Thanet District Council
Draft Statement of Accounts

2018-19

May 2019

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Narrative Report

Narrative Report of the Deputy Chief Executive & Section 151 Officer
Financial Year ended 31st March 2019

Dear Reader,

I am pleased to present the Thanet District Council Statement of Accounts (the Accounts) for the financial year 2018-19 and I hope you will find them of interest.

Overview

The financial position of the council has strengthened during the year. Since last year General Fund Reserves have been increased by £3.7m and total usable reserves have increased by £5.5m.

The improved position for the General Fund is largely backed by a one-off windfall arising from additional Business Rates income retained in Thanet, as a result of participating in the Kent 100% Business Rates Retention Pilot.

Despite this improved position, the council continues to face and meet major financial challenges. The council's reserves still remain low, compared our historical levels, other district councils and the risks we face. In addition, the 2019-20 budget approved by Council in February 2019 identified an on-going budget deficit of approximately £1m from 2020-21 onwards. Work will now commence on addressing the deficit and if permanent deliverable savings can be realised in 2020-21 it will make a significant contribution to reducing the deficit thereafter.

However, significant uncertainty remains around the future of local government funding, with a number of key reforms due for delivery for 2020-21. Therefore, depending on the outcome of and timing of these reforms the budget estimates for future years could significantly change during the 2020-21 budget setting process.

The Accounts

The purpose of the Accounts is to present the financial performance for the year 2018-19 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, council members and other interested parties.

The Accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA), and in conjunction with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2018-19 (The Code). The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board.

The Narrative Report

This Narrative Report provides information about Thanet, including the key issues affecting the Council and its Accounts. It aims to provide key detail to support the Accounts by presenting a transparent and clear overview of the Council's financial position and performance for the year, in addition to outlining its prospects for future years.

The narrative report details the following information and is structured as follows:

- Introduction to Thanet
- Key Information About the Council
- Our Priorities and Values
- How the Council is performing
- Financial Overview of 2018-19
- Financial Performance in 2018-19
- Risk Management
- 2019-20 Budget & Future Financial Outlook
- Accounting Statements

Public Engagement

This year, the Council will also carry enhanced public engagement of the accounts, with the objective of further increasing the public and stakeholder understanding of the Council's finances. This will take the form of a series of Financial Surgeries, welcoming the public to review our accounts and financial records and present questions to the Council's Finance Officers. Demonstrating Thanet District Council is an open, transparent and efficient organisation.

Tim Willis,

Deputy Chief Executive & Section 151 Officer

31st May 2019

Introduction to Thanet

Thanet has a useable land area of 10,330 hectares and enjoys an attractive combination of coast and countryside making it a popular holiday and day-trip destination. The district is a unique coastal area, with 19 miles of nationally and internationally recognised coastline and Blue Flag award winning beaches and bays.

The Isle of Thanet is the major part of the District. Formed over 7,000 years ago it was once separated from the mainland by the Wantsum Channel.

Thanet has a resident population of 141,300 (Mid 2017 estimate), which is growing at approximately 1% per annum with the majority of residents in the resorts of Ramsgate, Broadstairs and Margate. Birchington and Westgate are the other two main postal towns within the district.

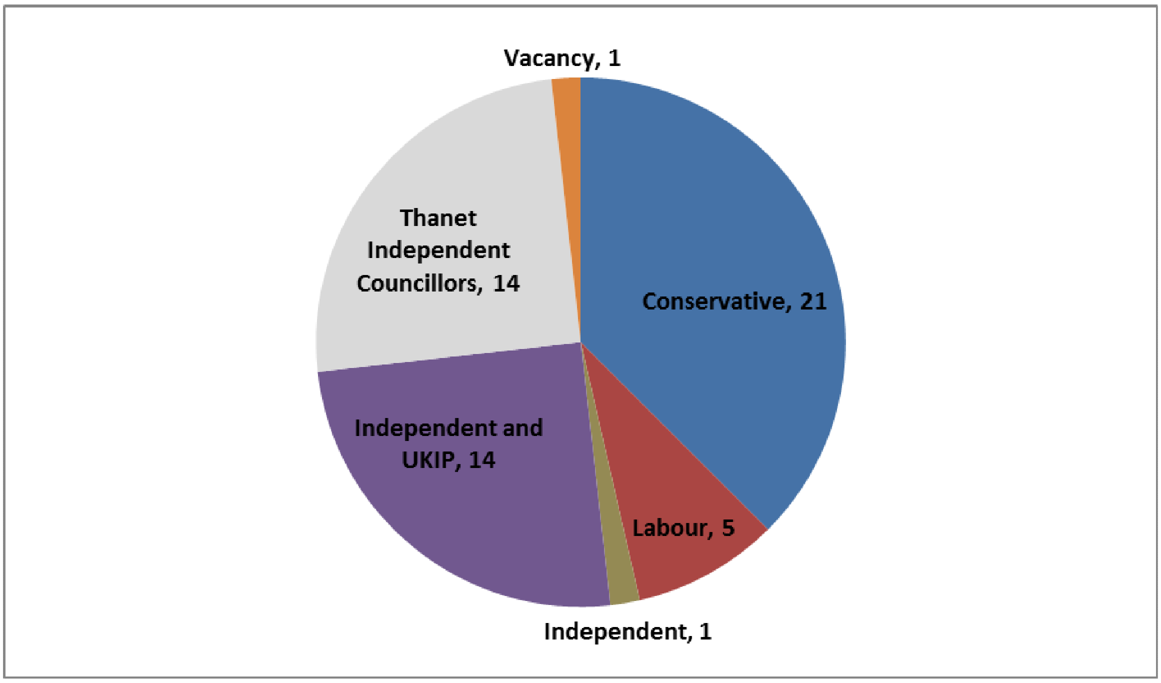
Successful regeneration such as the reimagined Dreamland amusement park and the ongoing success of Turner Contemporary, continue to enhance the district's visitor economy which is now worth £320 million. Thanet is however the most deprived local authority district in Kent as measured by the Index of Multiple Deprivation and nationally Thanet is ranked at 35 out of 326 authorities (2015). Partnership working through initiatives such as the Multi-agency Task Force (MTF) are being driven by the council to help address some of the key socio-economic issues within its most deprived wards.

Key Information About the Council

Thanet is the primary local authority in the district, providing key services such as waste collection, housing, leisure and culture, and planning.

Political Structure

Thanet has 23 Wards and 56 Councillors service the district and its residents. Local Councillors are elected by the community to decide how the council should carry out various activities as well as to represent local interests. District elections take place every four years, when all of the Ward Councillors are elected. The political structure at the end of the 2018-19 municipal year was as follows:



The following table shows how the elections in May 2019 affected the political composition between 2018-19 and 2019-20.

	2018-19	Change	2019-20
Conservative	21	+4	25
Thanet Independent Councillors	14	-7	7
Independent and UKIP	14	-14	-
Labour	5	+15	20
Independent	1	-	1
Vacancy	1	-1	-
Green	-	+3	3

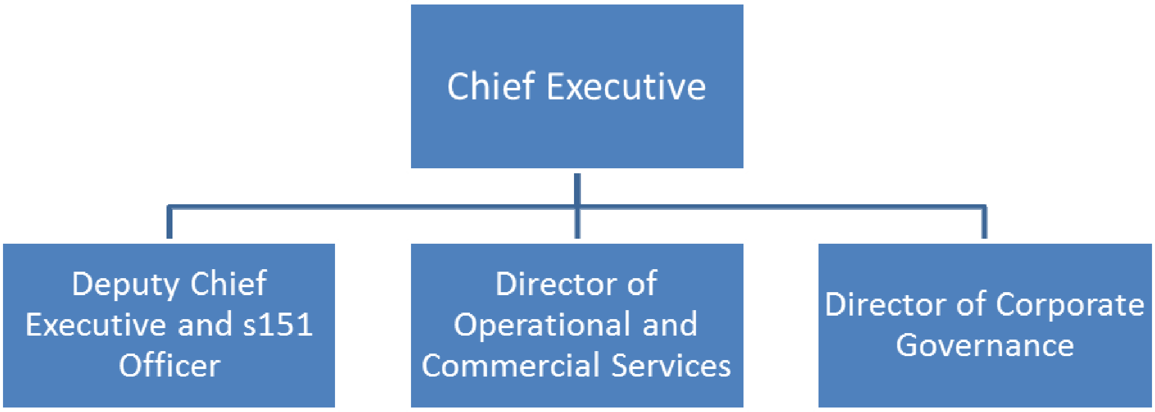
The council has adopted the Leader and Cabinet model as defined in the Local Government and Public Involvement in Health Act 2007. The Leader has the responsibility for the appointment of Cabinet members, allocation of portfolios and delegation of executive functions.

Cabinet members are held to account by a system of scrutiny which is set out in the constitution. Committees carrying out this function in 2018-19 were:

- Executive, Policy & Community Safety Scrutiny Panel
- Finance, Budget & Performance Scrutiny Panel
- Governance & Audit

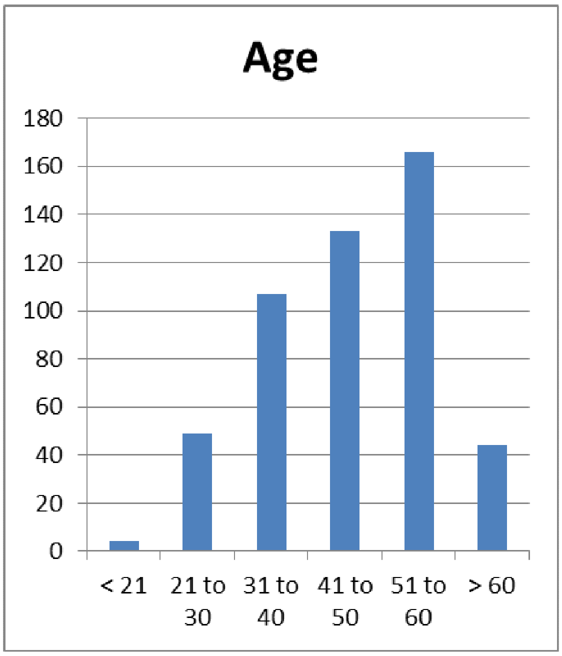
Management Structure

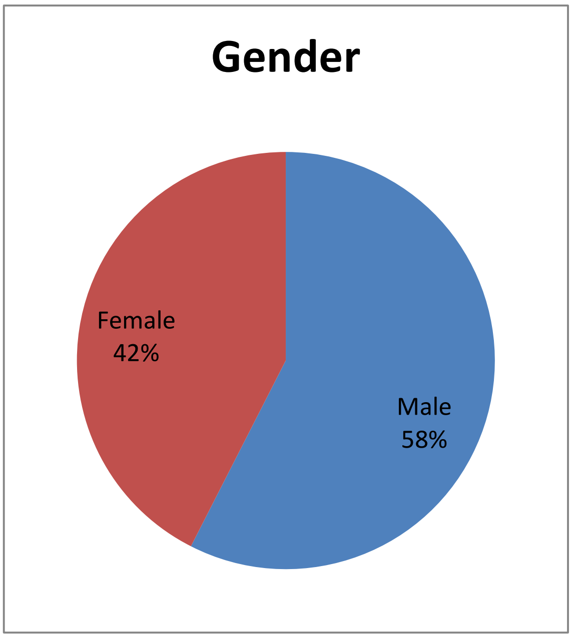
Supporting the work of Councillors is the organisational structure of the Council headed by the Corporate Management Team, led by Chief Executive Madeline Homer.



People

The Council employs 499 staff (475 in 2017-18) in full and part time positions and the profile is as follows:





The council's staff are essential in enabling the achievement of the Corporate Plan. The council has been working this year to bring the People Strategy to life and the next focus as part of this will be Learning and Development.

The authority is aiming to maximise the use of the Apprenticeship Levy, which was introduced in April 2017, to develop staff and grow our own talent to ensure that the council is appropriately resourced to realise the Corporate Priorities. In the last year the council began to move away from traditional Business Administration Apprenticeships towards higher, degree level opportunities, particularly in teams where difficulties in recruiting have been experienced and this will continue into the next financial year.

Governance

The Annual Governance Statement, which accompanies these financial statements, sets out our governance framework and an assessment of our effectiveness. The statement was prepared by the Director of Corporate Governance and concludes that the overall governance framework provides a substantial level of assurance of effectiveness.

Our Priorities and Values

The council's Corporate Plan has been approved for the period 2015-19. The plan sets out the council's programme of priorities for the four year period and identifies three core aims:

Priority 1: A clean and welcoming environment – We want to encourage pride in our district by keeping Thanet clean. We are determined frontline services get it right.
This will involve us:

- Continuing to improve waste and recycling services, reducing waste and increasing recycling.
- Keeping streets, parks and open spaces clean for residents and visitors
- Maintain zero tolerance to encourage positive behaviour to help improve our Environment

Priority 2: Supporting neighbourhoods – We will work with partner agencies through the Thanet Health and Wellbeing Board to support people to make better lifestyle choices and operationally though our range of services provided directly to residents;
This will involve us:

- Continuing our commitment to work with the public, private, voluntary and community sector to ensure the best outcomes for Thanet.
- Ensuring local residents have access to good quality housing, which meets people's changing needs and aspirations that is safe and affordable.
- Continuing to work with partners to improve community safety.
- Proactively enabling a collaborative partnership to reduce health inequalities.

Priority 3: Promoting inward investment and job creation – Our vision is to accelerate growth and achieve greater economic prosperity for our district. We will seek opportunities for inward investment, high quality job creation and work with partners to ensure we have the right skills, infrastructure and plans in place.
This will involve us:

- Actively seeking inward investment, exploring the potential for using Enterprise Zones; encouraging new and existing businesses which support growth in the local and visitor economy.
- Working with partners to make the most of buildings and land we own. Maximising commercial opportunities for key assets.
- Writing a Local Plan which sets planning strategies and policies that support growth of the economy.
- Working with education training providers to develop the skills agenda for the benefit of residents and local businesses.

The Council has agreed a list of corporate values to identify the way the council will work in order to deliver its priorities and these are as detailed below:

Value 1: Delivering value for money – Transforming and targeting resources to deliver services in a cost effective and efficient way that is open, honest, accountable and sustainable financially.

Value 2: Supporting the workforce – Maintaining a skilled and motivated workforce that are encouraged to achieve high performance standards encouraging new ways of working and new ideas, whilst delivering a good quality of customer service.

Value 3: Promoting open communications – Listening to the needs of the community and using this information to continue to improve our services. Providing clear, meaningful and timely communication in the most efficient manner in a way that is easy to access and understand.

Following the May 2019 elections, a new 2019-23 corporate plan is being developed, mapping out the priorities and objectives for the term of the new administration. Consultation on a draft plan will be undertaken with key stakeholders prior to approval by members and adoption in the autumn of 2019.

These new priorities will inform the spending priorities and budget formation for 2020-21 and into the medium term.

How the Council is Performing

Performance against our priorities is reported to Members and published on-line on a quarterly basis and the following tables summarise performance during 2018-19:

Section of Report	R	A	G
Clean and Welcoming Environment	2	1	3
Supporting Neighbourhoods	5	1	4
Promoting Inward Investment and Job Creation	0	1	2
Statistical Information	2	1	7
Total	**9**	**4**	**16**

The targets are RAG rated

Red	Below target.
Amber	Actuals are within 5% of the target.
Green	At target or above target.
	Does not have a target for information.

A Clean and Welcoming Environment

% of Environmental Health service requests responded to in the service standard response time	Missed Bins as % of bins collected	% of household waste sent for reuse, recycling and composting	% streets with litter below acceptable levels	% streets with detritus below acceptable levels	% streets with graffiti below acceptable levels
96%	**0.18%**	**36%**	**9%**	**5.2%**	**0.3%**
Target 95%	Target 0.15%	Target 36.4%	Target 5%	Target 7%	Target 1.4%
(96% - 2017-18)	(0.15%- 2017-18)	(35% - 2017-18)	(6% - 2017-18)	(2.7% - 2017-18)	(2.4% - 2017-18)

Supporting Neighbourhoods

% of anti-social behaviour service requests responded to in the service standard response time	Empty homes brought back into use	Number of dwellings where action taken to improve living conditions	Number of homeless cases prevented	Average number of days taken to make homelessness decisions
93%	**35**	**90**	**150**	**49**
Target 95%	Target 31.75	Target 71	Target 76	Target 28
(91% - 2017-18)	(35 - 2017-18)	(73 - 2017-18)	(65 - 2017-18)	(46 - 2017-18)

Average number of days in hotel accommodation (emergency homeless accommodation)	Average re-let time in days (all stock including major works)	Current tenant arrears as a percentage of the projected annual rental income	Overall customer satisfaction with day to day repairs	Percentage of HRA capital programme spent
61	**26**	**4.49%**	**99.6%**	**90%**
Target 38	Target 20	Target 1.5%	Target 98%	Target 100%
(20 - 2017-18)	(17 - 2017-18)	(2.44% - 2017-18)	(99.8% - 2017-18)	(87.3% - 2017-18)

Promoting Inward Investment and Job Creation

Major Planning Applications determined within 13 weeks or agreed timescale	Minor planning applications determined within 8 weeks or agreed timescale	Average total meterage of occupied permanent berths in Royal Ramsgate Harbour
80%	**78%**	**3,951**
Target 81%	Target 72%	Target 3,600
(84% - 2017-18)	(81%- 2017-18)	(3,941 - 2017-18)

Statistical Information

Complaints Response Rate within 10 days	Freedom of Information Response Rate within 20 days	Sickness days per Full Time Equivalent	Average time to process all new claims & change events in Housing Benefit (HB) & Council Tax Benefit (CTB) (days)	% correct HB and CTB decisions	% Council Tax collected
92%	**70%**	**9.7**	**7.74**	**97.2%**	**96.10%**
Target 90%	Target 90%	Target 8	Target 8.50	Target 96%	Target 96.15%
(76% - 2017-18)	(63% - 2017-18)	(11.2 - 2017-18)	(8.48 - 2017-18)	(96.3%- 2017-18)	(96.3% - 2017-18)

% Business rates collected	Average call waiting time (seconds)	% availability of the corporate website	% of calls dealt with by automation
98.8%	**81**	**99.99%**	**50%**
Target 98.2%	Target 90	Target 99.5%	Target 40%
(97.4% - 2017-18)	(91 - 2017-18)	(99.98% - 2017-18)	(42% - 2017-18)

Examples of major projects and achievements that have also contributed to these priorities are shown below:

Beaches - Thanet has once again been named as having some of the best beaches in Britain as results from Keep Britain Tidy's annual Blue Flag and Seaside Awards are announced.

These awards are quality marks for Thanet's beaches and mean that those visiting can be sure that they are clean, safe and meet the highest environmental standards, as well as the tough international bathing water quality standards.

Tackling Homelessness - Over 600 households supported to prevent their homelessness during 2018/19. Use of Temporary accommodation reduced from 188 cases at the end of April 2018 to 104 cases at the end of April 2019 . Rough sleeping reduced from 46 people (November 2017) to 23 people (November 2018).

Quality Housing - 20 affordable homes completed in 2018/19 and 49 homes started and an initial acquisitions programme delivered. The council has also been shortlisted for an award at the South East Building Excellence Awards in the Best social or affordable new housing development category.

Local Plan - Thanet District Council has published its Local Plan submission, which was submitted to the Secretary of State for Communities and Local Government on 30 October 2018. The Local Plan sets out policies and proposals that will be used to guide both investment and decisions on development and regeneration.

The Plan sets out where homes, jobs, community facilities, shops and infrastructure will be delivered, as well as the type of places and environments we want to create. It also identifies land to be protected from development such as open space. The Plan is intended to cover the district until 2031.

Winter Shelter Award - The Council has won an Excellence Award for its Thanet Winter Shelter project. Thanet Winter Shelter – 'Giving Hope to Change' won the award in the category: Excellence in Delivery Services for Vulnerable People.

The award recognised the development of the Thanet Winter Shelter and how it has successfully met the needs of such a vulnerable group of people. It also recognised the shelter's significant outcomes – in two years, it has supported 58 vulnerable guests during the coldest months of the year.

Parks - a £1.64m National Lottery grant has been successfully secured to go towards £1.8m investment in Ellington Park, Ramsgate. TDC and the Friends of Ellington Park have worked collaboratively, in a unique partnership, to develop the bid from the Heritage Lottery Fund and Big Lottery Fund.

Financial Overview of 2018-19

Central Government Funding Reductions

Whilst setting the budget for 2018-19, the council had to deal with significant government funding reductions compared to the position in 2017-18.

The most significant change for 2018-19 was the continued reform of the New Homes Bonus (NHB) scheme. Consequently, the council saw a cash reduction of £800k in its allocation compared to 2017-18, equating to a 5% reduction in the net revenue budget. Furthermore, when coupled with a similar reduction in Revenue Support Grant (RSG) and further reductions in other government grants, there was a £1.4m cash reduction in grant funding in one year, equivalent to a 8% reduction in the net revenue budget.

Business Rates Pilot

Since 2014-15 the council have been a member of the Kent Wide Pool for Business Rates, under the existing 50% business rates retention system. The pool consists of twelve Kent local authorities comprising Kent County Council, Kent Fire and Rescue and ten Borough and District Councils. By pooling, a greater proportion of business rates growth is retained in Kent, by reducing the levy that would have been made to Central Government in relation to business rate growth. These levy savings are distributed to the members of the Pool.

For the 2018-19 financial years all local authorities were invited to apply to pilot 100% business rates in their local area for one year only. The 100% pilots provide the financial benefit of retaining 100% of business rates growth and therefore a greater proportion of locally collected income, compared to the 50% allowance under the existing scheme.

All Kent authorities jointly signed up to apply to the Government to be a pilot for 100% business rates retention and the Kent and Medway bid is one of 10 new pilots agreed by Government. However, in view of the uncertainty surrounding the financial impact of this pilot, no additional income was included in the 2018-19 budget from being in a 100% rates retained pilot.

Savings

The setting of a balanced budget for 2018-19 was largely underpinned by the estimated financial implications relating to a number of savings, efficiencies and increase to fees and charges. Budget changes totalling £2.8m were approved by members, with key changes including:

- Corporate Restructuring - £564k
- Fees and Charges Review - £390k
- Outsourcing of East Kent Services - £250k

Housing Revenue Account (HRA)

For the HRA, the Government introduced a number of changes to the social housing market via the Welfare Reform and Work Bill and the Housing and Planning Bill during 2016, which had a direct impact upon future funding and costs to the HRA, notably the requirement to reduce rents by 1% a year for four years commencing 2016-17.

Financial Performance 2018-19

General Fund

The General Fund covers all income and expenditure included in the day-to-day running of the council and key services the council provide. This includes: refuse collection; recycling; street cleansing; maritime facilities; housing advice; planning & building control; licensing; and community development.

During the year, within budget monitoring reports it was reported that the council was heading for an overspend of approximately £1m - but an anticipated windfall from being part of the Kent Business Rates (BR) pilot would go towards funding the overspend.

This is indeed what happened, with a service overspend of approximately £1.54m being offset by a BR income windfall.

From participation in the Kent 100% Pilot the authority benefited from a one-off windfall of £2.4m in addition to the Pool surplus compared to the base budget for business rates income. Indeed in this windfall was a £1.7m allocation relating to a separate Growth Pot, which has specific conditions attached to its use

Therefore, after utilising a proportion of the BR windfall to offset the in-year overspend and considering the specific allocation for the Growth Pot a further £0.5m has been added to earmarked reserves to manage future Business Rate volatility.

Services are organised by departments and 2018-19 budget performance is summarised below:

Service Area	2018-19 Budget £'000s	2018-19 Actual £'000s	2018-19 Variance £'000s
Chief Executive	179	224	45
Deputy Chief Executive & S151 Officer	4,329	2,875	(1,454)
Director of Corporate Governance	1,052	876	(176)
Director of Operational & Commercial Services	11,135	14,245	3,109
Directorate Sub-Total	**16,696**	**18,221**	**1,524**
Contributions to/from reserves (excluding planned)	0	2,181	2,181
Total Net Expenditure	**16,696**	**20,401**	**3,705**

The table above differs to the management accounts as presented to the Corporate Management Team and Members in that it includes recharges, capital charges and so on.

The key reasons for the budget variances are:

Deputy Chief Executive & S151 Officer - Increased costs attached to Homelessness and HB £975k and year end accounting adjustment relating to Pensions (£1,528k), Year end accounting for Assets (£1,120k), underspend £140k as forecast and other minor variances £80k.

Corporate Governance - Reduced income £231k including Building Control, Land Charges and Property, year end accounting adjustment relating to Pensions £312k, savings target allocated but delivered elsewhere £197k, year end write off to service offset within financing

£164k, offset by underspends within services including vacant posts and surveyors fees (£139k) and year end accounting for assets (£1,219k).

Operational Services - Year end accounting for assets £2,065k, year end accounting adjustments relating to Pensions £1,176k increased contract spend £167k, revised position on Port and Harbour £392k, offset with increased income elsewhere (£675k) and other minor variances (£16k).

Financing of the budget comes from local taxation and government grants and budget performance is summarised as follows:

Financing	2018-19 Budget £'000s	2018-19 Actual £'000s	2018-19 Variance £'000s
Business Rates	5,970	9,675	(3,705)
New Homes Bonus Grant	1,011	1,011	0
Council Tax	9,715	9,715	0
Total	**16,696**	**20,401**	**(3,705)**

Reserves

Overall, General Fund reserves increased by £3.7m in 2018-19, with contributions made for additional business rates income, slippage and other planned items, resulting in total reserves and balances now sitting at £13.5m. This is a significant improvement on previous years, but reserves are still relatively low compared to historical levels, other district councils and the risks the council faces.

Housing Revenue Account (HRA)

The HRA reflects costs and income of the council's Landlord service in respect of council housing. This is a ring-fenced account and all entries to the account are governed by law. The service generated a £1.6m surplus in year mainly due to lower expenditure on capital projects being reflected in lower funding contributions from the revenue account.

The surplus was added to the working balance on the account which is £9.3m (£7.8m in 2017-18).

Financial Management - Capital

Programme performance and cost profile are included in this section.

General Fund Capital Programme	2018-19 Budget £'000s	2018-19 Actual £'000s	2018-19 Variance £'000s
Deputy Chief Executive (incl East Kent Services)	5,179	2,725	2,454
Corporate Governance	4,623	4,110	513
Operational Services	4,151	2,697	1,454
Capital Salaries	75	57	18
Total Expenditure	**14,028**	**9,589**	**4,439**

Additional capital grants of £357k were also made in the year, not being shown in the table above.

68% of the revised budget was spent during the year and this reflects several projects where slippage has occurred and as a consequence outcomes have been re-profiled to match revised delivery dates. In particular, £1.3m of the carry-over is for disabled facility grants and £490k is for corporate restructuring.

The following 2018-19 expenditure for new assets has been recognised in the Balance Sheet as at 31 March 2019:

- Acquisition of Mill Lane car park freehold £3.2m
- Operational services vehicles and equipment £611k
- IT infrastructure and devices £369k
- CCTV £290k
- Ramsgate Harbour storage/containers £64k
- Ramsgate Harbour railings £29k

HRA Capital Programme	2018-19 Budget £'000s	2018-19 Actual £'000s	2018-19 Variance £'000s
Major Works	1,710	1,536	174
Margate Housing Intervention	728	504	224
New Build Programme	2,904	1,818	1,086
Coastguard Cottages Major Works	-15	0	-15
EKH Loan	93	93	0
1-4-1 Acquisitions Programme	1,365	1,452	-87
St Johns Crescent	129	33	96
Total Expenditure	**6,914**	**5,436**	**1,478**

78.6% of the total programme was delivered in year with several programmes being re-profiled for delivery in 2019-20.

Prudential Borrowing and Capital Receipts

The Council's Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's indebtedness and so its underlying borrowing need. As at 31 March 2019 the council's CFR was £47.3m (Note 36) and its external borrowings were £30.5m (Note 22).

During the year the council utilised its capital receipts balance to part-fund its capital programme (Note 30a), and also added £3.6m from asset disposals. This included disposal proceeds for plot 1 Hartsdown Park (£450k), the former Fort Road Hotel (£356k) and Foresters Hall (£343k).

Net Worth

The net worth of the council has increased by £24m mainly as a result of an £8m reduction in the Pension Liability and a £13m increase in the value of the council's fixed assets. The council has also seen a £5m increase in its usable reserves:

	Restated 31 March 2018 £m	31 March 2019 £m
Long term assets	271	284
Net current assets (current assets less current liabilities)	29	31
Long term liabilities	(128)	(119)
Net Assets	**172**	**196**
Represented by:		
Usable reserves	42	47
Unusable reserves	130	149
Total Reserves	**172**	**196**

Long term assets are generally valued in the balance sheet at fair value for their existing use or highest and best use for surplus assets and investment properties.

A £8m reduction in the net pension liability to £86.3 million (£94.2 million as at 31 March 2018) is included in the statements as calculated by the actuary to the Kent County Council Pension Fund. This represents an assessment of the council's proportion of the net assets and liabilities within the fund that is matched by a pension reserve in the balance sheet and therefore has no immediate effect on the financial position of the council as at 31 March 2019. The council relies and places assurance on the professional judgement of the actuary and the assumptions used to calculate this valuation.

Risk Management

There is an embedded process within the council which examines operational and strategic risks. The corporate risk register is a vital component of this process as it supports and informs the production of the corporate plan and is reviewed by the Governance and Audit Committee at the same time as the annual accounts are approved.

2019-20 Budget and Future Financial Outlook

Following further central government funding reductions a £1.8m budget gap for 2019-20 was identified within the Medium Term Financial Plan 2019-23 as reported to Cabinet on 18 September 2018.

The MTFS 2019-23 set out themes to be adopted to address the projected 2019-20 funding gap and contribute towards the gap for future years.

These were as follows:

- Transforming the way we work, particularly through effectively realising the benefits digital technology can offer.
- Exploring alternative and sustainable income streams, for example in the trade waste area.
- Explore and look to invest in commercial opportunities that can generate positive economic returns to the district (cash returns or by promoting growth). The council can look to use some of its benefits from being in the Kent Business Rates Pool to good effect in this way.

- Focusing on making better use of the significant assets the council owns such as the Port of Ramsgate, Dreamland, office accommodation.
- Ongoing financial stewardship i.e. review of 2017-18 actual spend, 2018-19 base budget, appropriateness of reserve levels, fees and charges.

The budget approved by Council on 28 February 2019 included the following key savings to balance the 2019-20 budget:

- Ramsgate Port Savings - £630k
- Organisational efficiencies - £250k
- Toilets - £175k
- Corporate Resources Savings - £170k

The financial position beyond 2019-20 is extremely difficult to judge. The current four year Comprehensive Spending review (CSR) period comes to an end in 2019-20, and the Government have announced the;

- national move to 75% Business Rates retention,
- resetting of baselines from which Business Rates funding allocations will be determined
- Fair Funding Review to examine the relative needs and allocation of resources between Authorities

Apart from this, it has provided virtually no indication of the level of funding Local Authorities can expect to receive for 2020-21 and beyond.

The 2019-20 budget approved by Council in February 2019, included the following projected budget gaps across the medium term.

	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000
Budget Deficit	-	962	1,001	1,112

Work will now commence on addressing the deficit for 2020-21 onwards and if permanent deliverable savings can be realised in 2020-21 it will make a significant contribution to reducing the deficit thereafter.

However, due to the uncertainty around the future of local government funding, at this point, budget estimates for future years could significantly change.

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). The accounting policies adopted by the Council are outlined in this document and have been fairly and consistently applied.

The statements are as detailed below:

The Core Statements

Comprehensive Income and Expenditure Statement – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement – This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The 'Increase/(Decrease) (movements) in the year' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and Housing Revenue Account (HRA) for Council Tax setting and dwellings rent setting purposes.

Balance Sheet – This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting and funding basis under regulations'.

Cash Flow Statement – This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes to the Core Financial Statements – 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 Income and Expenditure Statement – This statement shows the cost of providing, managing and maintaining housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. Authorities charge rents to cover expenditure in accordance with the housing legislative framework, which may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Collection Fund Statement – The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Approval

In accordance with the Accounts and Audit (England) Regulations 2015, the Governance and Audit Committee approved the 2018-19 Statement of Accounts on XX July 2019.

Signed : Date: XX July 2019

Chair of the Governance and Audit Committee

For further information on the accounts please contact the Head of Financial Services on 01843 577722 or write to : Head of Financial Services, Thanet District Council, PO Box 9, Cecil Street, Margate, Kent CT9 1XZ

Statement of Responsibilities for the Statement of Accounts

Both the Council and the Section 151 Officer have certain responsibilities in respect of the Statement of Accounts.

The Council's Responsibilities

The Council 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.
- to approve the Statement of Accounts.

In this Council, the Responsible Officer is the Deputy Chief Executive & Section 151 Officer.

Deputy Chief Executive & Section 151 Officer's Responsibilities

The Deputy Chief Executive & Section 151 Officer is responsible for the preparation of the Council'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").

In preparing this Statement of Accounts, the Deputy Chief Executive & 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 local authority Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- gained appropriate assurance over the accuracy of the statement of accounts prior to approval.

The Statement of Accounts gives a true and fair view of the financial position of Thanet District Council as at 31 March 2019 and of its income and expenditure for the year ended on that date.

Tim Willis CPFA
Deputy Chief Executive & Section 151 Officer
Date: 31 May 2019

Independent Auditors Report to the Members of Thanet District Council

To be added following completion of the external audit.

Comprehensive Income and Expenditure Statement

The 2017-18 cost of services has been restated to reflect the corporate restructure implemented on 1st April 2018, the Community Services directorate no longer exists and responsibility for delivering the services has now been shared between the remaining directorates. The non-current asset revaluation figure has also been restated to reflect the prior year adjustment in Note 4b.

Restated 31 March 2018				31 March 2019		
Expenditure £'000s	**Income £'000s**	**Net £'000s**		**Expenditure £'000s**	**Income £'000s**	**Net £'000s**
			Gross expenditure, gross income and net expenditure on continuing operations			
498	-	498	Chief Executive	503	(40)	463
70,386	(82,492)	(12,106)	Deputy Chief Executive & Section 151 Officer	76,351	(72,599)	3,752
23,159	(11,390)	11,769	Director of Operations & Commercial Services	24,305	(12,140)	12,165
6,360	(2,624)	3,736	Director of Corporate Governance	5,532	(2,430)	3,102
12,481	(7,830)	4,651	East Kent Shared Services	11,871	(8,155)	3,716
112,884	**(104,336)**	**8,548**	**Cost of Services**	**118,562**	**(95,364)**	**23,198**
		1,351	Other Operating Expenditure	Note 7		750
		2,441	Financing and Investment Income and Expenditure	Note 8		2,583
		(21,353)	Taxation and Non-Specific Grant Income and Expenditure	Note 9		(23,643)
		(9,013)	**(Surplus) or Deficit on Provision of Services**			**2,888**
		(27,584)	(Surplus) or Deficit on revaluation of non-current assets	Note 31a		(17,168)
		104	Impairment losses on non-current assets charged to the Revaluation Reserve			-
		(5,629)	Re-measurements of the net defined benefit liability	Note 37		(10,077)
		(33,109)	**Other Comprehensive Income and Expenditure**			**(27,245)**
		(42,122)	**Total Comprehensive Income and Expenditure**			**(24,357)**

Movement in Reserves Statement

The 2017-18 Unusable Reserve figures have been restated to reflect the prior year adjustment to revaluations detailed in Note 4b. Detail of the movements and balances on the earmarked reserves are disclosed in Note 17.

Restated For the Year Ended 31 March 2018	**General Fund Balance**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
	Note 16 & 17	Note 16 & 17	Note 30a	Note 30	Note 30	Note 30	Note 31	
Balance at 1 April 2017	**8,350**	**12,081**	**9,720**	**8,359**	**80**	**38,590**	**91,055**	**129,645**
Movement in Reserves during 2017-18:								
Restated Total Comprehensive Income and Expenditure	9,936	(923)	-	-	-	9,013	33,109	42,122
Adjustments between accounting & funding basis under regulations (Note 16)	(8,498)	1,839	(499)	1,660	(37)	(5,535)	5,535	-
Increase/ Decrease (movement) in 2017-18	**1,438**	**916**	**(499)**	**1,660**	**(37)**	**3,478**	**38,644**	**42,122**
Restated Balance at 31 March 2018 carried forward	**9,788**	**12,997**	**9,221**	**10,019**	**43**	**42,068**	**129,699**	**171,767**

Movement in Reserves Statement cont'd

For the Year Ended 31 March 2019	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Restated	Note 16 & 17	Note 16 & 17	Note 30a	Note 30	Note 30	Note 30	Note 31	
Balance at 1 April 2018	**9,788**	**12,997**	**9,221**	**10,019**	**43**	**42,068**	**129,699**	**171,767**
Movement in reserves during 2018-19:								
Total Comprehensive Income and Expenditure	**(1,901)**	**(987)**	**-**	**-**	**-**	**(2,888)**	**27,245**	**24,357**
Adjustments between accounting & funding basis under regulations (Note 16)	**5,596**	**(176)**	**216**	**2,746**	**-**	**8,382**	**(8,382)**	**-**
Increase/ Decrease (movement) in 2018-19	**3,695**	**(1,163)**	**216**	**2,746**	**-**	**5,494**	**18,863**	**24,357**
Balance at 31 March 2019 carried forward	**13,483**	**11,834**	**9,437**	**12,765**	**43**	**47,562**	**148,562**	**196,124**

Balance Sheet as at 31 March 2019

The 2017-18 Other Land and Buildings and Revaluation Reserve have been restated to reflect the prior year revaluation adjustment detailed in Note 4b.

Restated 31 March 2018 £'000s			31 March 2019 £'000s	31 March 2019 £'000s
	Property, Plant & Equipment	Note 18		
142,159	Council Dwellings		153,832	
64,699	Other land and buildings		67,435	
4,254	Vehicles, plant, furniture and equipment		4,241	
13,788	Infrastructure		13,253	
1,524	Assets under construction		1,093	
467	Surplus assets not held for sale		461	
20,590	**Heritage Assets**	Note 19	20,821	
22,865	**Investment Property**	Note 21	21,893	
374	**Long Term Debtors**	Note 25	555	
270,720	**Long Term Assets**			**283,584**
17,243	**Short Term Investments**	Note 22	17,929	
212	**Inventories**		186	
11,514	**Short Term Debtors**	Note 25	12,802	
24,155	**Cash and Cash Equivalents**	Note 26	24,742	
74	**Assets Held for Sale (< 1year)**	Note 27	-	
53,198	**Current Assets**			**55,659**
1,006	**Short Term Borrowing**	Note 22	5,803	
14,770	**Short Term Creditors**	Note 28	13,785	
3,428	**Provisions**	Note 29	3,406	
5,230	**Grant Receipts in Advance**	Note 15	6,316	
24,434	**Current Liabilities**			**29,310**
30,455	**Long Term Borrowing**	Note 22	25,024	
97,105	**Other Long Term Liabilities**	Note 38/39	88,422	
157	**Grant Receipts in Advance**	Note 15	363	
127,717	**Long Term Liabilities**			**113,809**
171,767	**Net Assets**			**196,124**
	Represented By:			
	Usable Reserves			
2,011	General Fund	Note 30	2,011	
13,021	Earmarked Reserves	Note 17	13,998	
7,753	Housing Revenue Account	Note 30	9,308	
9,221	Capital Receipts Reserve	Note 30a	9,437	
10,019	Major Repairs Reserve	Note 30	12,765	
43	Capital Grants Unapplied	Note 30	43	
	Unusable Reserves			
103,545	Revaluation Reserve	Note 31a	119,030	
(187)	Accumulated Absences Reserve	Note 31e	(165)	
(94,194)	Pensions Reserve	Note 31c	(86,274)	
120,244	Capital Adjustment Account	Note 31b	115,155	
3	Deferred Capital Receipts		2	
288	Collection Fund Adjustment Account	Note 31d	814	
171,767	**Total Reserves**			**196,124**

Signed: Tim Willis CPFA

Date: 31 May 2019 Deputy Chief Executive & Section 151 Officer

Cash Flow Statement

2017-18 £'000s			2018-19 £'000s
(9,013)	**Net (surplus) or deficit on the provision of services**		**2,888**
(923)	Adjust net surplus or deficit on the provision of services for non-cash movements	Note 32a	(15,587)
5,597	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 32b	2,567
(4,339)	**Net cash flows from Operating Activities**		**(10,132)**
3,276	Investing Activities	Note 33	9,027
1,688	Financing Activities	Note 34	518
625	**Net (increase) or decrease in cash and cash equivalents**	Note 26	**(587)**
(24,780)	Cash and cash equivalents at the beginning of the reporting period		(24,155)
(24,155)	**Cash and cash equivalents at the end of the reporting period**		**(24,742)**

Notes to the Core Financial Statements

1. Accounting Policies

General

The Statement of Accounts summarises the council's transactions for the 2018-19 financial year and its position at the year end of 31 March 2019. The council is required to prepare an annual Statement of Accounts in accordance with the statutory framework established in England by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practice. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code) supported by the International Financial Reporting Standards (IFRS).

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

Unless otherwise stated the figures in these accounts are rounded to the nearest thousand pounds, and revenue and credit balances are shown in brackets.

The accounting policies that have been adopted are set out in the following paragraphs.

Accruals of Income and Expenditure

Revenue streams are accounted for in the year they are due irrespective of whether the sums have been paid or received as follows:

- Revenue from contracts with service recipients for either goods or services is recognised when/as the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract
- Supplies of goods are recorded as expenditure when they are consumed, when there is a delay between the date the supplies are received and when they are consumed, they are carried as inventories on the Balance Sheet
- Expenditure in relation to services received (including the services provided by employees) are recorded when the services are received rather than when payments are made
- Revenue from non-exchange transactions such as council tax and non-domestic rates are recognised when it is probable that the economic benefits associated with the transaction will flow to the council and the amount of revenue can be measured reliably.

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 and annual fees for which the due dates do not coincide with normal quarter or year dates, subject to materiality. This policy is applied consistently each year and does not have a material effect on the year's accounts.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash

Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Material Items of Income and Expenditure

Where material items of income and expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement a separate note will set out the nature and amount of the relevant item.

Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or standards will be reflected retrospectively in the Statement of Accounts when required by proper accounting practice, by restating both the opening balances and the comparable figures for the prior year, together with a disclosure note detailing the reasons for such restatement. Material errors in prior period figures are also corrected retrospectively in the same way.

Employee Benefits

Pensions General

The Accounting Standards, IAS 19 and 26 regarding Employee Benefits and Retirement Benefits, require 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 Comprehensive Income and Expenditure Statement.

In order that IAS 26 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 through the Movement in Reserves Statement.

Benefits Payable During Employment

The full costs of employees are charged to the accounts of the period within which the employees worked.

The costs of any short term employee benefits untaken at the balance sheet date such as untaken leave, flexitime and lieu time due to be settled within 12 months of the year-end are accrued. The value of the accrual is calculated at the wage and salary rates applicable to the period in which the employee takes the benefit (the following year), and is charged to Surplus or Deficit on the Provision of Services. The adjustment is reversed out of the Comprehensive Income and Expenditure Statement so that there is no charge to the taxpayer.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment or makes an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

The Local Government Pension Scheme administered by Kent County Council (KCC) is a defined benefit scheme. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The formal valuation of the Fund for the purpose of setting employers' actual contributions disclosed in these accounts was as at 31 March 2017 and this has been used to update the service cost figures.

Liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This requires an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% based on the indicative rate of return on high quality corporate bonds.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The changes in the net pensions liability is analysed into the following components:

Service Costs comprising;

Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.

Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

Net Interest on the Net Defined Benefit Liability – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Remeasurements;

Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.

Contributions Paid to the Funds – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Reporting Period

Where an event occurs after the Balance Sheet date, whether favourable or unfavourable, and also provides evidence of conditions that existed at the Balance Sheet date, the amounts recognised in the Statement of Accounts will be adjusted. Any disclosures affected by the new information about the adjusting event will also be updated in light of the new information.

Events that occur after the Balance Sheet date indicative of conditions arising after the Balance Sheet date will not be adjusted in the Accounting Statements, but will be disclosed in the Notes to the Core Financial Statements if it would have had a material effect, to include:

- the nature of the event, and
- an estimate of the financial effect or a statement that such an estimate cannot be made reliably

Events taking place after the date the accounts are authorised for issue are not reflected in the Statement of Accounts.

Financial Instruments – Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in accordance with the loan agreements.

Financial Instruments – Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The Council's business model is to hold investments to collect contractual cashflow, these assets are therefore classified and measured at amortised cost.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. A small element of the loans are classified as soft loans (made at less than market rate) so there is a requirement to record any loss in the Comprehensive Income and Expenditure Statement to represent interest forgone over the life of the loan if material.

Expected Credit Loss

Trade debtors - classified as financial assets, any loss allowance is calculated by considering the age of the debt, historic payment trends and any lifetime expected credit loss. Where these assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement under the heading 'Impairment of Financial Instruments'.

No loss allowance is set aside for local authority and central government debts as statutory provisions under the Local Government Act 2003 prevent default.

Loans - the impairment loss is measured as the difference between the carrying amount and present value of the revised future cash flows discounted at the assets original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair Value Measurement

The Council measures some of its property assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Government and Non-Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement under Taxation and Non–Specific Grant Income.

Heritage Assets

A heritage asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture.

The council has identified the following asset groups as classified as Heritage Assets:

- Public statues
- Artefacts and or collections within museums
- Art collections
- Civic regalia
- Historic amusement park and rides

Heritage assets (other than operational heritage assets) shall normally be measured at cost in accordance with FRS102 since it is deemed to be more appropriate and relevant than applying any valuation model.

Acquisitions are initially recognised at cost or if bequeathed or donated at nil cost, at valuation.

Heritage assets are reviewed for evidence of impairment, including doubts as to authenticity. Any impairment is accounted for in accordance with the council's policy within the Property Plant and Equipment accounting policy. The proceeds of any disposals likewise follow the council's general accounting policy.

Intangible Assets

In line with IAS 38 (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 council has control, (either through custody or legal protection) over the future economic benefits derivable from it.

Purchased intangible assets (e.g. software licences) should be capitalised as assets. Internally developed intangible assets should only be capitalised where criteria set out in section 4.5.2.7 of the Code are met. The council must satisfy itself that these criteria can be met and that internal systems are able to distinguish between Research and Development phases of a project.

Council policy is to write down intangible assets to the relevant service revenue account in the year that they occur.

Interests in Companies and Other Entities

The Code's definition of an interest in another entity includes 'the means by which an entity has control or joint control of, or significant influence over, another entity'. In accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, assessment of any involvement/interest for the purposes of group accounts will consider the above when determining whether or not a group relationship exists. This is considered to apply where the Council has all of the following:

- sole control of another entity and power over it;
- exposure to risks or rights to variable returns;
- and the ability to use its power over the other entity to influence those returns.

Subject to the assessment set out above if the council's interest is deemed to be a group relationship the Council may still only prepare single entity accounts if the group interest is not material.

Inventories, Rechargeable Works and Long Term Contracts

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

The Code and IAS 2 (Inventories), 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.

Long Term contracts are defined as "contracts entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods." The council makes a disclosure in the notes to the Core Financial Statements in respect of any capital contracts meeting this definition. Long term contracts are accounted for by charging the (Surplus) or Deficit on the Provision of Services with the consideration allocated to the performance obligations of the contract that have been satisfied, based on the goods or services that have been transferred to the service recipient during the financial year.

Joint Operations

Joint Operations are activities undertaken by the council in conjunction with other bodies where there is joint control and the parties have rights to the assets, and obligations for the liabilities of the arrangement. Joint control exists where unanimous consent is required from the parties sharing control for decisions about relevant activities. The council recognises on its Balance Sheet its own assets and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of the income it may earn from the activity of the operation.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The accounting treatment for leases depends on whether the Council is a lessee; is paying a third party rental payments for the right to use an asset, or a lessor where it is granting the right to use an asset to an external third party. The accounting treatment for each is given below:

Where the Council is a Lessee

Finance Leases: Where the Council enters into material finance leases, the asset is recognised in the Council's Balance Sheet, together with any associated liability to fund the asset. The cost of the fixed asset is then charged to the Comprehensive Income and

Expenditure Statement over the life of the asset in accordance with the Council's depreciation policy.

Rentals payable under finance leases are apportioned between a finance charge and a reduction in the liability. The apportionment basis used ensures that the finance charge is allocated over the term of the lease.

Operating Leases: Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Where the Council is a Lessor

Finance Leases: The asset is removed from the Balance Sheet as the risks and rewards are with the lessee with the amounts due from finance leases recorded in the Balance Sheet as a debtor. Rentals received are apportioned between reducing the debtor and finance interest earnings. The apportionment basis used ensures that earnings are normally allocated to the lease term to give a constant periodic rate of return to the Council.

Operating Leases: Rentals receivable are charged to the relevant service revenue account over the term of the lease, generally meaning that rentals are charged when they become payable.

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

Property, Plant and Equipment and Investment Property

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as either Property, Plant and Equipment or Investment Properties.

Recognition: Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis at cost with subsequent measurement as explained below. Expenditure on non-current assets is capitalised, provided that the asset yields benefit to the Council and the services it provides, for a period of more than one financial year. Subsequent expenditure on non-current assets is capitalised in accordance with IAS 16. This excludes expenditure on routine repairs and maintenance of non-current assets, which is charged directly to service revenue accounts. The Council has set a de minimus level in respect of the recognition of capital expenditure of £10k.

Non-current assets are classified into groupings required by the Code, comprising

a) Property, Plant and Equipment, which can be further analysed as
    - Land and Operational Buildings
    - Council Dwellings
    - Infrastructure Assets
    - Vehicles Plant and Equipment
    - Community Assets
    - Assets under Construction

b) Heritage Assets

c) Investment Properties

d) Intangible Assets (see separate accounting policy)

Measurement: Non-current 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 in accordance with the IFRS Code 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, including regional adjustment factors as amended from time to time
c) **Heritage Assets** – (see separate accounting policy)
d) **Infrastructure Assets** – historical costs net of depreciation
e) **Vehicles, Plant and Equipment** – the lower of net current replacement cost or net realisable value
f) **Community Assets** – historic cost
g) **Investment Properties** – normally open market value

Net current replacement cost is assessed as:
- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Depreciated replacement cost is only used where there is no active market for the asset being valued: that is where there is no useful or relevant evidence of recent sales transactions due to the specialised nature of the asset.

Revaluation: Revaluations of non-current assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of the Council's assets annually. Council Dwellings are re-valued annually using the Beacon principle. Identified material changes to asset valuations will be adjusted in the interim period, as they occur. The Asset Valuations in these accounts have been prepared using the services of external valuers. 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 date of valuation for the General Fund is 31 December 2018.

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 33% of the market value, to reflect the occupation by a secure tenant. A full valuation of the Beacon properties is undertaken every five years but an annual adjustment is made to reflect market changes during the year. The date of valuation for the Housing Revenue Account is 31 March 2019.

Surpluses from any revaluation of assets are credited to the Revaluation Reserve and are used to offset any subsequent revaluation loss with the exception of investment properties that are charged directly to the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account to ensure that no cost falls to the taxpayer. 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.

The Council has decided to adopt a phased approach to annual valuation of its land, operational buildings and investment properties due to the size of the portfolio. From April 2010 investment properties with a value in excess of £100k are valued annually and from April 2017, land and operational buildings with a value in excess of £800k are valued annually. The remaining properties are included in the existing 5 yearly rolling programme of revaluation.

Investment Property: Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

Components: The Code requires local authorities to identify elements of major assets that have either a capital cost that is significant in relation to the total cost of the asset and/or has a different useful life or depreciation method. The Council accounts for components for assets with a gross book value in excess of £1m and where any individual component has a value in excess of £100k. The component proposals for the HRA dwelling stock differ from that above. The Council componentises its council dwelling stock on a dwelling basis and proportions the overall valuation into four key components. Those components that are depreciable are depreciated over the remaining useful life of the council dwelling, resulting in an overall stock depreciation figure.

Impairment: Assets are assessed at each year end as to whether there is any indication that an impairment charge may be required. Where indications exist that may give rise to impairment of an asset and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, the accounting entries are:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

The HRA dwelling stock is revalued annually using beacon property values. Any change in valuation is assessed to determine any annual impairment charges.

Disposals: Income from the disposal of non-current assets is accounted for on an accruals basis. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet, any receipt from disposal and any costs associated with the disposal are accounted for in the Comprehensive Income and Expenditure Statement so comprising any gains or losses on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10k are categorised as capital receipts. A proportion of receipts relating to Right to Buy disposals are payable to Government, net of allowable deductions. Since the changes to the pooling of capital receipts (1st April 2012) and the introduction of the Governments 1-4-1 replacement programme, which the Council adopted, a higher proportion of receipts are retained. These housing receipts are retained for the 1-4-1 replacement of Council Dwellings and for investment in certain regeneration projects or affordable housing. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve through the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account through the Movement in Reserves Statement.

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 60 years
Infrastructure	Up to 40 years
Heritage Assets	Varies on asset type, see separate accounting policy
Other Buildings	Specifically determined by Estates Officer
Vehicles	Up to 12 years
Plant	Up to 10 years
Surplus assets	Up to 40 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. On revaluation, accumulated depreciation is written out for both current value and historical cost with subsequent depreciation calculated on a straight line basis over the remaining useful life of the asset.

Newly acquired assets are depreciated in the year of acquisition unless the purchase is near to the financial year end and the change in depreciation charge is considered material in which case depreciation will apply to the following year. Assets in the course of construction are depreciated when they are brought into use.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately (see Component section above).

The Council componentises its housing stock and then depreciates the depreciable components over the useful economic life of each council dwelling.

Provisions

Provisions represent sums set aside for liabilities or losses which are likely or certain to be incurred where an event has taken place that gives the Council a legal obligation that probably requires settlement and a reliable estimate can be made of the amount of that obligation. Provisions are charged directly to the appropriate service line in the Comprehensive Income and Expenditure Statement when the obligation arises and when the expenditure is actually incurred it is charged directly to the provision.

New arrangements for the retention of business rates came into effect on 1 April 2013 along with the requirement for an additional provision to be set aside for potential changes to rateable values as a result of appeals. The council's share of this provision is disclosed in Note 29 and is calculated using Valuation Office (VO) data on successful and outstanding appeals. As there is potential for such appeals to be backdated to previous as well as current VO rating lists, the amount set aside includes an element for backdating. An estimate is also made for appeals that may yet be lodged under the new Check, Challenge and Appeal process, based on a percentage of the likelihood of appeal for those properties that are not currently in receipt of mandatory or discretionary relief.

HRA Leasehold Service Charge accounts are raised after the accounts have closed as they are based on actual cost in order to comply with Leasehold conditions. A provision is made on the Leasehold Maintenance Holding Account for the estimated cost of services, day to day repairs, recurring maintenance and major works incurred during the financial year.

Reserves

Amounts set aside for purposes falling outside of the definition of provisions are considered as reserves. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line within the Cost of Services in the Comprehensive Income and Expenditure Statement and an equal amount is appropriated back to the General Fund from the relevant reserve so that there is no impact on the council taxpayer.

Details of the Council's reserves can be found within the notes to the Core Financial Statements. Certain reserves are kept to manage the accounting processes for tangible non-current assets and retirement benefits and they do not represent usable resources for the Council.

The Statement of Accounts also clearly separates the usable and unusable reserves in the Financing section of the Balance Sheet.

Contingent Assets and 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. Contingent liabilities can also arise where a provision would have been made but it is either not probable that an outflow of resources will be required or the amount cannot be measured reliably. Contingent liabilities are not recognised on the Balance Sheet but are disclosed in a note to the accounts.

A Contingent Asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Council policy is to write down this expenditure in the year that it occurs. The full cost is charged to the relevant service in the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement to ensure that there is no impact on the council taxpayer.

Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale and has the following specific criteria attached to it:

- Management is committed to sell
- The asset is available for immediate sale
- A buyer is being actively sought
- The sale is likely (within 12 months)
- The asset is for sale at a fair price
- It is unlikely that the sale process will stop

If the asset meets these criteria it should be newly classified as a current asset and no longer depreciated. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Impairment of Non-Contractual Debts

Provisions are made for the impairment of non-contractual (non-exchange) statutory debts such as Council Tax and Business Rates by evaluating the risk of impairment on a collective basis, based on their past-due status, using recovery stages and age analysis. .

Debts relating to garage rents are subject to a flat rate percentage based on historical trends. All other HRA related debts over £2.5k are analysed and a provision made depending on individual circumstances, with the exception of leaseholder accounts as the Housing Act states that tenants should not subsidise Leaseholders, therefore no bad debt provision is made within the HRA. Housing benefit overpayment debt provision is subject to a range of specific percentages dependant on whether the debt is to be collected from on-going benefit.

Collection Fund

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Statute determines the amount required to be transferred from the Collection Fund to the General Fund (an authority's precept for the year plus/minus its share of the surplus/deficit on the Collection Fund for the previous year estimated on 15 January for Council Tax and 31 January for Business Rates). The Council Tax and Business Rate income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between this amount and the amount required by regulation is taken to the Collection Fund Adjustment Account, and is included as a reconciling item in the Movement in Reserves Statement to negate the effect on the taxpayer. Council Tax and Business Rates are collected on an agency basis, so the Balance Sheet reflects the debtor/creditor position between the Council, Central Government and major preceptors, since the cash paid to preceptors in the year is not the share of actual cash collected from council tax and business rate payers.

Business Rate Pool

Income or expenditure generated as a result of membership of the Kent Business Rate Pool (from 1 April 2015) is accounted for in the proportions set out in the pool agreement. The Council's share of any income or expenditure is credited or debited respectively to Taxation and Non-Specific Grant Income and Expenditure in the Comprehensive Income and Expenditure Statement in the relevant financial year. Levy or safety net payments due to or from the lead authority at the end of the accounting year are reflected as creditors or debtors in the Balance Sheet and any increase or decrease in the Growth Fund share (to be utilised to promote growth within the district pool based area) is set aside in the Equalisation Reserve within the council's Balance Sheet for future use. During 2018-19 the Kent Pool took part in the 100% Business Rates Retention Pilot Scheme whereby the pool was able to retain the central government share of business rate income for the year to be distributed within the Kent area.

Value Added Tax

In accounting for VAT, the Council complies with FRS102 (The Financial Reporting Standard applicable in the UK). VAT payable is excluded from the main accounting statements unless it is not recoverable under normal tax rules. VAT receivable is excluded as it is due to Her Majesty's Revenue and Customs (HMRC).

1a. Accounting Standards Issued, not yet Adopted

The accounting standards that have been issued but not yet adopted under 2019-20 Code, that may require disclosure in the 2018-19 accounts if applied retrospectively are as follows:

- Amendments to *IAS40 Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*
- *IFRIC 23 Uncertainty over Tax Treatments*
- Amendments to *IFRS9 Financial Instruments: Prepayment Features with Negative Compensation*

It is not anticipated that any of the new standards will have a material impact on the accounts

2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision. The council is satisfied that its financial management procedures are robust and that it has sufficient reserves to mitigate adverse economic trends.
- The council annually revalues its Investment Properties with a value of over £100k, and its General Fund Operational Land and Buildings with a value of over

£800k. It is not considered feasible or financially viable to value all assets annually and the council revalues all its other Investment Properties and General Fund Operational Land and Buildings on a five yearly rolling cycle. The Council has also implemented a desk top review process to assess whether or not the valuation held on the balance sheet is materially different from that if an actual year-end valuation had taken place. This assessment has identified an estimated increase of £2.084m (3.12%) against the General Fund operational asset base of £66.816m, and an estimated decrease of £38k (0.17%) against the investment property asset base of £21.893m. This is considered to be immaterial and no adjustment has been made to the balance sheet. The current revaluation policy (including frequency, methodology and classifications) states that any material changes to asset valuations will be adjusted in the interim period as they occur. All valuations are performed in accordance with RICS and CIPFA guidance.

- Dreamland is considered to be the oldest surviving pleasure park in Great Britain (dating back to the British railway boom of the early 1860's) and has been restored specifically as a vintage site. The amusement park is regarded as a heritage asset in these accounts as it is essential to provide the heritage dreamland activities/services from the site, which is held and maintained principally for its contribution to knowledge and culture. The specific site is an integral part of the heritage experience (being the original location of the park) as are certain features of the site such as the iconic Grade II Listed Scenic Railway and cinema complex. Given that the amusement park is a specialist asset providing a unique heritage experience, it is measured at historical cost as it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of these accounts.

- The council has entered into an agreement with East Kent Housing Limited that if the company is not able to make payments to the Kent Local Government Pension Fund in respect of the pensionable service of employees transferred from the council, then the council will meet such payments. East Kent Housing Limited's pension liability has decreased from £10.081m to £9.501m at 31 March 2019. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liability. The council's share of this liability is £2.375m but it has been concluded that the financial risk associated with the liability crystallising is immaterial and on this basis the liability has not been accounted for at fair value through profit and loss.

- Hartsdown Leisure Centre – It was agreed at Cabinet on August 2009 that Thanet Leisure Force (now Your Leisure Kent Limited), the company engaged to run the Authority's leisure facilities would borrow money (£1.62m) through a range of loans varying from 5 to 15 years, facilitated by Alliance Leisure to invest in the authority's asset Hartsdown Leisure Centre. To facilitate the loan arrangement, Alliance Leisure acting on behalf of the lender require the Council to act as Guarantor should Your Leisure Kent Ltd default on the loan payments or cease trading and the outstanding loan obligation transfers to the Council. As at 31 March 2019 payments totalling £1.685m including interest have been made by Your Leisure Kent Ltd. The anticipated outstanding balance now sits at £1.033m. The probability of such a default is judged to be unlikely, therefore a provision for any related future obligations arising has not been recognised in the accounts.

- Ramsgate Leisure Centre – In February 2012 Thanet Leisure Force (Your Leisure Kent Ltd) entered into an agreement with Alliance Leisure to secure funding for the provision of a new swimming pool in Ramsgate, together with a spa facility and café. The capital costs of the development were £3.8m. The Council is acting as guarantor however, the agreement includes an additional clause which states that were Alliance Leisure to terminate the agreement, the Council would be given a period of 30 days to agree a new party to take over all Your Leisure's rights and obligations under the agreement. Therefore, in the event of default by Your Leisure Kent Ltd, the Council would either find another party to work with, or take over the running of this facility itself. As at 31 March 2019 payments totalling £2.506m including interest have been made by Your Leisure Kent Ltd and the anticipated outstanding balance now sits at £6.47m. In the event that Your Leisure were to cease trading, both the liabilities and the associated assets would transfer back to the council. A full financial assessment has been undertaken which demonstrates that the efficiency savings and new income streams from the new facility are sufficient to cover the costs of the rentals by Alliance Leisure and therefore the risk to the Council is considered minimal. Furthermore, the probability of such a default is judged to be unlikely, therefore a provision for any related future obligations arising has not been recognised in the accounts.

- As a result of the transfer of services from East Kent Services to CIVICA UK Ltd in February 2018, CIVICA has admitted body status within the Local Government Pension Scheme, under the terms of the transfer and the associated agreement the council has become the Pension Guarantor. This guarantee means that the existing previous pension arrangements would revert in the instance of failure on the part of the admitted body. Inevitably this would result in the recharge of pension costs and liabilities across all partners in-line with the original contract. The probability of such a failure is judged to be unlikely, therefore a provision for any related future obligations arising has not been recognised in the accounts.

3. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of operational assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £1.022m for every year that useful lives had to be reduced.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie.Level 1 inputs), their fair value is measured using valuation techniques such as quoted prices for similar assets or liabilities in active markets or using the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authorities assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (eg. for investment properties the authority's valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities are disclosed in Notes 21 and 22.	The authority uses the discounted cash flow (DCF) model and the market, income and cost approaches to measure the fair value of some of its property assets and financial assets. The significant unobservable inputs used in the fair value measurement include the management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the relevant property assets and financial assets/liabilities.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.636m and an increase of one year to the mortality rate would result in an increased pension liability of £8.271m. However, the assumptions interact in complex ways.
Investment Property Asset Values	The council has in excess of 200 investment properties. An annual valuation of all these assets is not practical, therefore only those assets with a value over £100k are valued annually with the remainder valued on a rolling 5 year basis.	Investment assets totaling £7.159m have not been revalued in 2018-19. In general, the asset valuations for investment properties have gone up by 2.82% in 2018-19. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £0.202m to the asset valuation.
Business Rate Appeals	The council has a significant number of outstanding appeals against the Valuation Office (VO) rating list (Rateable Value £12.562m) which can take a number of years to be heard. An estimate of the expected refunds to business ratepayers as a result of these appeals for prior, current and future years is based on VO data for settled and outstanding appeals, assuming average percentages of claims being successful and average percentages of reductions to rateable values relevant to the year of appeal. The council's share of the provision set aside for appeals is £2.449m.	If the top four appeals were successful (RV 9.33m) and rateable values were reduced by 5% more than originally estimated and backdated to 2010 (if relevant) then an additional £0.581m would need to be set aside in the provision for appeals.

4. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Deputy Chief Executive & S151 Officer on 31 May 2019. Events taking place after this date will not be reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2019, figures and disclosures in the accounts require adjustment. No such material events have occurred.

4a. Material Items of Income and Expense

In the Comprehensive Income and Expenditure Statement under the Deputy Chief Executive and Section 151 Officer 2017-18 expenditure there is an exceptional one off pension credit of £14.8m in respect of the transfer of staff from the council to Civica UK Ltd in February 2018, following the council's decision to outsource a number of functions previously undertaken within East Kent Services.

The credit is a notional entry determined by the pension actuary and is reversed out through the 2017-18 Movement in Reserves Statement to ensure it does not impact on the final General Fund reserve balance. Further details can be found in Note 38 to the accounts.

4b. Error on Valuation of Non-Current Assets for the Financial Year 2017-18

The council discovered there was an error in the methodology for valuing certain assets for the financial year 2017-18. It meant that the council's balance sheet in the 2017-18 published accounts was understated by £6.8m

The assets with incorrect valuations in the 2017-18 accounts were Margate Winter Gardens, Hartsdown Park Sports and Leisure Centre, the Kent Innovation Centre, and some components of Ramsgate Port and Harbour. The error occurred because the wrong method used for valuing one asset, and outdated information was used to value some other assets.

In order to correct this error, the council has restated valuation of the assets in the prior year information for 2017-18, with a corresponding made to the revaluation reserve.

It should be noted this error has no impact on the Surplus or Deficit on the Provision of Services, or fundamentally on General Fund or HRA balances.

The following tables, summarise the restatement on the Balance Sheet, the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement:

Effect on line items of the Balance Sheet 31 Match 2018

	Originally Stated in 2017-18 Accounts £000	Restated in 2017-18 Comparatives £000	Amount of Restatement £000
Gross Asset Valuation - Other Land and Buildings	60,587	67,139	6,552
Gross Depreciation - Other Land and Buildings	(2,654)	(2,440)	214
Revaluation Reserve	(96,779)	(103,545)	(6,766)

Effect on line items of the Comprehensive Income and Expenditure Statement 2017-18

	Originally Stated in 2017-18 Accounts £000	Restated in 2017-18 Comparatives £000	Amount of Restatement £000
(Surplus) or Deficit on revaluation of non-current assets	(20,818)	(27,584)	(6,766)
Total Comprehensive Income and Expenditure	**(35,356)**	**(42,122)**	**(6,766)**

Effect on the Movement in Reserves Statement – Unusable Reserves 2017-18

	Originally Stated in 2017-18 Accounts £000	Restated in 2017-18 Comparatives £000	Amount of Restatement £000
Balance at 1 April 2017	**91,055**	**91,055**	-
Total Comprehensive Income and Expenditure	26,343	33,109	6,766
Balance at 31 March 2018 carried forward	**122,933**	**129,699**	6,766

Notes Supporting the Comprehensive Income & Expenditure Statement

5. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. This analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates (services/departments). Income and expenditure is presented more fully in the Comprehensive Income and Expenditure Statement. The 2017-18 figures have been restated to reflect the corporate restructure on 1st April 2018.

Restated 31 March 2018				31 March 2019		
Expenditure Chargeable to the GF & HRA Balances	**Adjustment between Funding and Accounting Basis**	**Net Expenditure in the CIES**		**Expenditure Chargeable to the GF & HRA Balances**	**Adjustment between Funding and Accounting Basis**	**Net Expenditure in the CIES**
£'000s	**£'000s**	**£'000s**		**£'000s**	**£'000s**	**£'000s**
498	-	498	Chief Executive	463	-	463
(4,712)	(7,394)	(12,106)	Deputy Chief Executive & Section 151 Officer	(3,039)	6,790	3,751
11,769	-	11,769	Director of Operations & Commercial Services	12,166	-	12,166
3,736	-	3,736	Director of Corporate Governance	3,102	-	3,102
4,651	-	4,651	East Kent Shared Services	3,716	-	3,716
15,942	**(7,394)**	**8,548**	**Cost of Services**	**16,408**	**6,790**	**23,198**
(18,296)	735	(17,561)	Other Income and Expenditure	(18,940)	(1,370)	(20,310)
(2,354)	**(6,659)**	**(9,013)**	**(Surplus) or Deficit on Provision of Services**	**(2,532)**	**5,420**	**2,888**
(20,431)			**Opening General Fund & HRA balance as at 31st March**	**(22,785)**		
(2,354)			Surplus on General Fund and HRA balance in year	(2,532)		
(22,785)			**Closing General Fund & HRA balance as at 31st March**	**(25,317)**		

5a. Note to the Expenditure and Funding Analysis

This note provides further analysis of the adjustments to the General Fund and Housing Revenue Account between funding and accounting basis to arrive at the net expenditure in the Comprehensive Income and Expenditure Statement.

31 March 2018					31 March 2019			
Capital Purposes	**Net Change for Pensions**	**Other Statutory Differences**	**Total**	**Adjustments from General Fund & HRA to arrive at the Comprehensive Income & Expenditure Statement amounts**	**Capital Purposes**	**Net Change for Pensions**	**Other Statutory Differences**	**Total**
£'000s	**£'000s**	**£'000s**	**£'000s**		**£'000s**	**£'000s**	**£'000s**	**£'000s**
3,365	(10,711)	(48)	(7,394)	Deputy Chief Executive & Section 151 Officer	4,655	2,157	(22)	6,790
3,365	**(10,711)**	**(48)**	**(7,394)**	**Cost of Services**	**4,655**	**2,157**	**(22)**	**6,790**
(32)	-	-	(32)	Other Operating Expenditure	(986)	-		(986)
(560)	-	-	(560)	Financing and Investment Income and Expenditure	142	-		142
-	-	1,327	1,327	Taxation and Non-Specific Grant Income and Expenditure	-	-	(526)	(526)
(592)	**-**	**1,327**	**735**	**Other Income & Expenditure from the Expenditure & Funding Analysis**	**(844)**	**-**	**(526)**	**(1,370)**
2,773	**(10,711)**	**1,279**	**(6,659)**	**Difference between General Fund & HRA (Surplus)/Deficit and Comprehensive Income & Expenditure Statement (Surplus)/Deficit on the Provision of Services**	**3,811**	**2,157**	**(548)**	**5,420**

6. Expenditure and Income Analysed by Nature

2017-18 £'000s		2018-19 £'000s
	Expenditure	
13,819	Employee benefits expenses	21,558
60,529	Housing benefit expenditure	50,289
31,396	Other service expenses	35,421
10,387	Depreciation, amortisation, impairment and revaluation	14,473
(228)	(Gains)/Loss on disposal of non-current assets	(1,185)
1,165	Interest payments	1,152
1,383	Precepts and levies	1,736
118,451		**123,444**
	Income	
(30,246)	Fees and charges and other service income	(29,862)
(13,828)	Housing Revenue Account income	(13,672)
(16,749)	Income from Council Tax and Non-Domestic Rates	(21,652)
(9,264)	Government grants and contributions	(6,541)
(57,207)	Housing benefit subsidy	(48,508)
(170)	Interest and investment income	(321)
(127,464)		**(120,556)**
(9,013)	**(Surplus) or Deficit on Provision of Services**	**2,888**

The 2017-18 employee benefit expenses include a pension credit in relation to the transfer of staff from the council to Civica UK Ltd (see Note 4a). The reduction in housing benefit expenditure relates to a lower rent allowance caseload largely from the migration of claimants to Universal Credit.

Segmental Analysis

The 2017-18 figures have been restated to reflect the corporate restructure implemented on 1st April 2018. The management fee income from the shared service partners is the only material revenue from contracts and is disclosed in the table below:

Restated 2017-18 Directorate	Revenue from Contracts with Service Recipients £'000s	Interest Revenue £'000s	Interest Expense £'000s	Depreciation and Amortisation £'000s
Deputy Chief Executive & S151 Officer	(7,616)	(169)	1,165	4,309
Director of Operations & Commercial Services	(11,153)	(1)	-	3,486
Director of Corporate Governance	(3,760)	-	-	701
East Kent Shared Services	(7,717)	-	-	-
Total	**(30,246)**	**(170)**	**1,165**	**8,496**

2018-19 Directorate	Revenue from Contracts with Service Recipients £'000s	Interest Revenue £'000s	Interest Expense £'000s	Depreciation and Amortisation £'000s
Chief Executive	(40)	-	-	4
Deputy Chief Executive & S151 Officer	(6,640)	(316)	1,152	4,326
Director of Operations & Commercial Services	(11,936)	(5)	-	3,458
Director of Corporate Governance	(3,397)	-	-	607
East Kent Shared Services	(7,849)	-	-	-
Total	**(29,862)**	**(321)**	**1,152**	**8,395**

7. Other Operating Expenditure

2017-18 £'000s		2018-19 £'000s
1,383	Parish Council Precepts	1,736
196	Payments to the Housing Capital Receipts Pool	199
(228)	(Gains)/Losses on the disposal of non-current assets	(1,185)
1,351	**Total**	**750**

8. Financing and Investment Income and Expenditure

2017-18 £'000s		2018-19 £'000s
1,165	Interest Payable and Similar Charges	1,152
13	Impairment of Financial Instruments	59
2,924	Net Interest on the Net Defined Benefit Liability	2,409
(170)	Interest Receivable and similar income	(321)
(18)	(Gain)/Loss on Trading Operations (see below)	42
(913)	Income and Expenditure on investment properties-Note 21	(900)
(560)	Changes in fair value of investment properties	142
2,441	**Total**	**2,583**

9. Taxation and Non-Specific Grant Income

2017-18 £'000s		2018-19 £'000s
(10,779)	Council Tax Income	(11,570)
(13,972)	Non-Domestic Rates Income	(17,516)
8,002	Non-Domestic Rates Expenditure (Tariff)	7,434
(3,557)	Non Ring Fenced Government Grants	(1,244)
(1,047)	Capital Grants and Contributions (see note 16)	(747)
(21,353)	**Total**	**(23,643)**

The increase in non-domestic rates income is as a result of participating in the 100% Business Rate Retention Pilot Scheme. This was a one-off pilot for 2018-19 only.

10. 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.

2017-18 £'000s		2018-19 £'000s
	Net Cost of Service	
(511)	**Brought Forward**	**(621)**
1,124	Gross Expenditure	1,178
81	Movement in Provision for unpaid fines	123
145	Use of Reserve	257
(1,460)	Gross Income	(1,912)
(621)	**Balance Carried Forward**	**(975)**

11. Members' Allowances

2017-18 £'000s		2018-19 £'000s
364	Allowances	353
1	Expenses	1
365	***Total***	**354**

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

12. Remuneration of Employees

The table below shows the number of employees whose remuneration, excluding employer's pension contributions, exceeded £50k. 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 monetary value of any other benefits received by an employee other than cash.

2017-18 Number of Staff		Remuneration Band	2018-19 Number of Staff	
Total	**Left during year**	**£**	**Total**	**Left during year**
6	-	50,000 – 54,999	6	2
2	-	55,000 – 59,999	5	-
2	1	60,000 – 64,999	1	-
6	2	65,000 – 69,999	2	-
3	1	70,000 – 74,999	2	-
3	1	75,000 – 79,999	-	-
-	-	80,000 – 84,999	1	-
1	-	85,000 – 89,999	-	-
1	-	90,000 – 94,999	-	-
-	-	95,000 – 99,999	-	-

2	-	100,000 – 104,999	2	-
-	-	105,000 – 109,999	1	-
1	-	110,000 – 114,999	1	1
-	-	115,000 – 119,999	-	-
1	-	120,000 – 124,999	-	-
-	-	125,000 – 129,999	1	-
		Total	**22**	**3**

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150k but equal to or more than £50k per year for 2017-18.

Post Holder	Salary (incl. fees & allowances)	Other Cash Benefits	Comp. for loss of office	Total Remun. Excl. pension contribs	Pension contribs	Total Incl. pension contribs
	£	£	£	£	£	£
Chief Executive	133,771	5,000	-	**138,771**	20,966	**159,737**
Director EK Services (1)	106,670	4,500	-	**111,170**	13,727	**124,897**
Director of Corporate Resources	98,245	4,000	-	**102,245**	15,156	**117,401**
Director of Corporate Governance	97,173	4,000	-	**101,173**	15,156	**116,329**
Director of Operational Services	90,648	4,000	-	**94,648**	14,225	**108,873**
Director of Community Services (2)	80,401	2,000	39,533	**121,934**	7,169	**129,103**
Assistant Director EK Services (1)	77,513	3,500	-	**81,013**	10,382	**91,395**
Head of ICT (1)	63,525	3,000	-	**66,525**	8,504	**75,029**
Total	**747,946**	**30,000**	**39,533**	**817,479**	**105,285**	**922,764**

Note 1: The Shared Services Director, Assistant Director EK Services and the Head of ICT are all East Kent Services staff.
Note 2: The Director of Community Services left during 2017-18.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150k but equal to or more than £50k per year for 2018-19.

Post Holder	Salary (incl. fees & allowances) £	Other Cash Benefits £	Comp. for loss of office £	Total Remun. Excl. pension contribs £	Pension contribs £	Total Incl. pension contribs £
Chief Executive	122,239	5,000	-	**127,239**	19,153	**146,392**
Deputy Chief Executive & S151 Officer	106,291	4,500	-	**110,791**	16,487	**127,278**
Director of Corporate Governance	97,794	4,000	-	**101,794**	15,307	**117,101**
Director of Operations & Commercial Services	97,884	4,000	-	**101,884**	15,308	**117,192**
Head of Shared Services (1)	78,477	3,500	-	**81,977**	10,742	**92,719**
Chief Information Officer - ICT (1)	77,283	2,750	52,665	**132,698**	8,111	**140,809**
Total	**579,968**	**23,750**	**52,665**	**656,383**	**85,108**	**741,491**

Note 1: The Head of Shared Services and the Chief Information Officer – ICT are both East Kent Services staff.

The numbers of exit packages with total cost per band and total cost of the compulsory redundancies and other departures are set out in the table below:

Bands	Number of Compulsory Redundancies		Number of other departures		Total Number of packages in each band		Total cost of packages in each band	
	17-18	18-19	17-18	18-19	17-18	18-19	17-18 £'000	18-19 £'000
0 - 20,000	4	2	4	2	8	4	70	22
20,001 - 40,000	1	1	3	-	4	1	121	21
40,001 - 60,000	3	1	-	1	3	2	148	95
60,001 - 80,000	-	-	-	-	-	-	-	-
80,001 - 100,000	-	-	-	-	-	-	-	-
Total Cost Included in Bandings							**339**	**138**

Termination benefits are payable following a decision by the Council to terminate an officer's employment before their normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Where termination benefits include the enhancement of pension benefits, regulations require the General Fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Entries are made in the Movement in Reserves Statement to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the pension fund.

The Council terminated the contracts of 7 employees in 2018-19. Of the total payment of £138k there were no enhancements of retirement benefits.

13. External Audit Costs

The council has incurred the following fees in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the external auditors.

2017-18 £'000s	Fees payable to external auditors	2018-19 £'000s
66	External audit work carried out by the appointed auditor	68
(8)	Prior year refund of audit services fees	-
9	Statutory Inspection/Objections	1
50	Certification of grant claims and returns	36
117	**Total**	**105**

14. Harbours

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

2017-18 (Surplus)/ Deficit £'000s		2018-19 Expenditure £'000s	2018-19 Income £'000s	2018-19 (Surplus)/ Deficit £'000s
2,637	Port of Ramsgate	3,584	(1,073)	2,511
(227)	Ramsgate Royal Harbour	2,695	(2,401)	294
(46)	Broadstairs Harbour	-	(88)	(88)
23	Margate Harbour	27	(9)	18
2,387	**(Surplus)/Deficit**	**6,306**	**(3,571)**	**2,735**
	Less: accounting adjustments			
(589)	**Capital Charges**			**(2,118)**
(438)	**IAS19 Pension Adjustments**			**(286)**
1,360	**Funding Position**			**331**

The table disclosed above shows an accounting loss of approximately £2.7m, in accordance with generally accepted accounting practices. However, this position includes items that do not impact the service or council tax payers.

After removing accounting adjustments for capital purposes and pension accounting the service recorded a loss of approximately £300k from a funding perspective.
Furthermore, this position includes a £230k allocation for corporate overheads.

15. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

Credited to Taxation and Non Specific Grant Income

2017-18 £'000s	Grant	2018-19 £'000s
	DWP	(23)
(55)	Environment Agency	(35)
(244)	HCA – Cluster Bid	(90)
(619)	Historic Grants	(78)
-	Police and Crime Commissioner	(29)
-	MHCLG	(5)
(74)	SELEP/KCC	(487)
(55)	Section 106 developer contributions	-
(1,047)	**Total**	**(747)**

Credited to Services

2017-18 £'000s	Grant	2018-19 £'000s
(58,136)	Department of Work & Pensions – Housing Benefits	(48,782)
(440)	Heritage Lottery Fund	(334)
(685)	Kent County Council	(577)
(3,011)	Ministry of Housing, Communities & Local Government	(3,758)
(192)	National Non-Domestic Rates	(191)
(198)	Section 106	(363)
(1,111)	Other Grants	(1,101)
(63,773)	**Total**	**(55,106)**

The reduction in the Department of Work and Pensions Housing Benefit Grant is a result of the migration of claimants to Universal Credit.

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

Capital Grants Receipts In Advance

2017-18 £'000s	Grant	2018-19 £'000s
(1,018)	Environment Agency	(1,384)
(15)	Homes England	-
(3)	Kent County Council	(3)
(597)	Ministry of Housing, Communities & Local Government	(1,428)
(1,620)	Section 106 developer contributions	(1,366)
(431)	Regional Housing Board	(447)
(3,684)	**Total**	**(4,628)**

Revenue Grants Receipts in Advance

2017-18 £'000s	Grant	2018-19 £'000s
(324)	Department of Work & Pensions	(318)
(72)	HMRC	(136)
(301)	Kent County Council	(293)
(147)	Kent Police	(65)
(426)	Ministry of Housing, Communities & Local Government	(928)
(98)	Section 106 developer contributions	(98)
(91)	Thanet Coast Project	(62)
(244)	Other Grants	(152)
(1,703)	**Total**	**(2,052)**

Capital grant receipts in advance are made up of both long and short term grants and are therefore disclosed in the balance sheet as follows:

2017-18 £'000s		2018-19 £'000s
(1,703)	Revenue – Short Term	(2,052)
(3,527)	Capital – Short Term	(4,264)
(157)	Capital – Long Term	(363)
(5,387)	**Total**	**(6,679)**

Notes Supporting the Movement in Reserves Statement

16. Adjustments Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2017-18	General Fund Balance £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable Reserves £'000s
Adjustments primarily involving the Capital Adjustment Account						
Depreciation and impairment of non-current assets	4,691	-	-	3,754	-	(8,445)
Revaluation losses of non-current assets	(84)	1,975	-	-	-	(1,891)
Movements in the fair value of investment properties	(560)	-	-	-	-	560
Amortisation of intangible assets	51	-	-	-	-	(51)
Capital grants and contributions applied	(1,034)	(353)	13	-	(37)	1,411
Revenue expenditure funded from capital under statute	423	-	-	-	-	(423)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	525	3,839	-	-	-	(4,364)
Statutory provision for repayment of debt	(931)	-	-	-	-	931
Capital expenditure charged to the General Fund	(251)	(1,179)	-	-	-	1,430
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(1,960)	(2,632)	4,592	-	-	-
Costs of disposal funded from capital receipts	18	40	(58)	-	-	-
Use of CRR to repay debt	-	-	(2,600)	-	-	2,600
Use of the CRR to finance new capital expenditure	-	-	(2,250)	-	-	2,250
Use of the CRR to finance payments to the Government capital receipts pool	196	-	(196)	-	-	-
Adjustments primarily involving the Major Repairs Reserve						
Use of the MRR to finance new capital expenditure	-	-	-	(2,094)	-	2,094
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	(5,809)	235	-	-	-	5,574
Employer's pension contributions and in year payments direct to pensioners	(5,051)	(86)	-	-	-	5,137
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax and NDR income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	1,326	-	-	-	-	(1,326)
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement (accruals basis) differs from that chargeable in the year in accordance with statutory requirements	(48)	-	-	-	-	48
Total Adjustments	**(8,498)**	**1,839**	**(499)**	**1,660**	**(37)**	**5,535**

2018-19	General Fund Balance £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable Reserves £'000s
Adjustments primarily involving the Capital Adjustment Account						
Depreciation and impairment of non-current assets	4,315	-	-	4,050	-	(8,365)
Revaluation losses of non-current assets	2,716	3,166	-	-	-	(5,882)
Movements in the fair value of investment properties	142	-	-	-	-	(142)
Amortisation of intangible assets	30	-	-	-	-	(30)
Capital grants and contributions applied	(525)	(562)	-	-	-	1,087
Revenue expenditure funded from capital under statute	196	-	-	-	-	(196)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	1,511	911	-	-	-	(2,422)
Statutory provision for repayment of debt	(1,358)	-	-	-	-	1,358
Capital expenditure charged to the General Fund	(214)	(3,121)	-	-	-	3,335
Adjustments primarily involving the Capital Grants Unapplied Reserve						
Application of grants to capital financing transferred to Capital Adjustment Account	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(2,901)	(706)	3,607	-	-	-
Costs of disposal funded from capital receipts	2	10	(12)	-	-	-
Use of CRR to repay debt	-	-	1	-	-	(1)
Use of the CRR to finance new capital expenditure	-	-	(3,182)	-	-	3,182
Use of the CRR to finance payments to the Government capital receipts pool	199	-	(199)	-	-	-
Transfer from deferred capital receipts	-	-	1	-	-	(1)
Adjustments primarily involving the Major Repairs Reserve						
Use of the MRR to finance new capital expenditure	-	-	-	(1,304)	-	1,304
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	6,638	213	-	-	-	(6,851)
Employer's pension contributions and in year payments direct to pensioners	(4,607)	(87)	-	-	-	4,694
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax and NDR income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(526)	-	-	-	-	526
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement (accruals basis) differs from that chargeable in the year in accordance with statutory requirements	(22)	-	-	-	-	22
Total Adjustments	**5,596**	**(176)**	**216**	**2,746**	**-**	**8,382**

17. Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2018-19.

For the Year Ended 31 March 2018	1 April 2017 £000's	Transfers Between Reserves £000's	Revenue Approp. £000's	31 March 2018 £000's
General Fund				
Local Taxation Funding Reserve	1,354	-	1,715	3,069
Investment & Growth Reserve	1,892	-	143	2,035
Risk & Insurance Reserve	2,109	-	(491)	1,618
Repairs & Renewals Reserve	984	-	67	1,051
Lottery Reserve	-	-	4	4
General Fund Total	6,339	-	1,438	(7,777)
HRA				
Slippage Fund – HRA	-	-	343	343
HRA Properties	5,367	-	(466)	4,901
HRA Total	**5,367**	**-**	**(123)**	**5,244**
Total Earmarked Reserves	**11,706**	**-**	**1,315**	**13,021**

For the Year Ended 31 March 2019	1 April 2018 £000's	Transfers Between Reserves £000's	Revenue Approp. £000's	31 March 2019 £000's
General Fund				
Local Taxation Funding Reserve	3,069	-	2,644	5,713
Investment & Growth Reserve	2,035	-	528	2,563
Risk & Insurance Reserve	1,618	-	161	1,779
Repairs & Renewals Reserve	1,051	-	348	1,399
Lottery Reserve	4	-	13	17
General Fund Total	**7,777**	**-**	**3,694**	**11,471**
HRA				
Slippage Fund – HRA	343	-	(343)	-
HRA Properties	4,901	-	(2,374)	2,527
HRA Total	**5,244**	**-**	**(2,717)**	**2,527**
Total Earmarked Reserves	**13,021**	**-**	**977**	**13,998**

The above reserves have been established under the Local Government and Housing Act 1989 to set aside specific amounts for future policy purposes.

Local Taxation Funding Reserve – is used for operational risks including loss of Housing Benefit subsidy, Business Rates appeals and other service movements. Any release from this reserve to services is controlled by a business case approach to the Section 151 Officer. The increase in this reserve is mainly due to the additional business rate income.

Investment & Growth Reserve – these funds are used to encourage inward investment and promote growth in the district including changing the way the council operates in support of these activities.

Risk & Insurance Reserve – this reserve is held to fund excess costs**,** self-insurance and TUPE obligations.

Lottery Reserve – held to administer income and expenditure in relation to the Thanet Lottery.

HRA Properties – The reserve is to set aside and hold HRA balances for the purchase and refurbishment of new HRA properties.

Slippage Fund HRA – To set aside sums at year end to meet ad hoc and specified liabilities on the Housing Revenue Account which, due to timing difficulties, cannot be spent until after the 31 March.

Notes Supporting the Balance Sheet

18. Property, Plant and Equipment

The accounting policies in relation to the measurement used for determining the gross carrying amount of Property, Plant and Equipment, and the depreciation method and rates that are used can be found in Note 1. The Other Land and Buildings opening balances have been restated to reflect the prior year revaluation adjustment detailed in Note 4b.

Restated	Council Dwellings	Other Land and Buildings	Heritage Assets	Vehicles, Plant and Equip	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2017	**133,534**	**59,897**	**9,873**	**11,774**	**22,457**	**-**	**11,724**	**467**	**249,726**
Additions	3,622	453	761	2,037	85	32	768	-	**7,758**
Disposals	-	(414)	-	(1,120)	-	-	-	-	**(1,534)**
Reclassifications	(102)	(956)	10,245	63	-	-	(10,968)	-	**(1,718)**
Revaluation & Restatements	7,627	9,375	-	-	-	-	-	-	**17,002**
Recognition	-	-	-	60	-	-	-	-	**60**
Downward Revaluation and Impairment charged to CI&E	(1,975)	(38)	(289)	-	-	(32)	-	-	**(2,334)**
Downward Revaluation & Impairment charged to the Revaluation Reserve	(547)	(1,178)	-	-	-	-	-	-	**(1,725)**
Gross Asset Valuation	**142,159**	**67,139**	**20,590**	**12,814**	**22,542**	**-**	**1,524**	**467**	**267,235**
Depreciation b/fwd	-	6,069	-	8,408	8,191	-	-	-	22,668
Depreciation 2017-18	3,643	2,737	-	1,212	563	-	-	-	8,155
Write out Accumulated Depreciation on Revaluation	(3,643)	(6,256)	-	-	-	-	-	-	(9,899)
Other depreciation adj.	-	(110)	-	(1,060)	-	-	-	-	(1,170)
Gross Depreciation c/fwd	**-**	**2,440**	**-**	**8,560**	**8,754**	**-**	**-**	**-**	**19,754**
Net Book Value:									
as at 31 March 2018	**142,159**	**64,699**	**20,590**	**4,254**	**13,788**	**-**	**1,524**	**467**	**247,481**
as at 31 March 2017	**133,534**	**53,828**	**9,873**	**3,366**	**14,266**	**-**	**11,724**	**467**	**227,058**

	Council Dwellings	Other Land and Buildings	Heritage Assets	Vehicles, Plant and Equip	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2018	**142,159**	**67,139**	**20,590**	**12,814**	**22,542**	**-**	**1,524**	**467**	**267,235**
Additions	5,068	4,883	509	1,282	28	136	348	-	**12,254**
Disposals	-	(863)	-	-	-	-	-	(168)	**(1,031)**
Reclassifications	753	(345)	-	63	2	70	(779)	-	**(236)**
Revaluation & Restatements	9,316	5,733	-	-	-	-	-	210	**15,259**
Recognition	-	-	-	-	-	-	-	-	
Downward Revaluation and Impairment charged to CI&E	(3,166)	(2,932)	(278)	-	-	(178)	-	-	**(6,554)**
Downward Revaluation & Impairment charged to the Revaluation Reserve	(298)	(3,681)	-	-	-	(28)	-	(48)	**(4,055)**
Gross Asset Valuation	**153,832**	**69,934**	**20,821**	**14,159**	**22,572**	**-**	**1,093**	**461**	**282,872**
Depreciation b/fwd	-	2,440	-	8,560	8,754	-	-	-	19,754
Depreciation 2018-19	3,961	2,204	-	1,358	565	-	-	-	8,088
Write out Accumulated Depreciation on Revaluation	(3,961)	(1,913)	-	-	-	-	-	-	(5,874)
Other depreciation adj	-	(232)	-	-	-	-	-	-	(232)
Gross Depreciation c/fwd	**-**	**2,499**	**-**	**9,918**	**9,319**	**-**	**-**	**-**	**21,736**
Net Book Value:									
as at 31 March 2019	**153,832**	**67,435**	**20,821**	**4,241**	**13,253**	**-**	**1,093**	**461**	**261,136**
as at 31 March 2018	**142,159**	**64,699**	**20,590**	**4,254**	**13,788**	**-**	**1,524**	**467**	**247,481**

Revaluations

For those assets not re-valued as part of the rolling programme or subject to impairment review, the Council is not aware of any material change in value therefore the valuations have not been updated. £9.316m of the total £15.259m upward revaluation in 2018-19 relates to Council Dwellings.

Valuations of Non-Current Assets Carried at Current/Fair Value

	Council Dwellings £'000	Land, Buildings £'000	Heritage £'000	Surplus £'000	Investment Properties £'000	Total £'000
Carried at:						
Cost	-	608	20575	-	-	**21,183**
Current Value						
Pre 2013	-	-	197	-	-	**197**
2013-14	-	368	-	-	-	**368**
2014-15	-	2,645	49	-	1,281	**3,975**
2015-16	-	2,820	-	-	3,214	**6,034**
2016-17	-	1,635	-	-	650	**2,285**
2017-18	-	4,392	-	-	1,984	**6,376**
2018-19	153,832	57,466	-	461	14,764	**226,523**
Total Value	**153,832**	**69,934**	**20,821**	**461**	**21,893**	**266,941**

The Dreamland Amusement park heritage assets (£20.575m), vehicles, plant and equipment, infrastructure, and assets under construction are carried at historical cost. Other Land and Buildings includes HRA development sites (which have not yet been valued) at cost of £0.608m.

19. Heritage Assets

A reconciliation of the carrying amount of heritage assets at the beginning of the financial period and at the Balance Sheet date is shown in Note 18.

	War Memorials Public Statues £'000s	Museum Artefacts £'000s	Art Collection £'000s	Civic Regalia £'000s	Dreamland £'000s	Total £'000s
1 April 2018	**113**	**30**	**85**	**18**	**20,344**	**20,590**
Additions	-	-	-	-	509	509
Devaluation/ Impairment to C I & E	-	-	-	-	(278)	(278)
31 March 2019	**113**	**30**	**85**	**18**	**20,575**	**20,821**

The Authority's heritage assets include public statues, civic regalia, an historic amusement park and rides, museum artifacts and art collections.
The museums each have collections of heritage assets which are held in support of the primary objective of the Authority's museum, i.e. increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. The Council has set a de-minimus level in respect of the recognition of heritage assets of £10k. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include intangible elements are set out in Note 1.

The Authority's collections of heritage assets are accounted for as follows:

Public Statues

This includes a bronze statue on Margate seafront and a museum marble bust. The council also has recorded several war memorials within its community asset portfolio, each valued at a notional £1.

Museum Artefacts and Art Collections

The council commissioned an independent expert to review its collections at the Old Town Hall Margate, the Dickens House Museum and the Maritime Museum. The asset classification now used is based on the report of the expert John Harrison MSc AMA dated 13 March 2012 which has identified an underlying small value of most of the exhibits (approximately 7,000 items in total) but has separately identified those with values above £10k and those below this with specific "collectable" interest.

The council has determined that these assets have indeterminate lives and so does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators in accordance with the authority's policy.

Civic Regalia

The council, not unlike many others, has a small collection of civic regalia, mainly comprising the chairman's chain. This has been included on the asset register at its insurance valuation.

Dreamland

The council has been successful in a CPO to acquire the Dreamland site in Margate. This site comprises land that has been used as an amusement park/fairground and a cinema complex with associated facilities. Additions in 2018-19 relate predominantly to the cinema complex. The Council has determined that:

- the amusement park has an indeterminate life and so does not consider it appropriate to charge depreciation and;

- given that both the amusement park and cinema complex are specialist assets giving a unique heritage experience, they will be measured at historical cost rather than valuation in accordance with the council's accounting policies set out in Note 1.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

20. Fair Value Measurement of Property Assets

Valuation Hierarchy

Surplus Property, Investment Property and Assets Held for Sale are measured at fair value as shown in notes 18, 21 and 27 respectively. This reflects the application of IFRS13 *Fair Value Measurement* prospectively from 1 April 2015.

These three asset classes are all categorised in aggregate as level 2 in the following valuation hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for the asset/liability
- Level 2 – observable inputs other than quoted prices for the asset/liability
- Level 3 – unobservable inputs for the asset/liability

No individual assets in these three asset classes are at level 1 in the valuation hierarchy, and the following assets are at level 2 and 3:

Level 2 Assets	**Surplus Property £000's**	**Investment Property £000's**	**Current Assets Held for Sale £000's**	**Total £000's**
Balance as at 1 April 2018	**467**	**22,855**	**74**	**23,396**
Additions	-	-	-	-
Disposals	(168)	(800)	(785)	(1,753)
Recognition	-	-	-	-
Reclassifications	-	(30)	228	198
Upward Revaluations	210	696	483	1,389
Downward revaluation charged to the C I & E	-	(838)	-	(838)
Downward revaluation charged to Revaluation Reserve	(48)	-	-	(48)
Balance as at 31 March 2019	**461**	**21,883**	**-**	**22,344**
Level 3 Assets				
Balance as at 1 April 2018	**-**	**10**	**-**	**10**
Upward Revaluations	-	-	-	-
Balance as at 31 March 2019	**-**	**10**	**-**	**10**

Valuation Methods

- Market approach; uses prices and other relevant information generated by comparable market transactions
- Income approach; converts future amounts to a single discounted amount
- Cost approach; reflects the amount that would be required currently to replace the service capacity of an asset

Valuation Inputs

Typical level 2 valuation inputs include:

- comparable market evidence for both rental and sale values
- interest rates and yields which are observable
- capital expenditure
- other non-recoverable expenditure
- construction costs/type/size
- location
- condition
- lease covenants/break clauses/repairing obligations
- local market conditions

Level 3 valuation inputs are typically derived from adjusting level 2 inputs using judgement and assumptions rather than observable inputs (based on the best information available).

Transfers

An asset is transferred from level 2 to level 3 if the use of a level 3 input in the valuation becomes significant, and vice versa. There were no transfers between levels 2 and 3 during the year.

Highest and Best Use

The current use of each of the fair value assets represents their highest and best use.

Level 3 Valuation Inputs and Process

Level 3 valuation inputs and process are not disclosed given the immaterial aggregate valuation of the authority's level 3 assets (£10k as shown in the table above).

Impairments

There were no valuation impairments during the financial year ended 31 March 2019.

21. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There are no restrictions on the Authority's ability to realize the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

2017-18 £'000s		2018-19 £'000s
(1,242)	Rental Income from Investment property	(1,262)
329	Direct operating expenses arising from investment property	362
(913)	**Net (Gain)/Loss**	**(900)**

The following table summarises the movement in the fair value of investment properties over the year.

2017-18 £'000s		2018-19 £'000s
22,550	**Balance as at 1 April**	**22,865**
(415)	Disposals	(800)
2	Additions	-
560	Net gains/losses from fair value adjustments	(142)
168	Reclassifications	(30)
-	Recognitions	-
22,865	**Balance as at 31 March**	**21,893**

22. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments, the 2017-18 figures have been restated to correct a trade debtor and trade creditor classification error:

	Long-Term		Current	
	31 March 2018 £'000s	31 March 2019 £'000s	Restated 31 March 2018 £'000s	31 March 2019 £'000s
Borrowings	30,455	25,024	631	5,432
Trade creditors	-	-	5,682	5,130
Deferred liabilities	641	347	-	-
+ Accrued interest	-	-	375	371
Financial liabilities at amortised cost	31,096	25,371	6,688	10,933
Total financial liabilities	**31,096**	**25,371**	**6,688**	**10,933**
Short term investments	-	-	17,211	17,867
Cash and Cash Equivalents	-	-	24,155	24,742
Trade debtors	-	-	6,842	5,988
Capital/Revenue Grant Debtors	-	-	630	360
Mortgages	3	2	-	-
Charitable Loans	26	84	-	-
KCC Highways Bond	-	54		-
East Kent Housing Loans	186	279	-	-
Leisure Services Loans	159	136	-	-
+ Accrued interest on investments	-	-	32	62
Loans and receivables at amortised cost	374	555	48,870	49,019
Total financial assets	**374**	**555**	**48,870**	**49,019**

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 – Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

Note 3 – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The council provided a financial guarantee in respect of the refurbishment of Hartsdown Leisure Centre that was undertaken by Thanet Leisure Force (now Your Leisure Kent Limited). A similar arrangement has been entered into for the new Ramsgate Swimming Pool. Further details can be found in Note 2. It is not probable that payment by the Authority will be required, the guarantees have been disclosed as critical judgements and as such have not been recognised as current or long term liabilities in the above table.

Note 4 – The council has made small soft loans at less than market rates (soft loans).

Financial Instruments Gains/Losses

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

2017-18			2018-19	
Financial Liabilities Amortised cost £'000s	**Financial Assets Loans and receivables £'000s**		**Financial Liabilities Amortised cost £'000s**	**Financial Assets Loans and receivables £'000s**
1,165	-	Interest expense	1,152	-
-	13	Impairment losses	-	59
1,165	**13**	**Interest payable and similar charges**	**1,152**	**59**
-	(170)	Interest income	-	(321)
-	**(170)**	**Interest and investment income**	**-**	**(321)**
1,008		**Net (gain)/loss for the year**	**890**	

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 (in long term assets/liabilities with accrued interest in current assets/liabilities). 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 (level 2), using the following assumptions:

- For loans from the PWLB and other loans payable, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- 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 carrying amount or the billed amount;
- 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 2018 Carrying Amount £'000s	31 March 2018 Fair Value £'000s		31 March 2019 Carrying Amount £'000s	31 March 2019 Fair Value £'000s
26,865	30,512	PWLB debt	26,239	30,147
4,596	7,015	Other debt	4,588	7,107
31,461	**37,527**	**Total debt**	**30,827**	**37,254**
3,605	3,605	Deferred liabilities	347	347
5,682	5,682	Trade creditors	5,130	5,130
40,748	**46,814**	**Total Financial Liabilities**	**36,304**	**42,731**

The fair value of the liabilities 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. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

Restated 31 March 2018 Carrying Amount £'000s	Restated 31 March 2018 Fair Value £'000s		31 March 2019 Carrying Amount £'000s	31 March 2019 Fair Value £'000s
26	26	Charitable loans	84	84
41,366	41,366	Money market loans < 1 year	41,673	41,673
3	3	Mortgages	2	2
159	159	Leisure services loans	136	136
-	-	KCC Highways Bond	54	54
186	186	East Kent Housing loan	279	279
6,842	6,842	Trade debtors	9,988	5,988
48,582	**48,582**	**Total Loans and Receivables**	**48,216**	**48,216**

Trade Debtors and trade creditors are both carried at cost (invoiced amount) as this is a fair approximation of their value.

Basis for fair value measurements

Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs – unobservable inputs for the asset or liability.

The fair values in this note have been assessed as Level 2.

23. 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 rate or stock market movements.

Overall Procedures for Managing Risk

The council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The council provides 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.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the council's website

Credit Risk Management Practices

The council's credit risk management practices are set out in the Annual Investment Strategy.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. The credit criteria in respect of financial assets held by the council are detailed below:

- Credit ratings of Short Term of F1, Long Term A (Fitch or equivalent rating), with the lowest available rating being applied to the criteria
- UK institutions provided with support from the UK Government.

This council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies -

Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies,
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings,
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2018-19 was approved by Full Council on 8 February 2018 (available on the council's website).

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by the Council.

Amounts Arising from Expected Credit Losses

The following analysis summarises the council's maximum exposure to credit risk (expected credit loss) on other financial assets, based on experience of default, adjusted to reflect current market conditions, the 2017-18 figures have been restated to correct a classification error:

Restated 2017-18	**Amount at 31 March 2018**	**Historical experience of default**	**Adjustment for market conditions at 31 March 2018**	**Estimated maximum expected credit loss**
	£'000s (a)	**% (b)**	**% (c)**	**£'000s (a * c)**
Trade Debtors	11,435	40.17	40.17	4,593
Capital/Revenue Grant Debtors	630	-	-	-
Mortgages	3	-	-	-
Charitable Loans	26	-	-	-
East Kent Housing Loans	186	-	-	-
Leisure Services Loans	159	-	-	-
Total	**12,439**			**4,593**

2018-19	**Amount at 31 March 2019**	**Historical experience of default**	**Adjustment for market conditions at 31 March 2019**	**Estimated maximum expected credit loss**
	£'000s (a)	**% (b)**	**% (c)**	**£'000s (a * c)**
Trade Debtors	11,148	46.29	46.29	5,161
Capital/Revenue Grant Debtors	360	-		
KCC Highways Bond	54	-	-	-
Mortgages	2	-	-	-
Charitable Loans	84	-	-	-
East Kent Housing Loans	279	-	-	-
Leisure Services Loans	136	-	-	-
Total	**12,063**			**5,161**

The estimated maximum expected credit loss for trade debtors is equivalent to the loss allowance for contractual debt.

No credit limits have been exceeded during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The council does not generally allow credit for its trade debtors, such that £8,126m of the £11.148m balance is past its due date for payment. The past due amount of trade debtors can be analysed by age as follows:

31 March 2018 £'000s		31 March 2019 £'000s
1,973	Less than three months	1,991
757	Three to six months	739
1,183	Six months to one year	1,048
3,375	More than one year	4,348
7,288	**Total**	**8,126**

Rechargeable works debtors are not included in the table above as they cannot be broken down by age in the same way as other debtors. The table below shows the changes in debtors for rechargeable works within the year:

31 March 2018 £'000s		31 March 2019 £'000s
394	**Debt brought forward from previous year (more than 1 year old)**	**235**
103	Costs incurred in financial year (less than 1 year old)	121
(262)	Debtor invoices raised in year	(90)
235	**Total debt outstanding at year end**	**266**

Collateral – During the reporting period the council held no collateral as security.

Credit Risk Exposure in Investments

The council has the following exposure to credit risk as at 31 March 2019 risk in relation to its investments in financial institutions of £42.609m;

31 March 2018 £'000s	Lowest Long Term Credit Risk Rating	31 March 2019 £'000s
-	AAA	-
1	AA-	-
-	A+	1
2	A	1
3	**Total**	**2**

The primary principle governing the council's investment criteria is the security of its investments, which is reflected in the relatively low exposure to credit risk shown above.

Liquidity Risk

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 a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and Money Markets for access to longer term funds. 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 maturity analysis of investments is as follows:

31 March 2018 £'000s		31 March 2019 £'000s
41,366	Less than one year	42,609
41,366	**Total**	**42,609**

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. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies that address the main risks and the central treasury team address the operational risks 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; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of fixed interest rate financial liabilities (borrowings) together with the maximum limits for amounts maturing in each period (approved by Council in the Treasury Management Strategy) is as follows:

31 March 2018 £'000s		Approved Maximum Limits 2018-19 £'000s	31 March 2019 £'000s
1,006	Less than one year	13,163	5,803
5,432	Maturing in 1 - 2 years	13,163	632
5,144	Maturing in 2 - 5 years	13,163	4,771
3,006	Maturing in 5 - 10 years	14,480	2,835
6,453	Maturing in 10 - 20 years	13,163	8,366
3,000	Maturing in 20 - 30 years	13,163	1,000
1,920	Maturing in 30 - 40 years	13,163	1,920
1,000	Maturing in 40 - 50 years	13,163	1,000
-	Maturing in 50 years and above	13,163	-
26,961	**Total**		**26,327**

Not shown in the table above are:

Trade and other payables (£13.785m) which are due to be paid in less than one year, and a loan with Dexia (£4.5m) that matures in 40 - 50 years (see Market Risk section below).

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 interest 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 Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The council has a long term loan of £4.5m from Dexia Credit Local Bank which has a lender's option/borrower's option (LOBO) feature. The option allows Dexia to increase the interest rate every six months although if Dexia exercises this option the council may repay the loan. If Dexia decides not to exercise this option, the loan will continue at the fixed rate until maturity. All of the council's other borrowings are at fixed rate. The council holds both variable and fixed rate investments. The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum 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, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy at 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2017-18 £'000s		**2018-19 £'000s**
45	Increase in interest payable on variable rate borrowings	45
(291)	Increase in interest receivable on variable rate investments	(328)
(246)	**Impact on Comprehensive Income and Expenditure Statement**	**(283)**
(2,532)	Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure)	(2,398)

The approximate impact of a 1% fall in interest rates would be as above but with the movements reversed. These assumptions are based on the same methodology used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk – The council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

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.

24. Construction Contracts

As at 31 March 2019 the Authority had a number of construction contracts in progress in excess of £75k: Outer Pontoon Replace/Piling, Harbour Gate and Bridge, works associated with the Intervention programme and new build. The value of work completed at 31 March 2019 has been established using a stage of completion methodology based on architects'/surveyors' certificates obtained at the year-end. The amounts due are as follows:

	Eastern Outer Pontoon Replace	Harbour Gate & Bridge	40-46 Sweyn Road	24 Ethelbert Crescent	New Build Phases 1-3	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Costs incurred to date	229	1,167	1,194	418	2,118	**5,126**
Revenue recognised:						
Prior to 1 April 2018			(1,174)		(396)	**(1,570)**
During 2018-19	(229)	(1,167)	(20)	(418)	(1,722)	**(3,556)**
Profit/Loss	-	-	-	-	-	**-**
Advances received	(223)	(1,150)	(1,164)	(398)	(2,077)	**(5,012)**
Gross amount due	6	17	30	20	41	**114**
Comprising:						
Amounts not billed	-	-	-	-	-	**-**
Retentions	6	17	30	20	41	**114**

25. Debtors

Restated 2017-18 £'000s	Amounts falling due in one year	2018-19 £'000s
4,051	Council Tax and Business Rates	4,187
11,435	Trade Receivables	11,148
1,228	Prepayments	1,135
1,060	Other receivables	3,174
17,774		**19,644**
(6,260)	Less Impairment Allowance	(6,842)
11,514	**Total Short Term Debtors**	**12,802**

The 2017-18 figures have been restated to reflect the revised classification of debtors required under the Code. The increase in other receivables is the additional amount due from the 100% Business Rate Retention Pilot Scheme (£1.7m).

The past due but not impaired amount for local taxation can be analysed by age as follows:

2017-18 £'000s	Debtors for Council Tax and Business Rates	2018-19 £'000s
410	Less than three months	361
108	Three to six months	169
201	Six months to one year	174
3,332	More than one year	3,483
4,051	**Total Local Taxation Debtors**	**4,187**

2017-18 £'000s	Amounts falling due after one year	2018-19 £'000s
3	Mortgages	2
26	Charitable/Housing Loans	84
159	Leisure Services Loans	136
186	East Kent Housing Loan	279
-	KCC S278 Highways Bond	54
374	**Total Long Term Debtors**	**555**

26. Cash and Cash Equivalents

31 March 2018 £'000s		31 March 2019 £'000s	Movement 2018-19 £'000s
481	Cash held by the Authority	936	455
3	Bank current accounts	3	-
23,671	Short Term deposits	23,803	132
24,155	**Total Cash and Cash Equivalents**	**24,742**	**587**

27. Current Assets Held for Sale

Current assets held for sale are those assets that are available for immediate sale, that are actively being marketed and are expected to be sold within one year of the date of classification.

2017-18 £'000s		2018-19 £'000s
74	**Balance as at 1 April**	**74**
1,440	Assets newly classified as held for sale	242
-	Assets declassified as held for sale	(14)
2,399	Revaluation gains	483
(3,839)	Disposals	(785)
74	**Balance as at 31 March**	**-**

28. Creditors

Restated 2017-18 £'000s	Amounts falling due in one year	2018-19 £'000s
725	Council Tax & Non Domestic Rates	676
5,682	Trade Payables	5,130
7,608	Central & Local Government	6,337
755	Other Payables	1,642
14,770	**Total Short Term Creditors**	**13,785**

The central and local government creditors mainly relate to Housing Benefit and Non Domestic Rates.

29. Provisions

	Compensation Claims £'000s	NNDR Appeals £'000s	Other Provisions £'000s	Total £'000s
Balance as at 1 April 2018	**432**	**2,496**	**500**	**3,428**
Additional provisions made in year	49	260	-	309
Amounts used during the year	-	(119)	(24)	(143)
Unused amounts reversed in year	-	(188)	-	(188)
Balance as at 31 March 2019	**481**	**2,449**	**476**	**3,406**

The council holds a provision of £481k in respect of asbestos related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants, and a business rates appeal provision of £2.449m for past and future appeals against the Valuation Office Agency (VOA) rateable valuation list.

30. Usable Reserves

2017-18 £'000s		2018-19 £'000s
9,221	Capital Receipts Reserve	9,437
10,019	Major Repairs Reserve	12,765
2,011	General Fund Balance	2,011
7,753	HRA Balance	9,308
43	Capital Grants Unapplied	43
7,777	GF Earmarked Reserves	11,471
5,244	HRA Earmarked Reserves	2,527
42,068	**Total Usable Reserves**	**47,562**

Movements in the year on the Authority's usable reserves are detailed in the Movement in Reserves Statement, the nature and purpose of each reserve is as follows:

Capital Receipts Reserve – see Note 30a below**.**

Major Repairs Reserve – resources available to meet capital investment in council housing.

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 HRA Note 1).

Capital Grants Unapplied Reserve – represents accumulated funds in respect of Performance Reward Grant received towards capital projects for which the council has met the conditions that otherwise may have required repayment of the monies. The movement in the year represents a transfer between revenue and capital in respect of the grant.

Earmarked Reserves – see Note 17.

30a. Usable Capital Receipts Reserve

This reserve holds the net proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

2017-18 £'000s		2018-19 £'000s
9,720	**Balance as at 1 April**	**9,221**
4,605	Capital Receipts in year	3,606
(4,850)	Capital Receipts used to finance capital expenditure	(3,182)
(196)	Housing Pooled Capital Receipts payment to government	(199)
(58)	Cost of sales/Right to Buy admin costs	(9)
9,221	**Balance as at 31 March**	**9,437**

31. Unusable Reserves

The 2017-18 Revaluation Reserve has been restated to reflect the prior year revaluation adjustment in Note 4b.

Restated 2017-18 £'000s		2018-19 £'000s
103,545	Revaluation Reserve	119,030
120,244	Capital Adjustment Account	115,155
3	Deferred Capital Receipts Reserve	2
(94,194)	Pensions Reserve	(86,274)
288	Collection Fund Adjustment Account	814
(187)	Accumulated Absences Account	(165)
129,699	**Total Unusable Reserves**	**148,562**

31a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. The 2017-18 figures have been restated to reflect the prior year revaluation adjustment detailed in Note 4b.

Restated 2017-18 £'000s		2018-19 £'000s
79,833	**Balance as at 1 April**	**103,545**
27,990	Upward revaluation of assets	20,575
(571)	Downward revaluation of assets and impairment losses charged to the reserve	(3,407)
61	Gains through acquisition/recognition of non-current assets in the year	-
27,480	**Surplus or deficit arising on revaluation of non-current assets**	**17,168**

(581)	Difference between fair value depreciation and historical cost depreciation	(571)
(3,187)	Accumulated gains on assets disposed of	(1,112)
(3,768)	Amount written off to the Capital Adjustment Account	**(1,683)**
103,545	**Balance as at 31 March**	**119,030**

Upward revaluation of assets in 2018-19 of £20.575m includes £13.277m for council dwellings. The figure of £27.990m for 2017-18 includes £11.270m for council dwellings and an adjustment of £6.765m as described in note 4b.

31b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 16 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017-18 £'000s		**2018-19 £'000s**
120,373	**Balance as at 1 April**	**120,244**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(8,445)	Charges for depreciation and impairment of non-current assets	(8,365)
(1,891)	Revaluation losses on Property, Plant and Equipment	(5,882)
(51)	Amortisation of intangible assets	(30)
(2,894)	Revenue expenditure funded from capital under statute	(2,966)
(4,364)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,422)
102,728		**100,579**
3,768	Adjusting amounts written out of the Revaluation Reserve	1,683
106,496	Net written out amount of the cost of non-current assets consumed in the year	**102,262**
	Capital Financing applied in the year:	
2,250	Use of the Capital Receipts Reserve to finance new capital expenditure	3,182
2,600	Repayment of debt	293
2,094	Use of the Major Repairs Reserve to finance new capital expenditure	1,304
3,922	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,857

931	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,064
1,391	Capital Expenditure charged against the General Fund and HRA balances	3,335
560	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(142)
120,244	**Balance as at 31 March**	**115,155**

31c. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or, eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017-18 £'000s		**2018-19 £'000s**
(110,534)	**Balance as at 1 April**	**(94,194)**
5,629	Re-measurement of the net defined benefit liability	10,077
5,137	Employers contributions payable in the year	4,694
5,574	Reversal of items relating to retirement benefits debited to the (surplus) or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(6,851)
(94,194)	**Balance as at 31 March**	**(86,274)**

31d. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017-18 £'000s		**2018-19 £'000s**
1,614	**Balance as at 1 April**	**288**
(122)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	(1)
(1,204)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	527
288	**Balance as at 31 March**	**814**

32. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017-18 £'000s		2018-19 £'000s
(170)	Interest Received	(321)
1,152	Interest Paid	1,152

32a. Cash Flow Statement – Adjust net surplus or deficit on the provision of services for non-cash movements

2017-18 £'000s		2018-19 £'000s
(8,445)	Depreciation	(8,365)
(1,891)	Impairment and downward valuations	(5,882)
(51)	Amortisation	(30)
1,586	Movement in Creditors	1,708
1,544	Movement in Debtors	1,287
39	Movement in Inventories	(26)
10,711	Pension Liability	(2,157)
(4,364)	Carrying amount of non-current assets sold	(2,002)
560	Movement in Investment Property Values	(142)
(892)	Contribution (to)/from Provisions	22
280	Other non-cash items	-
(923)		**(15,587)**

32b. Cash Flow Statement – Adjust net surplus or deficit on the provision of services for investing and financing activities

2017-18 £'000s		2018-19 £'000s
1,047	Capital Grants credited	(1,036)
4,550	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,603
5,597		**2,567**

33. Cash Flow Statement - Investing Activities

2017-18 £'000s	**Investing Activities**	2018-19 £'000s
11,968	Purchase of Property, plant and equipment, investment property and intangible assets	15,373
4	Purchase of short term and long term investments	686
20	Other Payments for investing activities	213
(4,550)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,604)
(4,166)	Other receipts from investing activities	(3,641)
3,276	**Net cash flows from Investing activities**	**9,027**

34. Cash Flow Statement - Financing Activities

2017-18 £'000s	Financing Activities	2018-19 £'000s
(43)	Cash Receipts of short and long term borrowing	-
-	Payments for the reduction of a finance liability	294
626	Repayments of short and long term borrowing	630
1,105	Other payments for financing activities	(406)
1,688	**Net cash flows from Financing activities**	**518**

34a. Reconciliation of Liabilities Arising from Financing Activities

	1 April 2017-18 £'000s	Financing Cash Flows £'000s	Other Non-cash Changes £'000s	31 March 2017-18 £'000s
Long term borrowings	31,047	43	(635)	30,455
Short term borrowings	984	(626)	648	1,006
Lease liabilities	641	-	-	641
Total	**32,672**	(583)	13	**32,102**

	1 April 2018-19 £'000s	Financing Cash Flows £'000s	Other Non-cash Changes £'000s	31 March 2018-19 £'000s
Long term borrowings	30,455	-	(5,431)	25,024
Short term borrowings	1,006	(630)	5,427	5,803
Lease liabilities	641	(294)	-	347
Total	**32,102**	(924)	(4)	**31,174**

35. Related Party Transactions

The Authority is required to disclose material transactions with related parties. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

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

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

Members and Senior Officers – 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. The total of members' allowances paid in 2018-19 is shown in Note 11. During 2018-19 a questionnaire was distributed to the 55 Current Members and 4 relevant officers, no significant declarations were made.

At the time of preparing this statement returns had not been received from 6 of the 55 Members. Previous declarations have been reviewed and none of the Members who have yet to return their forms had previously made any material disclosures.

Government Departments – Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 6 Expenditure and Income Analysed by Nature. Grant receipts and amounts outstanding at 31 March 2019 are shown in Note 15.

East Kent Housing Ltd. – The Council, together with Canterbury City Council, Dover District Council and Shepway District Council (now Folkestone and Hythe) jointly own East Kent Housing Ltd, an Arms Length Management Organisation (ALMO), whose principal activity is to manage each of the four councils' housing stock. For financial accounting purposes, East Kent Housing (the Company) is regarded as a related party as it is not a joint venture or a joint operation because the day to day operations are managed by the Board and, of the 12 members of the Board, there is only one representative from each of the member councils. The councils therefore do not have either sole or joint control, so it is therefore not included any further within the Statement of Accounts.

Management Fee - The ALMO costs apportioned to the Council equate to a simple 25% of their total expenditure. Whereas the management fee for the period ended 31 March 2019 payable by Thanet District Council amounted to £1.324m. This fee is based on the number of housing dwellings and the initial management expenditure relating to them at the commencement of the arrangement. Detail of this is included in the management agreement between the Council and East Kent Housing Limited.

East Kent Services – The Council is a partner in a number of shared service arrangements principally with other East Kent Local authorities. In 2009-10 the East Kent HR Partnership was formed incorporating Thanet, Canterbury and Dover District Councils and in February 2011 the East Kent Shared Service was formed incorporating various services from Thanet, Dover and Canterbury, this included Revenues and Benefits, ICT and Customer Services. Thanet is the host Authority for this arrangement. Neither arrangements are believed to have any joint account implications and are accounted for as related parties. The Council's financial statements include the costs and liabilities relating to its share of the shared service arrangements on a gross accounting basis across the relevant service headings up until the transfer of the main elements (Revenue and Benefits and Customer Services) to Civica UK Limited in February 2018.

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2017-18 £'000s		2018-19 £'000s	2018-19 £'000s
47,083	**Opening Capital Financing Requirement**		**44,598**
	Capital Investment		
7,760	Property, Plant and Equipment	12,252	
1	Investment Properties	-	
20	Capital loan granted (debtor)	133	
51	Intangible assets	30	
2,894	Revenue expenditure funded from capital under statute (including external funding)	2,966	
10,726			15,381
	Sources of finance		
(2,964)	Repayment of liability	(293)	
(2,250)	Capital Receipts	(3,182)	
(5,675)	Government Grants and other contributions	(4,821)	
(1,391)	Direct revenue contributions	(3,335)	
(931)	MRP	(1,064)	
(13,211)			(12,695)
44,598	**Closing Capital Financing Requirement**		**47,284**
	Explanation of movements in year		
1,410	Increase/(decrease in underlying need to borrowing (unsupported by government financial assistance)		4,043
(931)	MRP		(1,064)
(2,964)	Repayment of liability		(293)
(2,485)	**Increase/(decrease) in CFR**		**2,686**

Capital Expenditure and Financing

The total capital expenditure in 2018-19 amounted to £15.382m (including revenue expenditure funded from capital). This included £5.436m in relation to HRA which was funded through the Major Repairs Allowance £1.304m, grants £0.562m, Capital receipts £0.449m and revenue/reserves £3.121m.

General fund capital expenditure was £9.946m, funded from grants £2.955m, capital receipts £2.734m, and revenue/reserves £0.214m. The balance of £4.043m was unfunded.

Included in the General Fund capital expenditure of £9.946m is £4.547m for the acquisition of new assets (as set out in the Capital Expenditure section of the Narrative Report).Other significant General Fund expenditure includes £2.102m for disabled facility grants and £1.285m for improvements to Ramsgate Harbour gate and bridge and £5.068m on enhancements to HRA dwellings.

Finance and Operating Leases

Finance Leases

At the start of the year the council had two car park leases which were 125 years long. During the year one of these leases was terminated upon acquisition of the car park freehold by the council. The remaining lease has been reviewed and substantially all the risks and rewards of the lease lie with the council. Therefore, to reflect this, a long term obligation exists for the remaining years of the lease.

The asset under this remaining lease is carried as Property, Plant and Equipment in the Balance Sheet. The car park lease was re-valued during 2017-18 and has been assessed as having a nil value due to the significant on-going revenue deficits being incurred for the car park.

The Authority is committed to making minimum payments under this lease comprising of the settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

	2017-18 £'000s	2018-19 £'000s
Finance lease liabilities (net present value of minimum lease payments)		
Non-current	569	315
Finance costs payable in future years	72	32
Minimum lease payments	**641**	**347**

The minimum lease payments will be payable over the following periods:

	2017-18 £'000s	2018-19 £'000s
More than 1 year less than 5 years	2	2
More than 5 years	639	345
	641	**347**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018-19 £213k contingent rents were payable by the Authority (2017-18 £445k).

Operating Leases: Council as Lessor

As a lessor, the Council has in excess of 200 operating leases relating to its General Fund and HRA investment properties that are considered cancellable. The majority of minimum lease payments receivable (£1.262m subject to rent review) relate to more than 5 years, the average lease term for such properties being 6 years. These assets can be found in the fixed asset note under Investment Properties. The asset valuations are apportioned as follows:

Asset Valuations

2017-18 £'000s		2018-19 £'000s
55	Investment Properties HRA	25
22,810	Investment Properties General Fund	21,868
22,865	**Total**	**21,893**

37. Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council 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 in accordance with the Local Government Pension Scheme Regulations 2013. This is a funded defined benefit scheme based on career average revalued salary and length of service on retirement, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
The administering authority for the Fund is Kent County Council. The Pension Fund Committee oversees the management of the Fund, whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisors. Please note that no allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits.

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

In general, participating in a defined benefit pension scheme means that the employer is exposed to a number of risks:

- Investment risk – the Fund holds investment in asset classes, such as equities, which have volatile market values and whilst these assets are expected to provide real returns in the long term, the short term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk – the Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk – all of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk – in the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks
- In addition, as many unrelated employers participate in the Kent County Council Pension Fund, there is an orphan liability risk where employers leave the Fund, but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers

All of the risks above may also benefit the employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers

The cost of retirement benefits are recognised in the 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 Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements during the year:

2017-18 £'000s	Amounts recognised in the Comprehensive Income and Expenditure Statement	2018-19 £'000s
	Cost of Services	
6,302	Current service cost	4,442
(14,800)	Past Service costs, curtailments and settlements*	-
2,852	Net Interest on the defined liability	2,342
72	Administration expenses	67
(5,574)	**Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services**	**6,851**

* Settlement of £14.8m in 2017-18 arising from the transfer of East Kent Services employees to Civica in February 2018.

2017-18 £'000s		2018-19 £'000s
	Re-measurement of Net Defined Benefit	
(1,691)	Return on plan assets in excess of interest	(6,932)
(3,938)	Changes in financial assumptions	9,473
-	Changes in demographic assumptions	(12,618)
(5,629)	**Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure**	**(10,077)**

2017-18 £'000s	Amounts recognised in the Movement in Reserves Statement	2018-19 £'000s
5,574	Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	(6,851)
	Actual amount charged against the General Fund and Housing Revenue Account balance for pensioners:	
5,137	Employers' contributions payable to the scheme	4,694

Assets and Liabilities in relation to Retirement Benefits

The following table shows a reconciliation of the present value of the scheme liabilities:

2017-18 £'000s		2018-19 £'000s
257,136	**Balance as at 1 April**	**227,715**
6,302	Current service cost	4,442
6,707	Interest cost	5,711
(3,938)	Change in financial assumption	9,473
-	Change in demographic assumption	(12,618)
1,062	Contributions by scheme participants	785
(8,307)	Benefits paid	(7,708)
(590)	Unfunded pension payments	(583)
(30,657)	Past service costs including curtailments/settlements	-
227,715	**Closing Defined Benefit Obligation**	**227,217**

The following table shows a reconciliation of the fair value of the scheme assets:

2017-18 £'000s		2018-19 £'000s
146,602	**Balance as at 1 April**	**133,521**
3,855	Interest on assets	3,369
1,691	Return on assets less interest	6,932
(72)	Administration expenses	(67)
5,137	Employer contributions including unfunded	4,694
1,062	Contributions by scheme participants	785
(15,857)	Settlement prices paid	-
(8,897)	Benefits paid including unfunded	(8,291)
133,521	**Closing Fair Value of Employer Assets**	**140,943**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

In February 2018 a significant number of employees transferred from East Kent Services to Civica. As a result, Civica has taken on the appropriate share of pension liability in respect of these employees. The asset and liability tables above show the effect of this settlement.

The actual gain on scheme assets in the year was £10.301m (2017-18 £5.546m).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £86.3m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid. The contributions expected to be made to the scheme by the council in the year to 31 March 2020 is £4.1m.

Balance Sheet Disclosure as at 31 March 2019

Net Pension assets as at	**31 March 2017 £'000s**	**31 March 2018 £'000s**	**31 March 2019 £'000s**
Present value of funded obligation	248,234	219,257	219,349
Fair value of scheme assets (bid value)	(146,602)	(133,520)	(140,942)
Net Liability	**101,632**	**85,737**	**78,407**
Present value of unfunded obligation	8,902	8,457	7,867
Net Liability in Balance Sheet	**110,534**	**94,194**	**86,274**

IAS 19 does not impact directly on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates have been based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

31 March 2018		31 March 2019
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.1 yrs	Men	22.0 yrs
25.2 yrs	Women	24.0 yrs
	Longevity at 65 for future pensioners:	
25.3 yrs	Men	23.7 yrs
27.5 yrs	Women	25.8 yrs
2.4%	Rate of inflation (CPI)	2.5%
3.9%	Rate of increase in salaries	4.0%
2.4%	Rate of increase in pensions	2.5%
2.6%	Rate for discounting scheme liabilities	2.4%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

Further assumptions are that:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2018 £'000s	31 March 2018 %		31 March 2019 £'000s	31 March 2019 %
89,099	66	Equity investments	96,646	68
1,021	1	Gilts	927	1
12,766	10	Bonds	12,834	9
16,788	13	Property	16,928	12
4,425	3	Cash	2,459	2
9,422	7	Target Return Portfolio	11,149	8
133,521		**Total**	**140,943**	

The following provides detail of these assets as at 31 March 2019, representing the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not.

Employer asset share – bid value		**31 March 2019**	
		% Quoted	**% Unquoted**
Fixed Interest			
Government Securities	UK	-	-
	Overseas	0.7%	-
Corporate Bonds	UK	4.5%	-
	Overseas	4.6%	-
Equities	UK	25.5%	-
	Overseas	40.6%	-
Property	All	-	12.0 %
Others	Absolute return portfolio	7.8%	-
	Private equity	-	1.7%
	Infrastructure	-	0.8%
	Derivatives	-	(0.1)%
	Cash/temporary investments	-	1.5%
Net Current Assets	Debtors	-	0.6%
	Creditors	-	(0.2)%
Total		**83.7%**	**16.3%**

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. For the adjustment to the mortality age rating assumption, it has been assumed that a member has the mortality of someone a year older or a year younger, for example, under +1 year we have assumed that a 40 year old actually has the mortality of a 41 year old. As required under IAS 19, the projected unit method of valuation has been used to calculate the service cost. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

	£'000s	**£'000s**	**£'000s**
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present value of total obligation	223,581	227,217	230,916
Projected Service Cost	4,333	4,444	4,558
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present value of total obligation	227,525	227,217	226,912
Projected Service Cost	4,444	4,444	4,444
Adjustment to Pension Increases &	+0.1%	0.0%	-0.1%
Deferred Revaluation	230,603	227,217	223,885
Present value of total obligation	4,558	4,444	4,333
Projected Service Cost			
Adjustment to Mortality age rating assumption	+1 year	None	-1 Year
Present value of total obligation	235,488	227,217	219,238
Projected Service Cost	4,597	4,444	4,296

These assumptions are set with reference to market conditions at 31 March 2019.
Our estimate of the duration of the Employer's liabilities is 17 years.

An estimate of the council's future cashflows is made using notional cashflows based on 17 years estimated duration. These cashflows are then used to derive a Single Equivalent

Discount Rate. This derived rate equates to the net present value of the cashflows, discounted using annualized Merrill Lynch AA rated corporate bond yield curve. This is a change in estimation compared to the previous year.
As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made an assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.45% p.a. We believe that this is a reasonable estimate for the future differences in indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the previous accounting date. Salaries are assumed to increase at 1.50% p.a. above CPI in addition to the promotional scale. However, we have allowed for a short-term overlay from 31st March 2016 to 31st March 2020 for salaries to rise in line with CPI. This is consistent with the previous year's assumption.

Projected Pension Expense for the year to 31 March 2020

	£'000s
Current Service Cost	4,444
Net Interest on the Defined Liability (asset)	2,015
Administration Expenses	70
Total	**6,529**
Employer Contributions	4,112

38. Other Long Term Liabilities

Other long term liabilities on the Balance Sheet include the multi storey car park finance lease obligation £0.347m (see Note 37 for further detail), the pension liability £86.274m (see previous note), and a deferred credit of £1.558m which relates to capital expenditure incurred on one of the council's leisure facilities by the entity that operates it under a lease arrangement, where expenditure is released to the Comprehensive Income and Expenditure Statement over the remaining term of the lease. In addition £0.243m relates to projects still to be delivered by East Kent Services on behalf of the other partners in the shared service arrangement (see Note 35 for further detail of the arrangement).

39. Contingent Liabilities

Dreamland CPO

On 3 June 2011, a Compulsory Purchase Order (CPO) was served on the land owners of the Dreamland site pursuant to Section 226 of the Town and Country Planning Act 1990. A public enquiry took place between 10 January 2012 and 26 March 2012 and the CPO was subsequently confirmed on 17 August 2012. The land owners then lodged an appeal which was dismissed by the High court on 2 May 2013. The council have now taken formal ownership of the site however, there is an ongoing legal process with the former land owners.

Hand Arm Vibration

Following the actions taken in respect of previous Health and Safety at Work Act contraventions and with the risk of future claims the council is examining all Transfer of Obligations (TUPE) to ensure applicable management records are in place for future employees. At the same time historical records are being examined with our insurers to ensure both systems record our obligations correctly.

40. Joint Operations

In order to bring about the Economic Development and Regeneration of the area, Thanet District Council in partnership with Kent County Council set up a separate vehicle (East Kent Opportunities LLP) which was incorporated on 4 March 2008, to develop and market the sites known as EuroKent and Manston Park. The member agreement was signed on 22 August 2008 stating that TDC and KCC have 50:50 ownership, control and economic participation in the joint operation. Both parties contributed 38 acres of land each to EKO LLP.

In accordance with IFRS 11 the council accounts for its share of the assets, liabilities, and income and expenditure within its own single entity accounts. After the sale of a substantial parcel of the land on 31 March 2017 the council's share of the remaining land is £1.352m.

41. Heritage Assets – Summary of Transactions

The Code requires that the financial statements shall contain a summary of transactions relating to heritage assets disclosing the following information for the accounting period and the preceding period:

a) the cost of acquisitions of heritage assets
b) the value of heritage assets acquired by donation
c) the carrying amount of heritage assets disposed of in the period and the proceeds received, and
d) any impairment recognised in the period

The council has set a de minimus level in respect of the recognition of heritage assets of £10k.

The council carries out a regular review of its assets and apart from the Dreamland amusement park, cinema complex and vintage rides, has identified a relatively small amount of Heritage Assets, mainly the artefacts held at the council's museums.

The following summary shows separately the assets that are reported in the Balance Sheet and those that are not:

Cost of Recognition/acquisition of Heritage assets	2017-18 £'000s	2018-19 £'000s
Art		
- Items with value > £10k	85	85
- balance of collection	121	121
Furniture/Dolls etc		
- Items with value > £10k	30	30
- balance of collection	14	14
Civic Statues		
- Items with value > £10k	113	113
Posters		
- balance of collection	16	16
Civic Regalia		
- Items with value > £10k	18	18
- balance of collection	9	9
Miscellaneous		
- balance of collection	52	52
Dreamland		
- Items with value > £10k	20,344	20,575
Total Value of Assets	**20,802**	**21,033**
Total Value shown on Balance Sheet (net of impairment/devaluation)	**20,590**	**20,821**

42. Heritage Assets – Further information on the Museum's Collections

War Memorials and Public Statues

There are several 'traditional style' war memorials in varying locations throughout the District. These are included in the Community asset portfolio with no material value.

Museum Artefacts and Art Collection

The artefact collections at Margate Museum are typical of a mixed social history collection with a good proportion of the collections being of local origin and/or relevance. This includes a large number of the souvenirs and ephemera one would expect from a seaside town with a long history of tourism and entertainment. There are also artefacts from local industries, especially the Cobb Brewery, and from the agricultural past of the area. As with many local history museums, there is a collection of artefacts reflecting Margate's World War experiences and, as the Museum is sited in the town's old Gaol, some items drawn from the Police profession. Other groups of items include coins, medals and tokens, the town's official Weights and Measures, a small number of medical, technical and audio equipment, and a collection of local newspapers. There is a small collection of archaeology owned by the Museum which is supported by a larger collection of material on loan from Thanet Archaeological Trust.

The artefacts with the higher financial values include a very important wooden doll dating back to 1750, a marble bust by Sir Francis Chantry, a few theatrical posters, and Victorian furniture (mostly at Dickens House, Broadstairs).

The artefact collection is supported by a large fine art collection including some oils on canvas by notable artists, with the bulk of this collection made up of several hundred engravings of local scenes and seascapes, again, with some works by notable artists. Of particular note and financial value is the Rowe Bequest of engravings including many produced by Phillipe Loutherberg; the large oil on canvas by James Webb depicting Margate from the Pier; and significant but lower value oil paintings by Alfred Clint, George Chambers and Arthur Meadows.

This important collection is supported by a large photographic collection, including the Sunbeam Studio collection (tourist portraits) and material from the East Kent Times; an extensive collection of postcards depicting local scenes underlines the strength and importance of visual images of local scenes in the Museum's collection.

Civic Regalia

The District has a collection of various fine civic regalia including regalia deriving from past districts which were subsumed into Thanet in 1974. The most often viewed regalia are the chains and Badges of Office.

A valuation of civic regalia for insurance purposes was last undertaken in 2015-16.

Dreamland

The Dreamland amusement park was a fundamental element of the Margate seafront and comprised a cinema, amusement arcades, cafes and a traditional collection of fairground rides. Unfortunately the site was closed for a number of years and the council has been successful in a CPO to acquire the site and reopen the facilities including the traditional fairground. Following restoration, the amusement park reopened during 2015-16 and the attractions include vintage rides acquired by the council. Management of the park is undertaken by a third party but the assets are retained in council ownership. The cinema complex has also undergone restoration by the council, which was largely completed in 2017-18.

Preservation and Management

Apart from Dreamland referred to above, no specific preservation treatments or action has been taken with regard to any of the council's heritage assets. All items, except the war memorials and public sculptures, are held in civic property and none have been reported as incurring deterioration or impairment. The paintings are in general on open display and it is therefore trusted that any change in the condition of the assets would be noticed.

Some of the civic regalia has occasionally incurred damage, however this has been commensurate with being actively used on council business and has been readily repaired. Acquisitions of new heritage assets by direct purchase are not anticipated in the future, however the council will be happy to consider acceptance of assets offered by donation or gift.

Except for war memorials and sculptures, all Heritage assets are generally currently insured under the council's All Risks insurance policy. In order to support this insurance a full valuation of all civic regalia items is periodically undertaken and these are the valuations used in the Balance Sheet.

43. Accounts Authorised for Issue

The date that the accounts were authorised for issue was the date that the Deputy Chief Executive and S151 Officer, Tim Willis, signed the Statement of Responsibilities for the Statement of Accounts on page 21.

Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2019

2017-18 £'000s		2018-19 £'000s
	INCOME	
12,754	Dwelling rents (gross)	12,671
252	Non-dwelling rents (gross)	223
427	Charges for services and facilities	451
395	Contributions towards expenditure	327
13,828	Sub-Total Income	13,672
	EXPENDITURE	
3,017	Repairs and maintenance	2,940
2,996	Supervision and management – General	2,871
670	Supervision and management – Special	712
230	Rents, rates, taxes and other charges	207
373	Movement in the Allowance for Bad Debts	305
5,730	Depreciation, impairments and revaluation losses of non current assets	7,216
8	Debt management costs	11
13,024	Sub-Total Expenditure	14,262
(804)	**Net Expenditure and Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**590**
141	HRA Services share of Corporate and Democratic Core	106
(663)	**Net Cost of HRA Services**	**696**
1,207	(Gain) or loss on HRA non-current assets	205
808	Interest payable and similar charges	809
(76)	Interest and investment income	(161)
(353)	Capital Grants and Contributions Receivable	(562)
923	**(Surplus)/Deficit for the year on HRA services**	**987**

Movement on the Housing Revenue Account Statement

2017-18 £'000s		2018-19 £'000s
(6,714)	Balance on the HRA at the end of the previous year	**(7,753)**
923	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	987
(177)	Adjustments between accounting basis and funding basis under regulations (note 9)	3,352
746	(Increase) or decrease in the Housing Revenue Account Balance before transfers to/(from) reserves	4,339
(1,785)	Transfer to/(from) Earmarked & Other Reserves	(5,894)
(1,039)	(Increase)/decrease in the year on the Housing Revenue Account	**(1,555)**
(7,753)	Balance on the HRA at the end of the current year	**(9,308)**

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 "ring-fenced" 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 3,033 dwellings during 2018-19 including the Authority's share of shared ownership dwellings.

The stock as at 31 March 2019 is comprised of the following types of dwellings:

Stock as at 31 March 2018		Stock as at 31 March 2019
1,547	Houses	1,562
185	Low Rise Flats (1 to 2 Storey)	192
877	Medium-Rise Flats (3 to 5 Storey)	873
406	High-Rise Flats (6 Storeys or more)	406
3,015	**Total**	**3,033**

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

31 March 2018 £'000s		31 March 2019 £'000s
142,159	Council Dwellings	153,832
3,376	Operational Land & Buildings	2,951
54	Investment	25
1,399	Assets Under Construction	945
146,988	**Total**	**157,753**

The vacant possession value of dwellings within the Authority's Housing Revenue Account as at 1 April 2018 was £466m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

3. Housing Revenue Account Capital Expenditure

The 2017-18 Investment Properties and Loan figures have been restated to reflect an error in classification.

Restated 2017-18 £'000s		2018-19 £'000s
3,622	Houses (dwellings and other land & buildings)	5,343
869	Other Land & Buildings & Assets Under Construction	-
1	Investment Properties	-
-	Loan	93
4,492	**Total Housing Revenue Account Capital Expenditure**	**5,436**

2017-18 £'000s		2018-19 £'000s
410	Borrowing	-
1,179	Revenue Contribution to Capital	3,121
2,093	Financed from Major Repairs Reserve	1,304
376	Funded from Capital Receipts	562
434	Funded by grants and external contributions	449
4,492	**Total Housing Revenue Account Financing**	**5,436**

4. Capital Receipts from Disposal of Land, Houses and Other Property within the Housing Revenue Account

2017-18 Total £'000s		2018-19 Usable £'000s	2018-19 Contribution to Gov't Pool £'000s	2018-19 Total £'000s
1,406	Sale of Dwellings	346	183	163
986	Sale of Other Land and Buildings	356	-	356
-	Mortgage Repayment	1	-	1
2,392	**Total**	**703**	**183**	**520**

5. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2019 amounted to £1.221m. This figure includes the full week rent charge but only payments up to and including 31 March 2019.

2017-18 £'000s		2018-19 £'000s
303	Current Tenant Rent Arrears	647
403	Former Tenant Rent Arrears	574
706	**Total**	**1,221**

6. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £1.157m in 2018-19 (2017-18 £0.844m).

7. Depreciation and Impairment of Fixed Assets

2017-18 Depreciation £'000s	2017-18 Impairment £'000s		2018-19 Depreciation £'000s	2018-19 Impairment £'000s
3,643	-	Houses	3,961	-
111	90	Other Operational Property	89	-
3,754	**90**	**Total**	**4,050**	**-**

Impairment losses on HRA assets are debited to the Revaluation Reserve where a balance exists for the asset, or debited to the HRA Income and Expenditure Statement in accordance with the general provisions of the Code.

8. Pension Costs

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:

2017-18 IAS19 Adjustments £'000s		2018-19 IAS19 Adjustments £'000s
235	Current Service Costs in I&E	213
(86)	Movement on Pension Reserve	(87)
149		126
149	HRA contributions payable to scheme	126

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.

9. Adjustments between Accounting and Funding Basis

2017-18 £'000s	Reversal of items debited/(credited) to the HRA Income and Expenditure Statement to be removed for determining the movement on the HRA balance for the year	2018-19 £'000s
-	Capital Grants and Contributions Receivable	562
(1,207)	Gain or loss on HRA non-current assets	(205)
(235)	Net charges made for retirement benefits in accordance with IAS 19	(213)
(1,442)		**144**
	Addition of items not debited/(credited) to the Comprehensive Income & Expenditure Statement to be included for determining the movement on the HRA balance for the year	
86	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	87
1,179	HRA contribution to finance capital expenditure	3,121
1,265		**3,208**
(177)	**Net additional amount required by statute to be debited/(credited) to the HRA balance for the year**	**3,352**

Collection Fund Statement for the year ended 31 March 2018

2017-18 Council Tax £'000s	2017-18 Non-Domestic Rates £'000s			2018-19 Council Tax £'000s	2018-19 Non-Domestic Rates £'000s
		INCOME			
71,971		Council Tax (net of Benefits and Transitional Relief)	Note 2	76,702	
	34,025	Non-Domestic Rates Income	Note 3		34,410
	-	Transitional Protection Payment			
	-	Contribution towards previous years estimated deficit			
71,971	**34,025**	**Total Income**		**76,702**	
		EXPENDITURE			
69,921		Precepts and Demands from County Council, Police and Crime Commissioner, Fire and Rescue and the Billing Authority	Note 5	75,050	
		Non-Domestic Rates			
	15,636	- Payment to Central Government			-
	2,814	- Payment to County Council			19,139
	313	- Payment to Fire and Rescue			324
	12,509	- Payment to Billing Authority			12,976
	192	- Cost of Collection Allowance			191
	361	Transitional Protection Payment			62
		Bad and doubtful debts/ appeals			
742	56	- Amounts Written Off in year		518	141
221	202	- Provision for Bad and Doubtful Debts		229	35
	1,834	- Provision for Appeals			180
1,964	3,118	Payment of previous years surplus		899	44
72,848	**37,035**	**Total Expenditure**		**76,696**	**33,092**
877	**3,010**	**(Surplus)/Deficit for Year**		**(6)**	**(1,318)**
(1,795)	**(3,421)**	**Balance at Beginning of Year**		**(918)**	**(411)**
(918)	**(411)**	**Balance at End of Year**		**(924)**	**(1,729)**

Notes to the Collection Fund Statement

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to the local authority, major preceptors and Central Government of both council tax and non-domestic rates in accordance with the relevant sections of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

The transactions presented in the Collection Fund Statement are those permitted by the above statute and reflect the full (surplus)/deficit on the fund at the end of the year. The Comprehensive Income and Expenditure Statement recognises income on a full accruals basis even though the distribution or recovery of the Collection Fund balance occurs in the following financial year. The authority's share of this balance created by the timing differences is held in the Collection Fund Adjustment Account on the Balance Sheet.

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 and Crime Commissioner, Kent Fire and Rescue and Thanet District Council to provide services to the District, then dividing this by the tax base.

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

Band	**Estimated Number of Taxable Properties after Discount**	Ratio	**Band D Equivalent**
A	9,238	6/9	6,159
B	14,123	7/9	10,984
C	14,190	8/9	12,613
D	6,646	1	6,646
E	3,549	11/9	4,338
F	1,369	13/9	1,977
G	670	15/9	1,117
H	17	2	34
TOTAL	**49,802**		**43,868**
Add Band D equivalent military dwellings			24
Adjustment for Non-collection (2.25%)			(987)
COUNCIL TAX BASE			**42,905**

Estimated income for 2018-19 was £75,050m, actual income was £76.702m. After set aside and write off of bad debt (£0.747m) and redistribution of estimated prior year surpluses to major preceptors (£0.899m) the surplus for the year (£6k) has resulted in an increase to the overall surplus on the fund (£0.924m).

3. 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 distributed between Central Government, County, Fire and Rescue and the Billing Authority in accordance with statutory regulations. Under these arrangements, the amounts included in these accounts can be analysed as follows:

2017-18 £'000s		2018-19 £'000s
	Non-Domestic Rateable Value £96,634,298	
46,031	Multiplied by the Uniform Business Rate (49.3p for 2018-19)	47,641
(12,006)	Allowances and other adjustments	(13,231)
34,025	**Net collectable Non-Domestic Rates 18-19**	**34,410**

The Non-Domestic Rate multiplier for 2018-19 was 48.0p for qualifying properties of less than £51k rateable value and 49.3p for all others (2017-18 46.6p and 47.9p respectively).

Under the business rate retention scheme local authorities are able to come together on a voluntary basis to pool their business rate income in order to benefit from additional business rate growth through collaborative working and improve the business rate income retained within the district. The Kent Business Rate Pool came into effect on 1 April 2015. The other pool members include Kent County Council (KCC), Kent Fire and Rescue (KFR) and 12 other local authorities from the Kent area. Where levy payments are due to central government as a result of business rate income growth, the pool is allowed to retain 50% of the calculated collective levy to distribute between pool members and set aside a growth fund to promote economic growth, in the proportions set down in the pool agreement. The pool is also designed to provide protection to any authority that would have received greater funding outside the pool. The council's share of the income from the pool for 2018-19 was £307k (2017-18 £200k) and has been credited to the Comprehensive Income and Expenditure Statement, and the growth fund share was £307k (2017-18 £199k) which has been transferred to the Local Taxation Funding earmarked reserve to finance future projects.

During 2018-19 the Kent Pool took part in the 100% Business Rates Retention Pilot Scheme whereby the pool retained all of the business rate income for the year to be distributed within the Kent area. The 50% share normally paid over to Central Government has been retained within the pool area and distributed to the pool members based on business rate growth and baseline need. The additional income generated from the pilot scheme (£2.392m) has been credited to the Comprehensive Income and Expenditure Statement.

4. (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 preceptors and the billing authority. The estimated surplus for 2017-18 to be distributed during 2018-19 was

£0.899m. The actual surplus on the Council Tax Collection Fund for the year 2018-19 (£0.924m) represents partly an increase in the resources attributable to the Authority, and partly amounts due to major preceptors. In order to comply with the Code of Practice on Local Authority Accounting (the Code) 2018-19 this has been split between Thanet District Council fund balances (£0.122m) and other local authority creditors (£0.802m) within the Balance Sheet.

A change in statutory regulations for the distribution of non-domestic rates income similarly requires any surplus or deficit estimated at 31 January to be shared between central government, major preceptors (excluding the Police and Crime Commissioner) and the billing authority in prescribed proportions. The actual surplus on the Non Domestic Rates Collection Fund for the year 2018-19 (£1.729m) has been split between Thanet District Council (£0.692m) and other local authorities and central government (£1.037m).

5. Precepts and Demands on the Collection Fund

2017-18		**2018-19**
£		**£**
49,591,283	Kent County Council	53,102,252
6,611,077	Kent Police and Crime Commissioner	7,257,325
3,085,730	Kent Fire and Rescue	3,239,732
9,249,620	Thanet District Council	9,715,330
68,537,710	**Total**	**73,314,639**
	Parishes and Charter Trustees	
4,376	- Acol	6,879
54,970	- Birchington	64,192
463,352	- Broadstairs	562,301
14,876	- Cliffsend	15,510
16,645	- Manston	18,527
72,552	- Margate	137,500
55,568	- Minster	61,321
8,311	- Monkton	10,520
578,526	- Ramsgate	705,596
15,974	- St Nicholas at Wade	20,993
98,040	- Westgate on Sea	132,400
1,383,190	**Total**	**1,735,739**

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 that is measurable in monetary terms. Assets can be defined as non-current or current. A non-current 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).

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 non-current and 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.

Business Rate Tariff

Payment made from the local authority to Central Government, where the business rate baseline (the authorities share of non-domestic rates income) is higher than the baseline funding level assessed and set by central government.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure that adds to, and not merely maintains, the value of an existing non-current 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.

Comprehensive Income and Expenditure Statement

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.

Contingent Asset

A possible asset that arises from past events confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not completely within the control of the authority so are not included in the balance sheet.

Contingent Liability

A possible obligation that arises from past events confirmed only by the occurrence or non-occurrence of one or more uncertain future events not completely within the control of the authority, or a present obligation arising from past events that is not recognised in the balance sheet because the amount cannot be reliably measured or settlement is unlikely.

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.

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.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments include bank deposits, investments, debtors, long-term debtors, creditors, temporary loans and borrowings.

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.

Heritage Asset

Heritage assets can be defined as tangible or intangible, and are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

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 and other income.

Impairments

A reduction to the value of a non-current asset (below its carrying amount in the Balance Sheet) due to a clear consumption of economic benefits or a general fall in market value.

Income

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

Infrastructure Assets

This category of non-current assets includes such facilities as highways, footpaths and sea defences.

Intangible Assets

An intangible 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.

International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs)

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. IFRSs and IASs 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.

Inventories

Comprise goods or other assets purchased for resale and consumable stores.

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 arms length.

Liability

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

Non-Current 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.

Non-Domestic Rate

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

Non-Operational Assets

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

Operating Lease

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

Operational Assets

Non-current 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.

Precept

The levy made by precepting authorities on billing authorities, for example the Kent County Council 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.

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