Thanet District Council Statement of Accounts for the year ended 31 March 2008

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EXPLANATORY FOREWORD

1. INTRODUCTION

The purpose of this foreword is to provide the reader with an understanding of the accounting statements, a review of the Council's financial performance in 2007/08 and an explanation of the overall financial position.

ACCOUNTING STATEMENTS

The accounts have been prepared in accordance with the Accounts and Audit Regulations and the Code of Practice and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

New Accounting Requirements

Following significant changes to the Council's financial statements implemented in 2006/07 further changes have been made in 2007/08 in line with developments in accounting standards. The changes are designed to bring the statements more in line with UK GAAP (Generally Accepted Accounting Principles). The changes implemented in 2007/08 relate to accounting for fixed assets and financial instruments.

In 2007/08 the Fixed Asset Restatement Account and the Capital Financing Account have been replaced by a Revaluation Reserve and a Capital Adjustment Account. The Revaluation Reserve records the net gain from revaluations made after 1 April 2007 and was opened with a nil balance at that date. It is important to note that while such gains increase the net worth of the authority they would only lead to an increase in capital spending power if the relevant assets were sold and capital receipts generated.

The Capital Adjustment Account reflects the difference between the write-down of the historical cost of fixed assets as they are depreciated, impaired or disposed of and the resources that have been set aside to finance capital expenditure. It too does not represent resources available to support capital financing. The balances on the Fixed Asset Restatement Account and the Capital Financing Account were transferred to the Capital Adjustment Account on 1 April 2007.

The 2007 SORP also introduced new accounting and disclosure requirements in order to apply the following Financial Reporting Standards to local government in the UK:

- FRS25 Financial Instruments: Presentation and Disclosures;
- FRS26 Financial Instruments: Recognition and Measurement;
- FRS29 Financial Instruments: Disclosures

The statements comprise:

The Core Statements

Income and Expenditure Account – (page 16) This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Statement of the Movement on the General Fund Balance – (page 17). This compares the Council's spending against the council tax that it has raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Statement of Total Recognised Gains and Losses – (page 18). It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the year. This statement brings together all the recognised gains and losses of the Council during 2007/08.

Balance Sheet – (page 19). This statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves of the Council and its long-term indebtedness, the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

Cash Flow Statement – (page 20). This summarises the inflows and outflows of cash during the year.

Notes to the Core Statements – (pages 21 to 55). These are set out after the above core statements. They provide further information and interpretation of the content of the individual statements.

The Supplementary Financial Statements

Housing Revenue Account – (pages 56 to 61). The Council is required by law to account separately for the provision of housing. This account shows the expenditure on managing, maintaining and providing the Council's housing stock and how this is financed by rents and other income.

Collection Fund Account – (pages 62 - 65). This shows the transactions of the Council relating to Council Tax and National Non-Domestic Rates and the way in which these have been distributed to precepting authorities.

Annual Governance Statement – (pages 66 to 74). This Statement replaces the Statement of Internal Control. It recognises, records and publishes the Council's governance arrangements. It also reports on any significant identified weaknesses and actions planned to rectify them.

2. SUMMARY OF THE 2007/08 FINANCIAL YEAR

The Council provides a variety of services relating to both taxpayers and rent payers. It's spending is further split between revenue and capital in accordance with statute and accounting practice. Revenue expenditure is generally incurred on items that are consumed within the year and is financed from Council Tax, National Non-Domestic Rates, Government grants, fees and charges and other miscellaneous income. Capital expenditure is incurred on items that provide value to the Council or community for more than one year and is generally financed by borrowing, grants, revenue balances and proceeds from the sale of capital assets.

Revenue Outturn

In February 2007 the Council approved a net revenue budget for 2007/08 of £22.655m. This allowed for the drawing down of revenue balances of £300k. Members subsequently approved the drawing down of a further £928k from revenue balances to achieve the implementation of the Corporate Plan priorities for 2007/08. Actual spend on the Corporate Plan was less than anticipated so this withdrawal has subsequently been reduced by £302k. Members also approved the use of balances to fund retirement costs of £269k and member awarded grants of £11k. Additional Local Authority Business Growth Incentive (LABGI) monies received in the year of £1.116m were subsequently appropriated to a new LABGI earmarked reserve to fund future one-off Corporate Plan projects. These movements reduced the planned drawing down of revenue balances to £880k. Actual use of revenue balances for the year was £1.175m meaning that an overspend of £295k has occurred in year.

The main variance relates to housing and council tax benefit subsidy. The 2006/07 subsidy claim was qualified as a result of an identified discrepancy in respect of historic awards of single persons discounts for Council Tax. This resulted in a reduced subsidy entitlement of £350k. In addition, further subsidy adjustments of £270k were made, primarily due to an increased level in overpayments due to a heavier caseload. Although not quantified, the budget monitoring reports during the year made reference to the risk of a major variance being incurred in respect of housing and council tax benefit subsidy.

A further significant variance of £190k has occurred in respect of savings on insurance costs. A potential saving on insurances was highlighted to senior management in the latter part of the financial year.

It has been determined that an additional payment made to Thanet Leisure Force (TLF) of £200k in March 2007, and treated in that year as a payment in advance can no longer be recovered from TLF and therefore fell as a pressure on the General Fund in 2007/08.

In addition, the following main variations have occurred during the year totalling £290k:

- Reduced cost of concessionary fares scheme of £180k
- Increased recycling credits of £110k
- Increased planning fee income of £100k
- Savings on the waste and parks expenditure of £300k
- Savings re general grants and election costs of £80k
- Reduced summonses income of £160k
- Reduced crematoria income of £110k due to lower mortality rates
- Additional dredging costs of £100k
- Reduced car parking income due to a poor summer of £110k

The budget monitoring report to Cabinet dated 12 February 2008 reported a projected underspend of £245k, which were it not for the variance of the subsidy, insurance budgets and the additional payment to TLF would have resulted in an outturn of only £45k different from those variances incurred.

Housing Revenue Account

The increase in the Housing Revenue Account balance for the year was £1.213m. This is an improved position of £1.325m against the original budgeted deficit of £112k.

The subsidy determination has increased by £180k due to an unexpected award for rental constraint allowance and also a change in the allowance for the capital element on the subsidy calculation.

The Housing Revenue Account Maintenance Manager post remained vacant for most of the year resulting in slippage on the repairs programme. This has led to savings of £360k.

The bad debt provision for 2007/08 was reduced from the budgeted amount by £185k to reflect the level of overall provision now required.

Income on investments has increased by £120k due to the high level of Housing Revenue Account surpluses held and the increased interest rates obtained on the investments.

The income from contributions towards expenditure has increased by £650k. The accounting treatment for leaseholders' contributions has been amended so that this income is now correctly reflected in the Housing Revenue Account.

EXPLANATORY FOREWORD

Capital Expenditure

Total expenditure on capital items, including grants and loans, amounted to £13.297m, of which £4.097m was met by capital grants, £688k from revenue resources, £2.762m from capital receipts, £2.230m from the major repairs reserve, £445k from the capital projects reserve, £201k from developers' contributions (S106 receipts) and £2.874m from borrowing.

The main items of capital expenditure are set out below:

	£'000s
Fixed Assets	
Council Dwellings	4,270
General Fund assets	4,552
Expenditure not resulting in assets	4,475
Total Capital Expenditure	**13,297**

2006/07 Restatement

2006/07 balances have been restated in respect of asset valuations.

The Housing Revenue Account dwelling valuation has been amended by writing out the depreciation up to 2006/07. A major valuation of the housing stock was carried out by the Valuation Office in 2004/05.

The General Fund asset valuations in the accounts now reflect the impact of depreciation on asset values which was previously reversed out. Although depreciation does not impact on the General Fund Balance and therefore Council Tax payers, it does however, need to be correctly reflected in the Balance Sheet.

Treasury Management

As at 31 March 2008, the Council had £9.063m in investments.

Following the introduction of the Prudential Code, the Capital Finance Requirement (CFR) has been adopted as a measure of an authority's need to borrow. The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. As at 31 March 2007, this Council's CFR amounted to £35.132m. External borrowing at that date stood at £22.647m (excluding accrued interest), signifying an 'under borrowing' of £12.485m. In addition, the Council's debt portfolio is weighted towards the next few years, indeed in the financial year 2009/10 a Public Works Loan Board loan of £8m is due for repayment. The Council's treasury brokers therefore advised that the Council should take out further borrowing, particularly whilst long term interest rates were favourable. The Council therefore took out new borrowing of £4m during 2007/08, with the intention of taking out further borrowing in 2008/09. As at 31 March 2008 the Council's total borrowing was £27.191m.

Pensions Liability

The statements have to show the Council's assessed share of any liability in the Kent County Council superannuation fund. Thus note 39 to the Core Financial Accounts shows that the total value of liabilities (i.e. future commitments from the fund) is £117.1m, whereas the estimated assets are valued at £73.5m – a net deficit of £43.6m. This is being made up over a number of years by increasing the rates at which contributions are payable into the fund.

3. GROUP ACCOUNTS

Local Authorities with interests in subsidiaries, associates and joint ventures are required since 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.

4. APPROVAL

In accordance with Regulations 10(3) and 10(4) of the Accounts and Audit Regulations 2003, the Governance and Audit Committee approved the 2007/08 Financial Statement on 26 June 2008.

Signed : Date: 26 June 2008

Chair of the Governance and Audit Committee

For further information on the accounts please contact the Head of Financial Services on 01843 577790 or write to : Head of Financial Services, Thanet District Council, PO Box 9, Cecil Street, Margate, Kent CT9 1XZ. Summary accounts are also available on the Council's website at www.thanet.gov.uk.

STATEMENT OF ACCOUNTING POLICIES

GENERAL

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (the SORP) 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 accounting convention adopted for the preparation of these accounts is a historical cost basis modified for the revaluation of certain categories of assets.

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 that 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 that 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 2007/08 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 the reader.

ACCOUNTING CONCEPTS

1. Accruals

The accounts, other than cash flow information, have been prepared on an accruals basis. 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 the date of the 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.

The income to be recovered through the issue of fines is accounted for in the year of account and not when the cash has been received or paid in the year.

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 Income and Expenditure 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 conflict between a legal requirement and an accounting standard, the legal requirement will take 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	-	Employee numbers
Computing	-	Actual use and employee numbers

The Council has established a spreadsheet based system which records the services supported by individual staff within Business Units. These allocations are costed and recharges for the costs of management and administration are prepared from this information and allocated to services.

2. 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.

3. Government Grants and Contributions

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.

4. Intangible Fixed Assets.

In line with FRS10, (Goodwill and Intangible Assets), expenditure on intangible fixed assets is 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 derivable from it. Council policy is to write down intangible assets to the relevant service revenue account in the year that they occur.

5. Fixed Assets

Recognition: All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefit to the Council and the services it provides, for a period of more than one financial year. Subsequent expenditure on fixed assets is capitalised in accordance with FRS15. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged directly to service revenue accounts.

Measurement: Fixed assets have been valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). They have been classified into the groupings required by the 2001 Code of Practice on Local Authority Accounting, and have been valued on the following bases:

a. **Land and Operational Buildings** – The lower of net current replacement cost or net realisable value (as certified by the Estates Surveyor).

b. **Council Dwellings** – Existing use value for social housing.

c. **Infrastructure Assets** – Historical costs net of depreciation.

d. **Vehicles, Plant and Equipment** – The lower of net current replacement cost or net realisable value.

e. **Community Assets** – Historic cost.

f. **Non-operational Assets (including investment properties)** – The lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.

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. Identified material changes to asset valuations will be adjusted in the interim period, as they occur.

Surpluses from any revaluation of assets are credited to the Revaluation Reserve. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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 charged to the relevant service revenue account. Other impairments (e.g. reflecting a general fall in prices) are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Sales income from fixed assets where the amounts are in excess of £10,000 are classified as capital receipts. Income from the disposal of fixed assets is accounted for on an accruals basis.

Gains or losses on disposal are required to be calculated for disclosure in the Income and Expenditure Account, but ultimately income received from disposals is credited to the Usable Capital Receipts Reserve. This is only used for new capital investment or set aside to reduce the Council's underlying need to borrow. The General Fund and the Housing Revenue Account benefit from the interest accruing from the unspent and set aside capital receipts.

Depreciation: With the exception of Investment Properties and Land (which are not subject to depreciation), 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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

The depreciation of the Council's dwelling stock has been calculated in line with previous guidance from the CIPFA/LASAAC Joint committee. It is now felt that a comprehensive review of the depreciation calculations for these assets is required and this will be undertaken for inclusion in the 2008/09 Financial Statements.

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 relevant service account within the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

6. Charges to Revenue for Fixed Assets

Service revenue accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

a. Depreciation attributable to the assets used by the relevant service

b. Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

c. Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations.

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 Income and Expenditure Account but then reversed out through the Statement of the Movement on the General Fund Balance to ensure that there is no effect on the revenue accounts as a whole.

8. Stocks, Rechargeable Works and Work in Progress

Stocks relate to printing, stationery and marketing merchandise held at Visitor Information Centres and Museums. Stocks are also held at the Parks and Waste Direct Labour Organisations.

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 stock at the printing unit is measured at average cost of stock held as it is considered that the financial effect of the different treatment is not material. Any work in progress is subject to an interim valuation at the year end.

Rechargeable Works are included at cost.

9. Provisions/Reserves

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate services in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement.

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

The monies set aside for priority improvements have been treated as being part of General Balances in previous years but a separate earmarked reserve has now been set up for these monies. Details of the Council's reserves can be found within notes 35 and 36 to the Core Financial Accounts (pages 44 - 46). Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council.

10. 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 £2,500 are analysed and a provision made depending on individual circumstances. All other debts are subject to a range of specified percentages depending on validity of the existing debt, age and possibility of further recovery action.

11. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council's borrowings this means that interest charged to the Income and Expenditure Account represent the amounts payable for the year in accordance with the loan agreements. Under the requirements of FRS25, 26 and 29 interest due (but not yet paid) on outstanding loans is added to the principal amount outstanding and shown under long term borrowing in the Balance Sheet.

12. Financial Assets

Financial assets are classified into various types:

- Loans and receivables - Assets that have fixed or determinable payments not linked to market price
- Available - for - sale assets - Assets that have a quoted market price and/or do not have fixed or determinable payments
- Fair value through profit or loss

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure account are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means the amount presented in the Balance Sheet is the principal outstanding, and the amount credited to the Income and Expenditure account represents the interest received in the year according to each loan agreement. None of the loans are classified as soft loans (made at less than market rate) so there is no requirement to record any loss in the Income and Expenditure account to represent interest forgone over the life of the loan.

Available - for - sale assets and financial assets at fair value through profit or loss are initially measured and carried at fair value. Annual credits to the Income and Expenditure account for interest receivable on assets with fixed or determinable payments are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income/dividends are credited when they are received. As at 31 March 2008 the Council had no such financial instruments.

13. Leases

Rental payments under finance leases are apportioned between the finance charge (charged to revenue services) and the principal element. The Council had no outstanding finance leases as at 31 March 2008.

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

14. 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 Income and Expenditure 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.

Contributions to the pension scheme are determined by the Fund’s actuary on a triennial basis. The latest formal valuation of the Fund for the purpose of setting employers’ actual contributions was as at 31 March 2007 and this has been used to update the 2007/08 service cost figures.

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 Fund’s actuary and is included within the liabilities figures quoted.

15. Exceptional Items

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

16. Contingent Gains/Liabilities

Contingent liabilities are defined as possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. If such obligations are likely, they are quantified and a disclosure note is added to the Accounts.

Contingent Gains are not accrued in the accounts but a note would be disclosed where such an inflow of economic benefits is probable. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

17. Group Accounts

The Statement of Recommended Practice requires local authorities to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the authority’s control over other entities. This Council has determined that it has no interests in subsidiaries, associates or joint ventures.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Both the Council and the Head of Financial Services (Section 151 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 Head of Financial Services (Section 151 Officer).

Head of Financial Services (Section 151 Officer) Responsibilities

The Head of Financial Services (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ("the Code of Practice"). She is required to present fairly the financial position of the Authority at the accounting date and of its income and expenditure for the year.

In preparing this statement of accounts, the Head of Financial Services (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 of Practice;

- 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 2008 and of its income and expenditure for the year ended on that date.

Sue McGonigal CPFA
Head of Financial Services (Section 151 Officer)

Date: 26 June 2008

INDEPENDENT AUDITOR'S REPORT

OPINION ON THE FINANCIAL STATEMENTS

I have audited the Council's accounting statements and related notes of Thanet District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Council accounting statements comprise the Council Income and Expenditure Account, the Council Statement of the Movement on the General Fund Balance, the Council Balance Sheet, the Council Statement of Total Recognised Gains and Losses, the Council Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 Head of Finance and auditor

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Council Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 Council accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Council Accounting in the United Kingdom 2007, the financial position of the Council and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read other information published with the Council accounting statements, and consider whether it is consistent with the audited Council accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council accounting 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 Council accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the Council accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITOR'S REPORT

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 Council accounting statements and related notes 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 Council accounting statements and related notes.

Opinion

In my opinion the Council financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Council Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

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

Council's Responsibilities

The Council 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my 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 my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Thanet District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Best Value Performance Plan

The previous appointed auditor issued our statutory report on the audit of the Council's best value performance plan for the financial year 2007/08 on November 2007. She did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack
District Auditor
Audit Commission, 16 South Park, Sevenoaks, Kent, TN13 1AN
Date: 30 September 2008

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

Restated 2006/07 Net Expenditure £'000s			2007/08 Gross Expenditure £'000s	2007/08 Gross Income £'000s	2007/08 Net Expenditure £'000s
	STATEMENT OF NET EXPENDITURE ON CONTINUING OPERATIONS				
14,891	**Cultural, Environmental and Planning**		23,021	7,458	15,563
1,824	**Highways, Roads & Transport**		8,318	6,743	1,575
823	**Housing Services**		58,338	57,621	717
626	**Central Services to the Public**		14,765	13,245	1,520
2,674	**Corporate & Democratic Core**		3,115	175	2,940
1,271	**Non-distributed costs**		968	585	383
22,109	**NET COST OF SERVICES**		**108,525**	**85,827**	**22,698**
(168)	(Gain)/Loss on the disposal of fixed assets				(60)
470	Precepts paid to Parish Councils				497
1,981	Interest Payable and similar charges				2,005
1,339	Contribution of Housing Capital Receipts to Government Pool	Note 12			835
(1,113)	Interest receivable and Investment Income				(1,240)
1,370	Pension Interest Cost and Expected Return in Pension Assets	Note 39			1,281
25,988	**NET OPERATING EXPENDITURE**				**26,016**
(8,720)	Income from the Collection Fund including transfers to/from the Collection Fund				(9,087)
(3,372)	Government Grants (not attributable to specific services)				(2,951)
(10,428)	Distribution from non-domestic rate pool				(10,930)
3,468	**(SURPLUS)/DEFICIT FOR THE YEAR**				**3,048**

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR ENDED 31 MARCH 2008

Restated 2006/07 £'000s			2007/08 £'000s
3,468	(Surplus)/deficit for the year on the Income and Expenditure Account		3,048
(3,432)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	Note 13	(1,873)
36	Decrease in General Fund Balance for the Year		1,175
(4,250)	General Fund Balance brought forward		(4,214)
(4,214)	**General Fund Balance carried forward**		**(3,039)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

Restated 2006/07 £'000s			2007/08 £'000s
3,468	Deficit for the year on the Income and Expenditure Account		3,048
(5,420)	(Surplus)/deficit arising on revaluation of fixed assets	Note 32	(10,447)
	Any other (gains) and losses required to be included in the STRGL		
169	- Authorities share of collection fund (surplus)/deficit		(30)
(6,760)	Actuarial (gains)/losses on pension fund assets and liabilities	Note 39	(4,975)
(8,543)	**Total recognised (gains)/losses for the year**		**(12,404)**

The 2006/07 comparatives have been restated to reflect corrections to asset values and reserves. The overall effect is a decrease in net worth of £4.25m. Further details can be found in the Notes to the Core Financial Accounts (Note 1, page 21).

BALANCE SHEET AS AT 31 MARCH 2008

Restated 2007 £'000s	Restated 2007 £'000s			2008 £'000s	2008 £'000s
		Fixed Assets			
-		Intangible Fixed Assets	Note 19		
		Tangible Fixed Assets			
		Operational Assets	Notes 16&17		
150,644		Council Dwellings		152,960	
37,363		Other Land and Buildings		36,412	
3,600		Vehicles, Plant and Equipment		4,745	
13,300		Infrastructure Assets		12,885	
-		Community Assets		693	
		Non-operational Assets			
32,839		Investment Properties		36,421	
-		Assets Under Construction		783	
162		Surplus assets, held for disposal		162	
	237,908	**Total Fixed Assets**			**245,061**
		Long-term Debtors			
	91	Mortgages			85
	29	Other	Note 21		2,012
	238,028	**Total Long Term Assets**			**247,158**
		Current Assets			
148		Rechargeable Works		203	
73		Stocks and Stores	Note 22	56	
6,520		Short-term Investments		9,063	
9,500		Debtors	Note 23	10,595	
3,459		Cash and Bank		3,402	
	19,700				23,319
		Current Liabilities			
		Borrowing Repayable on Demand			
-		or Within 12 Months	Notes 26&28	-	
(11,984)		Creditors	Note 24	(13,861)	
	(11,984)				(13,861)
	245,744	**Total Assets less Current Liabilities**			**256,616**
		Long Term Liabilities			
(23,158)		Long Term Borrowing (in excess of 1 year)	Note 26&28	(27,191)	
(18,666)		Government Grants deferred	Note 30	(17,941)	
(2,076)		Capital Contributions unapplied	Note 31	(2,502)	
(48,930)		Liability Related to Defined Benefit Pension Scheme	Note 39	(43,664)	
	(92,830)				(91,298)
	152,914	**Total Assets less Liabilities**			**165,318**
		Financed By:			
184,110		Capital Adjustment Account	Note 33	180,587	
-		Financial Instruments Adjustment Account		-	
-		Revaluation Reserve	Note 32	9,383	
2,112		Usable Capital Receipts Reserve	Note 34	1,282	
(48,930)		Pensions Reserve	Note 39	(43,664)	
150		Major Repairs Reserve	Note 35	153	
4,214		General Fund Balance		3,039	
3,123		Housing Revenue Account Balance		4,336	
(103)		Collection Fund		(73)	
8,159		Earmarked Reserves	Note 36	8,198	
79		Deferred Credits		2,077	
	152,914	**Total net worth**			**165,318**

Signed: **Sue McGonigal CPFA**

Date: 26 June 2008 **Section 151 Officer**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

Restated 2007 £'000s			£'000s	2008 £'000s	£'000s
	REVENUE ACTIVITIES				
	Cash Outflows				
23,035	Cash paid to and on behalf of employees		22,250		
27,538	Other operating cash payments		30,031		
35,175	Housing Benefit paid out		37,082		
21,807	NDR - payment to the national pool		25,760		
41,964	Precepts - Kent County Council		43,904		
5,300	- Kent Police Authority		5,563		
2,713	- Kent Fire and Rescue		2,807		
470	- Parish Precepts		497		
1,390	Payments to Capital Receipts Pool		1,071		
159,392				168,965	
	Cash Inflows				
(3,280)	Rents (after rebates)		(3,512)		
(46,916)	Council Tax receipts		(50,392)		
(10,428)	NDR receipts from national pool	Note 44A	(10,930)		
(24,945)	NDR receipts		(25,776)		
(2,030)	Revenue Support Grant	Note 44A	(1,835)		
(55,695)	DWP grants for benefits	Note 44A	(58,178)		
(3,714)	Other Government grants	Note 44A	(3,613)		
(22,671)	Other operating cash receipts		(19,469)		
(169,679)				(173,705)	
(10,287)	**Net Cash inflow/outflow from Revenue Activities**				(4,740)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
	Cash Outflows				
1,992	Interest paid			1,971	
	Cash Inflows				
(554)	Interest received			(905)	
1,438					1,066
	CAPITAL ACTIVITIES				
	Cash Outflows				
2,263	Purchase of fixed assets		2,139		
9,700	Other capital cash payments		10,107		
11,963				12,246	
	Cash Inflows				
(2,987)	Sale of fixed assets		(2,782)		
(4,012)	Capital grants received	Note 44B	(4,224)		
(18)	Other capital cash receipts		(9)		
(7,017)				(7,015)	
4,946	**Cash Flow from Capital Activities**				5,231
(3,903)	**NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING**				1,557
	MANAGEMENT OF LIQUID RESOURCES				
601	Net increase/(decrease) in short-term deposits	Notes 41&42		2,500	
601					2,500
	FINANCING				
	Cash Outflows				
500	Repayments of amounts borrowed			-	
	Cash Inflows				
-	New loans raised	Note 41&42		(4,000)	
500					(4,000)
(2,802)	**NET (INCREASE)/DECREASE IN CASH**				57

NOTES TO THE CORE FINANCIAL ACCOUNTS

1. 2006/07 RESTATEMENT

The following restatements have been reflected in the opening 2006/07 balance sheet, only restated balances are shown.

	Per Balance Sheet in 2006/07 Statement of Accounts	Restatements Corrections to Asset Depreciation, Revaluation, Classifications and Gov't Grants Deferred	Restatements Change in accounting treatment of S106 and Reserves	Change in Accounting Policies Establish Capital Adjustment Account & Financial Instruments	2006/07 Comparatives in 2007/08 Balance Sheet
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Fixed Assets:					
Other Land and Buildings	41,365	(4,002)	-	-	37,363
Vehicles, Plant & Equipment	3,838	(238)	-	-	3,600
Infrastructure assets	13,281	19	-	-	13,300
Investment properties	32,775	64	-	-	32,839
Current Assets:					
Short term investments	6,500	-	-	20	6,520
Debtors	9,178	-	(90)	(20)	9,068
Current Liabilities:					
Creditors	(13,651)	-	2,076	511	(11,064)
Long term Liabilities:					
Long term borrowing	(22,647)	-	-	(511)	(23,158)
Capital Contributions unapplied	-	-	(2,076)	-	(2,076)
Change in Total Assets Less Liabilities		**(4,157)**	**(90)**	**-**	**(4,247)**
Net Worth:					
Capital Adjustment Account	-	4,157	-	(188,267)	(184,110)
Usable Capital Receipts	(2,102)	-	(10)	-	(2,112)
Fixed Asset Restatement Account	(107,792)	-	-	107,792	-
Capital Financing Account	(80,475)	-	-	80,475	-
Earmarked Reserves	(7,014)	-	(1,145)	-	(8,159)
General Fund Balance	(5,459)	-	1,245	-	(4,214)
Impact on Net Worth		**4,157**	**90**	**-**	**4,247**

For further detail of the above restatements see Note 16, page 31 for asset corrections, Note 31, page 42 for Section 106 and Note 36, page 45 for earmarked reserves.

2. DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended), empowers local authorities to make contributions to charities and non–profit bodies providing a public service in the interest of the area, part of its area or all or some of its inhabitants.

The Council's actual expenditure for 2007/08 was £252,496 (£221,812 in 2006/07) in respect of assistance to voluntary bodies promoting wellbeing in the local area.

3. 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 2007/08 this totalled £340,176 (2006/07, £400,843).

Restated 2006/07 £'000s		2007/08 £'000s
88	Recruitment advertising	39
171	Resort marketing and Promotions	96
78	Economic development marketing	101
25	Harbour advertising	23
39	Public notices	81
401		**340**

The 2006/07 figures have been restated with Central Support charges removed.

4. 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. The statutory requirement for charging services is that income will not be less than expenditure over a three year period from the start of the scheme. 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 2007/08	Non Chargeable 2007/08 £'000s	Chargeable 2007/08 £'000s	Total Building Control 2007/08 £'000s
Expenditure			
Employee expenses	-	311	311
Premises	-	20	20
Transport	-	11	11
Supplies and Services	-	36	36
Central and support service charges	35	44	79
TOTAL EXPENDITURE	**35**	**422**	**457**
Income			
Building regulation charges	-	(481)	(481)
Miscellaneous income	-	-	-
TOTAL INCOME	**-**	**(481)**	**(481)**
(Surplus)/Deficit for Year	**35**	**(59)**	**(24)**
Comparatives for 2006/07			
Expenditure	34	413	447
Income	-	(496)	(496)
(Surplus)/Deficit for Year	**34**	**(83)**	**(49)**
Comparatives for 2005/06			
Expenditure	4	403	407
Income	-	(482)	(482)
(Surplus)/Deficit for Year	**4**	**(79)**	**(75)**

5. 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.

2006/07 (Surplus)/ Deficit £'000s		2007/08 Expenditure £'000s	2007/08 Income £'000s	2007/08 (Surplus)/ Deficit £'000s
692	Ramsgate New Port	2,847	(2,126)	721
130	Ramsgate Royal Harbour	1,786	(1,758)	28
(5)	Broadstairs Harbour	43	(53)	(10)
15	Margate Harbour	17	(7)	10
832		**4,693**	**3,944**	**749**

6. ON STREET PARKING SERVICES

The Council administers and controls the on-street parking services on behalf of Kent County Council. Any surpluses on the account are used by the Council for future investment in the local transport infrastructure within the area. 2006/07 figures have been restated to aid comparison with 2007/08.

Restated 2006/07 £'000s		2007/08 £'000s
	Net Cost of Service	
(286)	Brought Forward	(244)
953	Gross Expenditure	1,051
190	Movement in Provision for unpaid fines	125
(1,101)	Gross Income	(1,150)
(244)	Balance Carried Forward	**(218)**

7. HOUSING BENEFIT PAYMENTS

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 £843k which was £650k more than estimates. This includes an adjustment relating to the 2006/07 housing benefit subsidy claim which decreased income by £61k. The 2006/07 subsidy claim was also qualified as a result of an identified discrepancy in respect of historic awards of single persons discounts for Council Tax. This resulted in a reduced subsidy entitlement of £350k. In addition, further subsidy adjustments of £270k were made, primarily due to an increased level in overpayments due to a heavier caseload.

8. MEMBERS' ALLOWANCES

2006/07 £'000s		2007/08 £'000s
239	Basic Allowance	239
126	Special Responsibility Allowance	116
365	Total	**355**

Member allowances are informed by the recommendations of the Independent Remuneration Panel. These allowances are provided to 56 Members.

9. REMUNERATION OF EMPLOYEES

Restated 2006/07 Number of Staff	Remuneration Band	2007/08 Number of Staff Total	2007/08 Number of Staff Left during year
10	50,000 – 60,000	11	1
9	60,001 – 70,000	6	-
-	70,001 – 80,000	2	-
3	80,001 – 90,000	2	-
-	90,001 – 100,000	-	-
1	100,001 – 110,000	1	-
-	110,001 – 170,000	-	-
1	170,001 – 180,000	-	-

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. Employee pension contributions are now included here, so the figures for 2006/07 have been restated to reflect this.

10. 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.

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 of the Council and certain senior officers have direct control over the financial and operating policies of the authority and are therefore in a position of influence. During 2007/08 a questionnaire was distributed to the 56 Members, 19 former Members and 4 relevant officers. During 2007/08, works and services to the value of £71,875 were commissioned from companies in which one former Member and four Members had an interest. Contracts were entered into in full compliance with the Council's standing orders. Five Members and two former Members declared an interest relating to grants paid to voluntary and other organisations totalling £278,718 (of which £102,400 was paid to East Kent Maritime Trust, which two Members and one former Member declared an interest in and £68,750 was paid to a Private Sector company which one Member declared an interest in) 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 – Central Government has effective control over the general operations of the Council. It provides the framework within which the Council operates and most of its funding. Details of transactions are put in the Cash Flow Statement (page 20).

11. AUDIT FEES

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

2006/07	Fees payable to the Audit Commission	2007/08
£'000s		£'000s
152	External audit services carried out by the appointed auditor	149
24	Statutory Inspection	22
28	Certification of grant claims and returns	34

12. 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 £834,827 into the pool for 2007/08 with the majority of the payment resulting from payment of 75% of the proceeds from the sale of council houses. The 2007/08 figure is £504k less than the 2006/07 figure due to a reduction in the number of sales.

13. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the last 12 months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed.
- The payment of a share of housing capital receipts scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or underspent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2006/07 restated figures reflect the reclassification of Priority Improvement monies from a revenue balance to an earmarked reserve.

Amortisation of deferred Government grants totaled £3.551m for 2007/08, the remaining £903k represents a correction to 2006/07 to write out grant relating to Information Technology (IEG).

NOTES TO THE CORE FINANCIAL ACCOUNTS

Restated 2006/07 £'000s		2007/08 £'000s	2007/08 £'000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(2,770)	Depreciation and impairment of fixed assets	(4,654)	
(312)	Amortisation of intangible fixed assets	(528)	
2,564	Government Grants Deferred amortisation	4,454	
(2,353)	Deferred Charges	(3,906)	
168	Net gain/loss on sale of fixed assets	60	
(5,130)	Net charges made for retirement benefits in accordance with FRS17	(3,836)	
(7,833)			**(8,410)**
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund for the year		
489	Minimum Revenue Provision for Capital Financing	860	
455	Capital expenditure charged in-year to the General Fund Balance	688	
(1,339)	Transfer from Usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	(835)	
3,915	Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	4,127	
3,520			**4,840**
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
220	Housing Revenue Account balance	1,213	
661	Net transfer to or from earmarked reserves	484	
881			**1,697**
(3,432)	**Net additional amount required to be credited to the General Fund Balance for the year**		**(1,873)**

14. CAPITAL EXPENDITURE SUMMARY

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

	2007/08 £'000s	2007/08 £'000s
FIXED ASSETS		
Council Dwellings		
- Improvements	4,024	
- Adaptions for Elderly and Disabled	246	
Economic Development	106	
Environmental Improvements	721	
Operational – Offices	30	
Ports and Harbours	204	
Sports and Arts Related	447	
Waste and Recycling	670	
Grounds Maintenance	964	
Other	1,410	
TOTAL SPENDING ON FIXED ASSETS		**8,822**
CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS		
Disabled Facility Grants	948	
Other Housing Related Expenditure	1,200	
Economic Development Expenditure	100	
Environmental Enhancement Grants	1,286	
Other Grants	941	
TOTAL CAPITAL EXPENDITURE NOT RESULTING IN FIXED ASSETS		**4,475**
TOTAL CAPITAL EXPENDITURE TO BE FINANCED		**13,297**

FINANCED BY:	2007/08
	£'000s
Use of Supported Borrowing	1,787
Use of Unsupported Borrowing	1,087
Application of Capital Receipts	2,762
Capital Grants	
- European Regional Development Fund	149
- SEEDA including Single Regeneration Budget	115
- Townscape Heritage Initiative	130
- Private Sector Renewal	1,115
- Disabled Facility Grants	569
- Planning Delivery Grant	41
- East Kent Partnership	700
- Safer Stronger Communities Fund	1,230
- Safer Communities	39
- Groundwork UK	-
- New Opportunities Fund	9
Major Repairs Allowance	2,230
Revenue	688
Developers Contributions (S106)	201
Capital Project Reserve	445
TOTAL FINANCING	**13,297**

NOTES TO THE STATEMENT OF CAPITAL EXPENDITURE & FINANCING

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 in note 18 to the Core Financial Accounts on page 33.

CAPITAL FINANCING REQUIREMENT

	2007/08 £'000s
Opening Capital Financing Requirement	**35,132**
Capital Investment:	
Operational assets	7,193
Non-operational assets	1,086
Infrastructure assets	15
Intangible assets	528
Deferred charges	4,475
Sources of Finance	
Capital receipts	(2,762)
Grants	(4,097)
Developers Contribution (S106)	(201)
Revenue including Major Repairs Allowance & Provision for Debts (MRP)	(4,219)
Closing Capital Financing Requirement	**37,150**

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 (£1.787m) and through Prudential Borrowing (£1.087m) supported by the Council's own net budget, less provision for debts.

The Capital Financing Requirement reflects various items in the Balance Sheet, as shown below:

Restated 2006/07 £'000s		2007/08 £'000s
237,908	Fixed Assets	245,061
(18,666)	Government Grants Deferred	(17,941)
(184,110)	Capital Adjustment Account	(180,587)
-	Revaluation Reserve	(9,383)
35,132	As at 31 March	37,150

SIGNIFICANT COMMITMENTS

The following significant commitments remained outstanding under capital contracts as at 31 March 2008:

Description	Original Contract Sum £'000s	Payments and Accruals 2007/08 £'000s	Commitment On Original Contract Sum £'000s
Wellington Crescent Cliff Façade and Upper Promenade Improvement Works, Ramsgate	591	259	332

It is anticipated that this contract will be completed in 2008/09.

15. DEFERRED CHARGES

A deferred charge is expenditure that does not fall within the accounting definition of fixed assets, but is classified as capital expenditure under statutory regulations. Deferred charges are charged to services in the year that they occur and are reversed out of the Income and Expenditure Account by a transaction in the Appropriation Account.

	Disabled Facility Grants £'000s	Other Grants £'000s	Housing £'000s	Total £'000s
Balance as at 1 April 2007	-	-	-	-
Expenditure	948	2,327	1,200	4,475
Amounts met by Government grant	(569)	-	-	(569)
Amounts written off to Income and Expenditure Account	(379)	(2,327)	(1,200)	(3,906)
Balance as at 31 March 2008	**-**	**-**	**-**	**-**

Other grants relate mainly to Regeneration Grants in the Council's role as Accountable Body, Housing relates to Housing Grants and Private Sector Renewal Grants.

16. INFORMATION ON ASSETS HELD

Operational Assets

	Council Dwellings £'000s	Other Land and Buildings £'000s	Vehicles, Plant and Equipment £'000s	Infra-structure £'000s	Community £'000s	Total £'000s
COST/VALUATION						
As at 01/04/2007	163,264	48,730	4,602	17,177	-	233,773
Reclassification	-	(83)	-	19	-	(64)
Restatement	(12,620)	(5,628)	(230)	-	-	(18,478)
Revised 01/04/2007	150,644	43,019	4,372	17,196	-	215,231
Additions	4,270	247	1,981	15	693	7,206
Disposals	(1,178)	-	(66)	-	-	(1,244)
Revaluations	383	603	-	-	-	986
Impairment	(1,159)	(184)	-	-	-	(1,343)
As at 31/03/2008	**152,960**	**43,685**	**6,287**	**17,211**	**693**	**220,836**
DEPRECIATION						
As at 01/04/2007	12,620	7,365	764	3,896	-	24,645
Restatement	(12,620)	(1,709)	8	-	-	(14,321)
Revised 01/04/2007	-	5,656	772	3,896	-	10,324
2007/08	2,215	1,886	836	430	-	5,367
Revaluations and Restatements	(2,215)	(269)	(66)	-	-	(2,550)
As at 31/03/2008	**-**	**7,273**	**1,542**	**4,326**	**-**	**13,141**
NET BOOK VALUE						
As at 31/03/08	**152,960**	**36,412**	**4,745**	**12,885**	**693**	**207,695**
As at 01/04/07 Restated	**150,644**	**37,363**	**3,600**	**13,300**	**-**	**204,907**

Non-operational Assets

	Commercial and Investment Properties	Assets Under Construction	Surplus Assets, held for disposal	Total
	£'000s	£'000s	£'000s	£'000s
COST/VALUATION				
As at 01/04/2007	32,775	-	162	32,937
Reclassification	64	-	-	64
Restatement	-	-	-	-
Revised 01/04/2007	32,839	-	162	33,001
Additions	1,441	783	-	2,224
Disposals	(3,520)	-	-	(3,520)
Revaluations	5,839	-	-	5,839
Impairment	(178)	-	-	(178)
As at 31/03/2008	**36,421**	**783**	**162**	**37,366**
DEPRECIATION				
As at 01/04/2007	-	-	-	-
2007/08	-	-	-	-
On Assets Sold	-	-	-	-
As at 31/03/2008	**-**	**-**	**-**	**-**
NET BOOK VALUE				
As at 31/03/08	**36,421**	**783**	**162**	**37,366**
As at 01/04/07 Restated	**32,839**	**-**	**162**	**33,001**

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

	Number as at 31 March 2007	Number as at 31 March 2008		Number as at 31 March 2007	Number as at 31 March 2008
Council Dwellings	3,147	3,130	**Operational Equipment**		
Commercial and Investment Properties	313	319	Tractors	1	6
			Vans	7	29
			Boat Hoist	1	1
Operational Land and Buildings			Street Cleaning Vehicles	21	24
			Refuse Vehicles	18	18
Offices	10	9	Air Monitoring Station	1	1
Public Conveniences	34	31	Grounds Maintenance Eqpt	-	68
Lifts	3	3	**Community Assets**		
Industrial Properties	3	3	Fountains & War Memorials	17	17
Leisure & Sporting Facilities	10	9	Cemeteries/Closed Church yards	8	8
Pavilions	5	5	Land & Gardens	41	41
Garages	604	604	Leisure & Sporting Facilities	11	12
Harbours	1	1	Public Clocks	20	20
Car Parks	29	28	Amenity Areas	34	34
Cemeteries	2	2	Car Parks	1	1
Depots	6	6	Allotment Sites	8	7
Other	3	3	Other	1	1

It is anticipated that legal title to the Innovation Centre will be completed during 2008/09. As in previous years the Innovation Centre has been accounted for by including the value of the building within the Council's accounts, per Financial Reporting Standard 5.

2006/07 balances have been restated in respect of asset valuations. The Housing Revenue Account dwelling valuation has been amended by writing out the depreciation up to 2006/07. A major valuation of the housing stock was carried out by the Valuation Office in 2004/05. The General Fund asset valuations in the accounts now reflect the impact of depreciation on asset values which was previously reversed out. Although depreciation does not impact on the General Fund Balance and therefore Council Tax payers, it does however, need to be correctly reflected in the Balance Sheet.

17. VALUATION OF FIXED ASSETS

The Asset Valuations in these accounts have been prepared by the Estates Surveyor, Natalie Beldin, Bsc (Hons) 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.

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 reduced to 45% of the market value, to reflect the occupation by a secure tenant.

All valuations were originally carried out in 1994/95 but a rolling programme exists where 20% of assets (all types) are revalued annually. Council dwellings are always revalued on an annual basis.

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Investment Properties (Including Surplus Assets)	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
As at Current Value in:					
2007/08	2,316	13,308	907	9,570	26,101
2006/07	3,183	2,726	1,043	5,140	12,092
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
Total	**152,960**	**36,412**	**4,745**	**37,366**	**231,483**

18. FINANCE AND OPERATING LEASES

The Authority acquires vehicles and some equipment through operating leases. The amount paid under these arrangements in 2007/08 was £251,521.

The Authority was committed at 31 March 2008 to making payments of £12,962 under operating leases in 2008/09, comprising the following elements:

	Vehicles, Plant and Equipment £'000s
2008/09	13
Leases expiring between 2009/10 and 2013/14	-
Leases expiring after 2013/14	-
	13

The last assets acquired through finance leases were during January 2003.There were no finance lease payments in 2007/08 and there are no more commitments thereafter.

19. MOVEMENT IN INTANGIBLE ASSETS

	Software Licences £'000s	Trademarks, Patents and Artistic Originals £'000s	Other £'000s	Total £'000s
Original Cost	-	-	-	-
Amortisations to 1 April 2007	-	-	-	-
Balance at 1 April 2007	-	-	-	-
Expenditure in year	478	-	50	528
Written off to revenue in year	(478)	-	(50)	(528)
Balance at 31 March 2008	**-**	**-**	**-**	**-**

Expenditure relates to the development of various projects including Document Image Process/Workflow and planning software.

20. ANALYSIS OF NET ASSETS EMPLOYED

The following analysis identifies the fixed and current assets, and long term and current liabilities from the balance sheet attributable to the General Fund, HRA and harbour trading operations.

Restated 31 March 2007 £'000s		31 March 2008 £'000s
(2,640)	General Fund	10,316
134,454	Housing Revenue Account	133,906
21,100	Harbour Trading Operations	21,096

21. LONG TERM DEBTORS - OTHER

Long term debtors - other consists of additional deferred income expected from the disposal of part of Manston Road allotments (£2m) and income anticipated from other loans given e.g. car loans (£12k).

22. STOCKS

2007 £'000s			2008 £'000s
4	Stocks -	Museum Merchandising	2
7	-	VIC Merchandising	6
51	-	Waste Services Depot	32
6	-	Parks Depot Stores	11
5	Stores -	Printing & Stationery	5
73			56

23. DEBTORS

Restated 2007 £'000s	Amounts falling due in one year	2008 £'000s
5,693	Non-Domestic Rates, Community Charges and Council Tax	5,963
1,122	Government Departments	637
1,037	Public Sector Bodies	1,001
693	Other Local Authorities	799
411	Tenants	760
3,701	Sundry Debtors	4,233
362	Payments in Advance	1,017
70	Holding and Suspense Accounts	75
-	Capital Debtors	-
160	Accountable Body Related	115
631	Collection Fund	444
(4,380)	Less Bad Debt Provision	(4,449)
9,500		10,595

Restated 2006/07 Sundry Debtor figures reflect the reclassification of the HRA Flat Lessees maintenance reserve.

24. CREDITORS

Restated 2007 £'000s		2008 £'000s
2,708	Non-Domestic Rates, Community Charges and Council Tax	2,667
1,843	Government Departments	3,676
258	Public Sector Bodies	120
803	Other Local Authorities	1,751
117	Tenants	114
2,600	Sundry Creditors	2,987
906	Receipts in Advance	783
14	Holding and Suspense Accounts	17
1,237	Capital Creditors	1,325
-	Collection Fund	-
1,498	Accountable Body Related	421
11,984		13,861

Restated 2006/07 figures reflect a change in the accounting treatment of Section 106 balances (£2.076m) and SORP changes relating to accrued borrowing interest (£511k).

25. DEFERRED CREDITS

Deferred credits consist of mortgages outstanding (£77k) and additional deferred income expected from the disposal of part of Manston Road Allotments (£2m).

26. FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2007 £'000s	31 March 2008 £'000s	31 March 2007 £'000s	31 March 2008 £'000s
Financial liabilities at amortised cost	23,158	27,191	-	-
Financial liabilities at fair value through the I&E	-	-	-	-
Total borrowings	**23,158**	**27,191**	**-**	**-**
Loans and receivables	-	-	6,520	9,063
Available -for-sale assets	-	-	-	-
Financial assets at fair value through the I&E	-	-	-	-
Total investments	**-**	**-**	**6,520**	**9,063**

The balance of £27.191m at 31 March 2008 includes a new long term loan from PWLB of £4m taken out in 2007/08. The Council were advised to borrow at this time while interest rates were low, in order to repay the £8.545m of the Council's long term borrowings which are due to mature in 2009/10.

Under the requirements of FRS25, 26 and 29, interest due (but not yet paid) on outstanding loans is to be reflected under long term borrowing in the Balance Sheet, not current liabilities as has previously been the case. Interest due on borrowing as at 31 March 2008 totalled £544,579 (Public Works Loan Board £486,723, other £57,856.)

27. FINANCIAL INSTRUMENTS GAINS/LOSSES

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair value through the I&E	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Interest expense	2,005	-	-	-	2,005
Losses on derecognition	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Interest payable and similar charges	**2,005**	**-**	**-**	**-**	**2,005**
Investment Property Income	-	492	-	-	492
Interest Income	-	748	-	-	748
Gains on derecognition	-	-	-	-	-
Interest and investment income	**-**	**1,240**	**-**	**-**	**1,240**

28. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2007			31 March 2008	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£'000s	**£'000s**		**£'000s**	**£'000s**
18,600	21,302	PWLB debt	22,633	25,526
4,558	4,315	Other debt	4,558	4,813
23,158	**25,617**	**Total debt**	**27,191**	**30,339**
11,064	11,064	Trade creditors	13,061	13,061
34,222	**36,681**	**Total Financial Liabilities**	**40,252**	**43,400**

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

31 March 2007			31 March 2008	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£'000s	**£'000s**		**£'000s**	**£'000s**
6,520	6,520	Money market loans < 1 year	9,063	9,063
-	-	Money market loans > 1 year	-	-
-	-	Bonds	-	-
9,068	9,068	Trade debtors	8,913	8,913
15,588	**15,588**	**Total Loans and Receivables**	**17,976**	**17,976**

All of the Council's investments are fixed rate deposits with banks and financial institutions, and are for less than one year.

29. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

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

- Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing Risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice
- By approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the counterparty ratings criteria specified in the Authority's Investment Strategy. The Council has a policy of not lending more than £4m of its surplus balances to one institution, for no longer than one year.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2008 £'000s	Historical experience of default %	Adjustment for market conditions at 31 March 2008 %	Estimated maximum exposure to default £'000s
Deposits with banks and financial institutions				
AAA rated counterparties	-	0.000	0.000	-
AA rated counterparties	1,005	0.000	0.000	-
A rated counterparties	8,058	0.007	0.007	1
BAA rated counterparties	-	0.108	0.108	-
BA rated counterparties	-	0.767	0.767	-
B rated counterparties	-	3.605	3.605	-
CAA-C rated counterparties	-	14.427	14.427	-
	9,063			**1**

The historical experience of default has been taken from Moody's, a Council's credit rating organisation used by the Council and applies to the period 1982 - 2005.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. As a result of this high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

No breaches of the Council's counterparty criteria occurred during 2007/08 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors. However, of the total debtors outstanding (£8.913m) the risk has been mitigated by a provision for bad and doubtful debts of £4.449m calculated in accordance with the Council's accounting policies.

Collateral - During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. The risk relates to the maturing of longer term financial liabilities.

The approved prudential indicator limits for the maturity structure of debt is the key parameter used to address this risk. The Council approved Treasury management strategy addresses the main risk and the central treasury team address the operational risk within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;

The maturity analysis of financial liabilities is as follows:

	£'000s
Less than one year	-
Maturing in 1 - 2 years	8,545
Maturing in 2 - 5 years	5,624
Maturing in 5 - 10 years	2,002
Maturing in more than 10 years	11,020
	27,191

Trade debtors of £8.913m are not included in the above table.

All investments and trade and other payables are due to be repaid in less than one year.

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates - the fair value of the borrowing liability will fall;
- Investments at variable rates - the interest income credited to the Income and Expenditure Account will rise;
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants.

The Council has a long term loan of £4.5m from Dexia Public Finance Bank which has a lender's option/borrowers option (LOBO) feature. The option allows Dexia to increase the interest rate in June 2009. If Dexia decide to exercise this option, the Council will consider whether to exercise its option to repay the loan and replace with other borrowing. All of the Council's other borrowings and investments are fixed rate.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

The most significant effect of a 1% increase in interest rates on the financial instruments at fair value would be on PWLB debt. However, this will have no impact on either the balance sheet or the Income and Expenditure account, but will impact on the disclosure note for fair value.

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares, so has no exposure to loss arising from movements in share prices.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

30. GOVERNMENT GRANTS DEFERRED

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 to the Capital Contributions Deferred Account. The grant is then released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charge made for that asset. To negate the effect of this on the Council Tax an adjustment is made in the Statement of Movement on the General Fund Balance.

	1 April 2007 £'000s	2007/08 Receipts £'000s	2007/08 Write Down £'000s	31 March 2008 £'000s
Area Enhancement	6,622	137	(359)	6,400
DEFRA	84	-	(14)	70
Coast Protection	1,553	-	(54)	1,499
Sports Lottery	1,531	-	(118)	1,413
Regeneration	7,973	3,592	(3,006)	8,559
Information Technology	903	-	(903)	-
	18,666	**3,729**	**(4,454)**	**17,941**

31. CAPITAL CONTRIBUTIONS UNAPPLIED

Capital contributions unapplied reflects developers contributions received under S106 agreements that remain unused at 31 March 2008, the balances and movements in the year are reflected in the table below:

Restated 31 March 2007 £'000s		Income £'000s	Expenditure £'000s	31 March 2008 £'000s
1,135	Affordable Housing	362	151	1,346
120	Education	50	50	120
739	Highways	162	-	901
82	Miscellaneous	53	-	135
2,076		**627**	**201**	**2,502**

2006/07 restatement in the Balance Sheet reflects the change in accounting treatment from receipt in advance to contribution unapplied.

32. REVALUATION RESERVE

	£'000s
Balance as at 1 April 2007	-
Revaluation and Restatement of Fixed Assets	10,447
Less write down of additional depreciation arising from revaluations to historical cost depreciation	(72)
Less Disposal of Fixed Assets	(992)
Balance as at 31 March 2008	**9,383**

In 2007/08 the Fixed Asset Restatement Account and the Capital Financing Account have been replaced by a Revaluation Reserve and a Capital Adjustment Account. The Revaluation Reserve records the net gain from revaluations made after 1 April 2007 and was opened with a nil balance at that date. This is so as to comply with the 2007 SORP. The changes are designed to bring the statements more in line with UK GAAP.

The credit balance of £103.6m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£81.4m credit balance) to form the new Capital Adjustment Account with a balance of £184m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

33. CAPITAL ADJUSTMENT ACCOUNT

	£'000s
Balance as at 1 April 2007 (Restated)	184,110
Capital Receipts Set Aside	-
Capital Financing	
- Major Repairs Reserve	2,230
- Capital Receipts	2,762
- Revenue	688
- Capital Project Reserve	445
Allocation of grant from Government grants deferred account	4,454
Minimum Revenue Provision	860
Conversion current value depreciation loss debits to historical cost	72
Less	
- Major Repairs Reserve transfer	(2,233)
- write off deferred charges (net of disabled facilities grant)	(3,906)
- write off intangible assets	(528)
- depreciation provision	(3,133)
- disposal of assets	(3,706)
- impairment of assets	(1,521)
- mortgages repaid	(7)
Balance as at 31 March 2008	**180,587**

The balance on the Capital Adjustment Account (CAA) as at 1 April 2007 has been created from the balances on the Fixed Asset Restatement Account and the Capital Financing Account. This is in order to comply with the 2007 SORP.

The account records (debits) the consumption of historic cost over the life of the asset and deferred charges over the period that the Council benefits from the expenditure. The account also records (credits) the resources set aside to finance capital expenditure. The Council's Capital Adjustment Account shows a credit balance which means that capital finance has been set aside at a faster rate than the fixed assets have been consumed, namely a nominal surplus when comparing financing to consumption of resources.

34. USABLE CAPITAL RECEIPTS RESERVE

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.

	£'000s
Balance at 1 April 2007 Restated	2,112
Capital Receipts in year	2,767
Capital Receipts applied during the year	(2,762)
Set aside for Repayment of Debt	-
Housing Pooled Capital Receipts	(835)
Balance at 31 March 2008	**1,282**

35. MOVEMENT ON RESERVES

The Council keeps a number of reserves in the balance sheet that are either held for statutory reasons, to comply with proper accounting practice or to voluntarily earmark monies to fund future spending plans.

	1 April 2007 £'000s	Net Movements £'000s	31 March 2008 £'000s
Capital Adjustment Account	184,110	(3,523)	180,587
Financial Instrument Adjustment Account	-	-	-
Revaluation Reserve	-	9,383	9,383
Usable Capital Receipts Reserve	2,112	(830)	1,282
Pensions Reserve	(48,930)	5,266	(43,664)
Major Repairs Reserve	150	3	153
General Fund Balance	4,214	(1,175)	3,039
Housing Revenue Account Balance	3,123	1,213	4,336
Earmarked Reserves	8,159	39	8,198
	152,938	**10,376**	**163,314**

Capital Adjustment Account - store of capital resources set aside to meet past expenditure (see Note 33, page 43).

Financial Instrument Adjustment Account - balancing account to allow for differences in statutory requirements and proper accounting practices on borrowings and investments.

Revaluation Reserve - store of gains on the revaluation of fixed assets (see Note 32, page 42).

Usable Capital Receipts Reserve - proceeds of fixed asset sales available to meet future capital expenditure (see Note 34, page 43).

Pensions Reserve - balancing account to allow inclusion of pensions liability in the balance sheet (see Note 39, page 47).

Major Repairs Reserve - resources available to meet capital investment in council housing (see Note 3, page 59).

General Fund Balance - resources available to meet future running costs for non - housing services.

Housing Revenue Account Balance - resources available to meet future running costs for council houses (See Note 1, page 58)

Earmarked Reserves - see Note 36 on the following page.

36. EARMARKED RESERVES

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

	Restated 1 April 2007 £'000s	Net Movements £'000s	31 March 2008 £'000s
Insurance Risk Management	37	9	46
Capital Projects	1,418	(674)	744
Local Development Framework	-	14	14
HRA Repairs	3,203	-	3,203
Slippage Fund	1,333	(359)	974
Information Technology	181	10	191
Environmental Action Plan	69	129	198
Office Accommodation	-	505	505
Planning Delivery Grant	369	(21)	348
Cremator Works	70	96	166
Decriminalisation	244	(25)	219
Priority Improvement	235	(93)	142
Corporate Plan	-	212	212
Youth Work	-	120	120
LABGI	1,000	116	1,116
	8,159	**39**	**8,198**

Net Movements on Reserves	39
External Contribution to Capital Projects	445
Contributions from Reserves as per reconciling note to the Statement of movement on the General Fund balance (Note 13, page 27)	**484**

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 a recharge to Services.

Capital Projects - Revenue monies and other contributions set aside for capital projects. Net movements for 2007/08 include a correction of £425k from 2006/07 reflecting General fund appropriation to the reserve.

Local Development Framework – Due to the variable profile of spend on this activity and the variable cost in relation to consultation and inspection, it is proposed that any underspend be set aside in a new reserve to be drawn against as required.

HRA Repairs - To make provision for necessary essential repairs and maintenance and minor improvements to the Council's Housing stock on a programmed and controlled basis.

Slippage Fund - 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.

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 - 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.

Office Accommodation – This reserve allows for the appropriate level of funding to be drawn down as and when required in relation to the current accommodation strategy.

Decriminalisation – This is used to meet parking related expenditure.

Planning Delivery Grant – To set aside money to finance future activities relating to the Planning Delivery Grant.

Cremator Works – To make provision for future works on cremators which the Council knows to be needed.

Priority Improvement – This reserve is for one-off projects and pump priming investment into service improvements. 2006/07 restatement reflects the transfer of balances from the General Fund to set up the reserve.

Corporate Plan – Anticipated slippage on the Corporate Plan growth is carried forward on this reserve, to enable the activities within the Plan to be adequately funded.

Youth Work – Due to the variable profile of spend on this activity, it is proposed that any underspend be set aside in a new reserve to be drawn against as required.

LABGI – The Local Authority Business Growth Incentive (LABGI) scheme was introduced in 2005 and the scheme was set up to provide an incentive for Councils to promote sustainable economic growth in their area by encouraging local business growth. This additional funding is not ring-fenced and can be spent on the Council's own priorities. This balance will remain on reserve until required for a specific project. 2006/07 restatement reflects the transfer of balances from the General Fund to set up the reserve.

37. 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. 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 anticipates a repayment of £3.562m (subject to European Court of Justice ruling).

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 are still currently being developed. 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.

The Council has received a notice of claim from the employment tribunal for unfair dismissal (constructive), detriment and constructive dismissal on the grounds of disability and unpaid wages. The claim relates to a decision that was taken during 2007/08. If found to be completely and wholly founded, the claim could result in substantial damages being awarded, however this is not believed to be a likely outcome. Counsel is being instructed to take a detailed look at this case and the Council's position.

It was agreed on 2 February 2007 that the Council would enter into a Private Finance Initiative (PFI) called the "Better Homes Active Lives" project. This Countywide scheme will provide up to 352 homes for vulnerable people throughout Kent. Of these up to 54 homes will be in the Thanet District Council area.

The agreement, which was delegated to the Head of Community Services, has now been signed. In the event of early termination of the agreement, indicative figures for the Council's potential liability are

- Contractor default, £7.866m in year 10; £7.59m in year 20
- Force Majeure, £9.108m in year 10; £6.762m in year 20

These figures are summarised in the table below and are based on the assumption that all partners would take the units back. If the units were not taken back this would reduce costs by 40%. The figures are estimates and do not include potential redundancy or breakage costs.

Indicative liability for early termination	**% Cost Share**	**Contractor Default**		**Force Majeure**	
		Year 10 £'000s	**Year 20 £'000s**	**Year 10 £'000s**	**Year 20 £'000s**
Thanet District Council	13.8	7,866	7,590	9,108	6,762

38. TRUST FUNDS

The Trust Funds consist of monies left in trust with the Authority and invested in accordance with specific bequests. The Council is sole trustee and 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 2007/08 £	**Income 2007/08 £**
Kenrick Trust	2.50	2.50
Farrar Award	26.32	26.32
Simpson Bequest	8.56	8.56
Woodward Trust	93.00	93.00

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.

39. 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.

Thanet District Council participates in the Local Government Pension 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 adjusted in the Council's accounts as a reversing entry in the Statement of Movement on the General Fund Balance.

The following transactions have been made in the Council's accounts during the year.

2006/07 £'000s		2007/08 £'000s
	Net Cost of Services	
2,660	Current Service costs	2,494
100	Past Service Costs	-
1,000	Settlement and Curtailments	61
	Net Operating Expenditure	
6,280	Interest costs	6,797
(4,910)	Expected Return on Assets	(5,516)
	Appropriations	
(5,130)	Movement on Pension Reserve	(3,836)
	Actual Amount Charged against Council Tax for pensions in the year	
3,915	Employer's contributions payable to scheme	4,127

The Council's current contributions of £1,433,480 are replaced by Current Service costs (as determined by the Actuary) of £2,494,000. The Current Service cost 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 2007/08, 7 former employees retired prematurely on redundancy grounds before they became eligible to under "The 85 year rule". The capitalised cost of the additional benefits relative to those reserved for under FRS17 was calculated to be £61,000.

The changes detailed above required under FRS17 for the current year are summarised in the following table:

	2007/08		
	Original Figures £'000s	FRS17 Adjustments £'000s	Restated Figures £'000s
Net Cost of Services			
Current Service Costs	1,433	1,061	2,494
Past Service Costs (including Settlements and Curtailments)	2,120	(2,059)	61
Net Cost of Services	23,696	(998)	22,698
Net Operating Expenditure	26,299	(283)	26,016

The figures for 2006/07 are shown below:

	2006/07		
	Original Figures £'000s	FRS17 Adjustments £'000s	Restated Figures £'000s
Net Cost of Services			
Current Service costs	1,322	1,338	2,660
Past Service Costs	2,031	(931)	1,100
Net Cost of Services	21,702	407	22,109
Net Operating Expenditure	27,765	(1,777)	25,988

The current cost of retirement benefits is partly 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 in the Statement of Movement on the HRA balance. Further information on the impact of this can be found in Note 11 to the Housing Revenue Account on page 61.

PENSION COMMITMENTS

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

31 March 2007 £'000s		31 March 2008 £'000s
78,490	Estimated Assets in the Pension Fund	73,502
(127,420)	Estimated Liabilities in the Pension Fund	(117,166)
(48,930)	**Net Liability as at 31 March**	**(43,664)**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £43,664,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £165,318,000. 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.

Liabilities have been assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years, 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 31 March 2007.

The main assumptions used in their calculations have been:

31 March 2007		31 March 2008
3.2%	Rate of Inflation	3.6%
4.7%	Rate of Increase in Salary	5.1%
3.2%	Rate of Increase in Pensions	3.6%
5.4%	Rate for Discounting scheme liabilities	6.9%

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 2007		31 March 2008
%		%
71	Equity Investment	69
12	Bonds	14
10	Property	11
7	Cash	6

The value of assets in the fund are affected by stock market fluctuations, which are reflected in the balance on the Pension Reserve below.

The actuarial gains and losses identified as movements on the Pensions Reserve over the last five years can be analysed into the following categories measured as absolute amounts and as a percentage of assets or liabilities at 31 March.

	Difference between the expected and actual return on assets		Difference between actuarial assumptions about liabilities and actual experience		Changes in the demographic and financial assumptions used to estimate liabilities	
	£000s	%	£000s	%	£000s	%
2003/04	7,493	14.0	953	1.1	8,446	10.1
2004/05	2,341	4.0	(7,309)	(6.6)	(21,403)	(19.4)
2005/06	11,720	15.8	853	(0.7)	(2,153)	(1.7)
2006/07	(500)	(0.6)	410	0.3	6,760	5.3
2007/08	(9,715)	(13.2)	(2,369)	(2.0)	4,975	4.3

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 Income and Expenditure Account. Changes in actuarial (gains)/losses on the Pension Reserve are reflected on page 18 in the Statement of Total Recognised Gains and Losses.

31 March 2007 £'000s		31 March 2008 £'000s
(54,475)	Balance as at 1 April	(48,930)
(5,130)	Reversal of FRS17 entries – Income And Expenditure Account	(3,836)
-	Reversal of FRS17 entries – Balance Sheet	
6,760	Actuarial Gains/(Losses)	4,975
3,915	Reversal of Payments to Pension Fund	4,127
(48,930)	**Balance at 31 March**	**(43,664)**

Further information can be found in Kent County Council's Superannuation Fund's Annual Report which is available upon request from the Investment Section, County Hall, Maidstone, Kent, ME14 1XQ.

40. RECONCILIATION OF NET SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO THE REVENUE ACTIVITIES NET CASH FLOW IN THE STATEMENT

	2007/08 £'000s	2007/08 £'000s
(Surplus)/Deficit for the year		
General Fund	3,048	
Housing Revenue Account	(293)	
Collection Fund	(30)	
		2,725
Interest Payable		(2,005)
Interest Receivable		749
Non-Cash Transactions		
HRA depreciation and impairments of fixed assets	(3,392)	
Amounts included in the Income & Expenditure account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year (see Note 13)	(4,283)	
Changes in reserves and provisions	484	
Other balances	8	
		(7,183)
Items on Accruals Basis		
Movement in stocks	(17)	
Movement in net debtors	(465)	
Movement in revenue creditors	678	
Movement in receipts in advance	123	
Movement in payments in advance	655	
		974
		(4,740)

41. THE MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

Balance Sheet 31 March 2007 £'000s		Balance Sheet 31 March 2008 £'000s	31 March 2008 £'000s	Cash Flow Change in Year £'000s
(3,459)	Cash and Bank		(3,402)	57
(6,520)	Short Term Investment	(9,063)		
20	Less accrued interest	63		
(6,500)			(9,000)	(2,500)
23,158	Long term Borrowing	27,191		
(511)	Less accrued interest	(544)		
22,647			26,647	4,000
12,688	Total Debt		**14,245**	**1,557**

42. RECONCILIATION OF ITEMS SHOWN UNDER THE FINANCING AND MANAGEMENT OF LIQUID RESOURCES SECTIONS TO THE OPENING AND CLOSING BALANCE SHEET

31 March 2007 £'000s		31 March 2008 £'000s	31 March 2008 £'000s	Change in Year £'000s
6,520	Short Term Investments	9,063		
(20)	Less accrued interest	(63)		
6,500			9,000	2,500
(23,158)	Long term Borrowing	(27,191)		
511	Less accrued interest	544		
(22,647)			(26,647)	(4,000)
(16,147)	Net Financing-per cash Flow Statement		**(17,647)**	**(1,500)**

43. AN EXPLANATION OF WHAT THE AUTHORITY INCLUDES IN LIQUID RESOURCES AND ANY POLICY CHANGES

The Council considers its liquid resources to be equal to sums invested in deposits with banks and other financial institutions, its cash in hand, cash in transit and use of overdraft facilities. There has not been a change in Policy.

44. A) ANALYSIS OF GOVERNMENT GRANTS SHOWN IN THE CASH FLOW STATEMENT - REVENUE

Restated 2006/07 £'000s		2007/08 £'000s
10,428	NNDR Rate Pool Allocation	10,930
2,030	Revenue Support Grant	1,835
55,695	DWP - Housing Benefits	58,178
187	NNDR Cost of Collection Allowance	187
149	DCLG - Planning Delivery	208
90	DCLG - Emergency Temporary Accommodation	90
-	DCLG - Concessionary Bus Fares	108
396	DCLG - Housing Subsidy	253
-	DWP - IBS Software	16
-	DWP - Document Image Processing	237
1,342	Local Authority Business Growth Incentive Scheme	326
13	DoE - Smoke Free	62
11	Department for Constitutional Affairs	23
680	SEEDA - East Kent Partnership	1,019
1	SEEDA - Interreg Funding	7
11	European Regional Development Fund	89
16	Heritage Lottery	4
21	Foreshore Lottery	-
-	Big Lottery Fund - Two Multi Play areas	3
171	KCC - Building Safe Communities	72
105	KCC - Waste Efficiency	29
29	KCC - Anti Social Behaviour	21
-	KCC - Waste Efficiency funding posts	71
-	KCC - Parent Practitioner	63
-	KCC - Kent Waste Partnership	12
-	KCC - Gypsy and Travelling	9
413	Safer Stronger Communities Fund	594
65	Building Capacity Programme	-
14	Sport England	100
-	English Partnership - Dreamland Master Plan	10
71,867		**74,556**

44. B) ANALYSIS OF GOVERNMENT GRANTS SHOWN IN THE CASH FLOW STATEMENT - CAPITAL

Restated 2006/07 £'000s		2007/08 £'000s
64	European Regional Development Fund	170
362	Lottery	31
34	Sure Start	-
-	English Heritage	30
278	South East England Development Agency	889
244	Department of Works and Pensions	-
2,031	DCLG - Disabled Facilities	2,055
-	DCLG - Planning Delivery	69
29	Maritime Heritage Trail (Interreg Funding)	-
970	Safer Stronger Communities Fund	980
4,012		**4,224**

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

The 2006/07 figures have been restated to reflect corrections to Revenue and Capital grants, interest paid, other capital cash payments, purchase of fixed assets, other operating cash payments and other operating cash receipts.

As a result of substantial levels of grant receipts combined with high base rates the interest received on investments has increased by £351,000.

The SORP requires interest due (but not yet received) on investment income to be reflected under short term investments in the Balance Sheet however, this figure is not shown within the Cash Flow Statement.

Under the requirement of FRS 25, 26 and 29 interest due (but not yet paid) on outstanding loans is to be reflected under long term borrowing in the Balance Sheet however, this figure is not shown within the Cash Flow Statement.

46. LOCAL AREA AGREEMENT

The Council is a participant in a Kent Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work – towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the third year of its three-year agreement.

The purpose of the LAA is:

- To form an agreement between the Kent Partnership, Government (represented by the Government Office of the South East), and other external agencies, to ensure that together we achieve the 2006 vision in the Sustainable Community Strategy (The Vision for Kent).
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Kent by pooling and aligning funding streams.

The LAA partners are:

- Kent local government bodies
- Kent community protection authorities
- Health bodies – West Kent Primary Care Trust, Eastern and Coastal Kent Primary Care Trust
- Learning bodies – Kent and Medway Learning Skills Council, University of Kent
- Voluntary organisations – Kent Council for Voluntary Youth Services, East Kent Council for Voluntary Services
- Other partners – Kent Invicta Chamber of Commerce, Creative Foundation, Pfizer, Natural England, Saga, Environment Agency, Port of Dover, Federation of Small Businesses, Kent Economic Board, Job Centre Plus, Land Securitas, North West Kent Racial Equality Council, Churches Together in Kent, Kent Association of Parish Councils, Business Link Kent

Kent County Council acts as the Accountable Body for the LAA. The total amount of LAA grant received by the County Wide LSP's in 2007/08 was £19.7m. Thanet received £1.6m of this total to fund the Safer Stronger Communities Fund in 2007/08 and £94k for the Crime and Disorder Reduction Partnership.

47. ACCOUNTABLE BODY

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

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 Income and Expenditure Account, including Regeneration capital grants that have been treated as deferred charges.

The Council also collects income from late flight fines at Kent International Airport, Manston in accordance with a local Section 106 Planning agreement. On approval from the Kent International Airport Consultative Committee (KIACC) the income is awarded as grants to local community groups.

48. ACCOUNTS AUTHORISED FOR ISSUE

The date that the accounts were authorised for issue was the date that the Head of Financial Services, Sue McGonigal, signed the Statement of Responsibilities for the Statement of Accounts on page 13.

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

2006/07 £'000s		2007/08 £'000s
	INCOME	
9,357	Dwelling Rents (gross)	9,954
190	Non-dwelling Rents (gross)	189
213	Charges for services and facilities	243
185	Contributions towards expenditure	769
368	Housing Revenue Account subsidy receivable (including MRA)	281
10,313	Sub-Total income	11,436
	EXPENDITURE	
3,877	Repairs and maintenance or contribution to Housing Repairs Reserve	3,592
2,432	Supervision and management – General	2,417
616	Supervision and management – Special	520
14	Rents, rates, taxes and other charges	12
114	Increased provision for bad or doubtful debts	44
2,202	Depreciation and impairments of fixed assets	3,392
10	Amortisation of deferred charges	-
10	Debt Management Costs	7
9,275	Sub-Total Expenditure	9,984
(1,038)	**Net Cost of HRA Services per Authority Income and Expenditure Account**	**(1,452)**
147	HRA Services share of Corporate and Democratic Core	140
(891)	**Net Cost of HRA Services**	**(1,312)**
19	(Gain) or loss on sale of HRA fixed assets	22
1,281	Interest payable and similar charges	1,417
(364)	Interest and investment income	(420)
-	Pensions interest cost and expected return on pensions assets	-
45	**(Surplus)/Deficit for the year on HRA services**	**(293)**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE FOR THE YEAR ENDED 31 MARCH 2008

2006/07 £'000s		2007/08 £'000s
45	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(293)
(265)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(920)
(220)	(Increase) or decrease in the Housing Revenue Account Balance	(1,213)
(2,903)	Housing Revenue Account surplus brought forward	(3,123)
(3,123)	Housing Revenue Account surplus carried forward	(4,336)

2006/07 £'000s		2007/08 £'000s
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
(10)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any)	(1,160)
(19)	Gain or loss on sale of HRA fixed assets	(22)
(300)	Net charges made for retirement benefits in accordance with FRS 17	(254)
(329)		**(1,436)**
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
(497)	Transfers to/(from) Housing Repairs Reserve	-
-	Transfers to/(from) Revenue Projects Account	31
149	Employer's contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	147
412	Capital expenditure funded by the HRA	338
64		**516**
(265)	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**(920)**

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 3,140 dwellings during 2007/08 including the Authority's share of shared ownership dwellings.

2007		2008
	Stock at 1st April	
1,638	Houses	1,630
1,509	Flats	1,500
3,147		**3,130**

The stock as at 31 March 2008 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	1	-	3	38	42
2 Bedrooms	2	1	133	14	150
3 Bedrooms	-	-	1	-	1
Medium-Rise Flats (3 to 5 Storeys)					
1 Bedroom	24	-	83	210	317
2 Bedrooms	16	-	136	360	512
3 Bedrooms	5	-	41	27	73
High-Rise Flats (6 Storeys or more)					
1 Bedroom	-	-	247	24	271
2 Bedrooms	-	-	92	41	133
3 Bedrooms	-	-	-	1	1
Houses					
1 Bedroom	1	-	-	-	1
2 Bedrooms	19	136	164	293	612
3 Bedrooms	26	370	380	168	944
4 or more Bedrooms	12	23	29	9	73
Total	**106**	**530**	**1,309**	**1,185**	**3,130**

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

Restated 31 March 2007 £'000s		31 March 2008 £'000s
150,644	Council Dwellings	152,960
1,137	Operational Land & Buildings	1,225
1,119	Non-Operational Assets	1,119
152,900		**155,304**

The vacant possession value of dwellings within the Authority's Housing Revenue Account as at 1 April 2007 was £335m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

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 2008 is summarised below:

	2007/08 £'000s
Balance on Major Repairs Reserve at 1 April 2007	(150)
Amount transferred to the Major Repairs Reserve	(2,233)
Amount transferred from the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property	2,230
Balance on Major Repairs Reserve at 31 March 2008	**(153)**

4. HOUSING REPAIRS RESERVE

	2007/08 £'000s
Day-to-Day, Recurring and Programmed Maintenance	3,188
Administration Expenses	404
	3,592
Reserve Balance in hand 1 April 2007	(3,203)
Contribution to Housing Revenue Account	-
Balance in hand carried forward 31 March 2008	**(3,203)**

5. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2007/08 £'000s
Financed by Borrowing (Supported Borrowing Approval)	1,702
Revenue Contribution to Capital	338
Financed from Major Repairs Reserve	2,230
Total Housing Revenue Account Capital Expenditure	**4,270**

2006/07 £'000s		2007/08 £'000s
-	Land	-
5,182	Houses	4,270
2	Other Property	-
5,184		**4,270**

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

	2007/08 Usable £'000s	2007/08 Contribution to Gov't Pool £'000s	2007/08 Total £'000s
Sale of Dwellings	371	807	1,178
Repayment of Discount	4	13	17
Sale of Land	10	10	20
Mortgage Repayments	2	5	7
	387	**835**	**1,222**

Additional notes on the Contribution to the Government Pool can be found in Note 12 to the Core Financial Statements on page 25.

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 2008 are as follows:

	£'000s
Management and Maintenance	5,401
Major Repairs Allowance	2,233
Charges For Capital	1,825
Other Items of Reckonable Expenditure	88
Interest on Receipts	(8)
Guideline Rent Income	(9,285)
Housing Revenue Account Subsidy	**254**

In 2007/08 actual subsidy of £253,986 was received from the Secretary of State in respect of the financial year. This differs from the figure in the accounts due to a prior year adjustment in relation to 2005/06 of £27,346.

8. RENT ARREARS

Arrears of current and former tenant dwelling rents and other charges at 31 March 2008 amounted to £534,805. This figure includes the full week rent charge but only payments up to and including 31 March 2008.

At the end of the rent week ended 7 April 2008 the arrears had reduced to £465,797.

RENT ARREARS

2006/07		2007/08
289,450	Current	346,558
105,276	Former	119,239

9. PROVISION FOR BAD DEBT AND DOUBTFUL DEBTS

The provision for bad and doubtful debts relating to the Housing Revenue Account is £386,604 as at 31 March 2008.

10. DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS

2006/07 Depreciation £'000s		2007/08 Depreciation £'000s	2007/08 Impairment £'000s
-	Land	-	-
2,183	Houses	2,215	1,158
19	Other Property - Operational Assets	18	1
2,202		**2,233**	**1,159**

Impairment losses on HRA assets of £1.16 million have been debited to the HRA Income and Expenditure Account in accordance with the general provisions of the SORP. These losses have been reversed out in the Statement of Movement on the HRA Balance, so that they do not impact on rent levels, and represent enhancement work that has not resulted in a pound for pound increase in asset value.

11. 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 need to be disclosed at the time that employees earn their future entitlement.

Thanet District Council participates in the Local Government Pension 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**
Current Service Costs	147	108	255
Movement on Pension Reserve	-	(255)	(255)
HRA contributions payable to scheme.	-	147	147

It has not been possible to determine how much of the pension interest costs and expected return on assets per the actuarial report relate to the Housing Revenue Account, so these have been fully allocated to the General Fund.

COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

2006/07 £'000s	2006/07 £'000s			2007/08 £'000s	2007/08 £'000s
		INCOME			
47,627		Council Tax (net of Benefits and Transitional Relief)	Note 2	51,006	
		Transfers from General Fund			
11,121		- Council Tax Benefits	Note 3	11,441	
-		- Transitional Relief		-	
-		- Discounts for prompt payment		-	
24,189		Income from Business Ratepayers		25,965	
		Contributions			
(530)		- Towards previous years Council Tax (Surplus)/Deficit		88	
-		- Adjustment of previous years' community charges		-	
	82,407				88,500
		EXPENDITURE			
58,183		Precepts and Demands from County, District, Kent Police and Kent Fire and Rescue	Note 6	61,449	
		Business Rates			
24,002		- Payment to the Pool		25,778	
187		- Cost of Collection Allowance		187	
		Bad and doubtful debts/appeals			
870		- Amounts Written Off in year		831	
358		- Provision for Bad and Doubtful Debts		36	
	83,600				88,281
	1,193	(Surplus)/Deficit for Year			(219)
	(457)	Balance at Beginning of Year			736
	736	Balance at End of Year			517

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. COUNCIL TAX

Council tax income derives from charges raised for domestic properties, based on their market value as at 1 April 1991. Each property falls within one of eight valuation bands as follows:

Valuation Band	Range of Values
A	Up to and including £40,000
B	£40,001 - £52,000
C	£52,001 - £68,000
D	£68,001 - £88,000
E	£88,001 - £120,000
F	£120,001 - £160,000
G	£160,001 - £320,000
H	More than £320,000

The charge for each property is calculated by estimating the income required for Kent County Council, Kent Police Authority, Kent Fire and Rescue and Thanet District Council to provide services to the District, then dividing this by the taxbase.

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

Band	Estimated Number of Taxable Properties after Discount	Ratio	Band D Equivalent
A	12,016	6/9	8,011
B	15,649	7/9	12,171
C	14,660	8/9	13,031
D	6,677	1	6,677
E	3,395	11/9	4,150
F	1,320	13/9	1,906
G	611	15/9	1,019
H	23	2	46
TOTAL	54,351		47,011
Adjustment for Non-collection (3%)			(1,410)
COUNCIL TAX BASE			45,601

Estimated income for 2007/08 was £61.449m, actual income was £62.535m. After set aside and write off of bad debt (£867k) the increase in income has reduced the deficit on the fund by £219k.

3. TRANSFERS FROM THE GENERAL FUND

Individual entitlements to Council Tax Benefit reducing the amount of Council Tax payable in the year, are charged to the General Fund. For 2007/08 this figure has been reduced by £350k (including prior years) representing overpaid benefits where single persons discount should have been applied.

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:

2006/07 £'000s		2007/08 £'000s
	Non-domestic Rateable Value £68,628,063	
27,935	Multiplied by the Uniform Business Rate (44.1p for 2007/08)	30,265
(3,583)	Less allowances and other adjustments	(4,256)
(163)	Less bad debt provision	(44)
24,189	Net collectable Business Rates	25,965
(187)	Less cost of collection allowance	(187)
24,002	Net contribution to NDR national pool	25,778

5. (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 £'000s	Council Tax £'000s
(Surplus)/Deficit as at 1 April 2007	(1)	736
Transactions in 2007/08	-	(219)
(Surplus)/Deficit as at 31 March 2008	(1)	517
Estimated Surplus accounted for in 2008/09 Council Tax computation to be recovered	-	113
(Surplus)/Deficit to be considered in 2009/10 Council Tax computation	(1)	630

The balance on the Collection Fund at year end represents partly a decrease in the resources attributable to the Authority, and partly amounts due from precepting authorities. In order to comply with the Statement of Recommended Practice (SORP) this has been split between fund balances (TDC) and debtors (Precepting authorities) within the Balance Sheet.

6. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

2006/07			2007/08
£			£
41,582,884	Kent County Council		43,966,702
5,267,110	Kent Police Authority		5,571,478
2,688,549	Kent Fire and Rescue		2,811,275
8,175,600	Thanet District Council		8,602,090
57,714,143			60,951,545
	Parishes and Charter Trustees		
3,753	-	Acol	4,030
30,000	-	Birchington	30,730
179,927	-	Broadstairs	186,044
7,810	-	Cliffsend	12,030
9,304	-	Manston	11,026
87,615	-	Margate	89,234
38,600	-	Minster	40,095
5,890	-	Monkton	6,164
102,348	-	Ramsgate	113,127
4,270	-	St Nicholas at Wade	4,480
469,517			496,960

Annually the precepts from major precepting authorities are affected by prior year surpluses or deficits. The figures for 2006/07 and 2007/08 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.

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

1.1 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.

1.2 In discharging this overall responsibility, Thanet District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.

1.3 Thanet District Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at http://www.thanet.gov.uk/docs/Local%20Code%20-%20Version%202a.doc or can be obtained from the Council offices, Cecil Street, Margate, Kent, CT9 1XZ. This statement explains how Thanet District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 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.

2.3 The governance framework has been in place at Thanet District Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The Council identifies and communicates its aims and ambitions for Thanet for 2007 - 2011 through our Corporate Plan. The current Corporate Plan was agreed by Cabinet (14 June 2007) and Council (25 June 2007), and actions were then fed into Service Plans and through to appraisals. A refresh of the Corporate Plan was agreed by Cabinet on the 12 February 2008. The Council is in the process of developing its Vision for Thanet and this will be considered later in 2008 prior to public consultation. In the future we will review our Vision for Thanet on a regular basis ensuring that it meets the requirements of our community, partners and other stakeholders.

3.2 The Council has adopted a Local Code of Corporate Governance (Council - 21 February 2008), which will be reviewed on an annual basis ensuring that the Council's governance arrangements are in place and are demonstrating good outcomes for our community and service users through good risk management, performance, financial and internal control processes.

3.3 We measure the quality of services for users, ensuring that they are delivered in accordance with our objectives and represent the best use of resources through our performance reporting process. Officers report on service and corporate plan objectives, financial monitoring and performance indicators within the monthly Manager's Tool. This information is collated within the monthly and quarterly performance reports as necessary, along with partnership performance reports. Reports from Service Managers are used by the Corporate Management Team to map progress of the plans in place and these go to Cabinet and Scrutiny. The performance framework is currently based on manual systems and processes, but as this is now so fundamental to good management practices the Council will be upgrading to an electronic performance management system during 2008/09. This will reduce time spent whilst improving access to valuable information.

3.4 The Council is committed to delivering value for money, and has published its Value for Money Strategy in its medium term financial plan for 2008 – 2011. It has developed a programme of reviews that will be used to test the value for money that it derives from its services and to assess the areas for improvement. The outcomes of such value for money assessments will be used to deliver real improvements in the efficient, effective and economic delivery of services and to inform the development of the future budget proposals and the medium term financial plan for 2009 – 2012.

3.5 Roles and responsibilities for Cabinet, Council, Overview and Scrutiny and all Committees of the Council, along with officer functions are defined and documented, with clear delegation arrangements and protocols for effective communication within the Councils Constitution. The Constitution is regularly reviewed and updated, with the next planned update due in 2008/09.

3.6 The Cabinet is the part of the Council that is responsible for most strategic decisions and is made up of the Leader and 5 other Councillors. Each theme of the Corporate Plan is sponsored by a Cabinet Member as a Portfolio Holder. 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.

3.7 Codes of conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's web site and on TOM. These include:

- Members Code of Conduct
- Code of Conduct for staff
- Anti-fraud and corruption policy
- Members and officer protocols
- Regular performance appraisals, linked to service and corporate objectives
- Service Standards that define the behaviour of officers
- A Standards Committee comprising 8 Members, 3 independent members of the public (1 of which is Chair) and 2 Parish Council representatives

3.8 The principle of the formation of a Governance and Audit Committee was agreed by the Cabinet on the 23 March 2006 and adopted by Council on the 11 May 2006, and then re-constituted by Council in 17 May 2007. The Terms of Reference for the Committee were reviewed in line with 'CIPFA's Audit Committees – Practical Guidance for Local Authorities' and agreed by Council in December 2007. There is also a Governance Group in place, which is made up of each Head of Service, a representative from the East Kent Audit Partnership and the Communications and Marketing Team and the Corporate Governance Officer. This Group meets on a quarterly basis in line with the timetable of the Governance and Audit Committee and is chaired by the Head of Financial Services who is the Section 151 Officer.

3.9 Thanet District Council is required to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. To this end, the Council has in place a number of procedures, protocols and processes that underpin the delivery of its services and functions. The Council's protocols or procedures are reviewed and updated on a regular basis for standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, clearly defining how decisions are taken and the process and controls required to manage risks.

3.10 The Council has in place a whistleblowing procedure whereby staff and others can report concerns about various sorts of wrongdoing or alleged impropriety. Council approved an updated Code in April 2005 which is available to staff via the intranet and is referred to in the Induction Training Programme and annual Staff Conference. The Code is also proactively communicated to those contracting with the Council.

3.11 As Thanet District Council provides a wide range of services to approximately 130,000 residents and over 2 million annual visitors, the Council ensures that complaints, comments and compliments are investigated appropriately. The Council implemented an IT solution via the Comino Corporate Complaints System on the 1 August 2007 to record complaints, comments and compliments. Service improvements have been made as a direct consequence of complaints received, and this is shared with Members of the Council and the public through the Members' Portal and the Council's web site. The response time was reported through the Performance Packs and also on a quarterly basis to the Corporate Management Team.

3.12 The development needs of senior officers in relation to their strategic roles, have been identified and the Learning & Development Strategy 2007-2011 outlines activities as follows:

- Support change management within the organisation by equipping managers and staff with the skills and knowledge necessary to successfully undergo change programmes.
- To provide leadership and professional development opportunities for managers within the organisation that support best management practice and the managers charter guidelines.

- Develop effective training and development frameworks to support senior managers and key officers with potential through a programme of talent management linked to the workforce development plan.
- Take the management development programmes within the organisation further, review the effectiveness of existing programmes and investigate the potential for partnership delivery in East Kent.
- Throughout January / February 2008 officers with responsibility for risks and / or control measures in the Council Risk Register have been provided access to the system and received training on how to undertake a review. This encourages ownership of the risk or opportunity and helps embed this process throughout the Council.

3.13 The Council is planning to survey Members to identify future training needs, with a view to establishing a more formally structured Member development programme. Member Development sessions are programmed on a quarterly basis to ensure issues such as equalities, child protection and other governance processes are communicated as necessary to Members. A wide range of other Member development activities are undertaken, including a number of recent and planned sessions on ethical standards and the Code of Conduct. In the case of the revised Members Code of Conduct agreed in May 2007, just over 70 Councillors attended training sessions throughout November 2007. There is a comprehensive induction programme for Members following District elections, and the Governance and Audit Committee receive regular training prior to the commencement of most meetings on matters relevant to the Group's remit.

3.14 The Council has established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. Close links have been forged with local community groups through the development of the Community Network, a database of over 200 local groups and organisations who have agreed to participate in a range of council consultation. Engagement with the Network is part of the Council's formal consultation process, and has also helped to improve links with harder to reach groups in the area. The Community Network includes organisations who work with children, the elderly, those with mental and physical disabilities, ethnic minority groups, people not in training, education and employment, the homeless, faith groups as well as many other specific interest groups in Thanet. The Council has been involved in the Thanet Inter-Faith Council, which has been meeting informally since October 2007 with the intention of progressing to a formal group in May 2008.

3.15 The Council recognised that incorporating good governance arrangements in respect of partnerships and other group working, as identified by the Audit Commission's report on the governance of partnerships, needed to be reflected in the authority's overall governance arrangements, and work commenced on producing a Partnership Framework and database for this purpose. This will be launched in 2008/09

3.16 The Thanet Compact Implementation Group was re-established in 2007 following the efficiency review in 2006 and an officer assigned to take the implementation of the Thanet Compact forward. The Compact provides a framework for improving working relations between local public and Voluntary and Community Sector (VCS) organisations to strengthen relationships between partners for mutual advantage by establishing codes of practice that set out what partners can expect from each other. By following the codes and working within the "spirit" of the Compact, partners relations will change for the better and it will improve how partners engage, behave and work together at individual, organisational and partnership level

4. REVIEW OF EFFECTIVENESS

4.1 Thanet District Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the East Kent Audit Partnership's annual report, and also by comments made by the Audit Commission and other review agencies and inspectorates.

4.2 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework, have been undertaken through the following methods:

4.2.1 Gaining assurances from various areas such as Managers, Democratic Services, Human Resources, performance management, risk management, the Section 151 and Monitoring Officers and also Members of the Governance and Audit Committee.

4.2.2 Cabinet receiving quarterly Performance Packs to monitor achievement of key priorities, service objectives, performance indicators and budget spend.

4.2.3 Overview and Scrutiny reviewing the work and decisions of the Cabinet, and all areas of the Council's work, as well as carrying out specific projects and investigations and considering matters or services provided by an outside organisation that could affect the local residents. They also receive the quarterly Performance Packs for information.

4.2.4 The Governance and Audit Committee receive regular reports from the East Kent Audit Partnership on their progress against the Annual Audit Plan which provides detail on the assurance levels that can be placed against the various systems and processes in place. They also provide an annual assessment at year end. Regular reports are also provided on the Council's Corporate Risk Register, along with associated documents such as the Risk Management Strategy and Process when they are due to be reviewed.

4.2.5 Attendees at the Governance Group are all Heads of Service, representatives from the East Kent Audit Partnership and Communications & Marketing Section. The Head of Financial Services (Section 151 Officer) chairs the meetings and may co-opt any other officers as is required. This Group's purpose is to monitor and review the risk, control and governance processes that have been established and address any upcoming processes when required.

4.2.6 The Standards Committee promote and maintain high standards of conduct by Councillors and co-opted members. They monitor the operation of the Members' Code of Conduct advising, training or arranging to train Councillors and co-opted members on matters relating to the Code where necessary. In February 2008 it was agreed that a third Independent Member of the Standards Committee be appointed.

4.2.7 The Internal audit function is an independent appraisal with direct access to Members, which seeks to provide management with a level of assurance on the adequacy of internal controls and of risks to the Council's functions / systems. The Internal Audit function for this Council is bought under contract from the East Kent Audit Partnership. This provides sound objectivity as well as benefiting from a large resource-pool which brings with it a good level of robustness. Throughout the year, the Internal Auditors have performed a wide range of reviews covering both financial matters and other more service / output specific objectives, including Value for Money assessments, the conclusion of which is a report that is produced for Management, which includes an assessment of the level of assurance that can be derived from the system of internal controls related to the service that is reviewed.

4.2.8 During 2007/08 the Internal Auditors completed 402 days of review, which was spent undertaking 50 audits. Of these 14 were assessed as being able to offer substantial levels of assurance; 11 reasonable assurance; 6 limited assurance and only 2 were found to have nil assurance. 17 of the audits were on special investigations or work commissioned by management, which did not merit an assurance level. Taken together 75% of the reviews account for substantial or reasonable assurance, whilst only 25% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. Where appropriate, the audit report provides management with a set of recommendations that are designed to address weaknesses in the system of internal control. The outcomes of these Internal Audit reviews are reported to the Governance and Audit Committee on a quarterly basis, giving Members an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the Auditors.

4.2.9 The External Auditors are appointed to the Authority by the Audit Commission. They are required to conduct their audit work to the strictest standards as laid down by the Audit Code of Practice, which ensures that they approach the work with the highest level of objectivity. In addition to being appointed by a third party, their independence is further reinforced by the restrictions put into place on the levels of non-audit work able to be purchased from external auditors. The External Auditors provide another area of assurance, which is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of the Council. They undertake a series of thorough and comprehensive audits that cover matters including financial reporting, financial stewardship and the Council's approach to its use of resources.

4.2.10 The Audit Letter - Each year the Authority receives a report from its External Auditor on the quality of its financial and management administrative arrangements. The most recent Audit Letter, which was presented for Members' consideration at the Governance and Audit Committee meeting on 25 March 2008, indicated that the Authority's approach to financial management, its performance management framework and its overall governance arrangements were all considered to be satisfactory. Actions required from this Audit Letter are incorporated into section 5 of this document.

4.2.11 Use of Resources Outcomes - In March 2008 the Authority was advised that it had achieved an overall level 2 in Use of Resources Assessment under the Comprehensive Performance Assessment (CPA) which means that the Council is judged to be performing adequately. In terms of internal controls issues within the report, there were a few areas where the auditors identified areas for improvement; the most notable of which related to the management of partnerships and the approach to risk management, which feature within the actions listed in Section 5.

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance and Audit Committee and Governance Group and a plan to address weaknesses and ensure continuous improvement of the systems in place.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 The identified areas detailed below have arisen from our numerous assessments into the Council's governance arrangements and having been deemed to be significant by the Governance Group will be addressed during 2008/09.

HIGH

- Business Continuity arrangements are not in place for all service areas and a Corporate Plan needs to be approved which identifies arrangements for testing and reviewing the document. This process has impacted on the development and implementation of procedures for each business critical process within service areas. Concerns have been expressed around the uncertainty of roles in emergency plan responses and the lack of a corporate emergency planning resource.

  Proposed action: Business Continuity arrangements are being progressed through the Governance Group and proposals will be made to ensure this matter is completed during 2008/09. Once the business critical functions have been identified, required procedures can then be written where lacking and detailed within personal appraisals. The roles and responsibilities for Emergency Planning will be addressed through the current proposed changes to senior management within the Council.

- The constitution is in need of continual review and update, and a local "decision-making guide" will be produced for officers.

  Proposed action: The Improvement and Performance service plan has objectives relating to the Constitution, and targets set for completion in 2008/09.

- The Council should put in place arrangements for robust preparation and review of the financial statement to ensure the presented accounts are free from significant error.

  Proposed action: More robust system of checking and reviewing the financial statements are now in place, and will be monitored.

- Health and safety risk assessments need a thorough review to ensure they encompass lone working, out of hours and enforcement tasks. A corporate approach is needed and the current vacancy of the Health and Safety post following retirement has created concerns in this area.

  Proposed action: It has been agreed that the Health and Safety officer vacant post will be filled and the risk assessment process will then be addressed.

MEDIUM

- To be effective the new corporate plan must have specific and measurable targets against the new priorities to enable residents to gauge progress on the corporate plan over the coming year.

  Proposed action: Ensure that all future Corporate Plan objectives are SMART, and this process will be monitored and challenged through Improvement and Performance.

- There is no corporate approach to ensuring that all equipment and portable assets are properly safeguarded and controlled.

  Proposed action: A Corporate procedure to address this issue will be produced and disseminated throughout the authority, to address issues such as inventories and insurance.

- The East Kent Audit Partnership's work throughout 2007/08 has indicated that its main areas of concern regarding systems of internal control are: Achievement of BS7799 ISO27001; Cliftonville West Renewal area; Recruitment; Risk Management of partnerships; Housing Repairs Contract; Freedom of Information Management and the revised Local Code of Corporate Governance.
  Proposed action: In each of the cases indicated above, actions plans have been agreed with Managers and are being progressed as directed.

- Budget monitoring and also counter fraud measures need to include an element of risk assessment and should be focused on the lead indicators of expenditure.
  Proposed action: The current process will be reviewed and revised to ensure a risk element is included and embedded.

- The Council needs to ensure that whilst it is capable of maintaining expenditure within overall budget it should monitor any significant over or under spends through out the year to enable timely action to be taken to address them.
  Proposed action: A change to the budget reporting format will make significant variances more visible so that timely action may be taken.

- The effectiveness of recovery action and the costs of inefficient recovery need to be considered.
  Proposed action: The Council's approach to debt recovery is reviewed by the Income Management Group, which will monitor the performance of recovery action and make changes to processes to improve efficiencies where appropriate.

- A property survey and assessment of backlog maintenance for general fund properties is out of date and therefore identified as a weakness.
  Proposed action: The Council has allocated £250,000 to update it's property register, including valuations, surveys and agreements. So far 50% of the update is complete. It is already enabling the new Asset Management Strategy to implement 'planned' rather than 'reactive' repairs.

LOW

- There are minor concerns around the knowledge of the content of some corporate policies / strategies and frameworks, such as the Medium Term Financial Strategy, the Learning and Development Strategy, the Partnership Framework, the Risk Management Strategy and Process, Corporate Equalities Policy and Plan and the implications for some service areas.
  Proposed action: Review the process for rolling out such documents and encourage use of the intranet, staff development, managers' conference and members' development sessions to inform both members and officers.

- The East Kent Audit Partnership have met and considered the CIPFA checklist for compliance with the CIPFA Code of Practice for Internal Audit and can demonstrate that they are 95% compliant.
  Proposed action: The areas of weaknesses have been identified and an action plan put in place to deal with the areas of concern.

5.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements, and these will be regularly reported to the Governance and Audit Committee. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

5.3 We will also be carrying out the following actions to improve the overall effectiveness of the Council's governance arrangements:

- The Council will continue to work towards Level 3 of the Equalities Standard for Local Government through developing extensive links with local equality and diversity groups.

- A programme of Value for Money reviews will be progressed, which will look at all services of the Council over a 3 year period.

- The policies and strategies of the Council will be reviewed to ensure they support delivery of the Council's Corporate Plan.

- An action plan for the training and implementation of the Child Protection and Safeguarding Children policy has been approved and will be rolled out in 2008/09.

5.4 Further information in support of this statement is available which details the governance processes in place. This document will be made available following the approval process on the Council's website.

Signed:

Councillor Sandy Ezekiel
Leader of the Council — Date: 13 June 2008

Richard Samuel
Chief Executive — Date: 16 June 2008

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.

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.

BUDGET

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

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure that 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.

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.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

This is the accountancy body that represents at national level the interests of local government and public sector 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.

GLOSSARY OF TERMS

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 payment 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 payment 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.

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 pension 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 Financial Statements 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 those statements. SSAP's and FRS's give us this consistency by ensuring that all preparers of accounts follow these standards so that the accounts give a true and fair view of the state of affairs at the end of the financial year.

GOVERNMENT GRANTS

Financial assistance from Central Government, (including government agencies and similar bodies), in the form of a cash grant. In return the Local Authority will comply with the conditions attached to the issuing of the grant that usually states how the money is to be used.

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.

INCOME AND EXPENDITURE 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.

INFRASTRUCTURE ASSETS

This category of fixed assets includes such facilities as highways, footpaths and sea defences.

INTANGIBLE ASSETS

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. An example would be a software licence.

INTEREST ON PENSION SCHEME LIABILITIES

The expected increase during the period in the present value of the scheme liabilities as a result of the benefits being one year closer to settlement.

INVESTMENTS

A long term investment 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) that is held for its investment potential, any rental income being negotiated at arm's length.

LIABILITY

An amount owed by the Council that 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.

GLOSSARY OF TERMS

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.

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 85 year rule" (see definition of "the 85 year rule" overleaf.)

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 pension 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 that 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 revaluation 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 day to day costs of the running of services, including salaries, wages, materials etc.

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.