Assets | <u>846</u> | <u>1,108</u> |
| | <u>174,949</u> | <u>149,837</u> |

The vacant possession value of dwellings within the Authority's Housing Revenue Account as at 1 April 2005 was £385,178,520. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

The percentage used to ascertain the valuation of the stock as social housing was amended for 2005/06, reducing the valuation of the stock. Further details are contained within note 1 of the Consolidated Balance Sheet.

3. MAJOR REPAIRS RESERVE

The Major Repairs Allowance was introduced in 2001/02 as an element of Housing Revenue Account Subsidy. The movement on the Major Repairs Reserve during the year ended 31 March 2006 is summarised below:

| | 2005/06 |
|--|----------------|
| | £'000s |
| Balance on Major Repairs Reserve at 1 April 2005 | (1,295) |
| Amount transferred to the Major Repairs Reserve | (2,225) |
| Amount transferred from the Major Repairs Reserve | |
| Capital expenditure on HRA Land, Houses and Other Property | <u>2,503</u> |
| Balance on Major Repairs Reserve at 31 March 2006 | <u>(1,017)</u> |

4. HOUSING REPAIRS ACCOUNT

| | 2005/06 |
|--|----------------|
| | £'000s |
| Day-to-Day, Recurring and Programmed Maintenance | 2,559 |
| Administration Expenses | <u>408</u> |
| | 2,967 |
| Account Balance in hand 1 April 2005 | (4,182) |
| Contribution to Housing Revenue Account | <u>(2,430)</u> |
| Balance in hand carried forward 31 March 2006 | <u>(3,645)</u> |

5. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

| | 2005/06 |
|--|----------------|
| | £'000s |
| Financed by Borrowing (Supported Borrowing Approval) | 2,667 |
| Revenue Contribution to Capital | 7 |
| Financed from Major Repairs Reserve | <u>2,502</u> |
| Total Housing Revenue Account Capital Expenditure | <u>5,176</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

6. CAPITAL RECEIPTS FROM DISPOSAL OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HOUSING REVENUE ACCOUNT

| | 2005/06 Usable | 2005/06 Contribution to Gov't Pool | 2005/06 Total |
|-----------------------|-------------------|--|------------------|
| | £'000s | £'000s | £'000s |
| Sale of Dwellings | 515 | 1,250 | 1,765 |
| Repayment of Discount | 15 | 45 | 60 |
| Sale of Land | 247 | 248 | 495 |
| Mortgage Repayments | 9 | 26 | 35 |
| | <u>786</u> | <u>1,569</u> | <u>2,355</u> |

Additional notes on the Contribution to the Government Pool can be found in Note 7 to the Consolidated Revenue Account on page 18.

7. HOUSING REVENUE ACCOUNT SUBSIDY

Government Subsidy on the Housing Revenue Account is calculated based upon a notional account, which takes into account the housing stock numbers and local influences. The elements of expenditure are calculated for items such as management, day to day maintenance, capital financing charges etc. Off set against these costs is an element for notional income calculated on stock numbers and guideline rents. The elements of Housing Revenue Subsidy for the year ended 31 March 2006 are as follows:

| | £'000s |
|---------------------------------------|----------------|
| Management and Maintenance | 4,800 |
| Major Repairs Allowance | 2,225 |
| Charges For Capital | 1,642 |
| Other Items of Reckonable Expenditure | 26 |
| Interest on Receipts | (13) |
| Guideline Rent Income | <u>(8,175)</u> |
| Housing Revenue Account Subsidy | <u>505</u> |

In 2005/06 subsidy of £737,969 was received from the Secretary of State of which £504,725 was in respect of 2005/06 and £233,244 in respect of 2004/05.

8. RENT ARREARS

Arrears of current tenant dwelling rents and other charges (including rent rebate overpayments) at 31 March 2006 amounted to £278,040.

Arrears of former tenants rents and other charges (including rent rebate overpayments) at 31 March 2006 amounted to £213,801.

| | RENT ARREARS | |
|---------|--------------|---------|
| | 2004/05 | 2005/06 |
| Current | 267,281 | 278,040 |
| Former | 221,872 | 213,801 |

9. PROVISION FOR BAD DEBT AND DOUBTFUL DEBTS

The provision for bad and doubtful debts relating to the Housing Revenue Account is £531,028 as at 31 March 2006.

NOTES TO THE HOUSING REVENUE ACCOUNT

10. COST OF CAPITAL/ASSET MANAGEMENT REVENUE ACCOUNT

Housing Revenue Account expenditure includes £5,070,993 which represents the cost of capital tied up in housing assets. In 2005/06 this sum included £27,399 of deferred charges, which is capital expenditure not attributable to a fixed asset. This cost is set by regulation. To ensure that the new cost of capital does not have a cost implication to Council tenants, £3,868,150 has been transferred from AMRA. This ensures that the Housing Revenue Account only meets its statutory calculated contribution to external interest payable. Capital expenditure incurred in 2005/06 related to dwellings.

11. DEPRECIATION OF FIXED ASSETS

Depreciation of £2,214,641 was charged to the Housing Revenue Account for dwellings and £9,877 for non dwelling housing assets.

12. IMPAIRMENT OF FIXED ASSETS

The Council's Valuation Officer, a Professional Member of the Royal Institution of Chartered Surveyors, has advised that there were no impairments during the year.

13. PENSION COSTS

As part of the terms and conditions of employment of its officers, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Thanet District Council participates in the Local Government Scheme administered by Kent County Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year.

| | Original Figures £'000 | FRS17 Adjustments £'000 | Restated Figures £'000 |
|--------------------------------------|------------------------------|-------------------------------|------------------------------|
| Net Cost of Services | | | |
| Current Service Costs | 119 | 70 | 189 |
| Past Service Costs | | | |
| Surplus/Deficit for the year | | | |
| Movement on Pension Reserve | | | (189) |
| HRA contributions payable to scheme. | | | 119 |

Further information relating to the Pension Scheme can be found in note 14 to the Consolidated Revenue Account (page 20), Note 16 to the Balance Sheet on page 38 and Note 1 to the Statement on the Movement on Reserves on page 44.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

| 2005 | | | 2006 | |
|----------|----------------|--|----------|----------------|
| £'000s | £'000s | | £'000s | £'000s |
| | | Fixed Assets | | |
| - | | Intangible Fixed Assets | - | |
| | | | | |
| | | Tangible Fixed Assets | | |
| | | Operational Assets | | |
| 173,330 | | Council Dwellings | 147,461 | |
| 27,796 | | Other Land and Buildings | 39,388 | |
| 407 | | Vehicles, Plant and Equipment | 2,795 | |
| 13,610 | | Infrastructure Assets | 13,496 | |
| - | | Community Assets | - | |
| | | Non-operational Assets | | |
| 27,352 | | Investment Properties | 32,356 | |
| | 242,495 | Total Fixed Assets | | 235,496 |
| | 25 | Long-term Investments | | - |
| | | Long-term Debtors | | |
| | 142 | Mortgages | | 107 |
| | 65 | Other | | 47 |
| | <u>242,727</u> | Total Long Term Assets | | <u>235,650</u> |
| | | Current Assets | | |
| 83 | | Rechargeable Works | 117 | |
| 18 | | Stocks and Stores | 16 | |
| - | | Investments | - | |
| 11,449 | | Short-term Investments | 5,899 | |
| 8,923 | | Debtors | 12,536 | |
| - | | Cash and Bank | 657 | |
| 1,083 | | Payments in Advance | 323 | |
| 178 | | Other Balances | 149 | |
| | 21,734 | | | 19,697 |
| | | Current Liabilities | | |
| - | | Borrowing Repayable on Demand | | |
| | | or Within 12 Months | | |
| 10,064 | | Creditors | 500 | |
| 66 | | Bank overdraft | 10,257 | |
| 169 | | Receipts in Advance | - | |
| 41 | | Other Balances | 176 | |
| | 10,340 | | 23 | |
| | | | | <u>10,956</u> |
| | 254,121 | Total Assets less Current Liabilities | | 244,391 |
| | | Long Term Liabilities | | |
| 23,147 | | Long Term Borrowing (in excess of 1 | 22,647 | |
| | | year) | | |
| 51,595 | 74,742 | Liability Related to Defined Benefit | 54,475 | 77,122 |
| | | Pension Scheme | | |
| | <u>179,379</u> | Total Assets less Liabilities | | <u>167,269</u> |
| | | Financed By: | | |
| 121,771 | | Fixed Asset Restatement Account | 105,023 | |
| 79,682 | | Capital Financing Account | 80,095 | |
| 7,803 | | Reserves | 7,574 | |
| 13,900 | | Government Grants Deferred | 18,350 | |
| 132 | | Deferred Credits | 96 | |
| 1,295 | | Major Repairs Reserve | 1,017 | |
| 927 | | Usable Capital Receipts Reserve | 1,840 | |
| (51,595) | | Pensions Reserve | (54,475) | |
| 5,464 | | Fund Balances | 7,749 | |
| | <u>179,379</u> | Total net worth | | <u>167,269</u> |

Signed:

Jennifer Seeley CPFA

Date: 22/06/06

Corporate Director (Section 151 Officer)

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. MOVEMENT OF FIXED ASSETS

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant and Equip- ment | Infra- structure | Community | Total |
|-------------------------|----------------------|--------------------------------|--|---------------------|-----------|----------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| COST/VALUATION | | | | | | |
| As at 01/04/2005 | 181,553 | 32,565 | 585 | 16,665 | - | 231,368 |
| Reclassification | - | 1,345 | - | - | - | 1,345 |
| Revised 01/04/2005 | 181,553 | 33,910 | 585 | 16,665 | - | 232,713 |
| Additions | 4,077 | - | 2,437 | 303 | - | 6,817 |
| Disposals | (1,275) | (288) | - | - | - | (1,563) |
| Revaluations | (26,456) | 12,127 | - | - | - | (14,329) |
| As at 31/03/2006 | 157,899 | 45,749 | 3,022 | 16,968 | - | 223,638 |
| DEPRECIATION | | | | | | |
| As at 01/04/2005 | 8,224 | 4,767 | 178 | 3,055 | - | 16,224 |
| 2005/06 | 2,214 | 1,594 | 49 | 417 | - | 4,274 |
| On Assets Sold | - | - | - | - | - | - |
| As at 31/03/2006 | 10,438 | 6,361 | 227 | 3,472 | - | 20,498 |
| NET BOOK VALUE | | | | | | |
| As at 31/03/06 | 147,461 | 39,388 | 2,795 | 13,496 | - | 203,140 |
| As at 01/04/05 | 173,330 | 27,796 | 407 | 13,610 | - | 215,143 |

Non-operational Assets

| | Commercial and Investment Properties | Assets Under Construction | Surplus Assets, held for disposal | Total |
|-------------------------|---|------------------------------|--------------------------------------|---------------|
| | £'000s | £'000s | £'000s | £'000s |
| COST/VALUATION | | | | |
| As at 01/04/2005 | 26,479 | - | 873 | 27,352 |
| Reclassification | (1,345) | - | - | (1,345) |
| Revised 01/04/2005 | 25,134 | - | 873 | 26,007 |
| Additions | 5,484 | - | 250 | 5,734 |
| Disposals | (331) | - | (818) | (1,149) |
| Revaluations | 1,623 | - | 141 | 1,764 |
| As at 31/03/2006 | 31,910 | - | 446 | 32,356 |
| DEPRECIATION | | | | |
| As at 01/04/2005 | - | - | - | - |
| 2005/06 | - | - | - | - |
| On Assets Sold | - | - | - | - |
| As at 31/03/2006 | - | - | - | - |
| NET BOOK VALUE | | | | |
| As at 31/03/06 | 31,910 | - | 446 | 32,356 |
| As at 01/04/05 | 26,479 | - | 873 | 27,352 |

Non – Operational assets are not directly occupied or used in the delivery of the Council's services.

NOTES TO THE CONSOLIDATED BALANCE SHEET

| | Number as at 31 March | | | Number as at 31 March | |
|---|--------------------------|-------|--------------------------------|--------------------------|------|
| | 2005 | 2006 | | 2005 | 2006 |
| Council Dwellings | 3,193 | 3,169 | Operational Equipment | | |
| Commercial and Investment Properties | 324 | 306 | Tractor | - | 1 |
| Operational Land and Buildings | | | Vans | - | 7 |
| Offices | 10 | 11 | Boat Hoist | 1 | 1 |
| Public Conveniences | 34 | 34 | Street Cleaning Vehicles | - | 21 |
| Lifts | 3 | 3 | Refuse Vehicles | 1 | 18 |
| Industrial Properties | 3 | 3 | Air Monitoring Station | 1 | 1 |
| Pavilions | 5 | 5 | Community Assets | | |
| Leisure & Sporting Facilities | 8 | 10 | Fountains & War Memorials | 17 | 17 |
| Garages | 742 | 622 | Cemeteries/Closed Church yards | 8 | 8 |
| Harbours | 2 | 1 | Land & Gardens | 48 | 46 |
| Car Parks | 31 | 29 | Leisure & Sporting Facilities | 11 | 11 |
| Cemeteries | 2 | 2 | Public Clocks | 21 | 20 |
| Depots | 3 | 4 | Amenity Areas | 31 | 34 |
| Other | 3 | 3 | Car Parks | 1 | 1 |
| | | | Allotment Sites | 8 | 8 |
| | | | Other | 3 | 1 |

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The basis for valuation is set out in the Statement of Accounting Policies.

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant Equipment | Commercial and Investment Properties | Total |
|------------------------------------|-------------------|--------------------------|---------------------------|--------------------------------------|---------|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Valued at Current Value in: | | | | | |
| 2005/06 | (25,869) | 11,592 | 2,388 | 5,004 | (6,885) |
| 2004/05 | 173,330 | 4,589 | (107) | 6,874 | 184,686 |
| 2003/04 | - | 3,409 | 111 | 4,735 | 8,255 |
| 2002/03 | - | 788 | 403 | 6,043 | 7,234 |
| 2001/02 | - | 18,261 | - | 5,141 | 23,402 |
| 2000/01 | - | 749 | - | 4,559 | 5,308 |
| Total | 147,461 | 39,388 | 2,795 | 32,356 | 222,000 |

The basis for Council dwellings valuations is Existing Use Value for Social Housing (EUV-SH). Under this method the vacant possession value of the dwellings is adjusted by a prescribed percentage to reflect the occupation by a secure tenant. In 2005/06, 45% of the valuation has been taken to arrive at EUV-SH, whereas in 2004/05 the percentage was 54%. The valuation for the Council dwellings has reduced accordingly in 2005/06.

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. FIXED ASSET VALUATION

The Asset Valuations in these accounts have been prepared by the Council's Principal Estates Surveyor, Edmond Davies MRICS, Chartered Surveyor. The valuations were produced in accordance with guidelines issued by CIPFA, and in accordance with the Royal Institute of Chartered Surveyors current guidance notes for Asset Valuation.

All valuations were originally carried out in 1994/95 but a rolling programme exists where 20% of assets (all types) are revalued annually in the order of the asset register, although Council dwellings are revalued annually.

3. DEFERRED CHARGES

| | Disabled Facility Grants £'000s | Other Grants £'000s | Housing £'000s | Total £'000s |
|-----------------------------|--|--------------------------------|---------------------------|-------------------------|
| Balance as at 1 April 2005 | - | - | - | - |
| Expenditure | 560 | 1,758 | 144 | 2,462 |
| Amounts met by gov't grant | (300) | - | - | (300) |
| Amounts written off to CRA | (260) | (1,758) | (144) | (2,162) |
| <hr/> | | | | |
| Balance as at 31 March 2006 | - | - | - | - |

Other grants relate mainly to Regeneration Grants in the Council's role as Accountable Body (see note 18 to the Consolidated Revenue Account on page 23). Housing relates to Mortgage receipts and set up costs of the Council's new Works Partnering Contract and an Energy Audit.

4. MOVEMENT IN INTANGIBLE ASSETS

| | Purchase, Dev't & Set up costs of software £'000s |
|---------------------------------|--|
| Original Cost | 790 |
| Amortisations to 1 April 2005 | - |
| Balance at 1 April 2005 | - |
| Expenditure in year | 790 |
| Written off to revenue in year | (790) |
| Balance at 31 March 2006 | <u>-</u> |

Expenditure relates to the development of various projects financed through Implementing Electronic Government grants and DIP/Workflow financed through Department for Works and Pensions (DWP) grants (see Note 9 to the Consolidated Revenue Account on page 19).

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. FIXED ASSET RESTATEMENT ACCOUNT (FARA)

| | £'000s |
|---|----------------|
| Balance as at 1 April 2005 | 121,771 |
| Revaluation and Restatement of Fixed Assets | (12,749) |
| Disposal of Fixed Assets | (2,712) |
| Capital Expenditure not Adding to Value | <u>(1,287)</u> |
| Balance as at 31 March 2006 | <u>105,023</u> |

The balance on this account reflects the difference between the value of the assets owned by the Council and the level of funds historically spent on them.

Revaluation and Restatement – all assets are revalued regularly and the change in value is either credited or debited to this account.

Disposal of Fixed Assets – the value of any asset sold must be deducted from the Council's Balance Sheet to reflect the disposal. The deduction to the FARA counters the reduction to the Fixed Asset Account.

Capital Expenditure not Adding to Value – not all capital expenditure will result in an equal increase to the value of an asset. Where such expenditure took place, the Valuer was not requested to revalue the assets as the amounts spent were not considered material. Such expenditure will be considered during the programmed cycle of revaluations.

6. CAPITAL FINANCING ACCOUNT

| | £'000s |
|---------------------------------------|---------------|
| Balance as at 1 April 2005 | 79,682 |
| Capital Receipts Set Aside | 2 |
| Capital Financing | |
| - Major Repairs Reserve | 2,502 |
| - Capital Receipts | 2,322 |
| - Revenue | 136 |
| - Government Grants | 2,576 |
| MRP (less depreciation provision) | (1,648) |
| Less | |
| - Major Repairs Reserve transfer | (2,225) |
| - write off due to repayment of loans | - |
| - write off deferred charges | (2,462) |
| - write off intangible assets | <u>(790)</u> |
| Balance as at 31 March 2006 | <u>80,095</u> |

The Capital Financing Account contains the amounts required by statute to be set aside for the future repayment of external debt. These amounts come from a defined proportion of capital receipts and a minimum revenue provision (after depreciation) from the General Fund. Cash financing of capital expenditure is also credited to this account.

7. LONG TERM INVESTMENTS

In 1988, the Thanet Indoor Bowls Centre was constructed with support from Thanet District Council (TDC). The Centre is built on TDC land and was financed through a £500,000 loan guaranteed by TDC. The Council was approached in 2005 by the Thanet Indoor Bowls Club (TIBC) with concerns over the bank refusing to extend the loan and, considering the Council's interest and guarantee of the loan, agreed a grant of £120,000 to TIBC. TIBC have now redeemed the bank loan in full. The Council benefited through being able to remove the liability of the loan guarantee and the probable court costs should it have been enforced and also through increased rental prospects from the Centre due to its increased financial viability. In addition, the Council has held 25% of the shares in TIBC, historically valued in the accounts at cost at £25,000. These shares are considered to be worth nil value and so the Council also agreed at this time to give up the shares to TIBC. As such, the value of these shares have been revalued to £0.

NOTES TO THE CONSOLIDATED BALANCE SHEET

8. SHORT-TERM INVESTMENTS

Short-term investments reflect the surplus cash deposited with Banks or Building Societies at the year end. Interest earned on these investments is credited to the Revenue Account during the financial year on an accruals basis. Each investment is made in accordance with approved Treasury Management policies, using only Banks and Building Societies from a select counterparty list.

9. DEBTORS AND OTHER BALANCES

| | 2005 £'000s | 2006 £'000s |
|---|------------------------------|------------------------------|
| Amounts falling due in one year | | |
| Non-Domestic Rates, Community Charges and Council Tax | 4,546 | 5,210 |
| Government Departments | 690 | 5,911 |
| Public Sector Bodies | 1,445 | 389 |
| Other Local Authorities | 312 | 456 |
| Tenants | 497 | 490 |
| Sundry Debtors | 3,898 | 3,589 |
| Payments in Advance | 1,083 | 323 |
| Holding and Suspense Accounts | 178 | 149 |
| Capital Debtors | - | 160 |
| Accountable Body Related | 756 | 36 |
| Less Bad Debt Provision | <u>(3,221)</u> | <u>(3,705)</u> |
| | <u>10,184</u> | <u>13,008</u> |

The notable increase in debtor balances relates to the submission and pending verification of statutory Government claims with regards VAT (£1,000,798), Housing Benefit Subsidy (£2,085,197) and NDR contribution to National Pool reimbursement (£2,033,905).

10. CREDITORS AND OTHER BALANCES

| | 2005 £'000s | 2006 £'000s |
|---|------------------------------|------------------------------|
| Non-Domestic Rates, Community Charges and Council Tax | 1,692 | 1,902 |
| Government Departments | 2,891 | 538 |
| Public Sector Bodies | 175 | 127 |
| Other Local Authorities | 621 | 393 |
| Tenants | 103 | 110 |
| Sundry Creditors | 3,669 | 4,143 |
| Receipts in Advance | 169 | 176 |
| Holding and Suspense Accounts | 41 | 23 |
| Capital Creditors | 617 | 1,439 |
| Accountable Body Related | <u>296</u> | <u>1,605</u> |
| | <u>10,274</u> | <u>10,456</u> |

The Trust Funds consist of monies left in trust with the Authority and invested in accordance with specific bequests. The Council only administers these funds, hence they do not form part of the Council's Accounts. The annual interest accruing thereon is distributed as follows:

| | Expenditure 2005/06 | Income 2005/06 |
|-----------------|--------------------------------------|---------------------------------|
| | £ | £ |
| Kenrick Trust | 2.50 | 2.50 |
| Farrar Award | 26.32 | 26.32 |
| Simpson Bequest | 8.82 | 8.82 |
| Woodward Trust | 83.08 | 83.08 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

| | |
|--------------------------------------|---|
| Kenrick Trust (Capital Value £100) | To the Magistrates Court Poor Box for distribution amongst the poor of Margate. |
| Farrar Award (Capital Value £234) | To provide a prize to a nominated senior student at King Ethelbert School for Craft, Design & Technology. |
| Simpson Bequest (Capital Value £100) | To the trustees of Ramsgate Charities for distribution amongst the poor of Ramsgate. |
| Woodward Trust (Capital Value £253) | For the maintenance of graves in perpetuity – in the closed churchyard St John the Baptist Zion Emmanuel Cemetery. The current market value of the Woodward Trust is £2,742.98. |

11. LONG TERM BORROWING

| Source of Loan | Total Outstanding as at 31 March | |
|-------------------------|---|------------------------|
| | 2005 £'000s | 2006 £'000s |
| Public Works Loan Board | 18,647 | 18,647 |
| Other | <u>4,500</u> | <u>4,500</u> |
| | <u>23,147</u> | <u>23,147</u> |

An analysis of loans by maturity is:

| | 2005 £'000s | 2006 £'000s |
|--------------------------------|------------------------|------------------------|
| Maturing in 1 year | - | 500 |
| Maturing in 2-5 years | 8,501 | 10,001 |
| Maturing in 6-10 years | 7,624 | 5,624 |
| Maturing in more than 10 years | <u>7,022</u> | <u>7,022</u> |
| | <u>23,147</u> | <u>23,147</u> |

12. DEFERRED CREDITS

These are amounts to be received in instalments over a period of time. They only include outstanding mortgages as discounts received through debt restructuring were written out in 2005/06.

13. CAPITAL RECEIPTS UNAPPLIED

The Local Government and Housing Act 1989 prescribes fixed percentages that must be set aside from capital receipts and credited to the Capital Financing Account for the future repayment of debt. The remaining element is available to finance capital expenditure.

The Local Authorities (Capital Finance) (Amendment No.3) Regulations 1998 allows for 100% of all General Fund receipts to be used for capital purposes, although 100% of all General Fund mortgage receipts are still set aside for the repayment of debt.

From 1 April 2004 Local Authorities are required to pay across to Central Government the amounts that were previously set aside relating to Housing Revenue Account (HRA) dwelling sales (75%) and HRA other sales (50%). These are known as Housing Pooled Capital Receipts.

NOTES TO THE CONSOLIDATED BALANCE SHEET

| | |
|---|----------------|
| | £'000s |
| Balance at 1 April 2005 | 927 |
| Capital Receipts in year from sales of assets | 4,806 |
| Capital Receipts applied during the year | (2,322) |
| Set aside for Repayment of Debt | (2) |
| Housing Pooled Capital Receipts | <u>(1,569)</u> |
| Balance at 31 March 2006 | <u>1,840</u> |

14. RESERVES

| | 1 April 2005 | Net Movements | 31 March 2006 |
|-----------------------------------|-----------------|------------------|------------------|
| | £'000s | £'000s | £'000s |
| Insurance Risk Management | 38 | (1) | 37 |
| Capital Projects | 1,137 | 458 | 1,595 |
| General Fund Repairs | 126 | (23) | 103 |
| HRA Repairs | 4,182 | (537) | 3,645 |
| Major Repairs Reserve | 1,295 | (278) | 1,017 |
| Revenue Projects | 1,540 | 81 | 1,621 |
| Information Technology | 542 | (204) | 338 |
| Environmental Action Plan | 100 | (11) | 89 |
| Other | <u>138</u> | <u>8</u> | <u>146</u> |
| | <u>9,098</u> | <u>(507)</u> | <u>8,591</u> |
| Net Movements on Reserves | (507) | | |
| External Contributions re Capital | 14 | | |
| Movement on Major Repairs | | | |
| Reserve | <u>278</u> | | |
| Contributions from Reserves as | | | |
| per Consolidated Revenue | | | |
| Account | <u>(215)</u> | | |

The above reserves have been established under the Local Government and Housing Act 1989 to meet liabilities certain to be incurred but uncertain as to the amount or the date on which they will arise (or both).

Insurance Risk Management - Provision is made to meet potential insurance claims as a result of increasing the Council's excess on employers and third party liability insurance cover. Payments comprise insurance premiums and receipts include premium recoveries through oncosts on salaries and wages.

Capital Projects - Revenue monies and other contributions set aside for capital projects. This year £458,000 has been set aside from Revenue, £450,000, to bolster reserves and meet any unforeseen capital works and £8,000 to fund windfarm development.

Repairs - To make provision for necessary essential repairs and maintenance and minor improvements to the Council's assets (both Housing Revenue Account and General Fund) on a programmed and controlled basis.

Major Repairs Reserve - The Major Repairs Allowance was introduced in 2001/02 as an element of Housing Revenue Account subsidy. It is transferred to the Major Repairs Reserve to fund the cost of repairs to Housing Revenue Account property.

Revenue Projects - To set aside sums at year end to meet ad hoc and specified liabilities which, due to timing difficulties, cannot be spent until after the 31 March.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Information Technology - To control and enhance the development of new Information Technology initiatives with the object of improving efficiency throughout the Council's activities.

Environmental Action Plan Reserve - The Environmental Action Plan (EAP) is a fundamental part of the Council's Corporate Plan and a key corporate priority. The EAP will be used to finance various environmental improvements throughout the district.

15. CONTINGENT LIABILITY AND GAINS

The Council currently has protected claims pending with H.M.Revenue and Customs for the repayment of VAT collected regarding off street parking charges and fines. A recent tribunal involving the Isle of Wight Council has highlighted that if there is no private sector competition to provide off street parking spaces, the Council may treat the activity as non-business, and not standard rated as is currently the practice. If current and pending claims are honoured, the Council anticipate a repayment of £2.03m (£1.152m if the three year capping rule is successfully applied).

In March 2006, Thanet District Council (TDC) entered into an agreement with the South East England Development Agency (SEEDA) to purchase the old Margate Marks and Spencer site, along with two areas of land, to facilitate regeneration in Margate by opening up a key area to increase connectivity between areas of the new and old towns. The purchase was completed on 30 March 2006. TDC agreed to purchase the sites using SEEDA grant at a cost of £4.9m whilst contributing various holding and running costs for the forthcoming period. The plans for the project, still currently being developed, are to enter into a joint venture with SEEDA, demolish the current building, and rebuild a new development consisting of retail, office space and residential, whilst creating walkways connecting Cecil Square, the High Street and the Old Town areas. At the time of publication of the Statement of Accounts, details are still to be finalised and so the Council have only been able to account for the assets as they are in use currently. Should no agreement be reached between the Council and SEEDA, the Council has to repay the grant to SEEDA and would probably need to sell the site to finance this. The site was revalued at £2.75m in May 2006. There is no need to provide for the downturn in valuation as this does not represent a permanent impairment as the Council believe that the project will progress within the timeframe set.

16. PENSION COMMITMENTS

Note 14 to the Consolidated Revenue Account on page 20 contains details of the Authority's participation in the Local Government Pension Scheme administered by Kent County Council.

The underlying assets and liabilities for retirement benefits attributable to the Authority are as follows:

| | 31 March 2005 | 31 March 2006 |
|---|------------------------|------------------------|
| | £'000s | £'000s |
| Estimated Assets in the Pension Fund | 59,000 | 74,330 |
| Estimated Liabilities in the Pension Fund | <u>110,595</u> | <u>(128,805)</u> |
| Net Liability as at 31 March | <u>(51,595)</u> | <u>(54,475)</u> |

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £54,475,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £167,427,000. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working lives of employees, as assessed by the scheme actuary.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Liabilities have been assessed on an actuarial basis using the projected unit method. The estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels etc. The Fund liabilities have been assessed by Hymans Robertson an independent firm of actuaries, estimates for the Kent County Council Fund being based on the latest full valuation of the scheme as at 1 April 2005.

The main assumptions used in their calculations have been:

| | 31 March 2005 | 31 March 2006 |
|---|---------------|---------------|
| Rate of Inflation | 2.9% | 3.1% |
| Rate of Increase in Salary | 4.4% | 4.6% |
| Rate of Increase in Pensions | 2.9% | 3.1% |
| Rate for Discounting scheme liabilities | 5.4% | 4.9% |

Assets in the Kent County Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion:

| | 31 March 2005 | | 31 March 2006 | |
|-------------------|---------------|----|---------------|----|
| | £000 | % | £000 | % |
| Equity Investment | 1,217,507 | 69 | 1,636,500 | 71 |
| Bonds | 231,805 | 13 | 289,100 | 13 |
| Property | 179,193 | 10 | 208,900 | 9 |
| Cash | 134,552 | 8 | 178,100 | 7 |

17. PENSION RESERVE

In order that FRS17 has no overall impact on the demands on the Council Tax, and there is no demand on General Reserves, the Pension Reserve equals the net change in pensions liability recognised in the Consolidated Revenue Account.

| | 2005 £'000s | 2006 £'000s |
|---|------------------------|------------------------|
| Balance as at 1 April | (30,186) | (51,595) |
| Reversal of FRS17 entries – CRA | (2,884) | (4,307) |
| Reversal of FRS17 entries – Balance Sheet | (62) | (53) |
| Actuarial (Gains)/Losses | (21,403) | (2,153) |
| Reversal of Payments to Pension Fund | <u>2,940</u> | <u>3,633</u> |
| Balance at 31 March | <u>(51,595)</u> | <u>(54,475)</u> |

STATEMENT OF CAPITAL EXPENDITURE AND FINANCING FOR YEAR ENDED 31 MARCH 2006

This statement identifies capital expenditure during the year and how that expenditure was financed.

| | 2005/06 £'000s | 2005/06 £'000s |
|--|-------------------|-------------------|
| FIXED ASSETS | | |
| Council Dwellings | | |
| - Improvements | 4,901 | |
| - Adaptions for Elderly and Disabled | 275 | |
| Economic Development | 5,005 | |
| Environmental Improvements | 697 | |
| Operational – Offices | 737 | |
| Ports and Harbours | 48 | |
| Sea Defences and Seafronts | 49 | |
| Sports and Arts Related | 32 | |
| Waste and Recycling | 2,188 | |
| Other | 1,346 | |
| | | |
| TOTAL SPENDING ON FIXED ASSETS | | 15,278 |
| CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS | | |
| Community Grants | 154 | |
| Disabled Facility Grants | 560 | |
| Other Housing Related Expenditure | 54 | |
| Economic Development Expenditure | 1,084 | |
| Environmental Enhancement Grants | 18 | |
| Tourism Grants | - | |
| Other Grants | 100 | |
| | | |
| TOTAL CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS | | 1,970 |
| | | |
| TOTAL CAPITAL EXPENDITURE TO BE FINANCED | | 17,248 |

STATEMENT OF CAPITAL EXPENDITURE AND FINANCING FOR YEAR ENDED 31 MARCH 2006

FINANCED BY:

| | |
|---|---------------|
| Use of Supported Borrowing | 2,900 |
| Use of Unsupported Borrowing | 2,362 |
| Application of Capital Receipts | 2,322 |
| Capital Grants | |
| - European Regional Development Fund | (232) |
| - Single Regeneration Budget | 108 |
| - SEEDA | 4,952 |
| - Lottery | 197 |
| - Disabled Facility Grants | 300 |
| - Major Repairs Allowance | 2,502 |
| - Sure Start | 444 |
| - East Kent Partnership | 673 |
| - Maritime Heritage | 34 |
| - Groundwork UK | 146 |
| - Implementing Electronic Government and DIP/Workflow | 404 |
| Revenue | 136 |
| TOTAL FINANCING | 17,248 |

NOTES TO THE STATEMENT OF CAPITAL EXPENDITURE & FINANCING

1. LEASING

Under the Local Government and Housing Act 1989, finance leases used to purchase fixed assets such as vehicles and equipment count as credit arrangements. As such, they are subject to capital controls and require resources cover.

This Council therefore no longer utilises this facility but chooses to use an operational lease facility. This does not permit the Council to own the item at any time and therefore they are not subject to capital controls.

The revenue effect of utilising operational leases is disclosed as note 11 to the Consolidated Revenue Account on page 19.

2. REGENERATION GRANTS

As outlined in note 18 to the Consolidated Revenue Account on page 23, the Authority includes details of its financial transactions in its financial statements as a result of accounting requirements. Payments of capital grants under Single Regeneration Budget and European Regional Development Fund arrangements are included within the Balance Sheet as a deferred charge, but are written straight out to the Consolidated Revenue Account via the Capital Financing Account, since no additional assets are being generated for the Authority itself.

STATEMENT OF CAPITAL EXPENDITURE AND FINANCING FOR YEAR ENDED 31 MARCH 2006

This sum amounted to £0.07m in 2005/06 and represents sums received from various bodies and passed on by the District Council to local projects. This sum has been included within the Statement of Capital Expenditure and Financing.

3. CAPITAL EXPENDITURE AND FINANCING

| | 2005/06 £'000s |
|---|---------------------------|
| Opening Capital Financing Requirement | 27,142 |
| Capital Investment: | |
| Operational assets | 8,263 |
| Non-operational assets | 5,481 |
| Infrastructure assets | 254 |
| Intangible assets | 790 |
| Deferred charges | 2,460 |
| Revaluation of Thanet Indoor Bowls Centre Investment | 25 |
| Sources of Finance | |
| Capital receipts | (2,322) |
| Grants | (7,026) |
| Revenue including Major Repairs Allowance & Provision for Debts (MRP) | <u>(3,039)</u> |
| Closing Capital Financing Requirement | <u>32,028</u> |

The rules for financing capital investment changed in line with the Prudential Code for Borrowing as from 1 April 2004, the main changes being that capital is financed on an accrued basis, whereas previously only cash payments had been financed. The net increase in the requirement to borrow relates entirely to borrowing categorised as being supported by Government financial assistance (£2.900m) and through Prudential Borrowing (£2.362m) supported by the Council's own net budget.

The Capital Financing Requirement reflects various items in the balance sheet, as shown below:

| | 2004/05 £'000s | 2005/06 £'000s |
|---------------------------------|---------------------------|---------------------------|
| Fixed Assets | 242,495 | 235,496 |
| Government Grants Deferred | (13,900) | (18,350) |
| Capital Financing Account | (79,682) | (80,095) |
| Fixed Asset Restatement Account | <u>(121,771)</u> | <u>(105,023)</u> |
| As at 31 March | <u>27,142</u> | <u>32,028</u> |

4. SIGNIFICANT COMMITMENTS

The following significant commitments remained outstanding under capital contracts as at 31 March 2006:

| Description | Contract Sum £ | Payments 2005/06 £ | Commitment £ |
|---|----------------------|--------------------------|-----------------|
| Refurbishment of Italianate Greenhouse | 115,163 | 75,234 | 39,929 |
| Heating System at Cecil St Offices, Margate | 453,277 | 389,164 | 64,113 |
| Works to Westgate Beach Chalets | 99,091 | 52,863 | 46,228 |
| Overcladding & Windows – Millmead, Margate | 769,516 | 697,754 | 71,762 |
| Enhancement of Dalby Square, Margate | 226,254 | 81,478 | 144,776 |
| Refurbishment of Media Centre, Margate | 95,946 | - | 95,946 |

It is anticipated that these contracts will be completed in 2006/07.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES FOR THE YEAR ENDED 31 MARCH 2006

| | Restated 2004/05 £'000s | 2005/06 £'000s | 2005/06 £'000s |
|--|-------------------------------|-------------------|-------------------|
| Surplus/(Deficit) for the Year: | | | |
| - General Fund | 777 | 140 | |
| - Housing Revenue Account | 356 | 1,126 | |
| - Collection Fund | 376 | 1,018 | |
| Movements on Specific Revenue Reserves | 1,194 | (507) | |
| | <u>2,703</u> | | 1,777 |
| Movement on Pension Reserve (Note 1) | | | |
| Appropriation from Pensions Reserve | (6) | (727) | |
| Actuarial Gains and Losses Relating to Pensions | (21,403) | (2,153) | |
| | <u>(21,409)</u> | | (2,880) |
| Total Increase/(Decrease) in Revenue Resources | (18,706) | | (1,103) |
| Increase/ (Decrease) in Useable Capital Receipts | (205) | 913 | |
| Increase/ (Decrease) in Unapplied Capital Grants and Contributions | - | - | |
| | <u>(205)</u> | | <u>913</u> |
| Total Increase/(Decrease) in Realised Capital Resources (Note 2) | (205) | | 913 |
| Gains/(Losses) on Revaluation of Fixed Assets | 33,437 | (14,036) | |
| Impairment Losses on Fixed Assets due to General Changes in Prices | - | - | |
| | <u>33,437</u> | <u>(14,036)</u> | |
| Total Increase/(Decrease) in Unrealised Value of Fixed Assets (Note 3) | 33,437 | | (14,036) |
| Value of Assets Sold, Disposed of or Decommissioned (Note 4) | (2,390) | | (2,712) |
| Capital Receipts Set Aside | 1,889 | 2,324 | |
| Revenue Resources Set Aside | (7,911) | (4,487) | |
| Movement on Government Grants Deferred | 5,416 | 7,026 | |
| | <u>(606)</u> | | <u>4,863</u> |
| Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment (Note 5) | (606) | | 4,863 |
| Increase/(Decrease) in Deferred Credits | (96) | | (36) |
| Total Recognised Gains and Losses | 11,434 | | (12,111) |

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The actuarial gains identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005.

1 MOVEMENT IN PENSIONS RESERVE

| | 2003/04 | | 2004/05 | | 2005/06 |
|--|-----------------|-------------|-----------------|---------------|-----------------|
| | £'000s | | £'000s | | £'000s |
| Revenue and Capital Costs | | | | | |
| Current Service Cost | (1,318) | | (1,838) | | (1,840) |
| Employer Contributions | 2,144 | | 2,940 | | 3,633 |
| Past Service Costs | (2,318) | | (371) | | (660) |
| Interest on Pension Scheme Liabilities | (4,839) | | (4,538) | | (5,910) |
| Expected Return on Employer Assets | <u>3,145</u> | | <u>3,801</u> | | <u>4,050</u> |
| | (3,186) | | (6) | | (727) |
| Actuarial Gains / (Losses) | | | | | |
| | | % | | % | |
| Actual Return less Expected Return on Assets | 7,493 | 14.0 | 2,341 | 4.0 | 11,720 |
| Experience Gains / (Losses) on Liabilities | 953 | 1.1 | (7,309) | 6.6 | (853) |
| Value of the Scheme Liabilities | | | (16,435) | | (13,020) |
| | 8,446 | 10.1 | (21,403) | (19.4) | (2,153) |
| Total Movement in Reserve | 5,260 | | (21,409) | | (2,880) |
| Balance Brought Forward 1 April | (35,446) | | (30,186) | | (51,595) |
| Balance Carried Forward 31 March | (30,186) | | (51,595) | | (54,475) |

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

| | Usable Capital Receipts | Unapplied Capital Grants and Contributions |
|---|---|---|
| | £'000s | £'000s |
| 2 MOVEMENTS IN REALISED CAPITAL RESOURCES | | |
| Amounts Receivable in 2005/06 | 3,235 | 5,058 |
| Amounts Applied to Finance New Capital Investment in 2005/06 | (2,322) | (5,058) |
| Total Increase/(Decrease) in Realised Capital Resources in 2005/06 | 913 | - |
| Balance Brought Forward at 1 April 2005 | <u>927</u> | <u>-</u> |
| Balance Carried Forward at 31 March 2006 | <u>1,840</u> | <u>-</u> |
| | Fixed Asset Restatement Account £'000s | |
| 3 MOVEMENTS IN UNREALISED VALUE OF FIXED ASSETS | | |
| Gains/losses on Revaluation of Fixed Assets in 2005/06 | (14,036) | |
| Impairment Losses on Fixed assets due to General Changes in Prices in 2005/06 | <u>-</u> | |
| Total Increase/(Decrease) in Unrealised Capital Resources in 2005/06 | (14,036) | |
| | Fixed Asset Restatement Account £'000s | |
| 4 VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED | | |
| Amounts Written Off Fixed Asset Balances for Disposals in 2005/06 | <u>(2,712)</u> | |
| Total Movement on Reserve in 2005/06 | (16,748) | |
| Balance Brought Forward at 1 April 2005 | <u>121,771</u> | |
| Balance Carried Forward at 31 March 2006 | <u>105,023</u> | |

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

| | Capital Financing Account £'000s | Government Grants Deferred £'000s | Total £'000s |
|---|---|--|-------------------------|
| 5 MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT | | | |
| Capital Receipts Set Aside in 2005/06 | | | |
| - Reserved Receipts | 2 | | |
| - Useable Receipts Applied | <u>2,322</u> | | |
| | 2,324 | - | 2,324 |
| Total Capital Receipts Set Aside in 2005/06 | | | |
| Revenue Resources Set Aside in 2005/06 | | | |
| - Capital Expenditure Financed from Revenue | 136 | | |
| - Reconciling Amount for Provisions for Loan Repayment | <u>(4,623)</u> | | |
| | (4,487) | - | (4,487) |
| Total Revenue Resources Set Aside in 2005/06 | | | |
| Grants Applied to Capital Investment in 2005/06 | 2,576 | 5,058 | |
| Amounts Credited to the Asset Management Revenue Account in 2005/06 | | <u>(608)</u> | |
| | <u>2,576</u> | <u>4,450</u> | <u>7,026</u> |
| Movements on Government Grants Deferred | | | |
| Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment | | | 4,863 |
| Total Movement on Reserve in 2005/06 | 413 | 4,450 | |
| Balance Brought Forward at 1 April 2005 | <u>79,682</u> | <u>13,900</u> | |
| Balance Carried Forward at 31 March 2006 | <u>80,095</u> | <u>18,350</u> | |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

| 2005 £'000s | | £'000s | 2006 £'000s | £'000s |
|------------------|--|----------|----------------|------------|
| | REVENUE ACTIVITIES | | | |
| | Cash Outflows | | | |
| (17,423) | Cash paid to and on behalf of employees | (18,907) | | |
| (25,956) | Other operating cash payments | (28,443) | | |
| (32,991) | Housing Benefit (non council housing) | (32,827) | | |
| (19,253) | NDR - payment to the national pool | (23,282) | | |
| (37,192) | Precepts - Kent County Council | (38,495) | | |
| (4,653) | - Kent Police Authority | (4,883) | | |
| (2,466) | - Kent Fire and Rescue | (2,508) | | |
| (419) | - Parish Precepts | (448) | | |
| (1,919) | Payments to Capital Receipts Pool | (1,303) | | |
| <u>(142,272)</u> | | | (151,096) | |
| | Cash Inflows | | | |
| 3,113 | Rents (after rebates) | 3,204 | | |
| 42,872 | Council Tax receipts | 44,507 | | |
| 3,476 | NDR receipts from national pool | 3,688 | | |
| 19,368 | NDR receipts | 21,186 | | |
| 7,105 | Revenue Support Grant | 7,197 | | |
| 49,955 | Department of Works and Pensions grants for benefits | 46,825 | | |
| 4,372 | Other Government grants | 3,332 | | |
| 16,989 | Other operating cash receipts | 21,152 | | |
| <u>147,250</u> | | | 151,091 | |
| <u>4,978</u> | Cash Flow from Revenue Activities | | | (5) |
| | RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| | Cash Outflows | | | |
| (2,195) | Interest paid | | (2,142) | |
| | Cash Inflows | | | |
| 697 | Interest received | | 697 | |
| <u>(1,498)</u> | | | | (1,445) |
| | CAPITAL ACTIVITIES | | | |
| | Cash Outflows | | | |
| - | Purchase of fixed assets | (7,020) | | |
| (10,611) | Other capital cash payments | (9,328) | | |
| <u>(10,611)</u> | | | (16,348) | |
| | Cash Inflows | | | |
| 3,021 | Sale of fixed assets | 4,112 | | |
| 5,648 | Capital grants received | 8,280 | | |
| 825 | Other capital cash receipts | 579 | | |
| <u>9,494</u> | | | 12,971 | |
| <u>(1,117)</u> | Cash Flow from Capital Activities | | | (3,377) |
| | MANAGEMENT OF LIQUID RESOURCES | | | |
| (2,099) | Net (increase)/decrease in short-term deposits | | 5,550 | |
| | Net (increase)/decrease in other liquid resources (excluding cash) | | - | |
| <u>(2,099)</u> | | | | 5,550 |
| <u>264</u> | NET CASH INFLOW/OUTFLOW BEFORE FINANCING | | | <u>723</u> |
| | FINANCING | | | |
| | Cash Outflows | | | |
| (39) | Repayments of amounts borrowed | | - | |
| | Cash Inflows | | | |
| - | New loans raised | | - | |
| <u>(39)</u> | | | | |
| <u>225</u> | NET (INCREASE)/DECREASE IN CASH | | | <u>723</u> |

NOTES TO CASH FLOW STATEMENT

1. RECONCILIATION OF NET SURPLUS/DEFICIT ON THE CONSOLIDATED REVENUE ACCOUNT TO THE MOVEMENT IN CASH

| 2005 | | | 2006 | |
|--------------|--------------|--|----------------|--------------|
| £'000s | £'000s | | £'000s | £'000s |
| | | Surplus/(Deficit) for the year | | |
| 543 | | General Fund Revenue Account | 140 | |
| 356 | | Housing Revenue Account | 1,126 | |
| <u>376</u> | | Collection Fund | <u>1,018</u> | |
| | 1,275 | | | 2,284 |
| | | Non-Cash Transactions | | |
| 402 | | Minimum Revenue Provision | 401 | |
| <u>(29)</u> | | Contributions to/from Provisions/Reserves | <u>(540)</u> | |
| | 373 | | | (139) |
| | | Items on an Accruals Basis | | |
| 785 | | (Increase)/Decrease in Current Assets | (2,856) | |
| 982 | | Increase/(Decrease) in Current Liabilities | 524 | |
| <u>(468)</u> | | Less Capital Items included above | <u>(1,399)</u> | |
| | 1,299 | | | (3,731) |
| | | Items included in another section of Cash Flow | | |
| 533 | | Revenue Contributions to Capital | 136 | |
| 2,195 | | Interest Payments | 2,142 | |
| <u>(697)</u> | | Interest Receipts | <u>(697)</u> | |
| | <u>2,031</u> | | | <u>1,581</u> |
| | <u>4,978</u> | Revenue Activities as per Statement | | <u>(5)</u> |

2. MOVEMENT IN CASH AND CASH EQUIVALENT BALANCES

| | 31/03/2005 | 31/03/2006 | Change in Year |
|--------------------------|------------|--------------|----------------|
| | £'000s | £'000s | £'000s |
| Imprests | (4) | (4) | - |
| Overdraft/(Cash at bank) | <u>70</u> | <u>(653)</u> | <u>(723)</u> |
| Cash | <u>66</u> | <u>(657)</u> | <u>(723)</u> |

3. FINANCING AND MANAGEMENT OF LIQUID RESOURCES

| | 31/03/2005 | 31/03/2006 | Change in Year |
|-----------------------|------------|------------|----------------|
| | £'000s | £'000s | £'000s |
| Temporary Investments | 11,449 | 5,899 | 5,550 |

4. EXPLANATION OF THE AUTHORITY'S LIQUID RESOURCES AND ANY POLICY CHANGES

The Council considers its liquid resources to be equal to its cash in hand, cash in transit and use of overdraft facilities. There has not been a change in Policy.

NOTES TO CASH FLOW STATEMENT

5. A) ANALYSIS OF GOVERNMENT GRANTS

| | 2004/05 | 2005/06 |
|---------------------------------------|----------------|----------------|
| | £'000s | £'000s |
| Office of the Deputy Prime Minister | 648 | 523 |
| Revenue Support Grant | 7,105 | 7,197 |
| NNDR Rate Pool Allocation | 3,476 | 3,688 |
| NNDR Cost of Collection Allowance | 191 | 191 |
| European Regional Development Fund | 272 | 147 |
| South East England Development Agency | 1,458 | 1,181 |
| Housing Subsidy | 47 | 1,038 |
| Building Safe Communities | 215 | 93 |
| Economic Development-Multi Agency CTR | - | - |
| Surestart | 1,130 | - |
| Recycling | 52 | 40 |
| Street Wardens | 121 | - |
| Emergency Temporary Accommodation | 70 | 67 |
| Housing Benefits | 49,955 | 46,825 |
| Anti Social Behaviour | 25 | 21 |
| Heritage Lottery | 33 | 7 |
| Interreg Funding | - | 24 |
| Local Agenda 21 | 5 | - |
| DWP – Document Image Processing | 105 | - |
| | <u>64,908</u> | <u>61,042</u> |

5. B) ANALYSIS OF GOVERNMENT GRANTS - CAPITAL

| | 2004/05 | 2005/06 |
|--|----------------|----------------|
| | £'000s | £'000s |
| European Regional Development Fund | 141 | 29 |
| Lottery | 553 | 290 |
| Sure Start | 1,118 | 18 |
| Improvement Grants | 313 | 300 |
| South East England Development Agency | 3,523 | 7,212 |
| Department of Works and Pensions | - | 232 |
| Office for the Deputy Prime Minister | - | 40 |
| Implementation of Electronic Government | - | 150 |
| Maritime Heritage Trail (Interreg funding) | - | 9 |
| | <u>5,648</u> | <u>8,280</u> |

6. FURTHER NARRATIVE OR ANALYSIS THAT MAY ASSIST IN INTERPRETING THE STATEMENT

Additional Analysis:

Payment to Capital Receipts Pool – Refer to Consolidated Revenue Account note 7 on page 18 and Kent Fire and Rescue Precept – Refer to Collection Fund note 5 on page 52.

The Council has undertaken debt rescheduling with Dexia of £4.5m during 2005/06, there were no cash transactions relating to this.

COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

| 2005 £'000s | 2005 £'000s | | 2006 £'000s | 2006 £'000s |
|--------------------|----------------|--|----------------|----------------|
| INCOME | | | | |
| | | Council Tax (net of Benefits and Transitional Relief) | 45,101 | |
| 43,347 | | Transfers from General Fund | | |
| | | - Council Tax Benefits | 10,500 | |
| 9,843 | | Income from Business Ratepayers Contributions | 21,006 | |
| 19,610 | | - Towards previous years Council Tax Deficit | 781 | |
| <u>636</u> | 73,436 | | <u>781</u> | 77,388 |
| EXPENDITURE | | | | |
| | | Precepts and Demands from County, District, Kent Police and Kent Fire and Rescue | 54,689 | |
| 52,653 | | Business Rates | | |
| | | - Payment to the Pool | 20,815 | |
| 19,419 | | - Cost of Collection Allowance | 191 | |
| 191 | | Amounts Written Off in year | 397 | |
| 806 | | Provision for Bad and Doubtful Debts | 278 | |
| (9) | <u>73,060</u> | | <u>76,370</u> | |
| | (376) | (Surplus)/Deficit for Year | | (1,018) |
| | 937 | Balance at Beginning of Year | | 561 |
| | <u>561</u> | Balance at End of Year | | <u>(457)</u> |

NOTES TO THE COLLECTION FUND ACCOUNT

1. GENERAL

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions of the billing authority in relation to business rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the billing authority.

2. SURPLUS/DEFICIT OF THE REVENUE ACCOUNT

The introduction of Council Tax brought with it the requirement to share any surplus or deficit (in proportion to precepts) as estimated at 15 January between the major precepting authorities. (NB: The deficit/surplus relating to Community Charge is estimated at 15 February and borne 100% by the billing authority).

Remaining balances are then used to decrease or increase the council tax payable.

| | Community Charge | Council Tax |
|--|-------------------------|--------------------|
| | £'000s | £'000s |
| Deficit/(Surplus) as at 1 April 2005 | (1) | 561 |
| Transactions in 2005/06 | <u>-</u> | <u>(1,018)</u> |
| Deficit/(Surplus) as at 31 March 2006 | (1) | (457) |
| Estimated Deficit/(Surplus) accounted for in 2006/07 Council Tax computation | <u>-</u> | <u>(530)</u> |
| Deficit/(Surplus) to be considered in 2007/08 Council Tax computation | (1) | 73 |

3. COUNCIL TAX

The following table shows the number of properties per band discounted and converted to Band D equivalents thus calculating the Council Tax Base:

| Band | Estimated Number of Taxable Properties after Discount | Ratio | Band D Equivalent |
|------------------------------------|---|-------|-------------------|
| A | 11,540 | 6/9 | 7,693 |
| B | 15,268 | 7/9 | 11,875 |
| C | 14,302 | 8/9 | 12,713 |
| D | 6,605 | 1 | 6,605 |
| E | 3,344 | 11/9 | 4,087 |
| F | 1,301 | 13/9 | 1,879 |
| G | 605 | 15/9 | 1,008 |
| H | <u>25</u> | 2 | <u>50</u> |
| TOTAL | 52,990 | | <u>45,910</u> |
| Adjustment for Non-collection (3%) | | | <u>(1,377)</u> |
| COUNCIL TAX BASE | | | <u>44,533</u> |

4. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the Non Domestic Rate pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local population. Under these arrangements, the amounts included in these accounts can be analysed as follows:

NOTES TO THE COLLECTION FUND ACCOUNT

| | 2004/05 | 2005/06 |
|---|----------------|----------------|
| | £'000s | £'000s |
| Non-domestic Rateable Value £60,522,688 | | |
| Multiplied by the Uniform Business Rate (41.5p for 2005/06) | 22,480 | 25,117 |
| Less allowances and other adjustments | (2,718) | (3,965) |
| Less bad debt provision | <u>(152)</u> | <u>(146)</u> |
| Net collectable Business Rates | 19,610 | 21,006 |
| Less cost of collection allowance | <u>(191)</u> | <u>(191)</u> |
| Net contribution to NDR national pool | <u>19,419</u> | <u>20,815</u> |

5. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

| | 2004/05 | 2005/06 |
|--------------------------------------|-------------------|-------------------|
| | £ | £ |
| Kent County Council | 37,685,061 | 39,058,387 |
| Kent Police Authority | 4,707,946 | 4,937,898 |
| Kent Fire and Rescue | 2,466,352 | 2,545,108 |
| Thanet District Council | <u>7,374,960</u> | <u>7,699,310</u> |
| | <u>52,234,319</u> | <u>54,240,703</u> |
| Parishes and Charter Trustees | | |
| - Acol | 3,276 | 3,431 |
| - Birchington | 23,753 | 27,968 |
| - Broadstairs | 154,999 | 167,262 |
| - Cliffsend | 14,330 | 7,717 |
| - Manston | 5,623 | 9,000 |
| - Margate | 70,780 | 86,185 |
| - Minster | 36,750 | 37,670 |
| - Monkton | 4,800 | 5,040 |
| - Ramsgate | 99,857 | 100,002 |
| - St Nicholas at Wade | <u>5,000</u> | <u>4,000</u> |
| | <u>419,168</u> | <u>448,275</u> |

Annually the precepts from major precepting authorities are affected by prior year surplus/deficits. The figures for 2004/05 and 2005/06 now reflect the total amount raised to pay for goods and services within each authority, and to clear any deficit or utilise any surplus from prior years.

STATEMENT OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

Thanet District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Thanet District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Thanet District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure, to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Thanet District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at Thanet for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

Where improvements have been implemented during this period, the implementation date is provided in Section 3. Further developments to the system of internal control are planned during 2006/07 and these are detailed in Section 5 along with an update of the progress to date on the 2005/06 planned developments.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the internal control environment are summarised below:

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|--|---|
| 3.1 | Establishing and monitoring the achievement of the authority's objectives. | <p>The Council's Corporate Plan (revised in January 2005) sets out the Council's vision for Thanet and the overall objectives and priorities for 2003/07. It also outlines plans to achieve its goals and how progress against those goals is to be measured. The main objectives of the Council's services are shown in the Annex to the Corporate Plan. The Corporate Plan is available on the Council's web site. Work has commenced on the new Corporate Plan (2007-2012).</p> <p>As part of the Local Strategic Partnership, the Council's Community Strategy includes a vision for the local area, based upon the aspirations, needs and priorities of the local community, a strategy for implementing that vision and regular monitoring to ensure the aims are being met. This strategy was launched in June 2004. The Council's actions are detailed in the Corporate Plan Annex - Action Plan.</p> <p>The Best Value Performance Plan published annually in June sets out the Council's detailed targets for continuously improving services having regard to a combination of economy, efficiency and effectiveness as well as outlining the Council's programme of Best Value Reviews.</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|--|---|
| | <p>Establishing and monitoring the achievement of the authority's objectives (cont).</p> | <p>One of the key elements of the Council's Corporate Plan is "Pride". The plan explains that the Council will "provide clear, accountable leadership on behalf of the Community, to develop the local economy and improve the local environment in a sustainable manner". One of the main ways the Council can improve the local environment is through its Waste, Cleansing and Recycling services and through the enthusiasm of the staff involved in this service, who will be encouraged to take pride in their work. This service was brought back in-house from 01/04/06. The decision to enhance this service has been evidenced by the recent MORI survey that showed Street Scene as the number one issue of concern for residents.</p> <p>The Environmental Action Programme (EAP), that aims to improve Thanet's public areas, make the district a safer and cleaner place to live and restore public pride in the area, was launched in August 2004. Published on the Council's website is the "What has the EAP achieved", that identifies the work undertaken. In particular, the work done by the Rapid Response Team has helped improve the appearance of Thanet.</p> <p>The Council also produces various other corporate strategies, which complement the Corporate Plan. The Council's most important strategies include:</p> <p style="padding-left: 40px;">Thanet Crime & Disorder Strategy, Housing Strategy, Local Plan, Procurement Strategy, Medium Term Financial Strategy, Capital Investment Strategy, Treasury Management Strategy, Housing Revenue Account Business Plan, Risk Management Strategy and the Empty Property and Derelict Land Strategy.</p> <p>The Corporate Management Team (CMT) has produced a list of key improvement projects that link to corporate priorities and key issues for change. Each project has a high-level project brief and an allocated chief officer lead. These are reflected in the Corporate Plan Annex - Action Plan.</p> <p>Since September 2003, all performance management issues are monitored via the monthly "Performance Pack" – a control mechanism that covers all services. This is continually developed through feedback and learning.</p> <p>Council officers participate in a bi-annual appraisal which sets annual work targets for each individual which show how the work they undertake not only contributes to the achievement of their service objectives but also the achievement of the Corporate Plan. This means that all Council officers are not only aware of their own responsibilities but also of their corporate responsibility and how they personally contribute towards the Council achieving its vision. Training needs are assessed as part of this process.</p> <p>The scale of change required to balance the budget from 2005/06 onwards resulted in the creation of the Efficiency Review Group, in October 2004. The Group was led by the Deputy Leader and supported by leading Members and officers. The Group's findings culminated in the Service Efficiency Review report, which was agreed by Cabinet in April 2005. This review restructures the Council to facilitate closer focus on the key priorities clearly identified in the report, for example, Waste and Recycling, whilst</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|---|---|
| | Establishing and monitoring the achievement of the authority's objectives (cont). | <p>re-aligning officer and Cabinet structures to improve reporting and responsibility lines. As part of the Efficiency Review, Corporate Directors were allocated two service areas each, Heads of Service reduced from 12 to 6 plus the General Manager/Harbour Master Port of Ramsgate, each directly linked to a Portfolio Holder and the decision making process was streamlined. Each Head of Service was allocated responsibility to critically review their service area with the view to making further efficiencies.</p> <p>The reviews undertaken by the Head of Resources, Customer Services and Improvement and Performance have been appraised and implemented. Development Services has been appraised and is currently being finalised. Commercial Services, Maritime and Housing and Community Services are due to be finalised in 2006/07.</p> |
| 3.2 | The facilitation of policy and decision making. | <p>The Council has adopted a Constitution for governance of Thanet District Council, which sets out how the Council operates, how decisions are made and the procedures, which are followed to ensure that these are efficient, transparent and accountable to local people.</p> <p>The Cabinet is the part of the Council that is responsible for most day-to-day decisions and is now made up of the Leader and 7 (after 11 May) other Councillors. When key decisions are to be discussed or made these are published in the Council's Forward Plan and will generally be discussed in a meeting open to the public. The Cabinet has to make decisions that are in line with the Council's overall policies and budgets. Decisions outside the Budget and Policy Framework must be referred to Full Council. A "call in" procedure allows a Scrutiny Committee to review Cabinet decisions before they are implemented.</p> <p>The Council's CMT (consisting of the three Corporate Directors and the Chief Executive) meet on a monthly basis to consider strategic issues. They meet with Heads of Service monthly (ECMT) to consider operational issues. All draft Cabinet reports are reviewed by ECMT.</p> <p>Council agreed the creation of a Governance and Audit Committee on the 11 May 2006. A Governance and Audit Committee is a key source of assurance about the Council's arrangement for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance.</p> |
| 3.3 | Ensuring compliance with established policies, procedures, laws and regulations. | <p>The Members handbook contains key controls and regulations including the Council's Constitution which encompasses:</p> <ul style="list-style-type: none"> Council Procedure Rules Cabinet Procedure Rules Overview and Scrutiny Procedure Rules Financial Procedure Rules Contract Procedure Rules Code of Conduct for Members Officers' Code of Conduct Protocol on Member / Officer Relations Protocol for the Guidance of Planning Members and Officers. |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|--|--|
| | <p>Ensuring compliance with established policies, procedures, laws and regulations (cont).</p> | <p>These documents are available on the Council's web site and officers can access the documents via the Council's intranet. Council approved a revised Constitution on 11 May 2006.</p> <p>The role of Monitoring Officer (represented at Corporate Director level) has responsibility for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.</p> <p>The role of Section 151 Officer (represented at Corporate Director level) has responsibility for ensuring that appropriate advice is given to the Authority on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal control.</p> <p>The Efficiency Review saw the transfer of Internal Audit provision to the East Kent Internal Audit Partnership. Based on a risk analysis, they review compliance with all applicable statutes, regulations and relevant statements of best practice and ensure that public funds are properly safeguarded and are used economically, efficiently and effectively.</p> <p>The Council is currently undertaking an assessment of its current position of the Equality Standard to ensure compliance with the requirements of the Race Relations (Amendment) Act 2000, the Disability Discrimination (Amended) Act 2005 and evolving equalities legislation.</p> <p>This will inform the development of a corporate and service level action plan for movement through the Standard in line with Council priorities and statutory obligations. A steering group – the Corporate Equalities Planning Group – formed of service representatives and chaired by Paul Moore, Corporate Director, has been formed to facilitate this work.</p> <p>The Public Interest Disclosure Act 1998 requires the Council to have in place a Whistleblowing procedure whereby staff and others can report concerns about various sorts of wrongdoing or alleged impropriety. The Council first adopted such "whistleblowing" provisions in 2000 and approved an updated Code in April 2005.</p> <p>From January 2005, the Freedom of Information (FOI) Act legislation gives a general right of access to see information held by public bodies. It also extends existing rights to see personal information held about an individual using the Data Protection Act 1998. In response to this new legislation, the Council has produced guidance notes, appointed FOI department representatives, updated staff at staff development sessions and developed a central process to record all requests.</p> <p>The Council has appointed a Money Laundering Reporting Officer and guidance has been issued to all cash control staff/senior managers. The Anti-Money Laundering Policy went to ECMT and Finance, Best Value and Performance Review Panel in January 2006. In February 2006 Butlers (the Council's treasury advisors) held an Anti-Money Laundering staff training session. This, together with Whistleblowing procedures, was the subject of a Staff Development Session in May 2006.</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|---|--|
| | Ensuring compliance with established policies, procedures, laws and regulations (cont). | <p>The Council has undertaken consultation with Thanet residents and neighbouring Authorities, with regard to the Kent International Airport Section 106 of the Town and Country Planning Act 1990 Planning Agreement.</p> <p>Feedback from that work, conducted in 2005, is being used to inform discussion with the current owner of the Airport, Infratil, on the content of the successor Planning Agreement. The purpose of which will be to enable the business to develop, and provide appropriate environmental protection.</p> |
| 3.4 | How leadership is given to the risk management process. | <p>In October 2003, Risk Management became the responsibility of the S151 Officer.</p> <p>The Efficiency Review saw the transfer of Risk Management to Financial Services and from 1st April 2006 insurance was outsourced to KCC to release additional staff resource for Corporate Governance (including Risk Management).</p> <p style="padding-left: 40px;">The Resources Portfolio Holder has been nominated as the Member Champion for Risk Management and the first meeting was held with him in February 2006.</p> <p style="padding-left: 40px;">The Council approved the revised Risk Management Policy and Strategy in February 2006. Directors, HOS, Finance, Best Value and Performance Review and Cabinet were all involved in the annual revision of the Strategy. The Strategy defines Roles and Responsibilities.</p> |
| 3.5 | How risk management is embedded in the activity of the Council. | <p>The inaugural meeting of the new Corporate Risk Management Group led by the Corporate Director was held in March 2004.</p> <p>Following the Efficiency Review, the Corporate Risk Management Group members were revised and the first quarterly meeting with the new members was held in November 2005. Cabinet reports now include a section for consideration of risk issues.</p> <p>The 2006/07 Service Plan Template includes a section for Risk Management and the information provided will form the basis of the revised Risk Register.</p> <p>The Council has utilised risk management to help formulate its policy on the appropriate level for reserves.</p> <p>When considering budget bids, managers are asked to undertake a risk assessment and this is considered as part of the resource allocation methodology.</p> <p>To strengthen the process for the 2005/06 Final Accounts the Statement of Internal Control will be supported by Managers Assurance Assessment Statements. Managers' answers to the series of questions will provide assurance and confidence to those signing the statement. In addition, where Managers have indicated risks in their Managers Assurance Assessment Statements, these will also be included in the Risk Register.</p> <p>The Council is currently engaging all staff in the Business Continuity Management process to ensure contingency planning is in place and the first round of forms deadline was 1 June 2006.</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|---|--|
| | How risk management is embedded in the activity of the Council (cont). | <p>The Council maintains a Major Emergency Plan, detailing its corporate response to an emergency, as well as specific departmental plans dealing with:</p> <ul style="list-style-type: none"> • Homelessness as a result of an emergency • Media relations during an emergency • Emergencies at Ramsgate Royal Harbour • Emergencies at Ramsgate New Port • Emergencies at Broadstairs Harbour and Margate Harbour • Coastal Storm Tide Flooding • Oil Pollution • Environmental Health emergencies <p>Since 2004/05, all Council departments have completed annual work place risk assessments.</p> <p>This Council has worked to deliver its responsibilities under the Civil Contingencies Act.</p> |
| 3.6 | How staff are trained or equipped to manage risk in a way which is appropriate to the authority and their duties. | <p>Since September 2004 the Authority has been developing a structured managerial development programme, which covers competencies in project management, business planning, performance management, risk and financial management, staff management and development and communication skills. The first round of officers have completed the course and been awarded their diplomas.</p> <p>Public Risk Management (PRM) in November 2005 carried out training in Risk Management and Business Continuity Planning. The Council entered into a contract with PRM to provide training workshops for managers and relevant staff during 2006/07 and the "way forward" workshop was held in April 2006.</p> <p>KCC provided Business Continuity Management (BCM) workshops for Managers in April/May 2006. The workshop gave a brief background to BCM and then walked managers through the Service Continuity Plan Templates.</p> <p>Financial Services together with the new Corporate Communications and Marketing Department are devising a communication plan for Risk Management. This will help to raise awareness and embed Risk Management at all levels of the organisation.</p> <p>In particular, briefings will be provided at the Staff Development Sessions and at the Management Conference.</p> <p>Risk Management will also form part of the Thanet Manager programme.</p> <p>Financial Reporting Standard (FRS) 8 requires that the Financial Statement draws attention to the possibility that the reported financial position may have been affected by the existence of related parties and by material transactions with them. Members and relevant officers are requested to identify any such transactions.</p> <p>The Council keeps a gifts/hospitality register. Any gift or hospitality accepted by an officer must be reported to their line manager, a form completed and approved by their Director for inclusion within the register.</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|---|---|
| 3.7 | <p>Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.</p> | <p>Cabinet approved the Managing Sickness Absence Policy in June 2004. This policy, and its procedures, are designed to support and sustain staff through illness and assist in their return to productive work. There is an updated policy in draft, due for consultation in June 2006. The Best Value Performance Indicator (BVPI) 12 (Number of days lost due to sickness per FTE) showed improvement of 1.16 days in 2004/05. The Council has not been able to maintain this improvement in 2005.</p> <p>The Council appointed Hay Group to oversee a Job Evaluation exercise and staff were trained to undertake this process. New Job Descriptions, based on the "STEP" format, were written for all staff. In January 2006, based on the new job descriptions, each individual received a Job Evaluation Personal Illustration, which advised the Hay score awarded to their post and salary projections based on the salary grades under consultation. Officers had the right to appeal and the outcome of these was communicated in March 2006.</p> <p>The review of Terms and Conditions were shaped by the views that came from the staff survey carried out in the summer of 2005. Negotiations continued between Management and Unison, which reached agreement on the new pay and benefits package and the programme for further work in 2006. The pay scales came into effect on 1 April 2006.</p> <p>The Waste and Recycling service will be re-organised during 2006 to achieve acceptable levels of service efficiency and cost prior to market testing in 2009.</p> <p>The Capacity Building Fund grant received from the Department for Communities and Local Government (DCLG) has been used to arrange a training programme for Members and managers. The focus of this training will act as a catalyst for the required culture change throughout the organisation.</p> <p>In addition, the Council tendered in June 2005 for the delivery of the Thanet Manager Programme. The management programme will look at skills, knowledge, attitude and behaviours, which will help the organisation, develop and provide even more effective staff, services and performance. The programme includes a module covering financial training, risk management and resource management. The training is due to commence in September 2006.</p> <p>The launch of the corporate customer service standards was held in December 2004. Customer Care workshops have been carried out across the Council to approximately 40% of all staff. Mystery shopping is taking place on a quarterly basis starting in April and results will be reported to ECMT. The number of telephone calls not answered is monitored on a monthly basis.</p> <p>The Council was awarded Investors in People status in March 2005. This is a national quality standard, which sets a level of good practice for improving an organisation's performance through its people.</p> <p>A new approach to the management of information in terms of manual and electronic records and processes is being</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|---|--|
| | <p>Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which functions are exercised having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty (cont).</p> | <p>implemented. This is essential for the Council to make progress and improve customer service and move away from holding information in an uncoordinated and disparate way. Developments include:</p> <ul style="list-style-type: none"> • An Information Audit has been completed for Council services, which identifies information held, by whom, for how long, in what format, methods of access and retrieval. Retention Schedules are being produced, building on the results of the Information Audit. A Draft TDC Record Management Protocol, which is a statement of best practice principles, has been approved by ECMT and is available on the intranet. Two documents are due to go to Cabinet in June 2006: The Information Management Strategy and the Retention and Disposal Protocol. • Revenues and Benefits went live in December 2005 with Document Image Processing (DIP) and Workflow, this has been funded by the Department of Works and Pensions. The system will be rolled out corporately and will form part of the Council's developing Information Strategy. • More services are being offered via self-service and the Customer Contact Centre. • There is a Members Portal in place that 25 Members have been trained to use. • The implementation of additional software as part of the Financial Information System allows orders and remittance advices to be automatically faxed and e-mailed. It also enables an image to be stored when documents are created that can be retrieved within the system. This process is currently used for orders, debtor invoices and remittance advices. • Creditor Invoices received by the authority are now being scanned so that these can also be viewed from the Financial Information System. Work is underway to enable the workflow of these invoices for on-line authorisation. Workshops begun in May 2006 to enable the receipt of electronic invoices and processing of invoices from suppliers. • An increased number of invoices are being paid by BACS. <p>Project Management training courses were undertaken by relevant officers in October 2005. This training is ongoing but awaiting instruction from the Steering Group.</p> <p>Lifelong Learning is part of the Government's strategy to encourage a culture in which education and training are available and accessible to everyone. As a result, Unison's Lifelong Learning Representatives are working with the Training Officer to promote this culture within the workplace and to encourage and support staff in their training and learning needs.</p> <p>In February 2005 the Council created a Learning Resource Centre, designed to provide a quiet learning area for those</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|---|--|
| | <p>Ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which functions are exercised having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty (cont).</p> | <p>wishing to develop or pursue skills and access to online training materials, without the costs of travel. Legal Services staff are using video training to reduce travel costs.</p> <p>The Gershon agenda requires all Government Departments to achieve efficiency savings. Thanet has been given a target of £1.7m per annum by 2007/08. Savings from the Service Efficiency Review were included within the 2005/06 Annual Efficiency Statement Forward Look, completed in April 2005. The forward look 2006/07 Annual Efficiency Statement was completed by the April 2006 deadline.</p> <p>To further drive efficiencies, the Council has been working in partnership with all other Kent authorities in areas such as ICT and procurement.</p> <p>A supplier spend analysis previously undertaken as part of a collaborative tender with other Kent Councils continues to identify and inform the Council's Procurement Strategy and the collaborative procurement agenda within Kent and the South East Region. Both the supplier spend analysis and participation in other initiatives such as the Regional Centre of Excellence pilot Pricetrak analysis, (which benchmarked common commodity prices), are used to base and track future efficiency and cost savings. Also, the further enhancement of the use of modern methods of procurement will continue to improve and streamline processes required for meeting the Gershon efficiency agenda.</p> <p>A fitness check carried out by the National e-Procurement Project (NePP) into the progress the Council has made with e-procurement and a Procurement "Health Check" carried out by the IDeA further informs the Council's action plan for the Improvement and Development of Procurement.</p> <p>To ensure the effective allocation of capital resources, the Authority uses an agreed list of weighted priorities to assess schemes. This process was revised in December 2004 to ensure close links with corporate priorities. All bids for new money, whether revenue or capital, now require the completion of a form to enable an assessment to be made as to benefits and risks of a particular project.</p> <p>There is an Asset Management Group, which reviews the Council's assets. Members and CMT have reviewed and identified surplus property, which can be sold to release resources to fund the capital programme.</p> <p>Financial Services submitted a Key Lines Of Enquiry (KLOE) Use of Resources self assessment in December 2005. In March 2006 the Council received the Audit Commission's assessment for Use of Resources, which showed an overall score of 2. This represents improvement from the Weak CPA rating given in July 2004.</p> <p>Financial Services are currently participating in CIPFA Benchmarking clubs for Creditors, Debtors and Accountancy. The outcome of these will enable informed performance management/best practice decisions.</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|--|---|
| 3.8 | The financial management of the authority and the reporting of financial management. | <p>The S151 Officer has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden.</p> <p>All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.</p> <p>Key elements of financial management within the Council include:</p> <ul style="list-style-type: none"> • A Medium Term Financial Strategy (updated February 2006) • A strategic three year budget (February 2006) • Review of the annual budget (February 2006) • Monthly monitoring of expenditure and income against budget • Financial Procedure Rules (updated May 2006) • Named officers responsible for all items of the Council's spending. • Segregation of duties • Contract Procedure Rules (updated May 2006) • Capital Investment Strategy (updated February 2006) • Capital Protocol (updated February 2006) • Treasury Management Strategy (updated February 2006) • Prudential Indicators (updated February 2006) • Anti-Money Laundering Policy (January 2006) • Income Management Protocol (June 2006) <p>The Medium Term Financial Strategy covering the period 2006 to 2011, sets out the Council's strategic approach to the management of its finances and council tax levels and will assist the Council in achieving Corporate Plan targets and other strategic plans of the Authority.</p> <p>The Capital Investment Strategy also compliments other strategic plans and sets out how capital resources are used to achieve the Council's strategic vision and corporate objectives.</p> <p>The Capital Protocol defines roles and responsibilities of Members and officers. A performance mechanism and working party will effectively monitor capital resources and schemes.</p> <p>The General Fund Budget for 2005/06 and 2006/07 highlights how resource allocation has been influenced by residents' priorities, including using the results of recent MORI and SIMALTO surveys.</p> <p>The monthly budget monitoring process and work associated with producing and affecting the Annual Service Plan ensures that officer attention is directed to the efficient and effective use of resources.</p> <p>Since April 2004, CMT receive full year financial projections each month for the General Fund and Capital. From December 2004 HRA projections have also been provided on a quarterly basis. In addition, a quarterly Performance Pack, including a financial summary, has been presented to Cabinet. This highlights budget</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|---|---|
| | The financial management of the authority and the reporting of financial management (cont). | <p>variances and improvements to the financial planning process.</p> <p>In June 2005, Financial Services held a Financial Information System and Resource Management System surgery. Five staff were on hand to hold one-to-one meetings with those that attended. A Finance Working Party Group was set up in October 2005 consisting of officers from Financial Services and department representatives. This group is responsible for devolving financial responsibility and improving communication. In addition, a budget holder's handbook will be made available outlining the Council's financial procedures and training is being organised for July 2006.</p> <p>In June 2005, arrangements were made for a £4.5m loan to be re-scheduled, resulting in significant annual savings to the Council.</p> <p>Bank reconciliation procedures are in place to ensure that monthly balancing is kept up-to-date.</p> <p>The newly formed Income Management Group held their inaugural meeting in February 2006. The group is led by the Head of Resources and includes representatives from all services. The group has responsibility to compile and maintain a protocol for the income management process and progress CPA requirements.</p> <p>Manager Briefing Sessions and Staff Development Sessions were held in June 2006 on the new Contract Procedure Rules (CPRs). Monthly monitoring of Contract Procedure Rules has been introduced and the rules can be found on the Council's Intranet site.</p> |
| 3.9 | The performance management of the authority and the reporting of performance management. | <p>In September 2003 the Council introduced a Performance Management Framework. Key elements of this approach include regularly updated service plans, improvement plans and key control documents.</p> <p>All performance management issues are monitored monthly via the "Performance Pack" – a control mechanism that covers all services. The relevant Cabinet portfolio holder reviews the performance packs and more recently the Council has moved to allowing Shadow Cabinet Members access to performance packs as part of its commitment to improving Performance Management and transparency. Development work on performance packs and quarterly performance reporting is continuing in 2006 to streamline the process and report on an exception basis.</p> <p>The Council is currently conducting Performance Improvement Planning Workshops to enable managers to better address poor performance issues within their teams and support the delivery of new Human Resources policy guides.</p> <p>The Council also publishes an annual Best Value Performance Plan, which shows how the Council is performing against national, and with effect from June 2005, local performance indicators. To assist in setting SMART performance indicators and targets, workshops have been held to bring outcomes into national second quartile performance.</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | KEY ELEMENTS | INTERNAL CONTROL |
|--------|--|---|
| | <p>The performance management of the authority and the reporting of performance management (cont).</p> | <p>Each Head of Service produces a detailed service plan setting out key objectives and actions, which is monitored through their monthly Performance Packs. The IDeA and OPM gave assistance in 2006 to help strengthen the service planning process. CMT, HOS, managers and Members were engaged in the planning process and a Launch event was held in May 2006 for all staff to familiarise themselves with corporate and service objectives.</p> <p>The Council completed a Best Value Review of Leisure Services during 2005, resulting in a 5-year improvement plan.</p> <p>The Audit Commission will be conducting an inspection of Cultural Services in July 2006.</p> |

STATEMENT OF INTERNAL CONTROL

4. REVIEW OF EFFECTIVENESS

Thanet District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment and also by comments made by the external auditors and other review agencies and inspectorates.

| Ref No | SOURCE | REVIEW ACTIVITY |
|--------|---------------|---|
| 4.1 | The Authority | <p>The Council introduced Managers Assurance Assessment Statements for 2005/06. The majority of these have been completed and returned. Based on these assessments, issues raised as significant were considered by the Section 151 Officer and the key areas of concern are identified below:</p> <ul style="list-style-type: none"> • All areas should put in place arrangements to ensure that assets for which the area is responsible are properly safeguarded and controlled • All staff with financial responsibilities should be made aware of, and adequately trained to carry out, their duties • Business Continuity arrangements must be put in place for each area • Procedures must be developed and implemented for each business critical process in service areas • IT services must be confirmed as secure and satisfactory • Income management processes must be further developed • Managers must familiarise themselves with all relevant legislation and council procedures, put in place processes to comply, and take action in instances of non-compliance. <p>In addition, specific concerns exist over grant claims for external funding programmes, insurance valuations, and separation of duties.</p> <p>The Audit Commission have advised that a review of the SIC will form part of the final accounts risk assessment and testing strategy. They will also be doing a sample check of 2 services' Managers Assurance Assessment Statements.</p> <p>To date, 97% of the 2005/06 declarations in accordance with FRS8 (Related Party Transactions) have been returned. The following have been declared:</p> <ul style="list-style-type: none"> • Six instances of association with partnerships, companies, trusts or any entity that has transacted with the Council • Two instances of transactions with the Council • One Member has made reference to the breach of the Members Code by leaking of confidential papers. |

STATEMENT OF INTERNAL CONTROL

| Ref No | SOURCE | REVIEW ACTIVITY |
|--------|---------------------|---|
| 4.2 | The Executive | <p>The Executive (Cabinet) receives and will continue to receive quarterly Performance Packs.</p> <p>The Cabinet uses the Performance Packs to monitor the key priorities, performance indicators and projects.</p> <p>All the information above is used to redirect resources, in line with the Financial Procedure Rules, to ensure the Council's priorities are met. Informal Cabinet receive monthly budget monitoring information.</p> |
| 4.3 | Scrutiny Committees | <p>The overview and scrutiny annual review for 2005/06 went to Finance, Best Value and Performance Review Panel in May 2006. The report states that in May 2005, the Council agreed for the Executive and Policy Scrutiny Panel to encompass the work of the Executive Scrutiny Panel and the Policy Development Panel. The Finance, Best Value and Performance Review Panel remained unchanged.</p> <p>Of the twenty-four items considered by the Executive and Policy Scrutiny Panel, five recommendations were made to the Executive.</p> <p>Eight recommendations were made to the Executive of the twenty-three items considered by the Finance, Best Value and Performance Review Panel. Examples of items considered include:</p> <ul style="list-style-type: none"> • Draft Fees and Charges - At its meeting on 27 October 2005, the Panel discussed the way in which the Council sets its Fees and Charges. The panel questioned how fees and charges were set on a number of services. • Revised Risk Management Strategy - On 24 January the Panel considered a report on the revised risk management strategy and raised a number of concerns. • The Panel has considered Tourism Grants at a number of meetings. <p>Budget Scrutiny Working Panels met to discuss the budget. This resulted in five recommendations being made to the Executive. Examples include:</p> <ul style="list-style-type: none"> • That Cabinet reviews the free staff parking and other cost effective ways to get to work to provide a more balanced transport scheme to employees. • That Cabinet looks very closely at the issue of the Council's assets, especially those that do not generate income, whether the Council can afford to pay for essential maintenance on those assets and options for potential disposal. |

STATEMENT OF INTERNAL CONTROL

| Ref No | SOURCE | REVIEW ACTIVITY |
|--------|--|--|
| 4.4 | East Kent Internal Audit Partnership (EKIAP) | <p>The Internal Audit function has been provided by the East Kent Internal Audit Partnership (EKIAP) from mid December 2005. The Partnership incorporates Thanet, Dover and Shepway Councils. The Partnership Manager has provided an annual report and overall assurance statement of 'adequate'.</p> <p>The Council's systems of Internal Control include reliance on adherence to key policies, and in particular the Contract Procedure Rules (CPRs) and Financial Procedure Rules (FPRs). Non-compliance with Contract Procedure Rules has been observed. The effect of failures observed impacts on the Council's ability to prove that it has received value for money. No significant failure to comply with Financial Procedure Rules was noted. This led to a report to Finance, Best Value and Performance Review and an agreed Action Plan. In May 2006, the Council revised FPRs and CPRs, in part to address concerns raised.</p> <p>Due to limited resources, controls inherent in the separation of duties are not always present. However, the Council has taken reasonable steps to implement compensatory controls.</p> <p>Weaknesses reported in the Statement for 2004/05 relating to Non-Domestic Rating have been reviewed and adequately dealt with.</p> <p>Only the E-Government and (in 2006/07 year) compliance with Contract Procedure Rules were given less than adequate assurance. However, the Overall Assurance on the systems of Internal Control is Adequate.</p> <p>The above comments are a summary of the report. The full report provided by the EKIAP will not form part of the statement but was considered by those signing the Statement of Internal Control.</p> <p>In addition, the East Kent Internal Audit Partnership carried out a review of the Council's Structure and Process arrangements based on the CPA Key Lines of Enquiry. Although it was recognised that positive steps have already been taken to address areas of identified weakness, a Limited Assurance was awarded due to the timing of the review as structure and processes need time to embed.</p> |
| 4.5 | Audit Commission | <p>The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.</p> <p>The Audit and Inspection Letter for the 2004/05 Accounts states that "the Council's overall corporate governance arrangements are adequate". However, it also states that "the Council cannot yet demonstrate that it is providing consistently value for money across its services".</p> <p>In June 2004, the Audit Commission published the results of their inspection of Thanet District Council, which identified Thanet as a</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | SOURCE | REVIEW ACTIVITY |
|--------|---|--|
| | Audit Commission (cont) | <p>“weak council that has recognised the need to build the foundation for improvement”.</p> <p>A CPA progress assessment report received in March 2006 states that the Council continues to make reasonable progress in addressing the weaknesses assessed in CPA report and in last year’s progress assessment, though some key challenges still remain.</p> <p>An Audit Commission review of CPA Key Lines of Enquiry - Use of Resources was carried out in 2005/06. The findings were reported to Finance, Best Value and Performance Review Panel in May 2006:</p> <ul style="list-style-type: none"> • Financial Reporting – Level 2 (adequate performance) • Financial Management – Level 2 (adequate performance) • Financial Standing – Level 2 (adequate performance) • Internal Control – Level 1 (inadequate performance) • Value of Money – Level 1 (inadequate performance) |
| 4.6 | Best Value Review | <p>The Best Value Review of Leisure and Cultural Services went to Cabinet on 14 July 2005.</p> <p>This report identified a number of service areas that were poorly performing in terms of Best Value Performance Indicators. The report has also highlighted a number of changes, which need to be made in order to improve the performance of these service areas, which will contribute towards the Council’s target of improving services. In particular, the report recommends:</p> <ul style="list-style-type: none"> • Developing an overarching Cultural Strategy with a clear strategic direction for each of the service areas, linking to the Corporate Strategy and Community Plans and national, regional and local priorities. This is especially important for Sport given its important part in the next round of CPA and the need to link sport closely to the health agenda. • Progressing options for the replacement of Ramsgate Swimming Pool as a matter of urgency. • Bringing the inspection and maintenance requirements for Children’s Play Areas together in one contract and seek to bring back this service in-house linked to the Parks service. • Carrying out a programme of market research to establish whom the users and non-users of each of the service areas and establish baseline participation data. |
| 4.7 | Improvement and Development Agency (IDeA) | <p>With monies from the Capacity Building Fund the Council invited IDeA to carry out an overview and Scrutiny “Health Check” during November 2005. This helps to assess the authority’s current achievements and its capacity to change and improve overview and scrutiny.</p> <p>The IDeA met with a range of officers and Members. Officers have evaluated the report and are in the process of preparing an Action Check List to address the IDeA recommendations and</p> |

STATEMENT OF INTERNAL CONTROL

| Ref No | SOURCE | REVIEW ACTIVITY |
|--------|--|---|
| | | issues. The report was presented on 24 May 2006 to Members and senior officers. |
| 4.8 | The Commission for Local Administration in England | <p>Tony Redmond, the Chairman of The Commission for Local Administration in England met with senior officers and Members to discuss the Local Government Ombudsman complaint statistics. He gave very positive feedback on the Authority's complaint analysis. The provisional complaint statistics for 2005/06 advised that 48 decisions were made, of which, 10 complaints were premature, 4 were outside of the Ombudsman's jurisdiction and 7 advised to discontinue the complaint. Of the remaining 27, 5 were settled locally and 22 no evidence of maladministration was found.</p> <p>Since the 1 April 2006 to date, a further 3 complaints have been raised with the Ombudsman and another 2 decisions of no evidence of maladministration were made.</p> |

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, the Executive, Scrutiny Committees, East Kent Internal Audit Partnership, and the Audit Commission. Plans to address weaknesses and ensure continuous improvement of the system are outlined overleaf.

STATEMENT OF INTERNAL CONTROL

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Update of the 2005/06 action plan is shown below and actions taken, or proposed, to deal with significant internal control issues are shown in the following table:

2005/06 PROGRESS:

| Ref No | Priority | Action to be Implemented | Responsible Officer | Target | Actions taken |
|--------|----------|--|-----------------------------|---------------|---|
| 1 | H | The adoption of the Service Efficiency Review by Cabinet. | Chief Executive | May 2005 | Achieved - agreed at Cabinet April 2005. |
| 2 | H | Report to HOS, CMT and Cabinet on the requirements of the CPA assessment criteria related to the Use of Resources. | Head of Resources | July 2005 | Achieved - considered at Finance, Best Value and Performance Review Panel in July 2005. |
| 3 | H | Adoption of Corporate Governance Strategy in line with CIPFA guidance. | Financial Services Manager | December 2005 | Carried Forward - there was already a Corporate Governance Code in existence but this needs to be updated – March 2007. |
| 4 | H | Job Evaluation and salary benchmarking exercise. | HOS/Human Resources Manager | January 2006 | Achieved (late) - completed March 2006. |
| 5 | H | Compliance with module 3 of the Verification Framework for Housing Benefit. | Head of Customer Services | March 2006 | Carried Forward - work has commenced on this and the deadline has been revised to September 2006. |
| 6 | H | Progress the Implementation of Equality and Diversity Standards for Local Government. | Corporate Director (PM) | March 2006 | Carried Forward - there are 5 Levels to the Standard. The Council is currently claiming Level 1 and will achieve Level 2 by March 2007. In line with this target services are conducting self-assessments of their current position, which will inform the action planning necessary to achieve this target. |
| 7 | H | Annual review of the Racial Equality Policy by Cabinet. | Corporate Director (PM) | March 2006 | Achieved (late) – a report was submitted to Cabinet in May 2006. The report advised on progress made on the Race Equality Scheme since it was published in June 2004 and the Council's work in compliance with equalities related |

STATEMENT OF INTERNAL CONTROL

| Ref No | Priority | Action to be Implemented | Responsible Officer | Target | Actions taken |
|--------|----------|---|--------------------------------|----------------|--|
| | | | | | legislation and corporate commitments. |
| 8 | H | Awareness of the Gershon agenda with quality measurement in place. | Financial Services Manager/HOS | April 2006 | Achieved - an awareness report went to F,BV&P in 2005/06. The Forward Look Annual Efficiency Statement for 2006/07 was submitted in April 2006. |
| 9 | H | To ensure full compliance with the Civil Contingency Act by ensuring a business continuity plan is adopted by the Council | Financial Services Manager | December 2005 | Carried Forward - the Council has extended the Service Plan deadline to June 2006. The adoption of the Business Continuity Plan has been extended to March 2007. |
| 10 | M | Support development of Kent International Airport by engaging the public on the new Section 106 Agreement enabling business growth whilst protecting the environment. | Chief Executive | Summer 2005 | Achieved - The Council has reviewed, via its Member Airport Working Party the performance of the existing S106 Planning Agreement. The Council is now awaiting information from Infracore about its business requirements. In the meantime, Thanet DC continues to support KIA and will ensure that the existing S106 Agreement is consistently applied, until and when a successor document is agreed and put in place. |
| 11 | M | Risk Management training to be arranged. | Financial Services Manager | September 2005 | Achieved (late) - Public Risk Management training carried out in November 2005. |
| 12 | M | Introduction of the Thanet Manager Programme. | Human Resources Manager | September 2005 | Carried Forward - revised deadline September 2006. |
| 13 | M | Anti-Money Laundering Policy. | Head of Resources | December 2005 | Achieved (late) - the Anti-Money Laundering Policy went to ECMT and Finance, Best Value and |

STATEMENT OF INTERNAL CONTROL

| Ref No | Priority | Action to be Implemented | Responsible Officer | Target | Actions taken |
|--------|----------|---|-----------------------------|----------------|--|
| | | | | | Performance Review Panel in January 2006. |
| 14 | M | Revised job descriptions and personal specifications to include risk management and financial management. | Human Resources Manager/HOS | January 2006 | Carried Forward - this is to be reviewed as part of the Recruitment and Appraisal process. The revised deadline is July 2006. |
| 15 | L | To arrange Customer Care Workshops for all staff. | Human Resources Manager | From July 2005 | Achieved (late) - poor attendance but completed October 2005. |
| 16 | L | Workshops to facilitate sections working together to identify more cohesive working arrangements. | Head of Resources | September 2005 | Achieved - Heads of Service have attended various residential courses and now meet monthly. This has allowed greater understanding and improved working relationships that will be used to improve joint working. |

STATEMENT OF INTERNAL CONTROL

2006/07 PROPOSED ACTIONS:

| Ref No | Priority | Action to be Implemented | Responsible Officer | Target |
|--------|----------|--|---|----------------|
| 1 | H | Completion of Service Continuity Plans. | Heads of Service | June 2006 |
| 2 | H | Revise monthly and quarterly performance packs in line with service plan developments. | Corporate Improvement Manager/Head of Improvement and Performance | June 2006 |
| 3 | H | Comprehensive Equalities Policy presented to Cabinet. | Corporate Director (PM) | July 2006 |
| 4 | H | Contract Procedure Rule Training and Improved Budget Monitoring. | Head of Resources/Financial Services Manager | July 2006 |
| 5 | H | External Funding Protocol to be developed. | Financial Services Manager | July 2006 |
| 6 | H | An Income Protocol to be produced. | Head of Resources | June 2006 |
| 7 | H | Finalisation of Housing and Community, Maritime and Commercial Services Efficiency Reviews. | Heads of Service | August 2006 |
| 8 | H | Financial Management Training to be provided to officers. | Head of Resources/Financial Services Manager | August 2006 |
| 9 | H | Compliance with module 3 of the Verification Framework for Housing Benefit. | Head of Customer Services | September 2006 |
| 10 | H | Corporate Risk Register to be revised. | Financial Services Manager | September 2006 |
| 11 | H | Promotion of the Whistleblowing and Anti Money Laundering Policy. | Financial Services Manager/Corporate Programme Manager | September 2006 |
| 12 | H | Achieve Level 2 of the Equality Standard for Local Government. | Corporate Director (PM) | March 2007 |
| 13 | H | To ensure full compliance with the Civil Contingency Act by ensuring a business continuity plan is adopted by the Council. | Financial Services Manager | March 2007 |
| 14 | H | Review the Corporate Governance Code. | Financial Services Manager | March 2007 |
| 15 | H | Annual review of Equalities activity to Cabinet. | Corporate Director (PM) | March 2007 |
| 16 | M | To produce an annual report on the role of the Monitoring Officer. | Corporate Director (PM) | July 2006 |

GLOSSARY OF TERMS

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS & LOSSES

Changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses);
- b) the actuarial assumptions have changed.

ASSET

An item having value measurable in monetary terms. Assets can be defined as fixed or current. A fixed asset has a value for more than one year (for example a building or long term investment). A current asset can be readily converted into cash (for example stocks or a short term debtor).

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BUDGET

The spending plans of the Council over a specific period of time – generally the financial year, 1 April to 31 March.

CAPITAL CHARGES

A charge to service revenue accounts to reflect the cost of using fixed assets in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure which adds to, and not merely maintains, the value of an existing fixed asset.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants or contributions from third parties, or directly from revenue budgets.

The capital charge shows the real benefit that each service has gained in the year from the use of fixed assets. The capital financing charge debited to services is effectively the opportunity cost to the authority of services having tied up the authority's resources in particular fixed assets.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specified period of time.

CAPITAL RECEIPTS

Proceeds from the sale of capital assets.

GLOSSARY OF TERMS

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

This is the accountancy body which represents at national level the interests of local government and public service finance, and issues guidance to local authorities on best practice.

COLLECTION FUND

A statement that shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets include parks and historical buildings.

CONSOLIDATED BALANCE SHEET

This statement is fundamental to the understanding of an authority's financial position at the year end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

CONSOLIDATED REVENUE ACCOUNT

A statement that brings together expenditure and income relating to all of the local authority's functions and demonstrates how that cost has been financed from government grants and income from local taxpayers.

CORPORATE AND DEMOCRATIC CORE

This is an element of the Service Expenditure Analysis that brings together the costs of democratic representation and management and corporate management, excluding them from the total cost of any particular service.

CREDITOR

Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

CURRENT SERVICE COST

The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period.

DEBTOR

Amounts due to the Council for works done, goods or services provided before the end of the accounting period but for which payments had not been received by the end of that period.

DEFERRED CHARGES

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on improvement grants.

GLOSSARY OF TERMS

DEPRECIATION

The measure of the wearing out, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

DIRECT LABOUR ORGANISATION (DLO)

The term Direct Labour Organisation (DLO) is used to describe an organisation directly employed by the Authority that has been exposed to competition and has been established under the Local Government Act 1988.

EXPECTED RATE OF RETURN ON ASSETS

The average rate of return expected over the remaining life of the related obligation on the actual assets held by the Scheme.

FIXED ASSETS

Tangible or Intangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

FINANCIAL REPORTING STANDARDS (FRS'S) AND STATEMENTS OF STANDARD ACCOUNTING PRACTICES (SSAP'S)

In order for Balance Sheets and Profit and Loss Accounts to make sense to users who rely on them for decision making purposes, there has to be consistency in the way items are treated in the Financial Statements. SSAP's and FRS's give us this consistency by ensuring that all users that follow these standards prepare accounts to give a true and fair view of the state of affairs at the end of the financial year.

GOVERNMENT GRANTS

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash in return for past or future compliance with certain conditions relating to the activities of the authority.

HOUSING ADVANCES

Loans made by the Council to individuals or Housing Associations towards the cost of acquiring, constructing or improving dwellings.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT

Reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.

INCOME

Amounts which the Council receives or expects to receive from any source, including rents, fees, charges, sales and grants.

GLOSSARY OF TERMS

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

An intangible fixed asset is one that has no physical substance but are identifiable and the Authority has control (either through custody or legal protection) over the future economic benefits.

INTEREST ON PENSION SCHEME LIABILITIES

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

INVESTMENTS

A long term investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and,
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

LIABILITY

An amount owed by the Council which will be paid at some time in the future.

NON-DOMESTIC RATE

The Non-Domestic Rate (Business Rate) is a standard rate in the pound set by the Government on the assessed rateable value of business properties.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the asset remains with the lessor, not the Council.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

GLOSSARY OF TERMS

PAST SERVICE COST

Discretionary benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

PRECEPT

The levy made by precepting authorities on billing authorities, for example the Kent Police Authority levies a precept on Thanet District Council.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits evaluation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- b) the accrued benefits for members in service on the valuation date.

PROVISION

An amount set aside for liabilities or losses which are certain to arise, but which due to their nature cannot be quantified with certainty.

RESERVES

Surpluses and deficits which have been accumulated over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement reserve cannot be used to meet current expenditure.

REVENUE ACCOUNT

The main account of the Council into which grants and other income is paid and from which the cost of providing services is met.

REVENUE EXPENDITURE

The cost of the day to day running of services, including salaries, wages, materials etc.

RULE OF 85 AGE

The date on which the sum of –

- a) the member's age in whole years on the date his local government employment ends or the date he elects for payment if later,
 - b) his total membership in whole years and
 - c) in a case where he elects after his local government employment ends, the period beginning with the end of that employment and ending with the date he elects for payment,
- equals 85 years.

GLOSSARY OF TERMS

The rule of 85 can be reached prior to age 60, however benefits can only be paid prior to age 60 if the employer permits it. Therefore, generally for all our calculations, we assume a minimum of age 60 for the rule of 85.

STATEMENT OF RECOMMENDED PRACTICE (SORP)

The SORP specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority.

The SORP sets out the proper accounting practices required for Statements of Accounts, required by section 21(2) of the Local Government Act 2003 prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003 and by sections 41 and 42 of the Local Government and Housing Act 1989.

STOCKS

Comprise goods or other assets purchased for resale and consumable stores