Thanet District Council

Statement of Accounts

2015-16

September 2016

Contents

Narrative Report

The council's Statement of Accounts

This Statement of Accounts presents the financial results of the council's activities for the year ended 31 March 2016 and provides a picture of the council's overall financial position as at that date. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

The purpose of this narrative report is to give the reader an understanding of the most significant matters reported in the accounting statements, as well as a review of the council's financial performance and economy, efficiency and effectiveness in its use of resources over the year.

Introduction to Thanet

Thanet District Council is a local authority providing services within the administrative district of Thanet in Kent. These services include leisure, environmental health, and housing.

Thanet has a resident population of 139,800 (2015). Most of the population live on the coast that links the resorts of Ramsgate, Broadstairs and Margate

The district is a unique coastal area, with 19 miles of nationally and internationally recognised coastline and Blue Flag award winning beaches and bays. Together with its villages, open countryside and proximity to the rest of Kent, London and Europe through its transport links, Thanet has plenty to offer. With a broad range of events, cultural facilities and a growing creative scene.

However, the area also has its challenges and remains Kent's most deprived local authority district in the Index of Multiple Deprivation IMD2015. Nationally, Thanet is ranked at 21 out of 326 authorities placing it within England's 10% most deprived of authorities.

The council's corporate plan 2015 to 2019 sets out the corporate priorities that the council are focussing on. These are:

- Priority 1 - A clean and welcoming environment
- Priority 2 - Supporting neighbourhoods
- Priority 3 - Promoting inward investment and job creation

Underpinning the corporate priorities, the council's values identify the way the council will work in order to deliver its priorities. These are:

- Value 1 - Delivering value for money
- Value 2 - Supporting the workforce
- Value 3 - Promoting open communications

Context for the 2015-16 Accounts

Current Economic Climate

The current economic climate and that of recent years has had a considerable impact on the council, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. The Bank of England base rate has remained at an historic low of 0.5% which has resulted in reduced investment receipts for the council.

The council is going through an extremely challenging financial period as central Government continues its drive to reduce the national deficit. Local government as a whole has continued to face larger reductions than other parts of the public sector. For Thanet

District Council this has resulted in significant cuts in government funding, with further cuts anticipated over the coming years. As a result, the council has already made savings of £7.1m between 2011-12 and 2015-16.

The Medium Term Financial Strategy (MTFS) sets out the council's strategic approach to managing its finances over a rolling four year period. A range of savings options have been developed over the medium term to mitigate the impact of funding cuts and enable the Council to deliver a balanced budget. These include sharing services with neighbouring councils, reviewing staff structures and service efficiencies. In 2015-16, savings targets of £1.218m were identified, including £0.932m of savings already agreed as part of the 2014 budget setting process, and £228k as a result of a corporate review of budgets.

The Council has reviewed its level of reserves, taking account of the financial risks that could pose a threat to the Authority over the medium term and also in light of the cuts in future funding. The Council has set its optimal level of general reserves at 12% of the net revenue budget. The general reserves as at 31 March 2016 are £2.011m which represents 12% of the 2015-16 net revenue budget and are therefore in line with the Council's optimal reserve level. In addition to the general reserve, a number of earmarked reserves exist. These are sums set aside for specific purposes and essentially allow funds to be saved over a number of years for large and often one-off items of expenditure, thereby smoothing the impact on Council Tax. The need for these reserves is reviewed regularly.

Also affected by the current economic climate are asset disposals. The Council's ability to generate funds from releasing capital resources has been limited, affecting the Council's capital programme. Only the most important capital projects are now selected for inclusion within the programme which means that the programme is now driven predominately in response to health and safety issues and those projects that are key corporate priorities.

Financial Performance in 2015-16

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

Revenue Outturn

In February 2015 the Council approved a net revenue budget for 2015-16 of £16.807m. This enabled the Council to implement a council tax freeze in line with Government's recommendations and therefore qualify for Section 31 council tax freeze grant funding. The budget strategy was to keep budget growth to a minimum, whilst achieving the savings target of £1.218m. Additional investment of £100k was made in street cleansing, as this was identified as a priority area during budget consultation.

The Council has monitored its budget position very closely during the course of the year and has encouraged managers to make savings wherever possible in order to counteract budget pressures. Strict controls over recruitment were maintained and managers were encouraged to identify efficiency savings and delay spending where possible where this would not adversely impact on service delivery. As a result, the Council has managed to make the required transfers to Earmarked Reserves as planned in the budget and during in-year budget monitoring.

The outturn against the budget is shown in the following table:

	2015-16 Gross Expenditure £'000s	2015-16 Gross Income £'000s	2015-16 Net Expenditure £'000s	2015-16 Net Original Budget £'000s	2015-16 Variance £'000s
Cost of Services	**135,742**	**112,061**	**23,681**	**19,957**	**3,724**
Precepts paid to Parish Councils			855	860	(5)
Payments to the Housing Capital Receipts Pool			208	208	-
Gains/losses on disposal of fixed assets			845	845	-
Other Operating Expenditure			**1,908**	**1,913**	**(5)**
Interest payable and similar charges			1,116	1,343	(227)
Impairment of Financial Instruments			22	18	4
Net Interest on the Net Defined Pension Liability			3,621	-	3,621
Interest receivable & investment income			(207)	(144)	(63)
Gains/losses on trading undertakings			16	16	-
Changes in the fair value of Investment Properties			(1,306)	(1,306)	-
Gains/losses on Investment Properties			(422)	(422)	-
Financing & Investment Income & Expenditure			**2,840**	**(495)**	**3,335**
Council Tax Income			(9,424)	(9,264)	(160)
Business Rate Income			(13,650)	(5,200)	(8,450)
Business Rate Expenditure (Tariff)			8,555	-	8,555
Non-ring fenced government grants			(6,564)	(4,663)	(1,901)
Capital grants & contributions			(4,454)	(1,362)	(3,092)
Taxation & Non-Specific Grant Income			**(25,537)**	**(20,489)**	**(5,048)**
(Surplus)/Deficit on Provision of Services			**2,892**	**886**	**2,006**

The outturn position has enabled the Council's general fund balances to be maintained at 12% of its net revenue budget requirement for 2015-16. This in line with its financial risk assessment of reserve levels as approved by Members in February 2016. A number of contributions to and from Earmarked Reserves were made during the year to deliver the General Fund budget. Overall, Earmarked Reserves have reduced by £4.04m largely due to the animal exports ban settlements and the Health and Safety provision (see Note 22). Reserves have been reviewed as part of the year end process and are considered adequate to meet the on-going needs and plans of the authority.

Material or Unusual Charges or Credits to the Accounts

In September 2012, the Council imposed a temporary ban (lasting approximately five weeks) on the movement of live animals through the Port of Ramsgate. The Council was served with a judicial review application in October 2012 seeking to quash the decision on the grounds that it was unlawful, there was a further claim for resultant damages.

The High Court found in favour of the Claimants, agreeing that the ban was unlawful, and that the Council were liable for damages. A quantum of damages hearing was listed for June 2015. A settlement sum of £2.3m was paid to claimants in 2014-15 and a further £2.4m in 2015-16.

Major Changes to Services

There were no major changes to services in 2015-16.

Future Service Delivery Plans

In order to deliver a balanced budget moving forward, the Council needs to make savings of £1.036m in 2016-17 and identify further savings of circa £1.264m in 2017-18. The Council has reviewed staff structures to enable the Council to develop plans to deal with the continuing budget cuts; is looking to identify further savings from the shared service arrangements and reviewing which budgets can be reduced as a result of under-spending in prior years. The Council is also undertaking a service review programme to identify the further savings required in order to be able to continue to deliver key priority services to residents and ensure delivery of the Council's Corporate Plan objectives. This programme will include looking at key themes such as Digitalisation, Partnership working and possible Joint Ventures to see which services can be reduced whilst still meeting customer needs; which can be delivered in a different way to reduce costs; and will look to identify where there are further efficiencies to be made within service areas.

Housing Revenue Account

The Housing Revenue Account (HRA) generated a decrease in balances of £96k in 2015-16 in addition to a budgeted deficit of £221k. The New Build programme is due to commence in 2016-17 with the Homes and Communities Agency. Funds allocated within the 2015-16 budget to fund capital works have been transferred to the New HRA Properties Reserve and are detailed in the variance report below. The council is continuing with Margate Intervention as a long-term regeneration programme in the Cliftonville West and Margate Central area with Kent County Council and the Homes and Community Agency to transform the housing market in two of Britain's most deprived wards. Major variances against the original HRA budget are detailed below:

Major Variances on the Housing Revenue Account	**2015-16 £'000s**
Increased contribution to fund capital expenditure	266
Increased contribution to reserves	332
Reduction in dwelling rents income	63
Reduction in interest costs of borrowing	(178)
Reduction in cyclical external repairs expenditure	(115)
Increase in recharges to the HRA	146
Increased costs in relation to asbestos and repairs consultancy	85
Reduction in day to day repairs expenditure	(63)
Increase in rechargeable repairs	(44)

Reduction in contributions to expenditure	(43)
Decrease in insurance premiums	(54)
Increased income from interest earned on balances	(36)
Reduction in communal costs	(42)
	317

The accumulated HRA balance at 31 March 2016 is £5.296m. The balance provides flexibility for delivery of the Housing Business Plan which has recently been reviewed.

Capital Expenditure

Given the Council's resource profile and constraints, a review of the 2015-16 capital programme was undertaken during the year to identify opportunities for the transfer, removal and deferral of capital projects and to re-profile funding from reserves and revenue to capital receipts. This was approved by Council on 3 December 2015.

Total expenditure on capital items, including grants and loans, amounted to £17.749m, of which £6.302m was met by capital grants and other contributions, £4.351m from revenue resources/reserves, £1.378m from capital receipts and £5.718m from internal borrowing.

As at 31 March 2016, capital receipts of £3.923m, unapplied capital grants of £108k and the Capital Projects Reserve balance of £0.261m were carried forward to fund the 2016-17 programme.

The main items of capital expenditure are set out below:

	2015-16 £'000s
Fixed Assets	
Council Dwellings	3,492
Other HRA Assets	1,537
General Fund assets	10,379
Expenditure not resulting in assets	2,341
Total Capital Expenditure	**17,749**

Expenditure in respect of acquiring new assets totalled £0.804m (see following paragraph 'Material Acquisitions/New Assets' for further detail), the remaining expenditure related to the improvement of existing assets.

As a result of resource constraints, the Council has had to scale back its capital projects to match its funding envelope. The capital programme is now driven by those capital schemes that have a health and safety implication or deliver revenue savings to the Authority. The major new project planned over the coming year is replacement of a berth at Ramsgate Port at a budget of £1m, to be funded from prudential borrowing.

Capital Receipts

Royal Sands

The development agreement dated 2006 (and amended 2009) between the Council and developer SFP Ventures(UK) Ltd became the subject of legal dispute and as such the parties entered into a dispute resolution situation supported by independent legal advisors. This process led to the parties agreeing a new agreement for sale of the site, with the company SFP Ventures (UK) Ltd being bought out by Cardy Construction, but with the Council retaining performance monitoring and an Option agreement to purchase the site back should the owner trigger an event of default. The contracts for sale exchanged in March 2015 with completion on 20 July 2016. Although Cardy Construction Ltd has since filed a notice of intent to appoint an administrator the council has received the monies due from the sale.

Material Acquisitions/New Assets

The following new assets have been recognised in the Balance Sheet as at 31 March 2016:

- Mowers (£73k)
- CCTV (£16k)
- Pegwell playground (£50k)
- Fuel facility (£103k)
- Car park (£11k)
- Amusement rides (£335k)
- Street Scene vehicles (£216k)

Heritage Assets

The Council is required to disclose heritage assets separately. 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. The value of heritage assets as at 31 March 2016 is £9.207m (2014-15 £0.685m). These relate to public statues, artefacts or collections within museums, art collections, civic regalia, heritage theme park and historic amusement park rides, £3.78m has been reclassified from assets under construction to heritage assets for the Dreamland amusement park that opened during the year. For further details see notes 12, 44 and 45.

Highways Network Assets

Any Council Highways Network Assets (HNAs) are to be recognised as a separate class of property, plant and equipment and measured at depreciated replacement cost for the first time in its 2016-17 financial statements, in accordance with the CIPFA Code of Practice on Transport Infrastructure Assets and the recognition, measurement and disclosure requirements of the CIPFA Code of Practice on Local Authority Accounting.

The Council has reviewed its transport infrastructure assets and assessed that none of these meet the definition of an HNA as published in the 2016-17 CIPFA Code of Practice on Local Authority Accounting. This is in accordance with the CIPFA HNA Briefing Number 1 which notes that it is not anticipated that District Authorities will have any HNAs.

Given the above, the Council has not separately disclosed details of its transport infrastructure assets in these accounts as referred to in Appendix D to the 2015-16 CIPFA Code of Practice on Local Authority Accounting.

Treasury Management

During 2015-16, the Council complied with all its legislative and regulatory requirements with regard to its treasury activities, apart from the money limit with the Lloyds Banking Group (Lloyds) for the 11 day period from 15 May 2015 to 26 May 2015. With effect from 15 May 2015 the Council's treasury management advisor Capita Asset Services (Capita) changed it's view on Lloyds, no longer regarding it as part nationalised. Given the credit rating of Lloyds, this meant that the Council's money limit with Lloyds reduced from £7m to £5m. The Council was able to reduce it's deposits with Lloyds to under £5m on 26 May 2015, upon maturity of a £2m fixed term deposit with them.

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through regular reporting to Members and through officer activity detailed in the Council's Treasury Management Practices.

As at 31 March 2016, the Council had £28.612m in investments. As a result of the continuing difficulties in economic conditions, interest rates remained at historic lows. The Council maintained an average balance of £40.203m of internally managed funds which earned an average rate of 0.55%. This compares with a budget assumption of £20m investment balances earning an average rate of 0. 75%. However, the performance indicator for investment returns is to achieve returns above the 7 day LIBID rate. This average rate for 2015-16 was 0.36% so this performance indicator has been met.

Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments continued to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

No rescheduling of debt was done as the average 1% differential between the PWLB new borrowing rates and premature repayment rates made rescheduling unviable. The Council repaid £1.439m of maturing debt during the year (£0.086m at a rate of 3.08%, £0.96m at a rate of 2.75%, £0.1m at a rate of 2.48% and £0.293m at a rate of 1.97%) and did not take out any new loans. This repayment of the debt portfolio resulted in an increase in the Council's average borrowing rate of 0.01% from 3.77% to 3.78%, representing an interest cost of £3k on the weighted average of the 2015-16 debt principal. The Council's total principal debt outstanding as at 31 March 2016 was £29.22m.

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. The CFR is the Council's underlying need to borrow for capital expenditure. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the unfinanced capital expenditure for the year and prior years' unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

The Council's unfinanced capital expenditure for 2015-16 is shown in the following table:

2014-15 Actual £'000s		**2015-16 Estimate £'000s**	**2015-16 Actual £'000s**
8,184	Non-HRA capital expenditure	4,229	12,720
7,149	HRA capital expenditure	10,944	5,029
15,333	**Total capital expenditure**	**15,173**	**17,749**
	Resourced by:		
199	Capital receipts	1,067	1,378
5,324	Capital grants	2,930	6,302
5,525	Capital reserves	5,259	2,959
1,940	Revenue	1,251	1,392
2,345	**Unfinanced capital expenditure**	**4,666**	**5,718**

The Council's CFR for the General Fund as at 31 March 2016 was £27.066m, calculated as follows:

31 March 2015 Actual £'000s	CFR	31 March 2016 Original Indicator £'000s	31 March 2016 Actual £'000s
20,898	**Opening balance**	**26,460**	**22,390**
2,120	Add unfinanced capital expenditure (as above)	1,105	5,524
(853)	Less MRP/*	(1,095)	(848)
225	Asset transfer to HRA	-	-
22,390	**Closing balance**	**26,470**	**27,066**

** The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP) to reduce the CFR. This is effectively a repayment of the non-HRA borrowing need*

The Council's CFR for the Housing Revenue Account as at 31 March 2016 was £20.241m, calculated as follows:

31 March 2015 Actual £'000s	CFR	31 March 2016 Original Indicator £'000s	31 March 2016 Actual £'000s
20,874	**Opening balance**	**20,874**	**20,874**
225	Add unfinanced capital expenditure (as above)	3,561	194
-	HRA loan repayments	(828)	(828)
-	Revaluations to C I & E	-	1
(225)	Asset transfer to General Fund	-	-
20,874	**Closing balance**	**23,607**	**20,241**

Gross borrowing should not, except in the short term, have exceeded the CFR for 2015-16 plus the expected changes to the CFR over 2016-17 and 2017-18. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2015-16. Gross borrowing as at 31 March 2016 was £29.22m and therefore, the Council has not exceeded its CFR.

Pensions Liability

As part of the Conditions of Employment, the Council offers retirement benefits in accordance with statutory requirements. These payments, investment assets and future liabilities are managed as part of the Kent County Pension Fund on behalf of all contributing member authorities. Local authorities are required to account for their share of the pension deficit, the impact of which can be seen in note 37 to the Core Financial Statements.

Thanet's net liability on the Kent County Council Pension Fund as at 31 March 2016 is £99.5m (£109.6m as at 31 March 2015), a decrease in liability of £10.1m. The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £99.5m 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.

Compliance with International Accounting Standard 19 Employee Benefits does not impact directly on the actual level of employer contributions paid to the Kent County Council Pension 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).

The movement to the Fund is set out in more detail in note 37 to the Core Financial Statements.

Provisions

The Council holds a provision of £432k in respect of asbestos related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants.

Following an investigation into Hand Arm Vibration cases by the Health and Safety Executive, the council has been informed of the decision to instigate criminal proceedings against it for alleged offences for contravention of the Health and Safety at Work Act 1974 ('the Act') between 6 July 2005 and 15 October 2014.

Following a ruling in January 2015 on the valuation method used to set rateable values for purpose built GP surgeries, there have been substantial reductions implemented by the Valuation Office Agency (VOA), and subsequent overpayments are subject to backdating to earlier periods. The provision for business rate appeals in the Collection Fund accounts is £3.597m in respect of GP surgeries and £2,487m in respect of general appeals. Under the Business Rate Retention Scheme the council's share of the provision (disclosed in the Balance Sheet with the impairment of debtors) equates to 40% of the total (£2.434m).

Thanet Workforce

At 31 March 2016 (2014-15) the Council employed 732 (755) permanent staff, equating to 666.23 (694.82) full-time equivalents.

An analysis of the cost of employees is given in the table below.

2014-15 Actual £'000		**2015-16 Budget £'000**	**2015-16 Actual £'000**	**Variance £'000**
19,534	Salaries	20,577	19,359	(1,218)
1,446	Employers' National Insurance Contributions	1,589	1,428	(161)
4,294	Employers' Retirement Benefit costs	4,621	4,420	(201)
1,233	Agency	972	1,636	664
472	Employee allowances (insurance, staff parking, other benefits)	502	524	22
34	Recruitment	-	53	53
150	Training	202	173	(29)
1,082	Severance payments	1,013	1,266	253
61	Other miscellaneous staff payment	33	50	17
28,306	**Total**	**29,509**	**28,909**	**(600)**

Transparency

As part of its commitment to openness and accountability the Council publishes a number of datasets under the heading Open Data and Transparency. Information provided includes:

- Supplier Spend over £250
- Senior officer remuneration
- Properties List
- Procurement of Goods and Services

Further details can be found on the Council's website at:

https://www.thanet.gov.uk/your-services/information-requests/open-data/open-data-and-transparency/

Council's Performance

Here are some facts and figures:

- We collected 96.49% of the £63.7m of council tax due for the 2015-16 year (2014-15 96.15%)
- We collected 99.53% of the £33.0m of business rates due for the 2015-16 year (2014-15 98.53%)
- We paid 96.15% of the 12,793 invoices processed within 30 days of receipt (2014-15 97.46%)
- On average it took us 6.61 days to process a new housing benefit claim (2014-15 7.03 days)
- 78.79% of major planning applications were determined within the recommended timeframe, against a target of 60% (2014-15 74.19%)

This year 23 key projects are now tracking the core priorities of the Corporate Plan. As at the end of March 2016, 18 of the key projects are on target and 5 are completed.

Notable achievements include a number of projects that have faced severe logistical challenges, but by following sound procedure are working towards the long-term betterment of Thanet:

- **Yacht Valley Project, Ramsgate** - This project is now complete. It has attracted nearly £470k of external funding that has enabled refurbishment of the Military Road arches and improved harbour facilities.

- **Dreamland Heritage Park** - This is one of the economic game-changers in Thanet. Works are on-going in the cinema and external areas. The park opened to the public for the first time on 19th June 2015. The iconic Scenic Railway opened to the public in October 2015.
  https://www.thanet.gov.uk/the-thanet-magazine/press-releases/2015/october/the-scenic-rides-again/

- **Margate Housing Intervention project** - This is another multi-strand and complex series of projects to tackle one of the most challenging housing areas in the South East
- **Selective Licencing Scheme** - This legal breakthrough project is enabling the Council to work with the private sector to prevent deterioration in the housing stock in Margate and Cliftonville

- **The National Food Hygiene Rating Scheme** - This programme has introduced an updated method for protecting the standards in Thanet's food establishments

- **North Sea Wall** - The project was delivered below budget with additional permission to spend the remaining budget on additional elements. Three separate lengths of sea wall have been refurbished protecting the coastline and residents between Grenham Bay and St. Mildred's Bay. http://thanet.gov.uk/your-services/emergencies/westgate-flood-and-coastal-protection/north-thanet-sea-wall/

- **Street Cleansing improvements** - Improvements have been made to the cleansing of streets in Thanet including:
  - The Bin it for Good anti-litter campaign #BinItForGood celebrates success https://www.thanet.gov.uk/the-thanet-magazine/press-releases/2016/january/bin-it-for-good-anti-litter-campaign-celebrates-success/
  - A new FIDO (Faeces Intake Disposal Operation) machine to combat dog mess and keep Thanet clean and beautiful http://thanet.gov.uk/the-thanet-magazine/press-releases/2015/august/council-invest-in-new-dog-waste-cleaning-machine-for-thanet/

- **Thanet Wins Visitor Information Provider of the Year** - Thanet District Council's Visitor Information Service has been crowned Visitor Information Provider of the year winning Gold in their category at the Visit England Awards for Excellence 2016. https://www.thanet.gov.uk/the-thanet-magazine/press-releases/2016/march/vic-award-win/

Future Financial Challenges

The council's funding sources have changed fundamentally in recent years. Revenue Support Grant has continued to decline and is expected to cease altogether by 2020. The replacement of this with Business Rates Retention Scheme funding and uncertainty around the level of New Homes Bonus funding brings greater volatility and risk. Recent Government initiatives relating to social and affordable housing will also impact on the HRA 30 year Business Plan. The limited availability of capital receipts and the need to contain the level of borrowing to minimise revenue impact has led to a review of the Capital Programme. This is in the context of continuing external economic pressures and heightened uncertainty arising from the result of the EU Referendum.

Spending challenges will also continue over the period of the MTFS. However, there will also be significant opportunities. In particular, our corporate priority of promoting inward investment and job creation will be used to stimulate the local economy. Whilst the corporate value of delivering value for money will enable us to ensure resources are targeted to maximise effectiveness in service delivery and ensure we achieve a stable and sustainable financial position going forward.

The council will develop its future budget plans to protect its key priority services from budget reductions as far as possible, and remains committed to promoting a culture of continuous improvement to ensure that it delivers good value for money for its residents.

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

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 reserves. The "Surplus or (Deficit) on Provision of Services" 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. The "Net increase/decrease before transfers to Earmarked Reserves" line shows the statutory General Fund balance and HRA balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

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 the Movement in Reserves Statement.

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 basis 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* –** The Council is required by law to account separately for the provision of housing. This account shows the expenditure on managing, maintaining and providing the Council's housing stock and how this is financed by rents and other income.

***Collection Fund 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 2015-16 Statement of Accounts on 20 September 2016.

Signed : Date: 27 September 2016

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 Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; and
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

In this Authority, the Responsible Officer is the Director of Corporate Resources & Section 151 Officer.

Director of Corporate Resources & Section 151 Officer's Responsibilities

The Director of Corporate Resources & Section 151 Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ("the Code").

In preparing this statement of accounts, the Director of Corporate Resources & 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 2016 and of its income and expenditure for the year ended on that date.

Tim Willis CPFA
Director of Corporate Resources & Section 151 Officer
Date: 27 September 2016

Independent Auditors Report to the Members of Thanet District Council

We have audited the financial statements of Thanet District Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Corporate Resources & Section 151 Officer and auditor

As explained more fully in the Statement of the Director of Corporate Resources and Section 151 Officer's Responsibilities, the Director of Corporate Resources & Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Resources & Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance until we have completed our consideration of formal objections brought to our attention by local government electors under Section 27 of the Act. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Darren Wells
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Fleming Way
Manor Royal
Gatwick
RH10 9GT

13 September 2016

Movement in Reserves Statement

Restated For the Year Ended 31 March 2015	General Fund Balance £'000s	Earmarked GF / HRA Reserves £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Total Usable Reserves £'000s	Unusable Reserves £'000s	Total Authority Reserves £'000s
	Note 6	Note 7	Note 6	Note 23A	Note 3 to the HRA	Note 23	Note 23	Note 24	
Balance at 1 April 2014	**2,177**	**16,757**	**5,664**	**1,628**	**5,999**	**224**	**32,449**	**55,704**	**88,153**
Surplus or (deficit) on provision of services	(5,690)	-	3,108	-	-	-	(2,582)	-	**(2,582)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(3,142)	**(3,142)**
Total Comprehensive Income and Expenditure	**(5,690)**	**-**	**3,108**	**-**	**-**	**-**	**(2,582)**	**(3,142)**	**(5,724)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	6,172	-	(1,898)	905	791	(116)	5,854	(5,854)	**-**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**482**	**-**	**1,210**	**905**	**791**	**(116)**	**3,272**	**(8,996)**	**(5,724)**
Transfers to/from Earmarked & Other Reserves	(648)	(1,070)	(1,482)	(21)	(232)	-	(3,453)	3,453	**-**
Increase/ Decrease (movement) in Year	**(166)**	**(1,070)**	**(272)**	**884**	**559**	**(116)**	**(181)**	**(5,543)**	**(5,724)**
Balance at 31 March 2015 carried forward	**2,011**	**15,687**	**5,392**	**2,512**	**6,558**	**108**	**32,268**	**50,161**	**82,429**

The above table has been restated to reflect the correct disclosure of HRA depreciation.

Movement in Reserves Statement cont'd

For the Year Ended 31 March 2016	General Fund Balance	Earmarked GF / HRA Reserves	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	£'000s
	Note 6	Note 7	Note 6	Note 23A	Note 3 to the HRA	Note 23	Note 23	Note 24	
Balance at 1 April 2015	**2,011**	**15,687**	**5,392**	**2,512**	**6,558**	**108**	**32,268**	**50,161**	**82,429**
Surplus or (deficit) on provision of services	(4,587)	-	1,695	-	-	-	(2,892)	-	**(2,892)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	37,370	**37,370**
Total Comprehensive Income and Expenditure	**(4,587)**	**-**	**1,695**	**-**	**-**	**-**	**(2,892)**	**37,370**	**34,478**
Adjustments between accounting basis & funding basis under regulations (Note 6)	175	-	(365)	1,434	18	-	1,262	(1,262)	**-**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**(4,412)**	**-**	**1,330**	**1,434**	**18**	**-**	**(1,630)**	**36,108**	**34,478**
Transfers to/from Earmarked & Other Reserves	4,412	(4,040)	(1,426)	(23)	595	-	(482)	482	**-**
Increase/ Decrease (movement) in Year	**-**	**(4,040)**	**(96)**	**1,411**	**613**	**-**	**(2,112)**	**36,590**	**34,478**
Balance at 31 March 2016 carried forward	**2,011**	**11,647**	**5,296**	**3,923**	**7,171**	**108**	**30,156**	**86,751**	**116,907**

Comprehensive Income and Expenditure Statement

31 March 2015				31 March 2016		
Expenditure £'000s	**Income £'000s**	**Net £'000s**		**Expenditure £'000s**	**Income £'000s**	**Net £'000s**
			Gross expenditure, gross income and net expenditure on continuing operations			
5,484	975	4,509	Cultural and Related Services	7,393	1,078	6,315
14,700	6,004	8,696	Environment and Regulatory Services	14,376	5,909	8,467
4,971	2,126	2,845	Planning Services	5,546	2,376	3,170
8,590	4,864	3,726	Highways and Transport Services	9,657	6,037	3,620
79,884	77,791	2,093	Other Housing Services	77,858	75,847	2,011
9,557	13,554	(3,997)	Local Authority Housing (HRA)	10,468	13,962	(3,494)
7,602	5,642	1,960	Central Services	7,900	5,885	2,015
2,327	417	1,910	Corporate and Democratic Core	2,340	560	1,780
195	394	(199)	Non Distributed Costs	204	407	(203)
133,310	**111,767**	**21,543**	Cost of Services	**135,742**	**112,061**	**23,681**
		1,929	Other Operating Expenditure	Note 8		1,908
		3,586	Financing and Investment Income and Expenditure	Note 9		2,840
		(24,476)	Taxation and Non-Specific Grant Income and Expenditure	Note 10		(25,537)
		2,582	**(Surplus) or Deficit on Provision of Services**			**2,892**
		(19,615)	(Surplus) or Deficit on revaluation of non-current assets	Note 24A		(23,724)
		-	Impairment losses on non-current assets charged to the Revaluation Reserve			2
		22,757	Re-measurements of the net defined benefit liability	Note 37		(13,648)
		3,142	**Other Comprehensive Income and Expenditure**			**(37,370)**
		5,724	**Total Comprehensive Income and Expenditure**			**(34,478)**

Balance Sheet as at 31 March 2016

31 March 2015 £'000s			31 March 2016 £'000s	31 March 2016 £'000s
	Property, Plant & Equipment	Note 11		
96,838	Council Dwellings		114,926	
56,699	Other land and buildings		60,504	
4,300	Vehicles, plant, furniture and equipment		3,988	
14,081	Infrastructure		14,828	
9,100	Assets under construction		8,255	
1,781	Surplus assets not held for sale		725	
685	**Heritage Assets**	Note 12	9,207	
24,623	**Investment Property**	Note 14	24,750	
278	**Long Term Debtors**	Note 18	464	
208,385	**Long Term Assets**			**237,647**
6,800	**Short Term Investments**	Note 15	12,764	
132	**Inventories**		113	
16,693	**Short Term Debtors**	Note 18	15,829	
(7,485)	**Impairment of Debtors**	Note 18	(7,802)	
23,766	**Cash and Cash Equivalents**	Note 19	17,076	
247	**Assets Held for Sale (< 1year)**	Note 20	296	
40,153	**Current Assets**			**38,276**
1,789	**Short Term Borrowing**	Note 15	814	
12,556	**Short Term Creditors**	Note 21	16,121	
1,227	**Provisions**	Note 22	2,465	
5,659	**Grant Receipts in Advance**	Note 33	6,709	
21,231	**Current Liabilities**			**26,109**
29,220	**Long Term Borrowing**	Note 15	28,741	
113,879	**Other Long Term Liabilities**	Note 37/38	103,113	
1,779	**Grant Receipts in Advance**	Note 33	1,053	
144,878	**Long Term Liabilities**			**132,907**
82,429	**Net Assets**			**116,907**
	Represented By:			
	Usable Reserves			
2,011	General Fund	Note 23	2,011	
15,687	Earmarked Reserves	Note 7	11,647	
5,392	Housing Revenue Account	Note 23	5,296	
2,512	Capital Receipts Reserve	Note 23A	3,923	
6,558	Major Repairs Reserve	Note 23	7,171	
108	Capital Grants Unapplied	Note 23	108	
	Unusable Reserves			
40,231	Revaluation Reserve	Note 24A	61,480	
(187)	Accumulated Absences Reserve	Note 24E	(223)	
(109,620)	Pensions Reserve	Note 24C	(99,458)	
121,601	Capital Adjustment Account	Note 24B	125,996	
15	Deferred Capital Receipts		4	
(1,879)	Collection Fund Adjustment Account	Note 24D	(1,048)	
82,429	**Total Reserves**			**116,907**

Signed: Tim Willis CPFA

Date: 27 September 2016 Director of Corporate Resources & Section 151 Officer

Cash Flow Statement

2014-15 £'000s			2015-16 £'000s
2,582	**Net (surplus) or deficit on the provision of services**		**2,892**
(12,791)	Adjust net surplus or deficit on the provision of services for non-cash movements	Note 25a	(18,585)
4,069	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 25b	7,492
(6,140)	**Net cash flows from Operating Activities**		**(8,201)**
10,359	Investing Activities	Note 26	16,802
(2,934)	Financing Activities	Note 27	(1,911)
1,285	**Net (increase) or decrease in cash and cash equivalents**	Note 19	**6,690**
(25,051)	Cash and cash equivalents at the beginning of the reporting period		(23,766)
(23,766)	**Cash and cash equivalents at the end of the reporting period**		**(17,076)**

Notes to the Core Financial Statements

1. Accounting Policies

General

The Statement of Accounts summarises the Authority's transactions for the 2015-16 financial year and its position at the year end of 31 March 2016. The Authority 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 2015-16 (The Code) and the Service Reporting Code of Practice 2015-16 (SERCOP), supported by the International Financial Reporting Standards (IFRS).

The accounting policies that have been adopted are set out in the following paragraphs. Where an accounting policy has not been adopted, or where it has been varied, then a note to that effect has been provided.

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

Qualitative Characteristics of Financial Information

Relevance

In accordance with IAS 1, Accounting Policies, all information about the Authority's financial performance that is useful for assessing the stewardship of public funds and making economic decisions is disclosed within the accounts.

Reliability

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

Comparability

Comparative figures have been included to allow performance to be compared with a prior period or other authorities and entities with similar information.

Faithful Representation

In order to provide useful financial information it may be necessary to explain the extent to which information has been estimated, including any judgements made. A representation of that estimate can be faithful if the amount is described clearly and accurately as being an estimate, nature and limitations of the estimating process are explained and no errors have been made in selecting and applying an appropriate process for developing the estimate.

Verifiability

Information represented enables different knowledgeable and independent observers to reach consensus, although not necessarily complete agreement that particular depiction is a faithful representation. Verification can be direct for example by observing the counting of cash, or indirect by checking the inputs, formula or other technique and recalculating the results using the same methodology.

Timeliness

Information is available to decision-makers in time to be capable of influencing their decisions.

Understandability

In accordance with IAS 1, the accounts have been prepared in such a way to aid the understanding of the reader. We do, however, recognise the complexities contained within the Statement of Accounts. The Statements are prepared in accordance with accounting concepts, treatments and terminology that require reasonable knowledge of accounting and local government if they are to be properly understood. Technical terms have been avoided where possible, in favour of plain language. There is also a Glossary of Terms included which can be found on pages 113-118.

The Narrative Report on pages 4-16 sets out the local authority financial reporting framework and the key aspects of the Authority's financial performance and standing.

Materiality

Materiality is a measure to ensure that information is of such significance as to justify its inclusion in the financial statements. An item of information is considered material to the financial statements if its misstatement or omission might reasonably be expected to influence assessments of the Authority's stewardship, economic decisions, or comparisons with other entities, based upon those financial statements. If there are two or more similar items the materiality of the items in aggregate, as well as of items individually, are considered.

Council policy is to consider the following factors when assessing whether items are material:

- The item's size, judged in the context of both the financial statements as a whole and of such other information available as would affect consideration of the financial statements

- The item's nature, in relation to:

    - The transactions or other events giving rise to it
    - The legality, sensitivity, normality and potential consequences of the event or transaction
    - The identity of the parties involved
    - The particular headings or disclosures affected.

Strict compliance with the Code, as to both disclosure and accounting principles, is not considered necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the Authority and to the understanding of the Statement of Accounts by the reader.

Accounting Concepts

Accruals

The accounts, other than cash flow information, have been prepared on an accruals basis. This means that sums due to or from the Council in respect of the year of account are included whether or not the cash has actually been received or paid in the year.

Going Concern

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

Primacy of Legislation

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

Estimation Techniques

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

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 the sales of goods is recognised when the Authority transfers the risks and rewards of ownership to the purchaser and it is probable that the economic benefits will flow to the Authority
- Revenue from the provision of services is recognised when the Authority can reliably measure the level of completion of the transaction and it is probable that economic benefits will flow to the Authority
- 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 business rates are recognised when it is probable that the economic benefits associated with the transaction will flow to the authority 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. The income to be recovered through on-going benefit deduction is accounted for in the year of account and not when the cash has been received or paid in the year and the income to be recovered through the issue of fines is accounted for in the year of account and not when the cash has been received or paid in the year. Where revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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 Authority's cash management.

Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or standards will be reflected by restating the comparable figures in the Statement of Accounts, together with a disclosure note detailing the reasons for such restatement.

Changes in Accounting Policy

The Code from time to time requires Local Authorities to amend their accounting policies. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and prior period comparative amounts as if the new policy had always been applied. From 1 April 2015 the council prospectively applied IFRS 13 (Fair Value Measurement) in Notes 1 and 4 (Fair Value Measurement) and Note 13 (Fair Value Measurement of Property Assets).

Charges to Revenue for Non-Current Assets

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

a) Depreciation attributable to the assets used by the relevant service
b) Impairment losses on non-current assets where there are no accumulated gains in the Revaluation Reserve against which they can be written off
c) Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (Minimum Revenue Provision, (MRP)). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

With regard to the Housing Revenue Account (HRA) post self-financing guidance was issued by the Department of Communities and Local Government that any charges made to the revenue account for HRA Non-Dwelling assets for an impairment or downward revaluation would no longer be able to undertake the same accounting treatment as the general fund to negate the impact on the council dwelling rent payer and this now shows as a true cost to the HRA. However, in undertaking this treatment it causes an imbalance in the councils capital financing requirement and balance sheet and it is understood that a review of the treatment is currently being undertaken by the Department of Communities and Local Government and CIPFA.

Employee Benefits

Benefits Payable During Employment

Overtime payments relating to the previous financial year are accrued to that year. The full costs of employees are charged to the accounts of the period within which the employees worked.

The Code requires that Councils identify the costs of any Employee Benefits accrued but untaken at the balance sheet date. These costs primarily consist of any untaken leave, flexitime and lieu time. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services so that the holiday benefits are accounted for in the financial year in which the holiday absence occurs. The adjustment is reversed out of the Comprehensive Income and Expenditure Statement so that there is no charge to the taxpayer.

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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority 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 Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making 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 Authority 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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2014 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 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

Previously, quoted securities were valued at mid-market value rather than bid price.

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 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.

Interest Cost – 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 Authority 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 Authority 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, 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 after the Balance Sheet date will be reflected up to the date when the Statement of Accounts is authorised for issue.

Financial Instruments - Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value 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 into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. (The Council does not hold any "Available-for-sale assets")

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Authority 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.

Where 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”.

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 authority 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 authority 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 authority 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 authority 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 authority 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 Authority when there is reasonable assurance that:

- the Authority 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 Authority 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 valuation in accordance with FRS 30. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current. Where no records of valuation are available the assets are not included on the Authority's Balance Sheet but a disclosure is made as to these assets.

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.

The Authority accounts for heritage assets in accordance with FRS 30, except where interpretations or adaptations to fit the public sector are detailed in the Code. References in FRS 30 to UK accounting standards shall be taken to refer to the equivalent IFRS or IPSAS.

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Authority for other activities or to provide other services) shall be accounted for as operational assets, and shall be valued in the same way as other assets of that general type.

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

Any work in progress is subject to an interim valuation at the year end. Rechargeable Works are included at cost.

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.

Joint Operations

Joint Operations are activities undertaken by the Authority 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 Authority 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.

Embedded Leases: The IFRS reporting arrangements require the Council to determine whether or not it benefits from the exclusive use of tangible assets within any of its contract arrangements with third parties. If the Council decides that this is the case it has to decide whether the arrangement is to be considered a lease in accordance with IFRIC 12. The Council has determined that there are no contracts that fall within these criteria.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015-16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Operations.

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 £10,000.

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 Authority'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 by the Council's internal Estates Surveyors, Mandy Robinson, BSc MRICS, Chartered Surveyor and Lesley Trim BSc MRICS Chartered Surveyor RV apart from the valuation of specialist assets such as council dwellings and Ramsgate Port/Harbour, where the services of external valuers are used. 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 1 April 2015.

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 32% 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 2016.

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 Investment Properties due to the size of the portfolio. From April 2010 investment properties with a value in excess of £100,000 are valued annually with the remaining properties 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 £10,000) 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 £100,000. 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 £10,000 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 authority 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 fixed 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 but it is uncertain as to the amounts or dates on which they will arise. Provisions are charged direct to the appropriate service revenue account and when the expenditure is incurred to which the provision relates it is charged direct to the provision.

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 in the Movement in Reserves Statement. The IFRS standards require details of Reserves to be reported in the Movement in Reserves Statement, in the Core Financial Statements. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year 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 charge to the 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 fixed 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/Liabilities

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

A Contingent Asset arises where an event has taken place that gives the Authority 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 Authority. 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 effect on the revenue accounts as a whole.

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 Debtors

Provisions are made for bad and doubtful statutory debts and these are charged to the appropriate revenue service. In accordance with the CIPFA guidelines, for Council Tax and Business Rate debts, the older the debt the greater the provision, although depending on specific circumstances this may not be applied. Debts relating to garage rents are subject to a flat rate percentage based on historical trends. All other HRA related debts over £2,500 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.

Trade debtors are classified as financial instruments and impairments are charged to 'Impairment of Financial Instruments' in the Comprehensive Income & Expenditure Statement.

Previous guidance set out more detailed criteria for the assessment of the "impairment" of the outstanding debt and stressed a need to look at individual large debts and their specific circumstances as well as estimating a more general provision based on historic payment trends, these criteria are continued into the current policy.

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 Retention

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 sits alongside the impairment provision for unrecoverable debt (Note 18) and is calculated using Valuation Office data on successful and outstanding appeals. As there is potential for such appeals to be backdated to the last Valuation Office valuation of the rating list, (the closing date for backdating to the 2010 list being 31st March 2015) the amount set aside includes an element for backdating. An estimated provision is also made for appeals that may yet be lodged, based on new assessments due to be added to the rating list if the estimated assessment is material.

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 authority'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 NDR Equalisation Reserve within the council's Balance Sheet for future use.

Value Added Tax

In accounting for VAT, the Council complies with the SSAP 5, Accounting for Value Added Tax and VAT is excluded from the main accounting statements unless it is not recoverable. The Council's partial exemption status is reviewed on an annual basis.

2. Accounting Standards issued, Not Adopted

The 2015-16 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 (and IAS 8) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards that paragraph 3.3.4.3 of the Code are likely to apply to are set out below and further details of the disclosures required will be provided in the 2016-17 Code:

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRS's 2010-2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable methods of Depreciation and Amortisation)
- Annual Improvements to IFRS's 2012-2014 Cycle
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)

- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement

3. 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 Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority 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 any adverse economic trends.

- The Council revalues its Investment Properties and its General Fund Operational Land and Buildings on a five yearly rolling cycle (apart from Investment Properties with a value over £100k which are valued annually) in accordance with RICS and CIPFA guidance. It is not considered feasible or financially viable to value all assets annually and the Council has 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 £1,150k (1.97%) against the operational asset base of £58.269m, and £1,713k (6.92%) against the investment property asset base of £24.75m. 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.

- The Council's 50:50 ownership (with Kent County Council) of East Kent Opportunities LLP is accounted for as a joint operation under IFRS 11 Joint Arrangements. If EKO were to cease operations the council would retain ownership of the land it originally contributed to the partnership currently valued at £6.812m and would be required to repay its share of the cost of construction of the Spine Road £2.775m. The Council's accounts reflect these risks and rewards.

- 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 Dreamland building is included in these accounts as an asset under construction and, on completion, it is intended that it will be accounted for in the same way as described above for the park.

4. 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 2016 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 buildings would increase by £605k 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 13 and 14.	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 £3.945m and an increase of one year to the mortality rate would result in a decreased pension liability of £6.935m. However, the assumptions interact in complex ways.
Impairment	At 31 March 2016, the Authority had a balance of sundry debtors of £1.295m. A review of balances suggested that an impairment of doubtful debts of 100% would be made for those debts over 1 year old, 50% for those debts over 6 months old and full recovery has been assumed for those debts under 6 months old. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an impairment of doubtful debts of 10% for those debts under 6 months old (total £639k) would require an additional £63.9k to be set aside as an allowance.
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 £4.559m have not been revalued in 2015-16. In general, the asset valuations for investment properties have gone up by 6.92% in 2015-16. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £0.315m to the asset valuation.
Business Rate Appeals	The Council has a significant number of outstanding appeals against the 2010 Valuation Office (VO) rating list (Rateable Value £38.464m) 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 £2.434m.	If the top ten appeals were successful (RV 14.7m) and rateable values were reduced by 15% and backdated to 2010 (if relevant) then an additional £1.479m would need to be set aside in the provision for appeals.

5. Events After The Reporting Period

The Statement of Accounts were authorised for issue by the Director of Corporate Resources & S151 Officer on 20 September 2016. There was one change to note 39 reflected in the financial statements or notes after this date.

Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures and disclosures in the financial statements have been adjusted to reflect this information as follows:

Following an investigation into Hand Arm Vibration cases by the Health and Safety Executive, the council has been informed of the decision to instigate criminal proceedings against it for alleged offences for contravention of the Health and Safety at Work etc. Act (‘the Act’) between 6 July 2005 and 15 October 2014.

The operators of the Dreamland historic amusement park (Sands Heritage Limited) went into administration on 27th May 2016. Although the operator is in administration the park continues to trade whilst options for the future of the operator are considered by the appointed administrator.

6. 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. The table below has been restated to reflect the correct disclosure of HRA depreciation.

Restated 2014-15	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	4,314	-	-	2,803	-	(7,117)
Revaluation losses of non-current assets	170	-	-	-	-	(170)
Movements in the fair value of investment properties	(622)	-	-	-	-	622
Amortisation of intangible assets	47	-	-	-	-	(47)
Capital grants and contributions applied	(2,931)	(938)	-	-	(116)	3,985
Revenue expenditure funded from capital under statute	431	-	-	-	-	(431)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	183	2,066	-	-	-	(2,249)
Statutory provision for repayment of debt	(853)	-	-	-	-	853
Capital expenditure charged to the General Fund	-	(1,940)	-	-	-	1,940
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	(144)	(1,142)	1,286	-	-	-
Costs of disposal funded from capital receipts	3	-	(3)	-	-	-
Use of the CRR to finance new capital expenditure	-	-	(199)	-	-	199
Use of the CRR to finance the payments to the Government capital receipts pool	186	-	(186)	-	-	-
Deferred capital receipts	-	-	7	-	-	(7)
Adjustments primarily involving the Major Repairs Reserve						
Use of the MRR to finance new capital expenditure	-	-	-	(2,012)	-	2,012
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	7,758	115	-	-	-	(7,873)
Employer's pension contributions and in year payments direct to pensioners	(4,874)	(59)	-	-	-	4,933
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	2,498	-	-	-	-	(2,498)
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis differs from that chargeable in the year in accordance with statutory requirements	6	-	-	-	-	(6)
Total Adjustments	**6,172**	**(1,898)**	**905**	**791**	**(116)**	**(5,854)**

2015-16	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	4,006	-	-	3,323	-	(7,329)
Revaluation losses of non-current assets	(172)	-	-	-	-	172
Movements in the fair value of investment properties	(1,306)	-	-	-	-	1,306
Amortisation of intangible assets	57	-	-	-	-	(57)
Capital grants and contributions applied	(4,539)	(255)	-	-	-	4,794
Revenue expenditure funded from capital under statute	493	-	-	-	-	(493)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	1,501	2,375	-	-	-	(3,876)
Statutory provision for repayment of debt	(848)	-	-	-	-	848
Capital expenditure charged to the General Fund	-	(1,392)	-	-	-	1,392
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	(1,862)	(1,169)	3,031	-	-	-
Costs of disposal funded from capital receipts	22	-	(22)	-	-	-
Use of the CRR to finance new capital expenditure	-	-	(1,378)	-	-	1,378
Use of the CRR to finance payments to the Government capital receipts pool	208	-	(208)	-	-	-
Transfer from deferred capital receipts	-	-	11	-	-	(11)
Adjustments primarily involving the Major Repairs Reserve						
Use of MRR to finance HRA	-	-	-	(828)	-	828
Use of the MRR to finance new capital expenditure	-	-	-	(2,477)	-	2,477
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	8,406	137	-	-	-	(8,543)
Employer's pension contributions and in year payments direct to pensioners	(4,996)	(61)	-	-	-	5,057
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	(831)	-	-	-	-	831
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	36	-	-	-	-	(36)
Total Adjustments	**175**	**(365)**	**1,434**	**18**	**-**	**(1,262)**

7. 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 2015-16.

For the Year Ended 31 March 2015	**1 April 2014 £000's**	**Transfers Between Reserves £000's**	**Revenue Approp. £000's**	**31 March 2015 £000's**
General Fund				
Capital Projects	1,922	(1,194)	226	954
Council Election	117	-	1	118
Cremator and Cemeteries Works	247	-	159	406
Customer Services	586	-	1,816	2,402
Decriminalisation	182	-	28	210
Destination Management	-	500	(100)	400
Dreamland Reserve	117	-	-	117
East Kent Services	790	(22)	(465)	303
Economic Development & Regeneration	202	-	(4)	198
Environmental Action Plan	162	-	-	162
General Fund Repairs	379	(130)	67	316
Homelessness	260	-	16	276
Housing Intervention	246	-	(74)	172
Information Technology	350	-	(39)	311
Insurance Risk Management	257	-	(154)	103
Local Plan	425	-	(7)	418
Maritime Reserve	518	(81)	(81)	356
New Homes Bonus	235	(500)	402	137
Office Accommodation	31	-	-	31
Pay & Reward	378	-	(87)	291
Pension Earmarked Reserve	661	-	(249)	412
Priority Improvement	746	(12)	(256)	478
Renewal Reserve	9	-	1	10
Slippage Fund – GF	1,387	(10)	(261)	1,101
Strategic Reserve	-	(15)	-	-
Unringfenced Grant	616	(40)	(223)	353
VAT Reserve	437	-	(4)	433
Vehicle, Plant & Equipment Replacement	227	-	-	227
Waste	77	-	(64)	13
HRA				
Slippage Fund – HRA	6	-	271	277
HRA Properties	5,187	(489)	4	4,702
	16,757	**(1,993)**	**923**	**15,687**

Revenue Appropriations	923
Funding for Capital Programme	(1,993)
Contribution from Reserves as per Movement in Reserves Statement	**(1,070)**

For the Year Ended 31 March 2016	**Restated 1 April 2015 £000's**	**Transfers Between Reserves £000's**	**Revenue Approp. £000's**	**31 March 2016 £000's**
General Fund				
Capital Projects	954	(952)	259	261
Council Election	118	-	(118)	-
Cremator and Cemeteries Works	406	-	(337)	69
Decriminalisation	210	-	85	295
Destination Management	400	-	(249)	151
Dreamland Reserve	117	(117)	299	299
East Kent Services	303	(68)	(85)	150
Economic Development & Regeneration	198	-	(98)	100
Environmental Action Plan	162	-	(162)	-
General Fund Repairs	316	(100)	(48)	168
Homelessness	276	-	13	289
Housing Intervention	172	(45)	(55)	72
Information Technology	311	(82)	94	323
Insurance Risk Management	103	1,774	(1,545)	332
Local Plan	418	-	(124)	294
Maritime Reserve	356	(103)	(93)	160
NDR Equalisation	2,402	-	(808)	1,594
New Homes Bonus	137	-	(29)	108
Office Accommodation	31	-	(30)	1
Pay & Reward	291	-	(228)	63
Pension Earmarked Reserve	412	-	(270)	142
Priority Improvement	478	(217)	(74)	187
Renewal Reserve	10	-	(9)	1
Slippage Fund – GF	1,101	-	(535)	566
Strategic Reserve	-	-	75	75
Unringfenced Grant	353	(6)	(1)	346
VAT Reserve	433	-	(333)	100
Front Line Vehicle, Plant & Equipment Replacement	240	(227)	(7)	6
HRA				
Slippage Fund – HRA	277	(223)	(23)	31
HRA Properties	4,702	(116)	878	5,464
	15,687	**(482)**	**(3,558)**	**11,647**

Revenue Appropriations	(3,558)
Funding for Capital Programme	(482)
Contribution from Reserves as per Movement in Reserves Statement	**(4,040)**

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

Capital Projects – Revenue monies and other contributions set aside for capital projects.

Council Elections – This is a saving account for the elections which occur every four years.

Cremator and Cemeteries Works – The Council has an obligation to be environmentally compliant. The surcharge on both cremations and burials is set aside in this reserve to support cremator burner replacement and works required at the cemeteries.

Decriminalisation – The Council administers on street parking but has to account for the income and expenditure separately. This reserve holds any unutilised revenues from parking charges. These are used to fund future parking, transport or environmental improvement related schemes.

Destination Management - Monies have been set aside from the New Homes Bonus to support the objectives of the Destination Management Plan by enhancing council assets that help to support and encourage tourism.

Dreamland Reserve – This reserve has been set up to bolster the contingency for the Dreamland project.

East Kent Services – This reserve is ring fenced for future investment within the services delivered by East Kent Services to enable further savings to be identified in future years.

Economic Development and Regeneration – This reserve is to cover one off service improvements and initiatives within Economic Development and Regeneration, including feasibility works and match funding.

Environmental Action Plan - The Environmental Action Plan (EAP) is used to help deliver the Council's Corporate Plan and key corporate priorities, with a drawdown from this reserve being utilised in 2015-16.

General Fund Repairs – To make provision for necessary essential repairs and maintenance and minor improvements to the Council's assets.

Homelessness – This represents the roll forward of under spends on the service to be used for future expenditures due to the volatility of this area.

Housing Intervention – To fund anticipated costs associated with the Authority's Intervention Schemes.

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

Insurance & Risk Management – This reserve is held to meet potential increases in insurance premiums and to cover the cost of large excesses relating to insurance claims as well as unforeseen one-off risk related expenditure.

Local Plan – Due to the variable profile of spend on this activity and the variable cost in relation to consultation and inspection, any under spend is set aside in this reserve to be drawn against as and when required.

Maritime – This reserve is to be used to fund potential future works at the Port and Harbour and for income protection/maximisation works.

NDR Equalisation – This reserve is to be used to offset significant variations in benefit subsidy. Due to the volatility of this activity and the tight financial constraints which preclude the budgets being set at a level that would be sufficient for upper activity levels, it is prudent to set aside under spends that arise in this area as a contingency for future years. This reserve will also support any potential shortfall in business rates, under the new business rates retention scheme and has therefore been renamed from the Customer Services Reserve.

New Homes Bonus – This reserve holds the balance of monies from the New Homes Bonus.

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

Pay and Reward – This reserve is to be used to fund costs associated with the implementation of the new Pay and Reward Scheme using set aside vacant post savings.

Pensions (Earmarked) - Due to the uncertainty around Pensions any pension under spends identified are transferred to this reserve in order to mitigate future risk.

Priority Improvement – This reserve is for one-off projects and pump priming investment into service improvements.

Renewal – This is a saving account for specific purposes based on the average annual amount required e.g. for the cost of Disclosure and Barring Service (DBS) checks.

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

Unringfenced Grants – Any under spend against unringfenced grant funding is set aside in this earmarked reserve to be utilised in future years.

VAT - This reserve has been set up to hold funds reimbursed in relation to our Fleming claim and will be used to cover any one off cost deemed appropriate.

Front Line Vehicle Plant and Equipment Replacement Reserve – This reserve is set aside to replace vehicles, plant and equipment coming to the end of their useful lives. Service underspends in relation to front line operational services are set aside to support the replacement programme. The table above has been restated to combine this reserve with the Waste Reserve and rename it.

Strategic – This reserve is used to help facilitate work around the strategic objectives of the council.

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.

8. Other Operating Expenditure

2014-15 £'000s		2015-16 £'000s
780	Parish Council Precepts	855
186	Payments to the Housing Capital Receipts Pool	208
963	(Gains)/Losses on the disposal of non-current assets	845
1,929	**Total**	**1,908**

9. Financing and Investment Income and Expenditure

2014-15 £'000s		2015-16 £'000s
1,073	Interest Payable and Similar Charges	1,116
90	Impairment of Financial Instruments	22
3,760	Net Interest on the Net Defined Benefit Liability	3,621
(188)	Interest Receivable and similar income	(207)
(16)	(Gain)/Loss on Trading Operations (see below)	16
(511)	Income and Expenditure on investment properties-Note 14	(422)
(622)	Changes in fair value of investment properties	(1,306)
3,586	**Total**	**2,840**

Trading Operations

Under accounting definitions the Council operates trading operations, relating to the Building Control service. The following table shows the details of the income and expenditure of the trading operations:

2014-15 (Surplus)/Deficit £'000s	Trading Service	2015-16 Expenditure £'000s	2015-16 Income £'000s	2015-16 (Surplus)/ Deficit £'000s
(16)	**Building Control**	**352**	**(336)**	**16**

Building Control	2013-14 (Surplus)/ Deficit £'000s	2014-15 (Surplus)/ Deficit £'000s	2015-16 (Surplus)/ Deficit £'000s
Turnover	(304)	(340)	(336)
Expenditure	336	324	352
Total	**32**	**(16)**	**16**

10. Taxation and Non-Specific Grant Income

2014-15 £'000s		2015-16 £'000s
(9,125)	Council Tax Income	(9,424)
(12,637)	Business Rates Income	(13,650)
8,394	Business Rates Expenditure (Tariff)	8,555
(7,579)	Non Ring Fenced Government Grants	(6,564)
(3,529)	Capital Grants and Contributions (see note 33)	(4,454)
(24,476)	**Total**	**(25,537)**

11. Property, Plant and Equipment

	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 2014	**91,502**	**48,692**	**642**	**11,351**	**21,149**	**-**	**5,050**	**2,019**	**180,405**
Additions	4,294	3,317	175	1,054	6	9	4,275	-	**13,130**
Disposals	-	(25)	(150)	(1,076)	-	-	-	(11)	**(1,262)**
Reclassifications	(181)	(11)	-	8	-	-	(225)	(266)	**(675)**
Revaluation & Restatements	2,293	9,913	7	-	-	-	-	212	**12,425**
Recognition	-	-	31	-	-	-	-	-	**31**
Downward Revaluation and Impairment charged to CI&E	-	(224)	(20)	(9)	(7)	(9)	-	-	**(269)**
Downward Revaluation & Impairment charged to the Revaluation Reserve	(1,070)	(1,201)	-	-	-	-	-	(150)	**(2,421)**
Gross Asset Valuation	**96,838**	**60,461**	**685**	**11,328**	**21,148**	**-**	**9,100**	**1,804**	**201,364**
Depreciation b/fwd	-	6,371	-	6,989	6,538	-	-	68	19,966
Depreciation 2014-15	2,570	2,913	-	1,000	529	-	-	23	7,035
Write out Accumulated Depreciation on Revaluation	(2,570)	(5,485)	-	-	-	-	-	(68)	(8,123)
Write out acc dep charged to Revaluation Reserve	-	-	-	-	-	-	-	-	-
Other depreciation adj	-	(37)	-	(961)	-	-	-	-	(998)
Gross Depreciation c/fwd	**-**	**3,762**	**-**	**7,028**	**7,067**	**-**	**-**	**23**	**17,880**
Net Book Value:									
as at 31 March 2015	**96,838**	**56,699**	**685**	**4,300**	**14,081**	**-**	**9,100**	**1,781**	**183,484**
as at 31 March 2014	**91,502**	**42,321**	**642**	**4,362**	**14,611**	**-**	**5,050**	**1,951**	**160,439**

	Council Dwellings £'000s	Other Land and Buildings £'000s	Heritage Assets £'000s	Vehicles, Plant and Equip £'000s	Infra-structure Assets £'000s	Community Assets £'000s	Assets Under Construction £'000s	Surplus Property £'000s	Total £'000s
As at 1 April 2015	**96,838**	**60,461**	**685**	**11,328**	**21,148**	**-**	**9,100**	**1,804**	**201,364**
Additions	3,492	1,519	4,831	686	1,154	18	3,428	-	**15,128**
Disposals	-	(142)	-	(345)	-	-	-	-	**(487)**
Reclassifications	1,531	(779)	3,780	17	155	-	(4,273)	(1,277)	**(846)**
Revaluation & Restatements	14,580	4,186	-	-	-	-	-	350	**19,116**
Recognition	-	116	-	-	-	-	-	-	**116**
Downward Revaluation and Impairment charged to CI&E	-	(35)	(89)	-	-	(18)	-	-	**(142)**
Downward Revaluation & Impairment charged to the Revaluation Reserve	(1,515)	(541)	-	-	-	-	-	(140)	**(2,196)**
Gross Asset Valuation	**114,926**	**64,785**	**9,207**	**11,686**	**22,457**	**-**	**8,255**	**737**	**232,053**
Depreciation b/fwd	-	3,762	-	7,028	7,067	-	-	23	17,880
Depreciation 2015-16	3,090	2,602	-	974	562	-	-	12	7,240
Write out Accumulated Depreciation on Revaluation	(3,090)	(1,920)	-	-	-	-	-	(23)	(5,033)
Write out acc dep charged to Revaluation Reserve	-	-	-	-	-	-	-	-	-
Other depreciation adjustments	-	(163)	-	(304)	-	-	-	-	(467)
Gross Depreciation c/fwd	**-**	**4,281**	**-**	**7,698**	**7,629**	**-**	**-**	**12**	**19,620**
Net Book Value:									
as at 31 March 2016	**114,926**	**60,504**	**9,207**	**3,988**	**14,828**	**-**	**8,255**	**725**	**212,433**
as at 31 March 2015	**96,838**	**56,699**	**685**	**4,300**	**14,081**	**-**	**9,100**	**1,781**	**183,484**

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.

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. £14.58m of the total £19.116m revaluation in 2015-16 relates to Council Dwellings, which was derived using the services of an external valuer and in accordance with the Beacon principle.

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 Current Value						
Pre 2011	-	-	431	-	-	**431**
2011/12	-	977	-	-	602	**1,579**
2012/13	-	338	-	-	1,722	**2,060**
2013/14	-	2,390	-	-	923	**3,313**
2014/15	-	31,132	206	-	1,311	**32,649**
2015/16	114,926	29,948	204	737	20,192	**166,007**
Total Value	**114,926**	**64,785**	**841**	**737**	**24,750**	**206,039**

The Dreamland Amusement park heritage asset (£8,366k), vehicles, plant and equipment and infrastructure assets are carried at historical cost.

12. 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 11.

	War Memorials Public Statues £,000s	Museum Artefacts £,000s	Art Collection £,000s	Civic Regalia £,000s	Dreamland £,000s	Total £,000s
1 April 2015	**113**	**30**	**85**	**18**	**439**	**685**
Additions	-	-	-	-	4,831	4,831
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	3,780	3,780
Recognition	-	-	-	-	-	-
Upward Revaluation	-	-	-	-	-	-
Devaluation/Impairment to C I & E	-	-	-	-	(89)	(89)
31 March 2016	**113**	**30**	**85**	**18**	**8,961**	**9,207**

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 £10,000. 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. Capital expenditure incurred in previous years on the amusement park has been reclassified from an Asset Under Construction to a Heritage Asset in 2015-16, although capital expenditure on the cinema complex remains as an Asset Under Construction. Additions in 2015-16 relate to both the amusement park itself and the park rides. The Council has determined that:

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

- given the amusement park is a specialist asset giving a unique heritage experience, it 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.

13. 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 11, 14 and 20 respectively. This reflects the application of IFRS13 *Fair Value Measurement* prospectively from 1 April 2015, therefore 2014-15 values have not been restated.

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 2015	**1,804**	**24,615**	**247**	**26,666**
Disposals	-	(1,172)	(2,576)	(3,748)
Recognition	350	-	-	350
Reclassifications	-	(7)	760	753
Downward revaluation charged to the C I & E	-	(847)	-	(847)
Downward revaluation charged to the Revaluation Reserve	(140)	-	-	(140)
Transfers in/out of Level 3	-	-	-	-
Balance as at 31 March 2016	**737**	**24,742**	**296**	**25,775**
Level 3 Assets				
Balance as at 1 April 2015	**-**	**8**	**-**	**8**
Balance as at 31 March 2016	**-**	**8**	**-**	**8**

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 (£8k as shown in the table above).

Impairments

There were no valuation impairments during the financial year ended 31 March 2016.

14. 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.

2014-15 £'000s		2015-16 £'000s
(1,244)	Rental Income from Investment property	(1,305)
733	Direct operating expenses arising from investment property	883
(511)	**Net (Gain)/Loss**	**(422)**

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

2014-15 £'000s		2015-16 £'000s
23,998	**Balance as at 1 April**	**24,623**
-	Purchases	-
92	Subsequent Expenditure	-
(138)	Disposals	(1,172)
550	Net gains/losses from fair value adjustments	1,306
44	Reclassifications	(7)
77	Recognitions	-
24,623	**Balance as at 31 March**	**24,750**

15. Financial Instruments Balances

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

	Long-Term		Current	
	31 March 2015 £'000s	**31 March 2016 £'000s**	**31 March 2015 £'000s**	**31 March 2016 £'000s**
Borrowings	29,220	28,741	1,439	479
Trade creditors	-	-	5,442	5,777
Deferred liabilities	642	642	2,775	2,775
+ Accrued interest	-	-	350	335
Financial liabilities at amortised cost	29,862	29,383	10,006	9,366
Total financial liabilities	**29,862**	**29,383**	**10,006**	**9,366**
Short term investments	-	-	6,800	12,764
Cash and Cash Equivalents	-	-	23,766	17,076
Trade debtors	-	-	4,597	5,751
Capital/Revenue Grant Debtors	-	-	2,920	568
Car Loans	-	10	1	-
Mortgages	17	5	-	
Charitable Loans	20	22	-	
Home Safety Loans	14	-	-	
East Kent Housing Loans	-	223		
Leisure Services Loans	227	204	-	
+ Accrued interest on investments	-	-	38	57
Loans and receivables at amortised cost	278	464	38,122	36,216
Total financial assets	**278**	**464**	**38,122**	**36,216**

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 of these contingent liabilities can be found in Note 39. Should payment under the guarantees become probable, the amount of the liabilities will need to be determined under IAS 37. As it is not probable that payment by the Authority will be required, the guarantees have been recognised as contingent liabilities only 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).

Note 5 – The Council has a small balance outstanding from employees in respect of car loans. This balance is deemed below the de-minimus level and no further disclosure is proposed.

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:

2014-15			**2015-16**	
Financial Liabilities Amortised cost £'000s	**Financial Assets Loans and receivables £'000s**		**Financial Liabilities Amortised cost £'000s**	**Financial Assets Loans and receivables £'000s**
1,072	-	Interest expense	1,116	-
-	90	Impairment losses	-	22
1	-	Fee expense	-	-
1,073	**90**	**Interest payable and similar charges**	**1,116**	**22**
-	(188)	Interest income	-	(207)
-	-	Gains on de-recognition	-	-
-	**(188)**	**Interest and investment income**	**-**	**(207)**
975		**Net (gain)/loss for the year**	**931**	

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, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- 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:

Restated 31 March 2015 Carrying Amount £'000s	Restated 31 March 2015 Fair Value £'000s		31 March 2016 Carrying Amount £'000s	31 March 2016 Fair Value £'000s
26,451	32,351	PWLB debt	24,996	28,169
4,558	5,761	Other debt	4,559	5,968
31,009	**38,112**	**Total debt**	**29,555**	**34,137**
3,417	3,417	Deferred liabilities	3,416	3,416
5,442	5,442	Trade creditors	5,777	5,777
39,868	**46,971**	**Total Financial Liabilities**	**38,748**	**43,330**

The cost of taking a new loan at PWLB new loan rates applicable to existing loans at the balance sheet date (which could be viewed as a proxy for transfer value) has been assessed as £28.169m.

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 2016) arising from a commitment to pay interest to lenders above current market rates.

Restated 31 March 2015 Carrying Amount £'000s	Restated 31 March 2015 Fair Value £'000s		31 March 2016 Carrying Amount £'000s	31 March 2016 Fair Value £'000s
14	14	Home Safety loans	-	-
20	20	Charitable loans	22	22
1	1	Employee Car loans	10	10
29,435	29,435	Money market loans < 1 year	29,842	29,842
17	17	Mortgages	5	5
227	227	Leisure services loans	204	204
-	-	East Kent Housing loan	223	223
4,597	4,597	Trade debtors	5,751	5,751
34,311	**34,311**	**Total Loans and Receivables**	**36,057**	**36,057**

Trade Debtors and trade creditors are both carried at cost (invoiced amount) as this is a fair approximation of their value. Prior year figures have been restated to correct an inconsistency error.

16. 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 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 Capita 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 2015-16 was approved by Full Council on 5 February 2015 and a revised version was approved by Full Council on 23 April 2015 (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.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £28.612m as at 31 March 2016 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

2014-15	**Amount at 31 March 2015**	**Historical experience of default**	**Adjustment for market conditions at 31 March 2015**	**Estimated maximum exposure to default**
	£'000s (a)	**% (b)**	**% (c)**	**£'000s (a * c)**
Trade Debtors	8,094	43.21	43.21	3,497
Capital/Revenue Grant Debtors	2,920	-	-	-
Mortgages	17	-	-	-
Car Loans (Employee)	1	-	-	-
Home Safety Loans	14	-	-	-
Charitable Loans	20	-	-	-
Leisure Services Loans	227	-	-	-
Total	**11,293**			**3,497**

2015-16	**Amount at 31 March 2016**	**Historical experience of default**	**Adjustment for market conditions at 31 March 2016**	**Estimated maximum exposure to default**
	£'000s (a)	**% (b)**	**% (c)**	**£'000s (a * c)**
Trade Debtors	9,397	38.80	38.80	3,646
Capital/Revenue Grant Debtors	568	-	-	-
Mortgages	5	-	-	-
Car Loans (Employee)	10	-	-	-
Home Safety Loans	-	-	-	-
Charitable Loans	22	-	-	-
East Kent Housing Loans	223	-	-	
Leisure Services Loans	204	-	-	-
Total	**10,429**			**3,646**

The estimated maximum exposure to default for trade debtors is equivalent to the bad debt provision.

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 £5.750m of the £9.397m balance is past its due date for payment. Employee car loans are repaid by salary deduction so there is no risk of default. The past due amount of trade debtors can be analysed by age as follows:

31 March 2015 £'000s		31 March 2016 £'000s
1,345	Less than three months	1,467
543	Three to six months	531
702	Six months to one year	877
2,368	More than one year	2,875
4,958	**Total**	**5,750**

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 2015 £'000s		31 March 2016 £'000s
241	**Debt brought forward from previous year (more than 1 year old)**	**233**
210	Costs incurred in financial year (less than 1 year old)	266
(218)	Debtor invoices raised in year	(275)
233	**Total debt outstanding at year end**	**224**

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

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 2015 £'000s		31 March 2016 £'000s
29,435	Less than one year	29,842
29,435	**Total**	**29,842**

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 2015 £'000s		Approved Maximum Limits 2015-16 £'000s	31 March 2016 £'000s
1,790	Less than one year	12,527	815
480	Maturing in 1 - 2 years	12,527	480
6,239	Maturing in 2 - 5 years	12,527	6,239
7,367	Maturing in 5 - 10 years	13,780	6,975
2,787	Maturing in 10 - 20 years	12,527	6,626
4,926	Maturing in 20 - 30 years	12,527	1,000
1,920	Maturing in 30 - 40 years	12,527	1,920
1,000	Maturing in 40 - 50 years	12,527	1,000
-	Maturing in 50 years and above	12,527	-
26,509	**Total**		**25,055**

Not shown in the table above are:

Trade and other payables (£16.121m) which are due to be paid in less than one year, and a loan with Dexia (£4.5m) that matures in over 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 2016, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2014-15 £'000s		**2015-16 £'000s**
45	Increase in interest payable on variable rate borrowings	45
(293)	Increase in interest receivable on variable rate investments	(297)
(248)	**Impact on Comprehensive Income and Expenditure Statement**	**(252)**
(3,288)	Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure)	(2,839)

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.

17. Construction Contracts

As at 31 March 2016 the Authority had a number of construction contracts in progress in excess of £75k, the construction of the North Thanet Sea Wall (J Breheny), works to the Dreamland site (Coombs, WGH and Topbond), works to 19 Hawley Square (J Rospo), Empty Properties (W W Martin) the Intervention Programme (Standage, Jenner, and W W Martin) and works within the HRA (BSC Ltd and Key Pointing Ltd). The value of work completed at 31 March 2016 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:

	North Thanet Sea Wall £'000s	Dreamland £'000s	19 Hawley Square £'000s	Empty Property £'000s	Housing Intervention £'000s	HRA £'000s
Costs incurred to date	**1,280**	**9,013**	**79**	**232**	**2,352**	**242**
Revenue recognised:						
Prior to 1 April 2015	(133)	(3,023)	(79)	(99)	(835)	-
During 2015-16	(1,147)	(5,990)	-	(133)	(1,517)	(242)
Profit/Loss	-	-	-	-	-	-
Advances received	(1,214)	(8,619)	(79)	(226)	(2,055)	(239)
Gross amount due	**66**	**394**	**-**	**6**	**297**	**3**
Comprising:						
Amounts not billed	33	192	-	-	201	-
Retentions	33	202	-	6	96	3

18. Debtors

Restated 2014-15 £'000s	**Amounts falling due in one year**	**2015-16 £'000s**
3,491	Council Tax and Non Domestic Rates	4,054
1,063	Central Government Bodies	932
-	Public Corporations and Trading Funds	99
102	Other Local Authorities	434
2	NHS Bodies	1
12,035	Other Entities and Individuals	10,309
(5,039)	Less Impairment Provision	(5,368)
(2,446)	Less Business Rates Appeals Provision	(2,434)
9,208	**Total Short Term Debtors**	**8,027**

The 2014-15 figures have been restated to disclose the business rates appeals provision separately.

The decrease in other entities and individuals debtors £1.726m relates to the funding for Dreamland which has now been received and utilised.

Long Term Debtors

2014-15 £'000s	Amounts falling due after one year	2015-16 £'000s
17	Mortgages	5
20	Charitable Loans	22
14	Home Safety Loans	-
-	Car Loans	10
227	Leisure Services Loans	204
-	East Kent Housing	223
278	**Total Long Term Debtors**	**464**

19. Cash and Cash Equivalents

31 March 2015 £'000s		31 March 2016 £'000s	Movement 2015-16 £'000s
1,131	Cash held by the Authority	1,227	96
6,005	Bank current accounts	4,425	(1,580)
16,630	Short Term deposits	11,424	(5,206)
23,766	**Total Cash and Cash Equivalents**	**17,076**	**(6,690)**

20. 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.

31 March 2015 £'000s		31 March 2016 £'000s
101	**Balance as at 1 April**	**247**
740	Assets newly classified as held for sale	760
-	Assets declassified as held for sale	-
1,368	Revaluation gains	1,865
(1,962)	Disposals	(2,576)
247	**Balance as at 31 March**	**296**

21. Creditors

2014-15 £'000s	Amounts falling due in one year	2015-16 £'000s
649	Council Tax & Non Domestic Rates	1,515
1,695	Central Government bodies	2,987
13	Public Corporations and trading funds	17
4,907	Other Local Authorities	6,047
5,292	Other Entities and Individuals	5,555
12,556	**Total Short Term Creditors**	**16,121**

The increase in other local authority creditors £1.140m and central government bodies £1.292m relates mainly to the amounts owed to major preceptors and central government for business rate income due for the year. The 2014-15 figures were lower than usual as a result of the additional provision required for the GP surgeries appeals.

22.Provisions

2014-15 Compensation Claims £'000s		2015-16 Compensation Claims £'000s
1,816	**Balance as at 1 April**	**1,227**
812	Additional provisions made during the year	2,147
(1,401)	Amounts used during the year	(909)
-	Unused amounts reversed during the year	-
1,227	**Balance as at 31 March**	**2,465**

The Council holds a provision of £432k in respect of asbestos related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants.

Following an investigation into Hand Arm Vibration cases by the Health and Safety Executive, the council has been informed of the decision to instigate criminal proceedings against it for alleged offences for contravention of the Health and Safety at Work etc. Act ('the Act') between 6 July 2005 and 15 October 2014.

23.Usable Reserves

2014-15 £'000s		2015-16 £'000s
2,512	Capital Receipts Reserve	3,923
6,558	Major Repairs Reserve	7,171
2,011	General Fund Balance	2,011
5,392	HRA Balance	5,296
108	Capital Grants Unapplied	108
15,687	Earmarked Reserves	11,647
32,268	**Total Unusable Reserves**	**30,156**

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 23A below**.**

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

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 7.

23A. 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.

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 allows for 100% of all eligible General Fund receipts to be used for capital purposes.

2014-15 £'000s		2015-16 £'000s
1,628	**Balance as at 1 April**	**2,512**
1,293	Capital Receipts in year	3,043
(199)	Capital Receipts applied during the year	(1,378)
(186)	Housing Pooled Capital Receipts	(208)
(24)	Cost of sales/Right to Buy admin costs	(46)
2,512	**Balance as at 31 March**	**3,923**

24. Unusable Reserves

2014-15 £'000s		2015-16 £'000s
40,231	Revaluation Reserve	61,480
121,601	Capital Adjustment Account	125,996
15	Deferred Capital Receipts Reserve	4
(109,620)	Pensions Reserve	(99,458)
(1,879)	Collection Fund Adjustment Account	(1,048)
(187)	Accumulated Absences Account	(223)
50,161	**Total Unusable Reserves**	**86,751**

24A. 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.

2014-15 £'000s		2015-16 £'000s
22,377	**Balance as at 1 April**	**40,231**
20,996	Upward revaluation of assets	25,010
(1,521)	Downward revaluation of assets and impairment losses charged to the reserve	(1,404)
140	Gains through acquisition/recognition of non-current assets in the year	118
19,615	**Surplus or deficit arising on revaluation of non-current assets**	**23,724**
(382)	Difference between fair value depreciation and historical cost depreciation	(533)
(1,379)	Accumulated gains on assets disposed of	(1,942)
(1,761)	Amount written off to the Capital Adjustment Account	**(2,475)**
40,231	**Balance as at 31 March**	**61,480**

24B. 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 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014-15 £'000s		2015-16 £'000s
116,790	**Balance as at 1 April**	**121,601**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(7,117)	Charges for depreciation and impairment of non-current assets	(7,329)
(170)	Revaluation losses on Property, Plant and Equipment	172
(47)	Amortisation of intangible assets	(57)
(431)	Revenue expenditure funded from capital under statute	(493)
(2,249)	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	(3,878)
106,776		**110,016**
1,761	Adjusting amounts written out of the Revaluation Reserve	2,475
108,537	Net written out amount of the cost of non-current assets consumed in the year	**112,491**

	Capital Financing applied in the year:	
199	Use of the Capital Receipts Reserve to finance new capital expenditure	1,378
3,453	Use of the Earmarked Reserves	482
2,012	Use of the Major Repairs Reserve to finance new capital expenditure	2,477
3,985	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,794
853	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	848
-	HRA Loan repayment from the Major Repairs Reserve	828
1,940	Capital Expenditure charged against the General Fund and HRA balances	1,392
622	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,306
121,601	**Balance as at 31 March**	**125,996**

24C. 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 Authority 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 Authority 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 Authority 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. The prior year figures have been restated to reflect the correct disclosure of the return on pension assets as a re-measurement of the net defined benefit liability.

Restated 2014-15 £’000s		**2015-16 £’000s**
(83,923)	**Balance as at 1 April**	**(109,620)**
(22,757)	Re-measurement of the net defined benefit liability	13,648
4,933	Employers contributions payable in the year	5,057
(7,873)	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	(8,543)
(109,620)	**Balance as at 31 March**	**(99,458)**

24D. 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 council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014-15 £'000s		2015-16 £'000s
619	**Balance as at 1 April**	**(1,879)**
(83)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	76
(2,415)	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	755
(1,879)	**Balance as at 31 March**	**(1,048)**

24E. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014-15 £'000s		2015-16 £'000s
(181)	**Balance as at 1 April**	**(187)**
181	Settlement or cancellation of accrual made at the end of the preceding year	187
(187)	Amounts accrued at the end of the current year	(223)
(6)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from that chargeable in the year in accordance with statutory requirements	(36)
(187)	**Balance as at 31 March**	**(223)**

25. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2014-15 £'000s		2015-16 £'000s
(188)	Interest Received	(207)
1,073	Interest Paid	1,116

25A. Cash Flow Statement – Adjust net surplus or deficit on the provision of services for non-cash movements

2014-15 £'000s		2015-16 £'000s
(7,117)	Depreciation	(7,329)
(169)	Impairment and downward valuations	172
(47)	Amortisation	(57)
(39)	Movement in Creditors	166

105	Movement in Debtors	(631)
(125)	Movement in Inventories	(19)
(4,487)	Pension Liability	(7,107)
(2,249)	Carrying amount of non-current assets sold	(3,878)
622	Movement in Investment Property Values	1,306
589	Contribution (to)/from Provisions	(1,238)
126	Other non-cash items	30
(12,791)		**(18,585)**

25B. Cash Flow Statement – Adjust net surplus or deficit on the provision of services for investing and financing activities

Restated 2014-15 £'000s		**2015-16 £'000s**
2,783	Capital Grants credited	4,472
1,293	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,020
4,076		**7,492**

The prior year figures have been restated to correct a rounding error.

26. Cash Flow Statement - Investing Activities

2014-15 £'000s	**Investing Activities**	**2015-16 £'000s**
14,415	Purchase of Property, plant and equipment, investment property and intangible assets	17,226
-	Purchase of short term and long term investments	5,964
6	Other Payments for investing activities	228
(1,286)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,020)
(2,776)	Other receipts from investing activities	(3,596)
10,359	**Net cash flows from Investing activities**	**16,802**

27. Cash Flow Statement - Financing Activities

2014-15 £'000s	**Financing Activities**	**2015-16 £'000s**
(3,800)	Cash Receipts of short and long term borrowing	-
393	Repayments of short and long term borrowing	1,439
473	Other payments for financing activities	(3,350)
(2,934)	**Net cash flows from Financing activities**	**(1,911)**

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. The 2014-15 comparators have been restated to reflect the restructure implemented from 1 April 2015.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the 2014-15 is as follows:

Restated 2014-15 Service Information	**Chief Executive**	**Director of Corporate Resources & S151**	**Director of Community Services**	**Director of Operational Services**	**Director of Corporate Governance**	**Shared Services**	**Total of General Fund Services**	**HRA**	**Comprehensive Income and Expenditure Statement**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Fees, Charges & Other Income	1	(4,706)	(3,099)	(7,648)	(69)	(7,446)	**(22,967)**	(13,537)	**(36,504)**
Interest & Investment Income	-	(96)	-	(1)	-	-	**(97)**	(91)	**(188)**
Government Grants	-	(70,068)	(659)	(417)	(206)	(40)	**(71,390)**	(18)	**(71,408)**
Recharges to HRA	(56)	(416)	(77)	(160)	(106)	-	**(815)**	-	**(815)**
Total Income	**(55)**	**(75,286)**	**(3,835)**	**(8,226)**	**(381)**	**(7,486)**	**(95,269)**	**(13,646)**	**(108,915)**
Employee expenses	457	2,445	4,907	8,617	655	9,931	**27,012**	439	**27,451**
Other Operating expenses	33	79,452	4,205	8,175	894	1,354	**94,113**	9,789	**103,902**
Total Expenditure	**490**	**81,897**	**9,112**	**16,792**	**1,549**	**11,285**	**121,125**	**10,228**	**131,353**
Cost of Services	**435**	**6,611**	**5,277**	**8,566**	**1,168**	**3,799**	**25,856**	**(3,418)**	**22,438**

This reconciliation shows how the figures in the analysis by directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Restated Reconciliation to Cost of Services in Comprehensive Income & Expenditure Statement	**2014-15**
	£'000s
Cost of Services Analysis	22,438
Amounts not reported to Management (incl. in cost of services)	6,850
Amounts reported to Management not in cost of services	(7,745)
Cost of Services in Comprehensive Income & Expenditure Statement	**21,543**

Restated Reconciliation to Subjective Analysis 2014-15

This reconciliation shows how the figures in the analysis by directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

	Service Analysis by Directorate	Amounts not reported to Management	Amounts not included in the cost of services	Allocation of recharges to HRA	Cost of Services	Corporate Amounts	(Surplus)/Deficit on the Provision of Services
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Fees Charges & Other Service Income	(36,504)	(340)	(2,106)	10	(38,940)	(1,577)	(40,517)
Interest & Investment Income	(188)	-	188	-	-	(188)	(188)
Income from Council Tax	-	-	-	-	-	(9,125)	(9,125)
Business Rates Income/Tariff	-	-	-	-	-	(4,243)	(4,243)
Government Grants	(71,408)	(1,739)	320	-	(72,827)	(11,109)	(83,936)
Recharges to HRA	(815)	-	-	815	-	-	-
Total Income	**(108,915)**	**(2,079)**	**(1,598)**	**825**	**(111,767)**	**(26,242)**	**(138,009)**
Employee Expenses	27,451	-	(4)	(395)	27,052	3	27,055
Other Operating Expenses	103,902	1,017	(6,143)	(279)	98,497	1,110	99,607
Support Services (HRA)	-	151	-	(151)	-	-	-
Capital and Financing charges	-	7,761	-	-	7,761	(594)	7,167
Interest Payments	-	-	-	-	-	1,073	1,073
Precepts and Levies	-	-	-	-	-	780	780
Payments to Housing Capital Receipts Pool	-	-	-	-	-	186	186
Gain or Loss on the Disposal of Non-current assets	-	-	-	-	-	963	963
Other Expenditure	-	-	-	-	-	3,760	3,760
Total Expenditure	**131,353**	**8,929**	**(6,147)**	**(825)**	**133,310**	**7,281**	**140,591**
Surplus or deficit on the provision of services	**22,438**	**6,850**	**(7,745)**	**-**	**21,543**	**(18,961)**	**2,582**

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the 2015-16 is as follows:

2015-16 Service Information	Chief Executive	Director of Corporate Resources & S151	Director of Community Services	Director of Operational Services	Director of Corporate Governance	Shared Services	Total of General Fund Services	HRA	Comprehensive Income and Expenditure Statement
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, Charges & Other Income	(10)	(6,276)	(3,183)	(9,029)	(96)	(8,086)	**(26,680)**	(13,942)	**(40,622)**
Interest & Investment Income	-	(94)	-	(1)	-	-	**(95)**	(112)	**(207)**
Government Grants	-	(67,778)	(363)	(82)	(253)	(60)	**(68,536)**	(21)	**(68,557)**
Recharges to the HRA	(55)	(425)	(86)	(164)	(94)	-	**(824)**	-	**(824)**
Total Income	**(65)**	**(74,573)**	**(3,632)**	**(9,276)**	**(443)**	**(8,146)**	**(96,135)**	**(14,075)**	**(110,210)**
Employee expenses	458	2,607	5,049	8,775	747	10,543	**28,179**	454	**28,633**
Other Operating expenses	48	64,158	4,062	11,482	1,094	2,262	**83,106**	9,706	**92,812**
Total Expenditure	**506**	**66,765**	**9,111**	**20,257**	**1,841**	**12,805**	**111,285**	**10,160**	**121,445**
Cost of Services	**441**	**(7,808)**	**5,479**	**10,981**	**1,398**	**4,659**	**15,150**	**(3,915)**	**11,235**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement:

Reconciliation to Cost of Services in Comprehensive Income & Expenditure Statement	2015-16 £'000s
Cost of Services Analysis	11,235
Amounts not reported to Management (incl. in cost of services)	6,586
Amounts reported to Management not in cost of services	5,860
Cost of Services in Comprehensive Income & Expenditure Statement	**23,681**

Reconciliation to Subjective Analysis 2015-16

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

	Service Analysis by Directorate	Amounts not reported to Management	Amounts not included in the cost of services	Allocation of recharges to HRA	Cost of Services	Corporate Amounts	(Surplus)/Deficit on the Provision of Services
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Fees Charges & Other Service Income	(40,622)	(340)	(1,133)	59	(42,036)	(1,634)	(43,670)
Interest & Investment Income	(207)	-	207	-	-	(207)	(207)
Income from Council Tax	-	-	-	-	-	(9,424)	(9,424)
Income from Business Rates/Tariff	-	-	-	-	-	(5,095)	(5,095)
Government Grants	(68,557)	(1,849)	381	-	(70,025)	(11,018)	(81,043)
Recharges to the HRA	(824)	-	-	824	-	-	-
Total Income	**(110,210)**	**(2,189)**	**(545)**	**883**	**(112,061)**	**(27,378)**	**(139,439)**
Employee Expenses	28,633	-	(1)	(405)	28,227	1	28,228
Other Operating Expenses	92,812	935	6,406	(330)	99,823	1,221	101,044
Support Services (HRA)	-	148	-	(148)	-	-	-
Capital and Financing charges	-	7,692	-	-	7,692	(1,278)	6,414
Interest Payments	-	-	-	-	-	1,116	1,116
Precepts and Levies	-	-	-	-	-	855	855
Payments to Housing Capital Receipts Pool	-	-	-	-	-	208	208
Gain or Loss on the Disposal of Non-current assets	-	-	-	-	-	845	845
Other Expenditure	-	-	-	-	-	3,621	3,621
Total Expenditure	**121,445**	**8,775**	**6,405**	**(883)**	**135,742**	**6,589**	**142,331**
Surplus or deficit on the provision of services	**11,235**	**6,586**	**5,860**	**-**	**23,681**	**(20,789)**	**2,892**

29. 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.

2014-15 £'000s		2015-16 £'000s
	Net Cost of Service	
(182)	**Brought Forward**	**(209)**
1,000	Gross Expenditure	1,005
3	Movement in Provision for unpaid fines	(32)
11	Use of Reserve	3
(1,041)	Gross Income	(1,093)
(209)	**Balance Carried Forward**	**(326)**

30. Members' Allowances

2014-15 £'000s		2015-16 £'000s
368	Allowances	362
1	Expenses	1
369	**Total**	**363**

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

31. Remuneration of Employees

The table below shows the number of employees whose remuneration, excluding employer's pension contributions, exceeded £50,000. Remuneration is defined as the amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance and the estimated monetary value of any other benefits received by an employee other than cash.

2014-15 Number of Staff Total	2014-15 Number of Staff Left during year	Remuneration Band £	2015-16 Number of Staff Total	2015-16 Number of Staff Left during year
4	-	50,000 – 54,999	7	-
5	1	55,000 – 59,999	4	-
5	1	60,000 – 64,999	2	1
3	-	65,000 – 69,999	2	-
-	-	70,000 – 74,999	3	-
2	1	75,000 – 79,999	1	-
1	1	80,000 – 84,999	-	-
-	-	85,000 – 89,999	1	-
-	-	90,000 – 94,999	-	-
-	-	95,000 – 99,999	-	-
1	1	100,000 – 104,999	-	-
1	-	105,000 – 109,999	1	-
-	-	110,000 – 114,999	-	-
-	-	115,000 – 119,999	1	-

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year for 2014-15.

Post Holder	Salary (incl. fees & allowances)	Other Cash Benefits	Comp. for loss of office	Total Remun. Excl. pension conts	Pension contribs	Total Incl. pension contribs
	£	£	£	£	£	£
Chief Executive (2)	88,916	3,750	-	92,666	12,270	**104,936**
Interim Chief Executive (3)	78,735	3,629	-	82,364	10,849	**93,213**
Shared Services Director (1)(4)	58,586	2,625	-	61,211	7,675	**68,886**
Shared Services Director (1)(5)	36,595	1,500	-	38,095	4,396	**42,491**
Director of Operational Services (6)	77,920	3,405	-	81,325	10,718	**92,043**
Director of Community Services (7)	24,906	1,097	-	26,003	3,392	**29,395**
Corporate and Regulatory Services Manager (8)	6,118	301	-	6,419	844	**7,263**
Assistant Director Customer Delivery (1)	72,828	3,500	-	76,328	9,512	**85,840**
Head of Financial Services & Deputy S151 (9)	5,417	250	-	5,667	748	**6,415**
Head of ICT (1)	58,614	3,000	-	61,614	7,670	**69,284**
Total	**508,635**	**23,057**	**-**	**531,692**	**68,074**	**599,766**

Note 1: The Shared Services Director, Assistant Director Customer Delivery and the Head of ICT are all East Kent Services staff.
Note 2: From 30 December 2014 and after seven and a half years with the Council, Chief Executive & S151 Officer Sue McGonigal decided to move on and explore other opportunities. The post became vacant from 1 January 2015 through to the end of the financial year. The annualised salary was £113,999.
Note 3: Interim Chief Executive in post from 10 July 2014 through to the end of the financial year. The annualised salary was £108,169.
Note 4: Shared Services Director post became vacant from 1 November 2014 and remained vacant until 30 November 2014. The annualised salary was £100,433.
Note 5: Shared Services Director started in post on 1 December 2014. The annualised salary was £100,666.
Note 6: Director of Operational Services post became vacant from 7 February 2015 and remained vacant until the end of the financial year. The annualised salary was £91,249.
Note 7: Director of Community Services post became vacant from 10 July 2014 and remained vacant until the end of the financial year. The annualised salary was £89,498.
Note 8: Corporate and Regulatory Services Manager post became vacant from 1 May 2014 and remained vacant until the end of the financial year. The annualised salary was £71,120.
Note 9: Head of Financial Services and Deputy S151 post became vacant from 1 May 2014 and remained vacant until the end of the financial year. The annualised salary was £65,009.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year for 2015-16.

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**
	£	**£**	**£**	**£**	**£**	**£**
Interim Chief Executive (2)	9,137	-	-	9,137	1,246	**10,383**
Chief Executive (2)	116,692	4,583	-	121,275	17,258	**138,533**
Former Chief Executive (3)	-	-	82,500	82,500	-	**82,500**
Director EK Services (1)	105,642	4,500	-	110,142	13,418	**123,560**
Assistant Director EK Services (1)	77,224	3,500		80,724	10,043	**90,767**
Director of Operational Services (4)	82,062	3,983	-	86,045	11,464	**97,509**
Director of Community Services (5)	17,599	785	-	18,384	2,417	**20,801**
Director Corporate Resources (6)	68,644	2,871	-	71,515	9,420	**80,935**
Director Corporate Governance (7)	47,721	2,000	-	49,721	6,561	**56,282**
Head of ICT (1)	60,154	3,000	-	63,154	7,866	**71,020**
Total	**584,875**	**25,222**	**82,500**	**692,597**	**79,693**	**772,290**

Note 1: The Shared Services Director, Assistant Director EK Services and the Head of ICT are all East Kent Services staff.
Note 2: The Interim Chief Executive was appointed to the Chief Executive post on 24 April 2015.
Note 3: The former Chief Executive compensation relates to loss of office in 2014-15, but compensation was not agreed and paid until 2015-16.
Note 4: Director of Operational Services was vacant at the start of the year and appointed to on 7 April 2015.
Note 5: Director of Community Services was appointed on 21 January 2016. The annualised salary was £89,261.
Note 6: Director of Corporate Resources was appointed on 13 July 2015. The annualised salary was £95,101.
Note 7: Director of Corporate Governance was appointed on 1 October 2015. The annualised salary was £95,101.

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	
	14-15	15-16	14-15	15-16	14-15	15-16	14-15 £'000	15-16 £'000
0 - 20,000	3	6	-	-	3	6	20	63
20,001 - 40,000	2	2	2	-	4	2	126	62
40,001 - 60,000	1	-	-	-	1	-	54	-
60,001 - 80,000	-	-	-	-	-	-	-	-
80,001 - 100,000	-	-	-	1	-	1	-	83
Total Cost Included in Bandings							**200**	**208**

32. 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.

2014-15 £'000s	Fees payable to external auditors	2015-16 £'000s
88	External audit work carried out by the appointed auditor	72
(8)	Prior year refund of audit services fees	-
6	Statutory Inspection/Objections	-
31	Certification of grant claims and returns	49
2	Other Services	-
119	**Total**	**121**

33. 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

2014-15 £'000s	Grant	2015-16 £'000s
(7)	Environment Agency – Margate Coast Protection	-
1	Environment Agency – Pegwell Bay	-
(155)	Environment Agency – North Thanet	(1,154)
(158)	European Fisheries Fund	-
(89)	HCA – Empty Properties	-
(849)	HCA – Cluster Bid	(206)
(1,990)	Historic Grants	(2,991)
(72)	Interreg – Yacht Valley	-
(11)	KCC – Members Grant	-
(19)	KCC – Military Road Arches	-
(20)	Section 106	(49)
(55)	DCLG Weekly Waste Scheme	-

(17)	DCLG Planning Delivery Grant	-
(88)	KCC - Waste Containment	-
-	Regional Housing Board	(4)
-	Vattenfall	(50)
(3,529)	**Total**	**(4,454)**

Credited to Services

2014-15 £'000s	**Grant**	**2015-16 £'000s**
(61)	Armed Forces Community Covenant	-
(108)	Arts Council England	(23)
-	Big Lottery Fund	(17)
-	Coastal Communities	(98)
(1)	Dame Kelly Holmes Trust	-
(1,735)	DCLG	(429)
-	DEFRA	6
(69,330)	DWP	(67,052)
(47)	English Heritage	(12)
(25)	Environment Agency	(64)
(53)	GOSE	(61)
(97)	HCA	(20)
(453)	Heritage Lottery Fund	(245)
-	Home Office	(10)
(173)	Interreg	(31)
(406)	KCC	(488)
(6)	KCC - Second Homes	-
-	KCC - Better Care Fund	(1,277)
-	Kent Fire	-
(1)	Kent Police	(1)
(14)	Kent Resource Partnership	(12)
-	LGA	(38)
(1)	Meanwhile	-
(193)	NNDR	(192)
(16)	Orbit	(17)
(5)	Pipeline	-
(48)	Police and Crime Commissioner	(32)
(334)	Section 106	(28)
(22)	Street Games	(17)
(20)	Vattenfall	(23)
-	Royal Sands Bond	(373)
(874)	Other Contributions	(793)
(74,023)	**Total**	**(71,347)**

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

2014-15 £'000s	Grant	2015-16 £'000s
(82)	Coastal Communities Fund	(1,779)
(5)	DCLG – Council Tax Bills	(5)
(1,229)	Environment Agency –Coast Protection	(8)
(1,611)	HCA – Cluster Bid	(1,404)
(5)	HLF – Ramsgate THI	-
(22)	KCC – Winter Warmer	(45)
(1,644)	Section 106	(1,819)
(409)	Regional Housing Board	(462)
(1,036)	Royal Sands Bond	(652)
(53)	Vattenfall -Pegwell Walkway	-
(6,096)	**Total**	**(6,174)**

Revenue Grants Receipts in Advance

Restated 2014-15 £'000s	Grant	2015-16 £'000s
(1)	Arts Council England – MACH Phase 1	-
(8)	Arts Council England – MACH Phase 2	(21)
(10)	Arts Council England – Portas Pilot Project	-
(16)	Big Lottery Fund – Footprints in the Sand	-
(10)	Coastal Communities Fund	(75)
-	Community Safety Partnership	(6)
(1)	Dame Kelly Holmes Trust	-
(18)	DCLG - Support Town Centres	(17)
(10)	DCLG - Habitats Grant	(10)
(62)	DCLG - Mortgage Rescue Programme	(62)
(59)	DCLG - Seaside Fund	(49)
(2)	DCLG – Council Tax Bills	(2)
(14)	DCLG – Neighbourhood Planning	(25)
(31)	DCLG – Preventing Repossessions	(26)
(28)	DCLG – Portas Pilots	(28)
-	DCLG – Transformation Challenge Fund	(231)
(4)	DCMS – Free Swimming Initiative	(4)
(4)	DEFRA – Lower Proms	(10)
(5)	DEFRA – Water Bathing Safety	(5)
(192)	DWP - Housing Benefit Reform	(192)
(5)	DWP – IT System Changes	(21)
-	DWP – Lads Programme	(2)
-	DWP – Migrant Access to Benefit Changes	(2)
(25)	DWP – Behaviour Change Project	(62)
-	DWP – Universal Credit	(2)
(10)	East Kent Local Strategic Partnership	(10)
(4)	Environment Agency	(8)
(8)	GOSE - Migration Impact Fund	(4)
(27)	HCA – Single Conversation	(27)
(8)	Interreg – Tudor House	-
(25)	KCC – Council Tax Discount Scheme	(111)
(14)	KCC – Margate Task Force	(12)
(73)	KCC – MTF Housing	(57)

Restated 2014-15 £'000s	Grant	2015-16 £'000s
(40)	KCC – Margate Intervention	(34)
(1)	KCC – Margate Beach Court	(1)
(13)	KCC – Migration Impact Fund – Customer Services	(13)
(46)	KCC – Troubled Families Grant	(41)
(255)	KCC – Transition Funding	(55)
(20)	Kent Police – Margate Task Force	(19)
(63)	Kent Police – Council Tax Discount Scheme	(105)
(6)	Kent Fire – Margate Task Force	(6)
(7)	Kent Fire – Council Tax Discount Scheme	(27)
(28)	Kent Resource Partnership	(15)
(15)	LGA	(39)
(18)	PCC	(3)
(29)	Section 106	(33)
-	Royal Sands Bond	(14)
-	Sports Funding	(1)
(4)	Street Games UK	-
(97)	Thanet Coast Project	(95)
(3)	Thanet Sports Network	(3)
(20)	Vattenfall	-
(3)	Windows of Opportunity	(3)
(1,342)	**Total**	**(1,588)**

The 2014-15 comparators have been restated to correct a disclosure error with regards to the DCLG Neighbourhood Planning grant and the Kent Fire Margate Task Force grant.

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:

2014-15 £'000s	Grant	2015-16 £'000s
(1,342)	Revenue – Short Term	(1,588)
(4,317)	Capital – Short Term	(5,121)
(1,779)	Capital – Long Term	(1,053)
(7,438)	**Total**	**(7,762)**

34. 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 2015-16 is shown in Note 30. During 2015-16 a questionnaire was distributed to the 56 Current Members and 7 relevant officers.

The Director of Corporate Governance and the Director of Community Services declared employment agency payments totalling £52k.

One councillor declared an interest in the Thanet Countryside Trust who received a grant payment of £5k.

At the time of preparing this statement returns had not been received from 3 of the 56 Members. Previous declarations have been reviewed and none of the Members who have yet to return their forms had previously made any 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 28 Amounts Reported for Resource Allocation Decisions. Grant receipts and amounts outstanding at 31 March 2016 are shown in Note 33.

East Kent Housing Ltd. - The Council, together with Canterbury City Council, Dover District Council and Shepway District Council jointly own East Kent Housing Ltd, an Arms Length Management Organisation (ALMO), whose principal activity is to manage each of the four council's housing stock. For financial accounting purposes, East Kent Housing (the Company) is regarded as a related party.

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 2016 payable by Thanet District Council amounted to £1.293m. 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.

Amounts Due to/from Thanet District Council - The balance owed to and from Thanet District Council at the year end was £16k and £3k respectively, and are included within note 18 and 21 to the core financial statements.

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.

35. 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.

2014-15 £'000s		**2015-16 £'000s**	**2015-16 £'000s**
41,772	**Opening Capital Financing Requirement**		**43,264**
	Capital Investment		
13,023	Property, Plant and Equipment	15,128	
92	Investment Properties	-	
-	Capital loan granted (debtor)	223	
61	Intangible assets	57	
2,157	Revenue expenditure funded from capital under statute (including external funding)	2,341	
15,333			17,749
	Sources of finance		
(199)	Capital Receipts	(1,378)	
(10,849)	Government Grants and other contributions	(9,261)	
(1,940)	Direct revenue contributions	(1,392)	
-	HRA upward revaluations (revenue contribution)	1	
(853)	MRP	(848)	
-	Repayment of HRA loan principal	(828)	
(13,841)			(13,706)
43,264	**Closing Capital Financing Requirement**		**47,307**
	Explanation of movements in year		
-	Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)	(828)	
2,345	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	5,718	
-	HRA upward revaluations	1	
(853)	MRP	(848)	
1,492	**Increase/(decrease) in Capital Financing Requirement**		**4,043**

Capital Expenditure and Financing

The total capital expenditure in 2015-16 amounted to £17.749m. This included £5.029m in relation to HRA which was funded through the Major Repairs Allowance £2.477m, grants £0.255m, Capital receipts £0.371m and revenue/reserves £1.732m. The balance of £0.194m was unfinanced.

General fund capital expenditure was £12.720m, funded from grants £6.047m, capital receipts £1.007m, and revenue/reserves £0.142m. The balance of £5.524m was unfunded.

Included in the capital expenditure of £17.749m is £0.804m for the acquisition of new assets (as set out in the Capital Expenditure section of the Narrative Report). Other significant expenditure includes £4.586m for heritage asset enhancements, £3.401m for assets under construction, £1.154m for coast protection work and £5.029m on HRA enhancements.

36. Finance and Operating Leases

Finance Leases

The Council has two car park leases which are 125 years long. These leases have 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 assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet. The car park leases were re-valued during 2014-15 and have been assessed as having a nil value due to the significant on-going revenue deficits being incurred for each of the car parks.

The Authority is committed to making minimum payments under these leases 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:

	2014-15 £'000s	2015-16 £'000s
Finance lease liabilities (net present value of minimum lease payments)		
Non-current	570	570
Finance costs payable in future years	72	72
Minimum lease payments	**642**	**642**

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

	2014-15 £'000s	2015-16 £'000s
More than 1 year less than 5 years	1	1
More than 5 years	641	641
	642	**642**

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 2015-16 £395k contingent rents were payable by the Authority (2014-15 £374k).

Operating Leases: Council as Lessee

The Council lease a number of photocopiers.

The future minimum lease payments due under non-cancellable leases in future years are:

2014-15 £'000s		2015-16 £'000s
48	Not later than one year	35
95	Later than one year and not later than five years	61
143	**Total**	**96**

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 (£1.305m 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

2014-15 £'000s		2015-16 £'000s
71	Investment Properties HRA	53
24,552	Investment Properties General Fund	24,697
24,623	**Total**	**24,750**

37. Defined Benefit Pension Scheme

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

Thanet District Council participates in the Local Government Pension Scheme administered by Kent County Council in accordance with the Local Government Pension Scheme Regulations 2014. This is a funded defined benefit scheme based on career average revalued salary and length of service on retirement, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The 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.

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.

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:

2014-15 £'000s	Amounts recognised in the Comprehensive Income and Expenditure Statement	2015-16 £'000s
	Cost of Services	
4,113	Service cost	4,847
-	Past Service costs and curtailments	75
3,676	Net Interest on the defined liability	3,536
84	Administration Expenses	85
7,873	**Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services**	**8,543**

2014-15 £'000s		2015-16 £'000s
	Re-measurement of Net Defined Benefit	
(7,427)	Return on Plan assets in excess of interest	2,715
-	Other Actuarial gains/(losses) on assets	-
30,709	Changes in Financial Assumptions	(16,522)
-	Changes in Demographic Assumptions	-
(525)	Experience (gain)/loss on defined benefit obligation	159
22,757	**Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure**	**(13,648)**

2014-15 £'000s	Amounts recognised in the Movement in Reserves Statement	2015-16 £'000s
(7,873)	Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	(8,543)
	Actual amount charged against the general fund balance for pensioners:	
4,933	Employers' contributions payable to the scheme	5,057

Assets and Liabilities in relation to Retirement Benefits

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

2014-15 £'000s		2015-16 £'000s
195,898	**Balance as at 1 April**	**232,899**
4,113	Current service cost	4,847
8,691	Interest cost	7,581
30,709	Change in Financial Assumption	(16,522)
-	Change in Demographic Assumption	-
(525)	Experience loss/(gain) on defined benefit obligation	159
1,048	Contributions by scheme participants	1,044
(6,415)	Benefits paid	(6,912)
(620)	Unfunded pension payments	(607)
-	Past Service Costs including curtailments	75
232,899	**Closing Defined Benefit Obligation**	**222,564**

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

2014-15 £'000s		2015-16 £'000s
111,975	**Balance as at 1 April**	**123,279**
5,015	Interest On assets	4,045
7,427	Return on Assets less interest	(2,715)
-	Other Actuarial gains/(Losses)	-
(84)	Administration Expenses	(85)
4,933	Employer contributions including unfunded	5,057
1,048	Contributions by scheme participants	1,044
(7,035)	Benefits paid including unfunded	(7,519)
-	Settlement prices received/(paid)	-
123,279	**Closing Fair Value of Employer Assets**	**123,106**

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 relation to the previous year and as a result of moving a proportion of the Authority's business into Shared Service there were substantial movements in liabilities assumed in a business combination, past service costs and receipts/payments of bulk transfer values and these have been reflected in the above tables.
The actual gain on scheme assets in the year was £1.330m, (2015-16 £12.442m).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £99.5m 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 2017 is £4.45m.

Balance Sheet Disclosure as at 31 March 2016

Net Pension assets as at	31 March 2014 £'000s	31 March 2015 £'000s	31 March 2016 £'000s
Present value of funded obligation	187,179	223,866	214,043
Fair value of scheme assets (bid value)	(111,975)	(123,279)	(123,106)
Net Liability	**75,204**	**100,587**	**90,937**
Present value of unfunded obligation	8,719	9,033	8,521
Net Liability in Balance Sheet	**83,923**	**109,620**	**99,458**

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 2013.

The principal assumptions used by the actuary have been:

31 March 2015		31 March 2016
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.8 yrs	Men	22.9 yrs
25.2 yrs	Women	25.3 yrs
	Longevity at 65 for future pensioners:	
25.1 yrs	Men	25.2 yrs
27.6 yrs	Women	27.7 yrs
3.2%	Rate of inflation (RPI)	3.3%
4.2%	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.4%
3.3%	Rate for discounting scheme liabilities	3.7%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

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 2015 £'000s	31 March 2015 %		31 March 2016 £'000s	31 March 2016 %
84,248	68	Equity investments	82,095	66
1,289	1	Gilts	1,091	1
13,712	11	Bonds	13,517	11
15,314	13	Property	17,882	15
3,371	3	Cash	3,170	3
5,345	4	Target Return Portfolio	5,350	4
123,279		**Total**	**123,105**	

The following provides detail of these assets as at 31 March 2016, 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 2016**	
		% Quoted	**% Unquoted**
Fixed Interest			
Government Securities	UK	-	-
	Overseas	0.90%	-
Corporate Bonds	UK	5.50%	-
	Overseas	5.50%	-
Equities	UK	29.20%	-
	Overseas	35.10%	-
Property	All	-	14.50%
Others	Absolute return portfolio	-	4.35%
	Private equity	-	1.20%
	Infrastructure	-	1.10%
	Cash/temporary investments	-	1.95%
Net Current Assets	Debtors	-	1.00%
	Creditors	-	(0.30%)
Total		**76.20%**	**23.80%**

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	218,619	222,564	226,585
Projected Service Cost	4,188	4,293	4,401
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present value of total obligation	223,035	222,564	222,097
Projected Service Cost	4,295	4,293	4,291
Adjustment to Pension Increases & Deferred Revaluation	0.1%	0.0%	-0.1%

Present value of total obligation	226,162	222,564	219,033
Projected Service Cost	4,400	4,293	4,188
Adjustment to Mortality age rating assumption	+1 year	None	-1 Year
Present value of total obligation	229,499	222,564	215,846
Projected Service Cost	4,403	4,293	4,186

These assumptions are set with reference to market conditions at 31 March 2016.

Our estimate of the duration of the Employer's liabilities is 19 years.

The discount rate is the annualized yield at the 19 year point on the Merill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS 19, and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date. The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.3% p.a. This is consistent with the approach used at the last accounting date.
As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.4% p.a. This is a slightly higher differential than last year. We believe that this is a reasonable estimate for the future differences in indices, based on the different calculation methods and recent independent forecasts.

Projected Pension Expense for the year to 31 March 2017

	£'000s
Service Cost	4,293
Net Interest on the Defined Liability (asset)	3,587
Administration Expenses	85
Total	**7,965**
Employer Contributions	4,452

38. Other Long Term Liabilities

Other long term liabilities on the Balance Sheet include the multi storey car parks finance lease obligation £0.642m (see Note 36 for further detail), the pension liability £99.458m (see previous note), and a deferred credit of £2.578m 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 (2014-15 £0.340m) over the remaining term of the lease. In addition £0.435m relates to projects still to be delivered by East Kent Services on behalf of the other partners in the shared service arrangement (see Note 34 for further detail of the arrangement).

39. Contingent Liabilities

Your Leisure Kent Limited

Hartsdown Leisure Centre

It was agreed at Cabinet on 6 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 2016 payments totalling £1,156k have been made by Your Leisure Kent Ltd.

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. In reality 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. A full financial assessment has been undertaken which demonstrates that the efficiency savings from the new facility and additional income generated by the spa will be sufficient to cover the costs of the rentals to Alliance Leisure and therefore the risk to the Council is considered minimal. As at 31 March 2016 payments totalling £1,197k have been made by Your Leisure Kent Ltd.

East Kent Housing

The Council, together with Canterbury City Council, Dover District Council and Shepway District Council jointly own East Kent Housing Ltd, an Arms Length Management Organisation (ALMO), whose principal activity is to manage each of the four council's housing stock. For financial accounting purposes in accordance with IFRS 11 Joint Arrangements, East Kent Housing (the Company) is accounted for as a related party.

On the basis of IAS 19 East Kent Housing Limited has an anticipated net pension liability of £7.330m, which it has insufficient other net assets to meet. The Council has a legal obligation to guarantee this liability under the terms of the Management Agreement. This has been determined to be a contingent liability because;

- it is unlikely that there will be an outflow of resources to settle the pension obligation and
- a reliable estimate cannot be made of the amount required to settle this obligation

Excellent Homes for All

The Council has committed to a back to back agreement for the "Excellent Homes for All" Private Finance Initiative (PFI). The project is being procured by Kent County Council (KCC) in partnership with five District and Borough Councils. The land to be included in the PFI belongs to Kent County Council with the exception of a site belonging to Ashford Borough Council. The project will deliver at least 220 new affordable housing units across Ashford, Dartford, Dover, Thanet and Tunbridge Wells.

In PFI projects the public sector specifies the outputs that it requires from new facilities and sources a private sector contractor who secures funding from lending institutions to design, build and operate assets to an agreed standard. The public sector partner then pays a regular monthly payment (unitary charge) to the Special Purpose Vehicle (SPV) to cover those costs and has agreement to use the assets and the services provided.

The majority of the unitary charge which KCC has to pay on behalf of the partnership for the project is covered by PFI credits in this instance £66.83m, a grant that KCC will receive from central government. PFI credits are intended to cover the costs of building the facilities and the associated funding costs and will be paid over quarterly in arrears. The majority of running costs, such as energy, communal cleaning and catering are recovered by the contractor through the rents and service charges to the tenants. KCC will administer an equalisation reserve on behalf of all the partners to address payment timing differences and manage cash flow.

The Back to Back agreement covers project governance, nomination rights, risk sharing and contract management requirements for the project. It operates on a number of key principals:

- If a risk occurs under the contract as a consequence of the actions of one party, that party should be responsible for the cost.
- If a risk occurs under the contract which is the result of a choice made by all of those partners or is the fault of no partner then a mechanism should be applied to share those costs. KCC would take 25% of the cost with the remainder being shared between the five District and Borough Councils primarily on the basis of the number of housing units gained from the project.
- Any decisions under the Back to Back to agreement which may result in an increase of risk or cost to any of the partners must be taken as unanimous decisions between all the partners through the Project Board

Completion of the project was July 2016.

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 inquiry 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 on-going legal process with the former land owners

40. Contingent Assets

Fleming Claims

Where interest has been paid on Fleming claims that have previously been settled by HMRC, this has only been statutory interest. However, the Council has also requested compound interest on all claims. The claims for compound interest are stood over behind the lead case of Littlewoods Retail Ltd who after a Court of Appeal judgement in the taxpayers favour have an appeal scheduled to be heard at the Supreme Court in July 2017. The value of the claims will be dependent on the outcome of this, and any future appeals.

41. Trust Funds

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

	Expenditure 2015-16 £	Income 2015-16 £
Kenrick Trust	2.50	2.50
Farrar Award	26.32	26.32
Simpson Bequest	3.26	3.26
Woodward Trust	115.27	115.27

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

42. Harbours

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

2014-15 (Surplus)/ Deficit £'000s		2015-16 Expenditure £'000s	2015-16 Income £'000s	2015-16 (Surplus)/ Deficit £'000s
3,900	Port of Ramsgate	4,381	(937)	3,444
89	Ramsgate Royal Harbour	2,125	(2,200)	(75)
(56)	Broadstairs Harbour	84	(73)	11
11	Margate Harbour	19	(4)	15
3,944	**Total**	**6,609**	**(3,214)**	**3,395**

43. 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 seperate 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 has accounted for its share of the assets, liabilities, and income and expenditure within its own single entity accounts, but consider that including the Council's share of the liability owed to Kent County Council for the cost of construction of the spine road as a deferred liability instead of imputed cash provides more transparency. In addition the Council's share of EKO's landholdings are included in these accounts at the Council's own land valuation as this is considered more appropriate.

44. 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 £10,000.

The Council carries out a regular review of its assets and apart from Dreamland Amusement Park and it's 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:

	2014-15 £'000s	2015-16 £'000s
Cost of Recognition/acquisition of Heritage assets		
Art		
- Items with value > £10,000	85	85
- balance of collection	121	121
Furniture/Dolls etc		
- Items with value > £10,000	30	30
- balance of collection	14	14
Civic Statues		
- Items with value > £10,000	113	113
Posters		
- balance of collection	16	16
Civic Regalia		
- Items with value > £10,000	18	18
- balance of collection	11	11
Miscellaneous		
- balance of collection	52	52
Dreamland		
- Items with value > £10,000	440	8,961
Total Value of Assets	**900**	**9,421**
Total Value shown on Balance Sheet (net of impairment/devaluation)	**685**	**9,207**

45. 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 2014-15.

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 is still undergoing restoration by the Council.

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.

46. Accounts Authorised for Issue

The date that the accounts were authorised for issue was the date that the Director of Corporate Resources & Section 151 Officer, Tim Willis, signed the Statement of Responsibilities for the Statement of Accounts on page 18.

These financial statements replace the unaudited draft financial statements certified on 30 June 2016.

Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2016

2014-15 £'000s		2015-16 £'000s
	INCOME	
12,710	Dwelling rents (gross)	13,030
231	Non-dwelling rents (gross)	223
356	Charges for services and facilities	348
257	Contributions towards expenditure	361
13,554	Sub-Total Income	13,962
	EXPENDITURE	
3,070	Repairs and maintenance	3,275
2,757	Supervision and management – General	2,890
468	Supervision and management – Special	502
329	Rents, rates, taxes and other charges	311
121	Increased provision for bad or doubtful debts	158
2,803	Depreciation and impairments of fixed assets	3,322
9	Debt management costs	10
9,557	Sub-Total Expenditure	10,468
(3,997)	**Net Cost of HRA Services per Authority Comprehensive Income and Expenditure Statement**	**(3,494)**
163	HRA Services share of Corporate and Democratic Core	149
(3,834)	**Net Cost of HRA Services**	**(3,345)**
924	(Gain) or loss on sale of HRA non-current assets	1,206
831	Interest payable and similar charges	811
(91)	Interest and investment income	(112)
(938)	Capital grants and contributions received	(255)
(3,108)	**(Surplus)/Deficit for the year on HRA services**	**(1,695)**

Movement on the Housing Revenue Account Statement

2014-15 £'000s		2015-16 £'000s
(5,664)	Balance on the HRA at the end of the previous year	**(5,392)**
(3,108)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(1,695)
1,898	Adjustments between accounting basis and funding basis under regulations	365
(1,210)	(Increase) or decrease in the Housing Revenue Account Balance before transfers to/(from) reserves	(1,330)
1,482	Transfer to/(from) Earmarked & Other Reserves	1,426
272	(Increase)/decrease in the year on the Housing Revenue Account	**96**
(5,392)	Balance on the HRA at the end of the current year	**(5,296)**
	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	
938	Capital grants and contributions received	255
(924)	Gain or loss on sale of HRA non-current assets	(1,206)
59	Net charges made for retirement benefits in accordance with IAS 19	61
73		**(890)**
	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	
(115)	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	(137)
1,940	HRA contribution to finance capital expenditure	1,392
1,825		**1,255**
1,898	**Net additional amount required by statute to be debited/(credited) to the HRA balance for the year**	**365**

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 3,031 dwellings during 2015-16 including the Authority's share of shared ownership dwellings.

The stock as at 31 March 2016 is comprised of the following types of dwellings:

Stock as at 31 March 2015		Stock as at 31 March 2016
1,586	Houses	1,582
194	Low Rise Flats (1 to 2 Storey)	192
846	Medium-Rise Flats (3 to 5 Storey)	849
408	High-Rise Flats (6 Storeys or more)	408
3,034	**Total**	**3,031**

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

31 March 2015 £'000s		31 March 2016 £'000s
96,838	Council Dwellings	114,926
6,760	Operational Land & Buildings	6,184
71	Investment	53
103,669	**Total**	**121,163**

The vacant possession value of dwellings within the Authority's Housing Revenue Account as at 1 April 2016 was £359m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

3. Major Repairs Reserve

The Major Repairs Allowance was an element of Housing Revenue Account Subsidy. A transitional transfer to the Major Repairs Reserve equal to the self-financing settlement figure can continue to be transferred for a 5 year period. The movement on the Major Repairs Reserve during the year ended 31 March 2016 is summarised below:

2014-15 £'000s		2015-16 £'000s
(5,999)	**Balance as at 1 April**	**(6,558)**
(2,571)	Amount transferred to the Major Repairs Reserve	(4,151)
-	Repayment of principal debt borrowed	828
-	Reversal of depreciation (other than Council Dwellings)	233
2,012	Amount transferred from the MRR for capital expenditure on HRA Land, Houses and Other Property	2,477
(6,558)	**Balance as at 31 March**	**(7,171)**

4. Housing Revenue Account Capital Expenditure

2014-15 £'000s		2015-16 £'000s
225	Borrowing	194
3,889	Revenue Contribution to Capital	1,732
2,012	Financed from Major Repairs Reserve	2,477
85	Funded from Capital Receipts	371
938	Funded by grants and external contributions	255
7,149	**Total Housing Revenue Account Capital Expenditure**	**5,029**

2014-15 £'000s		2015-16 £'000s
7,149	Houses (dwellings and other land & buildings)	4,806
-	Investment properties	223
7,149	**Total**	**5,029**

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

2014-15 Total £'000s		2015-16 Usable £'000s	2015-16 Contribution to Gov't Pool £'000s	2015-16 Total £'000s
843	Sale of Dwellings	1,169	(208)	961
-	Sale of Land	-	-	-
8	Repayment of Discount	-	-	-
7	Mortgage Repayments	11	-	11
858	**Total**	**1,180**	**(208)**	**972**

6. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2016 amounted to £651k. This figure includes the full week rent charge but only payments up to and including 31 March 2016.

At the end of the rent week ended 5 April 2016 the arrears had reduced to £622k.

2014-15 £'000s		2015-16 £'000s
208	Current Tenant Rent Arrears	187
515	Former Tenant Rent Arrears	435
723	**Total**	**622**

7. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £595k as at 31 March 2016. The provision in 2014-15 was £661k.

8. Depreciation and Impairment of Fixed Assets

2014-15 Depreciation £'000s	2014-15 Impairment £'000s		2015-16 Depreciation £'000s	2015-16 Impairment £'000s
2,571	-	Houses	3,090	-
232	-	Other Property - Operational Assets	233	-
-	-	Investment Properties	-	-
2,803	**-**	**Total**	**3,323**	**-**

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.

9. Pension Costs

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

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

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

2014-15 IAS19 Adjustments £'000s		2015-16 IAS19 Adjustments £'000s
(56)	Current Service Costs	(76)
(59)	Movement on Pension Reserve	(61)
115	HRA contributions payable to scheme	137
-	**Net Impact**	-

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

Collection Fund Statement for the year ended 31 March 2016

2014-15 Council Tax £'000s	2014-15 Non-Domestic Rates £'000s			2015-16 Council Tax £'000s	2015-16 Non-Domestic Rates £'000s
		INCOME			
61,168		Council Tax (net of Benefits and Transitional Relief)	Note 2	63,713	
	32,549	Non-Domestic Rates Income	Note 3		32,905
	-	Transitional Protection Payment			113
	-	Contribution towards previous years estimated deficit			1,298
61,168	**32,549**	**Total Income**		**63,713**	**34,316**
		EXPENDITURE			
59,247		Precepts and Demands from County Council, Police and Crime Commissioner, Fire and Rescue and the Billing Authority	Note 5	61,640	
		Non-Domestic Rates			
	15,984	- Payment to Central Government			15,471
	2,877	- Payment to County Council			2,785
	320	- Payment to Fire and Rescue			309
	12,788	- Payment to Billing Authority			12,377
	193	- Cost of Collection Allowance			192
	2	Transitional Protection Payment			-
		Bad and doubtful debts/ appeals			
185	295	- Amounts Written Off in year		398	289
893	13	- Provision for Bad and Doubtful Debts		555	(26)
-	6,116	- Provision for Appeals		-	1,032
1,396	-	Contributions towards previous years estimated surplus		594	-
61,721	**38,588**	**Total Expenditure**		**63,187**	**32,429**
553	**6,039**	**(Surplus)/Deficit for Year**		**(526)**	**(1,887)**
(1,588)	**(980)**	**Balance at Beginning of Year**		**(1,035)**	**5,059**
(1,035)	**5,059**	**Balance at End of Year**		**(1,561)**	**3,172**

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	8,126	6/9	5,417
B	12,949	7/9	10,071
C	13,435	8/9	11,942
D	6,495	1	6,495
E	3,442	11/9	4,207
F	1,343	13/9	1,940
G	630	15/9	1,050
H	17	2	34
TOTAL	**46,437**		**41,156**
Add Band D equivalent military dwellings			24
Adjustment for Non-collection (2.75%)			(1,132)
COUNCIL TAX BASE			**40,048**

Estimated income for 2015-16 was £61.640m, actual income was £63.713m. After set aside and write off of bad debt (£0.953m) and redistribution of estimated prior year surpluses to major preceptors (£0.594m) the surplus for the year (£0.526m) has resulted in a increased surplus on the fund of £1.561m.

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:

Restated 2014-15 £'000s		2015-16 £'000s
	Non-Domestic Rateable Value £90,203,690	
41,916	Multiplied by the Uniform Business Rate (49.3p for 2015-16)	44,470
(9,367)	Allowances and other adjustments	(11,565)
32,549	**Net collectable Non-Domestic Rates 15-16**	**32,905**

The Non-Domestic Rate multiplier for 2015-16 was 48.0p for qualifying properties of less than £18,000 rateable value and 49.3p for all others (2014-15 47.1p and 48.2p respectively.) The 2014-15 figures have been restated to simplify the disclosure required under the Code.

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 nine 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 2015-16 was £89k and has been credited to the Comprehensive Income and Expenditure Statement, and the growth fund share was £88k which has been transferred to the NDR Equalisation earmarked reserve for future project funding.

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 2014-15 to be distributed during 2015-16 was £0.594m. The actual surplus on the Council Tax Collection Fund at year end (£1.561m) 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 (Code) 2015-16 this has been split between Thanet District Council fund balances (£0.221m) and other local authority creditors (£1.340m) 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 estimated deficit for 2014-15 to be recovered during 2015-16 was £1.298m. The actual deficit on the Non Domestic Rates Collection Fund at year end (£3.172m) is split between Thanet District Council (£1.269m) and other local authorities and central government (£1.903m).

5. Precepts and Demands on the Collection Fund

2014-15 £		**2015-16** £
41,871,734	Kent County Council	43,652,454
5,653,111	Kent Police and Crime Commissioner	5,893,135
2,715,280	Kent Fire and Rescue	2,829,426
8,227,000	Thanet District Council	8,409,000
58,467,125	**Total**	**60,784,015**
	Parishes and Charter Trustees	
4,141	- Acol	4,887
38,430	- Birchington	48,082
265,214	- Broadstairs	269,758
13,979	- Cliffsend	13,948
15,992	- Manston	16,487
87,585	- Margate	75,440
50,269	- Minster	52,576
7,962	- Monkton	7,958
281,637	- Ramsgate	288,139
15,125	- St Nicholas at Wade	15,322
-	- Westgate on Sea	62,880
780,334	**Total**	**855,477**

Glossary of Terms

Accruals

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

Actuarial Gains & Losses

Changes in actuarial deficits or surpluses that arise because:

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

b) the actuarial assumptions have changed.

Asset

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

Balance Sheet

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

Budget

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

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 fixed asset or expenditure that adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing

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

Capital Programme

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

Capital Receipts

Proceeds from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

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 can not be reliably measured or settlement is unlikely.

Corporate and Democratic Core

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

Creditor

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

Current Service Cost

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

Debtor

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

Depreciation

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

Direct Labour Organisation (DLO)

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

Expected Rate of Return on Assets

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

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 Benefits

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

Housing Revenue Account

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

Impairments

A reduction to the value of a fixed 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.

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.

Infrastructure Assets

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

Intangible Assets

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

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.

Key Performance Indicator (KPI)

A set value or criteria against which performance can be measured to evaluate the success of an organisation or a particular activity it engages in.

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 Police Authority levies a precept on Thanet District Council.

Projected Unit Method

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

a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and

b) the accrued benefits for members in service on the valuation date.

Provision

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

Reserves

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

Revenue Account

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

Revenue Expenditure

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

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