

## Supplementary Agenda No.1

Date: 27 September 2017  
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### GOVERNANCE AND AUDIT COMMITTEE

27 SEPTEMBER 2017

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 27 September 2017** in the Council Chamber, Cecil Street, Margate, Kent.

#### Membership:

Councillor Buckley (Chairman); Councillors: Hayton (Vice-Chairman), Braidwood, Connor, Day, Dexter, Dixon, Edwards, Evans, Game, I Gregory, L Piper, Taylor-Smith and Venables.

### SUPPLEMENTARY AGENDA No.1

Item  
No

Subject

4. **THE EXTERNAL AUDIT FINDINGS FOR THANET DISTRICT COUNCIL - YEAR ENDING MARCH 2017** (Pages 3 - 40)
5. **LETTER OF REPRESENTATION**  
Letter of Representation to be considered as part of the Final Statement of Accounts.
10. **FINAL STATEMENT OF ACCOUNTS** (Pages 41 - 170)



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# The Audit Findings Report for Thanet District Council

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**Year ended 31 March 2017**

27 September 2017

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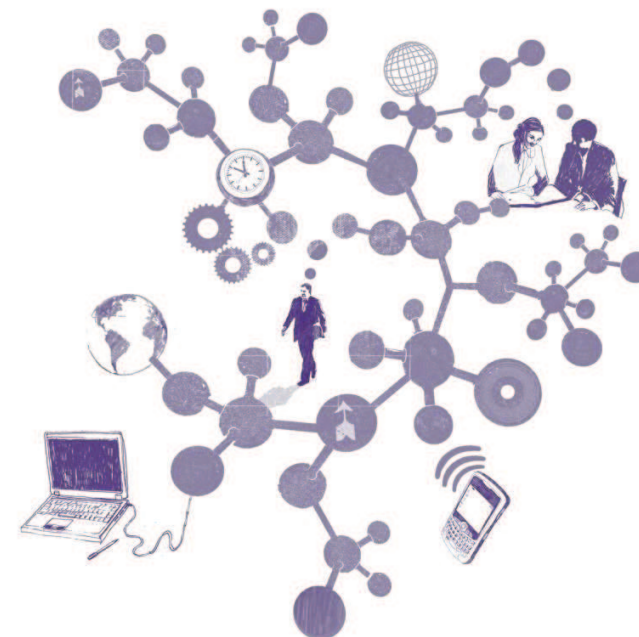
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27 September 2017

Dear Members of the Governance and Audit Committee

**Audit Findings Report for Thanet District Council for the year ending 31 March 2017**

This Audit Findings Report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Thanet District Council, the Governance and Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with Management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Darren Wells  
Engagement Lead

**Chartered Accountants**

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# Section 1: Executive summary

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of Thanet District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 28 June 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- our final internal quality reviews;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion.

We have received one objection from a member of the public in respect of the Accounts which we are currently considering and we will keep the Council updated with our progress on this.

## Key audit and financial reporting issues

### Financial statements opinion

To date, we have identified no adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £397,144k, which will be the figure disclosed in the audited financial statements. We have recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- The draft statements presented for audit were of a good standard and only a small number of amendments were identified from our audit work. The draft statements were supported by a good set of working papers which were in line with the agreed deliverables schedule.
- We undertook a considerable level of work around the Council's Property, Plant and Equipment valuations to gain sufficient assurance that the balances included within the Accounts were fairly stated. This work was focused around the assets which had not been formally revalued during the course of the year, which is permitted by the CIPFA Code, along with the movement in valuation from the 1<sup>st</sup> of April 2016 to the 31<sup>st</sup> of March 2017. Going forward, the Council needs to strengthen its processes in this area to reduce the level of uncertainty present at year end, given the need to audit this area in a much shorter timeframe next year, when the deadline is brought forward to the 31<sup>st</sup> July.
- We also encountered some issues with the Council's consolidation of East Kent Opportunities into its Accounts. The Council needs to ensure it has sufficient information to perform an accurate consolidation at year end. At the date of writing this report, we are still confirming the level of amendments required which will impact the Council's reported financial position.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

## Controls

### Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### Findings

We draw your attention in particular to control issues identified in relation to:

- the processes around the Property, Plant and Equipment valuations included within the Accounts at year end.

Further details are provided within section two of this report.



### **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

### **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act. We are currently considering matters raised with us by a local government elector.

### **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Governance and Audit Committee in early 2018.

### **The way forward**

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Financial Services.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Financial Services and the finance team.

### **Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
September 2017

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## Section 2:    Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

## Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £2,715k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and identified that a fall in the total spend by the Council during the course of the year led us to revise our overall materiality to £2,579k (still being 2% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £135k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation, which generated a revised trivial threshold of £128k.

As we reported in our audit plan, we identified that we would set a separate materiality threshold of £500k in respect of the Council's cash balance due to its sensitive nature. This remained the same as reported in our audit plan.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

| Risks identified in our audit plan  | Work completed  | Assurance gained and issues arising   |
|---|---|---|
| <p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Thanet District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Thanet District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we have determined that this is not a significant risk for Thanet District Council.</p> | <p>Our audit work has not identified any issues in respect of revenue recognition.</p>  |
| <p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>   | <p>We have completed the following work in respect of this risk:</p> <ul style="list-style-type: none"> <li>• reviewed the journal entry process and selected unusual journal entries for testing back to supporting documentation</li> <li>• reviewed the accounting estimates, judgements and decisions made by management</li> <li>• reviewed any unusual significant transaction recorded within the Accounts</li> </ul>  | <p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We have not identified not been made aware of any unusual significant transaction.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p> |

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at Appendix A.

| Transaction cycle            | Description of risk  | Work completed  | Assurance gained & issues arising   |
|------------------------------|--|---|---|
| <b>Employee remuneration</b> | <p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Employee remuneration accruals understated (Remuneration expenses not correct)</li> </ul>   | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>performed substantive sampling of the employee remuneration costs included within the Accounts, testing back to supporting documentation</li> <li>reviewed the reconciliation between the payroll system and the general ledger</li> <li>completed a monthly trend analysis of the payments recognised by the Council</li> </ul>   | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> |
| <b>Operating expenses</b>    | <p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period (Operating expenses understated)</li> </ul> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>reviewed the control account reconciliations</li> <li>tested a sample of operating expenditure items across the whole financial year back to supporting documentation</li> <li>performed testing of creditor payments, including accruals to ensure they have been correctly included within the Accounts</li> <li>cut-off testing of expenditure incurred either side of year end to confirm it has been recorded in the correct accounting period</li> </ul> | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> |

## Audit findings against other risks (continued)

| Transaction cycle                              | Description of risk  | Work completed   | Assurance gained & issues arising  |
|--|--|--|--|
| <b>Valuation of pension fund net liability</b> | The Council's pension fund net liability, as reflected in its balance sheet represents a significant estimate in the financial statements. | <p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement;</li> <li>Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made;</li> <li>Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary;</li> <li>We wrote to the auditor of the Kent Superannuation Fund to gain assurance over the data provided to the Actuary by the Fund on behalf of the Council to enable them to come up with a reasonable estimate for inclusion within the Council's Accounts.</li> </ul> | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>We used an auditor's expert to provide assurance on the Council's actuary's work. Our expert concluded that the assumptions used by the actuary to be reasonable in most cases although in some instances the assumptions fall outside of expected ranges. Looking at the impact of all assumptions holistically, we obtained sufficient assurance that the pension fund liability is not materially misstated.</p> |



"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

## Audit findings against other risks (continued)

| Transaction cycle  | Description of risk   | Work completed   | Assurance gained & issues arising  |
|--|---|--|--|
| <b>Changes to the presentation of local authority financial statements</b> | <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements</li> <li>• reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure</li> <li>• reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)</li> <li>• tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES</li> <li>• tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger</li> <li>• tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements</li> <li>• reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul> | <p>Our audit work has not identified any significant issues in respect of the risk identified.</p> |

## Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

| Accounting area            | Summary of policy  | Comments   | Assessment  |
|----------------------------|--|--|---|
| <b>Revenue recognition</b> | The Council's revenue recognition policy is disclosed within Note 1 of the Accounts, within Accounting Policies, and covers each of the main areas of revenue received by the Council, including revenue received from the sale of goods, the provision of services along with how revenue is recognised for the non-exchange transactions such as Council Tax and Business Rates. | Following the work performed we are satisfied that the Council's revenue recognition policies are in line with the requirements of the CIPFA Code.<br><br>Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition. | <br><b>Green</b> |
| <b>Going concern</b>       | The Director of Corporate Resources, who is the Council's s151 officer, has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.  | We have considered the Council's implicit assessment and are satisfied that the going concern basis is appropriate for the 2016/17 financial statements.   | <br><b>Green</b> |

### Assessment



● - **Red** - Marginal accounting policy which could potentially attract attention from regulators

● - **Green** - Accounting policy appropriate and disclosures sufficient

● - **Amber** - Accounting policy appropriate but scope for improved disclosure



## Accounting policies, estimates and judgements (continued)

| Accounting area           | Summary of policy   | Comments   | Assessment   |
|---------------------------|---|--|--|
| Other accounting policies |   | We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.  | <br>Green |
| Judgements and estimates  | <ul style="list-style-type: none"> <li>Key estimates and judgements include:               <ul style="list-style-type: none"> <li>Useful life of capital equipment</li> <li>Pension fund valuations and settlements</li> <li>Impairments</li> <li>PPE revaluations</li> <li>Depreciation</li> <li>Bad debt provisions</li> <li>Business rate appeals</li> </ul> </li> </ul> | <p>Your critical judgements and estimation uncertainties are disclosed within Notes 3 and 4 of the financial statements, and are in line with the requirements of the CIPFA Code. With the expansion of integrated working and an increase of councils providing guarantees for former staffs' pensions the accounting of such guarantees has recently been reconsidered and is currently being discussed with CIPFA.</p> <p>The Council, with the other East Kent districts, has made a guarantee to cover the pensions of staff who transferred to East Kent Housing (EKH) when it was set up. The guarantee ensures that the pension liability of all staff who transferred will be protected should EKH cease trading for any reason. This is common where councils set up Arms-Length Management Operations (ALMOs) or subsidiary companies and staff are transferred to the new organisation. For many years the Council has disclosed this as a contingent liability.</p> <p>Recent reconsideration has challenged this treatment with the view that an appropriately determined liability should be recognised in the accounts. The Council has made a judgement that the liability is not material, and the risk of the guarantee being implemented is negligible and therefore no liability is recognised in the accounts. We have considered this and are satisfied this is not an unreasonable judgement to make.</p> <p>In terms of detailed testing, we have performed work on the Council's Business Rate Appeals provision and we were satisfied with the approach taken in this area.</p> <p>As mentioned elsewhere in the Report (page 17), whilst we were able to come to a position where we obtained sufficient assurance over the Council's PPE Revaluations, the processes in this area need to be strengthened further to reduce the level of uncertainty present in this area ahead of the early close deadline taking effect for 2018.</p> | <br>Amber |

### Assessment

● - Red - Marginal accounting policy which could potentially attract attention from regulators

● - Green - Accounting policy appropriate and disclosures sufficient


● - Amber - Accounting policy appropriate but scope for improved disclosure

## Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

|    | Issue  | Commentary   |
|----|--|--|
| 1. | <b>Matters in relation to fraud</b>                          | <ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>   |
| 2. | <b>Matters in relation to related parties</b>                | <ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>   |
| 3. | <b>Matters in relation to laws and regulations</b>           | <ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>   |
| 4. | <b>Written representations</b>                               | <ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council, which is included in the Governance and Audit Committee papers for this meeting.</li> </ul>  |
| 5. | <b>Confirmation requests from third parties</b>              | <ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to all of the Council's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> </ul>   |
| 6. | <b>Disclosures</b>   | <ul style="list-style-type: none"> <li>Our review identified a number of disclosures which required amendment or expansion, and management agreed to amend all of the items identified.</li> </ul>   |
| 7. | <b>Matters on which we report by exception</b>               | <ul style="list-style-type: none"> <li>We are required to report on a number of matters by exception in a number of areas: <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul> </li> </ul> <p>Whilst we have not identified any issues we would be required to report by exception in these areas, we highlighted a couple of improvement points for the Annual Governance Statement, which the Council has subsequently amended.</p> |
| 8. | <b>Specified procedures for Whole of Government Accounts</b> | <p>The NAO require auditors to carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work has not been required as the Council did not exceed the £350m threshold across any of the criteria set out by the National Audit Office.</p>  |

## Internal controls

|    | Assessment  | Issue and risk  | Recommendations  |
|----|---|---|--|
| 1. | <br><br><b>Red</b> | <p><b>Assurance over the Current Value of Property, Plant and Equipment included within the Accounts</b></p> <p>Our testing of the Council's Property, Plant and Equipment valuations included within the Accounts identified that the valuation for assets other than Council Dwellings had been performed as at 1<sup>st</sup> April 2016. The Council had then undertaken a review of the movements between this date and year end to determine whether the values included within the Accounts were materially correct. This produced a potential movement which was very close to our level of materiality, which meant it required a considerable level of work to obtain sufficient assurance over this area.</p> <p>The Council also does not revalue its full PPE asset base each year, choosing to value 20% of the number of assets per year, rather than this being done on a percentage of value basis. This left a significant monetary balance which hadn't been valued for over a year. A review was performed to confirm that the carrying value in the Accounts wasn't materially different to the current value at the Balance Sheet date. This also required additional unplanned audit work to confirm the balance included within the Accounts was materially correct.</p> <p>Going forward the Council needs to have more robust arrangements in place to ensure the values included within the Accounts are materially accurate and the level of uncertainty in this area is reduced.</p> | <p>To reduce the level of uncertainty in this area the Council could perform the following:</p> <ul style="list-style-type: none"> <li>- if it wishes to retain the process of considering 20% of properties per year, ensure this is calculated by value rather than the number of properties;</li> <li>- it should consider whether a full revaluation would be beneficial next year to ensure the whole asset base is accurately valued ahead of the earlier deadline;</li> <li>- whatever approach is adopted, valuations for all assets other than Council Dwellings should be moved closer to the 31<sup>st</sup> of March to reduce the level of uncertainty over the valuations produced by the valuer.</li> </ul> |

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

### Assessment

- - **Red** - Significant deficiency – risk of significant misstatement
- - **Amber** - Deficiency – risk of inconsequential misstatement

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

## Internal controls – review of issues raised in prior year

|    | Assessment       | Issue and risk previously communicated  | Update on actions taken to address the issue  |
|----|------------------|---|---|
| 1. | <b>Partially</b> | <b>Accounting for Operating Expenses Accruals</b><br>In 2015/16 our testing of operating expenses accruals at year end identified two accruals where you were unable to provide supporting documentation for the items selected for testing which agreed to the amount tested, and a third item where an accrual had been made in year but subsequently had not been reversed out when the item was paid. We recommended the Council ensured supporting documentation was retained for all accruals to support their validity and to ensure the correct reversal when paid. | During our testing this year we identified a further accrual, which goes back several years, for which the Council was unable to provide sufficient supporting documentation. We assessed the impact of this error and concluded it was unlikely to result in an error above triviality. However there clearly remains a need for the Council to ensure adequate documentation is in place for all accruals included within the Accounts at year end.<br><br>We did not identify any issues with accruals not being reversed when paid, and therefore this element of the recommendation will be closed down. |
| 2. | ✓                | <b>Allocation of Revaluation Gains on Council Dwellings</b><br>Our testing in the prior year identified that the Council was holding the revaluation gains from the year's revaluation as a lump sum on the Asset Register as opposed to allocating these on an asset-by-asset basis. We identified a risk that the Council might incorrectly allocate future revaluation movements against either the Revaluation Reserve or the Comprehensive Income and Expenditure Statement as they are not aware of the correct Revaluation Reserve balance for each property.        | During 2016-17 the Council undertook an exercise to allocate these gains, along with the gains arising from the 2016-17 revaluations on an asset by asset basis. We are satisfied this recommendation has been cleared by the Council.  |

### Assessment

- ✓ Action completed
- ✗ Not yet addressed

## Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

| Detail  | Comprehensive Income<br>and Expenditure Statement<br>£'000     | Balance Sheet<br>£'000  | Impact on total net<br>expenditure<br>£000                     |
|---|--|---|--|
| 1 Testing of the Council's Business Rate Appeals Provision identified an issue whereby the Council had netted down the provision against its Short Term Debtor balance as opposed to treating it as gross within Short Term Provisions.   |  | Dr: Short Term Debtors - £2,105k<br><br>Cr: Short Term Provisions – (£2,105k).  |  |
| 2 Our review of the Council's consolidation schedule identified an issue whereby the Council had not appropriately accounted for its share of the assets, liabilities, income and expenditure of East Kent Opportunities LLP, within its own accounts. The Council are required to do this under IFRS 11 for East Kent Opportunities LLP which is accounted for as a joint operation. | Cr: (Surplus) or deficit on Provision of Services – (£2,600k). | Cr: Revaluation reserve – (£643 k)<br>Dr: Capital Adjustment Account - £643k<br>Cr: Capital Receipts Reserve - £2,600k<br>Cr: Short term creditors – (£537k)<br>Dr: Cash and Cash Equivalents - £3,137k | Cr: (Surplus) or deficit on Provision of Services – (£2,600k). |
| <b>Overall impact</b>   | <b>(£2,600k)</b>   | <b>£0</b>   | <b>(£2,600k)</b>   |

## Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail   | Comprehensive Income and<br>Expenditure Statement<br>£'000 | Balance Sheet<br>£'000                         | Reason for not adjusting  |
|--|--|--|---|
| <b>1 Transfer of Council Dwellings to Assets under Construction (AUC) – Gross Book Value including Additions and Accumulated Depreciation</b> <ul style="list-style-type: none"> <li>- AUC (Opening Gross Book Value)</li> <li>- Council Dwellings (Opening Gross Book Value)</li> <li>- AUC Additions</li> <li>- Council Dwellings Additions</li> <li>- AUC Accumulated Depreciation</li> <li>- Council Dwellings Depreciation</li> </ul> |  | 1,186<br>(1,186)<br>686<br>(686)<br>89<br>(89) | Response from Thanet DC:<br><br>The CIPFA Local Authority Capital Accounting Reference Manual states that 'categorisation hinges on the readiness of the asset for use (not the readiness of the authority to use it or the project's financial completion)'. Following a review of the HRA properties in question, we feel that these assets are ready for use (being purchased rather than constructed) but just not ready for use in the way that the Council intends to use them as council dwellings, as the conversions were not complete at the year-end. Accordingly, we view the conversions to be 'change of use' rather than Assets Under Construction (AUC). The properties are being converted to meet social housing needs rather than being demolished and rebuilt and accordingly we have classified them as HRA OLB not AUC. |
| <b>2 Reversal of in year Depreciation Charge in respect of Council Dwellings above</b> <ul style="list-style-type: none"> <li>- Accumulated Depreciation</li> <li>- Depreciation Charge to the CIES</li> <li>- General Fund</li> <li>- Capital Adjustment Account</li> </ul>   | <br><br>(66)   | 66<br>66<br>(66)                               |   |

This is a continuing issue and resulted in an Unadjusted Misstatement being reported in the prior year as well. However the assets which were deemed to be incorrectly classified in the previous year are now operational and thus correctly classified, or are included in the balance above, thus confirming there isn't a material issue in the Accounts. Also the difference in the Net Book Value, i.e. the value which would be reported in the Balance Sheet will not be material given the value of the assets involved and the differing valuation basis used for each of the different classifications mentioned above.

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Adjustment type     | Value<br>£'000 | Account balance                                    | Impact on the financial statements   |
|---------------------|----------------|--|--|
| 1 Misclassification | Various        | Note 7: Expenditure and Income analysed by nature. | Our testing identified that Non HRA and HRA rent rebate expenditure of £8,336k had been incorrectly included within 'Other Service Expenses' and Non HRA and HRA subsidy of £8,678k had been incorrectly included within 'Fees and charges and other service income'. Both of these areas have been subsequently amended in the revised Accounts, along with the headings in the Note. |
| 2 Misclassification | 198            | Movement in Reserves Statement                     | Expenditure within the Total Comprehensive Income and Expenditure line of the MIRS had been misclassified meaning HRA balance was overstated and the General Fund was understated, which has now been amended.   |
| 3 Misclassification | n/a            | Note 13: Remuneration of Employees                 | The number of staff in the £65-70k remuneration banding within the table for employees whose remuneration is above £50k was overstated by one individual while the £85-90k banding was understated by one individual.  |
| 4 Disclosure        | 9              | Note 14: External Audit Costs                      | The value of the certification of grant claims and returns for 2016-17 was understated by £9k as additional Housing benefit fee for work carried out in previous years had not been recognised, which the Council has subsequently amended.  |
| 5 Disclosure        | Various        | Note 24: Financial Instruments Balances            | The Fair Value of PWLB loans had been incorrectly disclosed as £34,920k as opposed to £31,802k and fair value of Other loans incorrectly disclosed as £8,897k as opposed to £7,122k as per supporting documentation from Capita. These have been amended by the Council in the revised Accounts.   |
| 6 Disclosure        | -              | Various  | A number of other minor disclosure and narrative adjustments have been made in order for the financial statements to meet the requirements of the CIPFA Code.  |

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## Section 3: Value for Money

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Fees, non-audit services and independence
- 05. Communication of audit matters



## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in March 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 28 June 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

## Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council delivered a breakeven position at the end of 2016-17, managing some small over and underspends across several directorates to do so. The Council also delivered a considerable proportion of its capital programme as well.
- A balanced budget has been set for 2017-18, which includes **£2.15m** of savings/income generation, and the use of **£450k** of Earmarked Reserves. The Council needs to ensure this use of reserves is kept to an absolute minimum given the demands which have been made of their reserves in recent years. As was the case in the previous year, the Council has not identified any contingency in its plans should some of the original plans not deliver the required benefits.
- Looking longer term, the Council is still working through the level of savings which are going to be needed over the life of the Medium Term Financial Plan, which puts at the risk the identification of all the savings needed during this period. Further pressure is going to be placed on the Council's Financial Position by the revised Local Government Funding Settlement, which is going to apply from 2020, and the Council's current reserves position doesn't provide much room for manoeuvre should the full range of savings not be identified.
- In respect of **Dreamland**, the park has received considerable outside investment during the course of the year which has provided it with short term stability. The compensation payment is still under discussion, with the likelihood of the case ending up at a Lands Tribunal so a decision can finally be reached.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on the following pages.

## Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed two recommendations for improvement, which can be seen, along with management's response, in the Action Plan at Appendix A.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| Significant risk   | Work to address  | Findings and conclusions   |
|--|--|--|
| <p><b>Overall Financial Position - Medium Term Financial Plan</b></p> <p>The Council has identified that a significant level of savings are needed over the life of the next Medium Term Financial Plan (MTFP). Council reserves have been depleted over the past few years reducing future flexibility.</p> | <p>We performed the following work in respect of this area:</p> <ul style="list-style-type: none"> <li>reviewed the assumptions behind the Medium Term Financial Plan for the coming four years.</li> <li>Considered the 2016-17 Budget outturn and any implications for the MTFP, along with the latest year to date outturn against budget for 2017-18;</li> <li>reviewed the savings proposals which have been identified to date in respect of the savings gap, along with how the Council is planning to identify the remaining gap at this stage.</li> </ul> | <p>The key points from our work in this area are the following:</p> <ul style="list-style-type: none"> <li>The Council delivered a breakeven position against its General Fund Budget in 2016-17, within which it managed some small under and overspends within each of the Council's directorates to achieve the breakeven position. This allowed the Council to maintain its General Fund Balance at <b>£2.011m</b>.</li> <li>The Council also delivered <b>£7.68m</b> of its Capital Programme, which was initially set at <b>£11.915m</b>. The Council has deferred the remaining spend into 2017-18 to ensure the planned projects are still delivered.</li> <li>The Council set a balanced budget for 2017-18, which included the need for it to identify <b>£2.6m</b> of savings or additional income to deliver this position. Within the <b>£2.6m</b> is a use of <b>£450k</b> of Earmarked Reserves, which the Council has stated is a one-off decision to deal with some of the particular pressures arising during the course of the year. Clearly this demand on reserves is going to be unsustainable longer term given the level of reserves used by the Council over recent years, which the Council itself does recognise, and it is planning to build up its reserves again over the coming years, although the planned replenishment in these years is quite small in comparison.</li> <li>In terms of the remainder of the savings or additional income which the Council is looking to generate, these are set across four broad themes, such as Income Generation, Digitalisation, Alternative Delivery Models, and the Council making the most of the assets it owns. The Council had fully identified the <b>£2.15m</b> of savings and additional income which is needed via these streams ahead of the year, which is a relatively strong position for the Council to be in.</li> <li>The Council's latest Financial Plan (MTFP) covers the period from 2017 to 2021. Whilst the 2017-18 savings have been fully identified, the Council has yet to set out its plans for delivering the savings needed over the remainder of the Plan. There is a risk of the Council not identifying all of <b>£3.417m</b> of savings needed over the remainder of the MTFP (from 2018/19 onwards) in a timely manner. This also continues to put pressure on the savings identified in any one year to deliver as there are a lack of contingency plans should some of these savings not deliver as required.</li> </ul> <p>As raised in the previous year, the Council should consider the development of cost savings and income generation in excess of the estimated funding gap to cover the possibility of unforeseen additional financial pressures during the course of the MTFP, as well as reducing the need to rely on reserves to meet any shortfall. There is also a need for the Council to look further ahead with its savings plans to ensure it is well placed ahead of the new Local Government Funding Settlement, which takes effect from 2020.</p> |

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| Significant risk   | Work to address  | Findings and conclusions  |
|--|--|---|
| <p><b>Dreamland</b></p> <p>The Council has committed a significant level of funding and resource into the Dreamland Project, but is still in dispute with one of its former owners over the level of compensation that is due to that owner, which could end up being a significant sum.</p> | <p>We performed the following work in respect of this area:</p> <ul style="list-style-type: none"><li>• reviewed the current progress in respect of the project and undertake discussions with key members of Council Staff to obtain the latest position.</li><li>• monitored the progress of the compensation process to see if any resolution is likely to be achieved over the short term.</li></ul> | <p>The financial situation of Dreamland has altered considerably over the past 12 months, following the investment of <b>£15m</b> by the Arrowgrass Private Equity Fund, which has considerably strengthened the financial standing of the park.</p> <p>There has been no further progress with the compensation process on the back of the Compulsory Purchase Order (CPO). An outcome will not be determined until the case is heard at a Lands Tribunal.</p> |

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# Section 4: Fees, non-audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

|   | Proposed fee<br>£ | Final fee<br>£ |
|---|-------------------|----------------|
| Council audit                           | 66,296            | 66,296         |
| Grant certification                     | 34,883            | TBC            |
| <b>Total audit fees (excluding VAT)</b> | <b>101,179</b>    | <b>TBC</b>     |

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

Fees for other services

| Service                               | Fees £ |
|---------------------------------------|--------|
| <b>Audit related services:</b>        |        |
| • Pooling of Housing Capital Receipts | 2,000  |
| • Harbour Accounts                    | 1,500  |
| <b>Non-audit services</b>             | None   |

# Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council’s auditor and have ensured that appropriate safeguards are put in place

|                        | Service provided to                        | Fees   | Threat? | Safeguard   |
|------------------------|--|--------|---------|---|
| Audit related services | Pooling of Housing Capital Receipts Return | £2,000 | No      | Fee is low in comparison to the Council’s audit fee. A separate independent engagement is performed and a report will be given in line with a separate engagement letter. |
|                        | Audit of Harbour Accounts                  | £1,500 | No      | Fee is low in comparison to the Council’s audit fee. A separate independent engagement is performed and a report will be given in line with a separate engagement letter. |
|                        | TOTAL                                      | £3,500 |         |   |

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# Section 5:   Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters



# Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

| Our communication plan   | Audit Plan | Audit Findings |
|--|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance  | ✓          |                |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications   | ✓          |                |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought  |            | ✓              |
| Confirmation of independence and objectivity   | ✓          | ✓              |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.<br>Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged<br>Details of safeguards applied to threats to independence | ✓          | ✓              |
| Material weaknesses in internal control identified during the audit  |            | ✓              |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements   |            | ✓              |
| Non compliance with laws and regulations   |            | ✓              |
| Expected modifications to auditor's report, or emphasis of matter  |            | ✓              |
| Unadjusted misstatements and material disclosure omissions   |            | ✓              |
| Significant matters arising in connection with related parties   |            | ✓              |
| Significant matters in relation to going concern   | ✓          | ✓              |

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# Appendices

- A. Action Plan
- B. Audit Opinion

## A. Action plan

| Rec no. | Recommendation   | Priority | Management response  | Implementation date and responsibility  |
|---------|--|----------|--|---|
| 1       | <b>PPE Revaluations</b><br>To reduce the level of uncertainty in this area the Council should consider the following:<br>- if it wishes to retain the process of considering 20% of properties per year, ensure this is calculated by value rather than the number of properties.<br>- it should consider whether a full revaluation would be beneficial next year to ensure the whole asset base is accurately valued ahead of the earlier deadline.<br>- whatever approach is adopted, valuations for all assets other than Council Dwellings should be moved closer to the 31 <sup>st</sup> of March to reduce the level of uncertainty over the valuations produced by the valuer. | High     | <p>It should be noted that the council values some of the portfolio on a 'with profits' basis and therefore the valuations will vary according to use of the asset. The portfolio is being maintained in line with the available resources which in turn could affect rental and capital values with the result that even if the council implemented the first part of the recommendation the outcome will be similar to what we are currently getting.</p> <p>The council value everything over £100k on an annual basis, and therefore it is only the remaining properties that are done on the 20% basis.</p> <p>A full revaluation is not planned for 2017-18 as it is resource intensive but could be considered as part of the 2018-19 plan including the timing of the revaluation.</p> | Head of Asset Management/Head of Financial Services<br><br>Earliest date from 2018/19 |
| 2       | <b>Accruals</b><br>The Council should continue to strengthen procedures around accruals during the year to ensure they are all supported by valid documentation.   | Medium   | <p>The Council has a procedure where, material capital accruals are signed by the budget manager and Head of Service at year end.</p> <p>As the council will be required to close a month earlier for 2017-18, wash up meetings are planned with key staff involved in the closing process to address issues identified in the dry run process.</p>  | Head of Financial Services<br><br>Ongoing   |
| 3       | <b>VFM – Cost Savings</b><br>The Council needs to ensure that cost savings and income generation need to be developed in excess of the estimated funding gap to help cover the possibility of unforeseen financial pressures that may arise during the course of the year.   | Medium   | <p>The Medium Term Financial Strategy takes a prudent approach to addressing the budget gap and the budget build will focus on achievable cost savings.</p> <p>In addition work is underway to implement a corporate restructure with a view to delivering cost savings and other efficiency across the authority will be considered.</p>  | Head of Financial Services<br><br>Ongoing   |

### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

## A. Action plan

| Rec no. | Recommendation   | Priority | Management response   | Implementation date and responsibility    |
|---------|--|----------|---|---|
| 4       | <b>VFM – Medium Term Financial Plan</b><br>There is also a need for the Council to look longer term to ensure that savings which are needed for later years are being considered in a timely manner to reduce the risk of reserves being put under even further pressure in later years. | Medium   | <p>The budget build factors in the four year span of the Medium Term Financial Strategy.</p> <p>In addition the budget monitoring process has recently been reviewed to better focus on targeted savings on an ongoing basis.</p> <p>New opportunities for more efficient working and income generation are being continually reviewed by finance staff in a business partnering role with other departments.</p> | Head of Financial Services<br><br>Ongoing |

### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

## B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

### INDEPENDENT AUDITOR'S 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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves 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 2016/17.

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 Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Director of Corporate Resources and Section 151 Officer and auditor

As explained more fully in the Statement of Responsibilities, the Director of Corporate Resources and 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Director of Corporate Resources and 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or

# B: Audit opinion (continued)

## We anticipate we will provide the Council with an unmodified audit report

- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

### Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

#### Respective responsibilities of the Authority and auditor

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

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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

#### 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 2017 in accordance with the requirements of the Act and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

2<sup>nd</sup> Floor  
St John’s House  
Haslett Avenue West  
Crawley  
RH10 1HS

29 September 2017



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## FINAL AUDITED STATEMENT OF ACCOUNTS 2016-17

To: **Governance and Audit Committee – 27 September 2017**

Main Portfolio Area: **Financial Services and Estates**

By: **Director of Corporate Resources and S151 Officer**

Classification: **Unrestricted**

Ward: **All**

---

**Summary:** **For Members to approve the audited Statement of Accounts for 2016-17 and to consider the letter of representation.**

### **For Decision**

---

#### **1.0 Introduction**

- 1.1 The Accounts and Audit (England) Regulations 2015 require the council to consider, approve and publish the 2016-17 accounts by 30 September 2017. This may be done by way of a Committee, for Thanet it is the Governance and Audit Committee.
- 1.2 The draft Statement of Accounts for 2016-17 have now been audited by Grant Thornton. Grant Thornton are required to report whether the council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared. They are also required to reach a formal conclusion on whether the council has put in place proper arrangements to secure value for money. Grant Thornton have provided a separate report to Governance and Audit of their activities, findings and conclusion. Members are now asked to approve the audited accounts. These are provided at **Annex 1**.
- 1.3 The council, again by way of Governance and Audit Committee must also consider the letter or representation on behalf of the council; the letter is provided at **Annex 2**.

#### **2.0 Statement of Accounts**

- 2.1 A number of disclosure changes were identified during the audit process, these being numerical as well as narrative. These have no impact on the overall financial position of the council however, these changes are identified at page 21 of the Audit Findings Report presented as a separate item on this agenda.
- 2.2 The only change to the accounts from those presented previously is to Note 45, to provide greater transparency in relation to EKO, the council's share of the (profit)/loss for each year is reflected in the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure and the liability for the construction of the spine road (funded by KCC) is disclosed within other local authority creditors (Note 31).

## **3.0 Value for Money**

3.1 Grant Thornton are also required to give a formal Value for Money conclusion based on two criteria specified by the Audit Commission which support auditors' reporting responsibilities under the Code of Audit Practice 2010. The criteria are:

- The council has proper arrangements in place for securing financial resilience
- The council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

3.2 As part of the 2016-17 audit Grant Thornton identified that they were again satisfied that the council has in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, resulting in an unqualified Value for Money opinion.

## **4.0 Response to Action Plan**

4.1.1 Within the Grant Thornton findings report on page 33 an action plan is set out arising from the audit. The actions and the management responses are set out in Table 1 overleaf:

**Table 1 - Response to Action Plan**

|   | Recommendation   | Priority | Management Response  | Implementation date and responsibility   |
|---|--|----------|--|--|
| 1 | <p><b>PPE Revaluations</b></p> <p>To reduce the level of uncertainty in this area the council should consider the following:</p> <ul style="list-style-type: none"> <li>- if it wishes to retain the process of considering 20% of properties per year, ensure this is calculated by value rather than the number of properties.</li> <li>- it should consider whether a full revaluation would be beneficial next year to ensure the whole asset base is accurately valued ahead of the earlier deadline.</li> <li>- whatever approach is adopted, valuations for all assets other than council Dwellings should be moved closer to the 31st of March to reduce the level of uncertainty over the valuations produced by the valuer.</li> </ul> | High     | <p>It should be noted that the council values some of the portfolio on a 'with profits' basis and therefore the valuations will vary according to use of the asset. The portfolio is being maintained in line with the available resources which in turn could affect rental and capital values with the result that even if the council implemented the first part of the recommendation the outcome will be similar to what we are currently getting.</p> <p>The council value everything over £100k on an annual basis, and therefore it is only the remaining properties that are done on the 20% basis.</p> <p>A full revaluation is not planned for 2017-18 as it is resource intensive but could be considered as part of the 2018-19 plan including the timing of the revaluation.</p> | <p>Head of Asset Management/Head of Financial Services</p> <p>Earliest date from 2018-19</p> |
| 2 | <p><b>Accruals</b></p> <p>The council should continue to strengthen procedures around accruals during the year to ensure they are all supported by valid documentation</p>   | Medium   | <p>The council has a procedure where, material capital accruals are signed by the budget manager and Head of Service at year end.</p> <p>As the council will be required to close a month earlier for 2017-18, wash up meetings are planned with key staff involved in the closing process to address issues identified in the dry run process.</p>  | <p>Head of Financial Services</p> <p>Ongoing</p>   |

|   |   |        |   |  |
|---|---|--------|---|--|
| 3 | <p><b>VFM – Cost Savings</b></p> <p>The council needs to ensure that cost savings and income generation need to be developed in excess of the estimated funding gap to help cover the possibility of unforeseen financial pressures that may arise during the course of the year.</p>               | Medium | <p>The Medium Term Financial Strategy takes a prudent approach to addressing the budget gap and the budget build will focus on achievable cost savings. In addition work is underway to implement a corporate restructure with a view to delivering cost savings and other efficiency across the authority will be considered.</p>  | <p>Head of Financial Services</p> <p>Ongoing</p> |
| 4 | <p><b>VFM – Medium Term Financial Plan</b></p> <p>There is also a need for the council to look longer term to ensure that savings which are needed for later years are being considered in a timely manner to reduce the risk of reserves being put under even further pressure in later years.</p> | Medium | <p>The budget build factors in the four year span of the Medium Term Financial Strategy. In addition the budget monitoring process has recently been reviewed to better focus on targeted savings on an ongoing basis. New opportunities for more efficient working and income generation are being continually reviewed by finance staff in a business partnering role with other departments.</p> | <p>Head of Financial Services</p> <p>Ongoing</p> |

## 5.0 Options

- 5.1 That Members approve the audited accounts and meet statutory deadlines.
- 5.2 That Members do not approve the audited accounts and do not comply with statutory deadlines for the approval and publication of the accounts.

## 6.0 Corporate Implications

### Financial and VAT

- 6.1 There are no financial or VAT implications arising directly from this report.

### Legal

- 6.2 The council has a statutory responsibility under the Accounts and Audit Regulations to publish the 2016/17 accounts by 30 September 2016, together with the auditor's report.

### Corporate

- 6.3 Under the Local Code of Corporate Governance accepted by Cabinet on 10 November 2004, the council is committed to publish and make available reports that give an objective and understandable account of its activities, achievements, financial position and performance.
- 6.4 The published accounts must have been subject to Member scrutiny and must give a true and fair view of the council's financial position and its income and expenditure for the year.

### Equity and Equalities

- 6.5 There are no equity or equality issues arising from this report.

## 7.0 Recommendation(s)

- 7.1 That Governance and Audit Committee approve the Statement of Accounts for 2016/17.
- 7.2 That Governance and Audit Committee note the letter of representation to Grant Thornton issued by the Chief Executive and Director of Corporate Resources

|                  |  |
|------------------|--|
| Contact Officer: | Tim Willis, Director of Corporate Resources and S151 Officer |
| Reporting to:    | Madeline Homer, Chief Executive                              |

## Annex List

|         |   |
|---------|---|
| Annex 1 | Statement of Accounts 2016/17                         |
| Annex 2 | TDC CEx's letter of representation to Grant Thornton. |

## Corporate Consultation Undertaken

|         |  |
|---------|--|
| Finance | N/A  |
| Legal   | Tim Howes, Director of Corporate Governance. |

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# Thanet District Council Statement of Accounts

2016-17

September 2017





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# Narrative Report

**Presented by Tim Willis, Director of Corporate Resources (Section 151 Officer)**

The financial position of the council has strengthened during the year with sound and improving financial management being applied in all areas.

Since last year General Fund Reserves have increased by £187k and Housing Revenue Account Balances and reserves have increased by £2.478m.

Due to national austerity measures the council is facing and meeting major financial challenges. As part of the 2016 to 2020 medium term financial strategy changes have been introduced which include a shift in focus away from the traditional incremental budgeting approach to a more strategic outcome based style concentrating on finding new and innovative methods to continue delivering vital local services.

The majority of the savings targets set in the 2016-17 budgets have been met and substitute savings found where the plan could not reach target levels.

The 2017-18 budget and the 2017 to 2021 medium term financial strategy approved by council on 9 February 2017 again includes a balanced budget after a wide ranging examination of all costs and income. We are actively looking at ways of reducing our costs, and using even more efficient methods of working to further improve the council's financial position. Economic development of the district is being enhanced and inward investment is being actively sought to further our growth programme. Capital expenditure in the 4 year period of approximately £59m has been approved of which £32m will be applied to assets within the district including new housing development and enhancement of coastal facilities.

These audited Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (The Code) and, as usual, have been completed to a high standard and have been available for public inspection between 3 July 2017 and 11 August 2017.

The financial statements aim to provide information to members of the public, electors and residents of Thanet, council members, stakeholders and other interested parties to ensure they can:

- Understand the financial position of the council;
- Have confidence that the public money entrusted to the council has been used and accounted for in an appropriate manner;
- Be assured that the financial position of the council is secure.

This narrative report is structured to provide additional information on the Thanet district; key issues in the council and a summary of the financial position of the council at 31 March 2017. Sections containing this information are:

- Introduction to Thanet
- Key information about the council and 2016-17 management performance
- Financial performance in 2016-17
- Capital strategy and capital programme 2016-17 to 2017-18
- Corporate risks
- Overview of the accounting statements and an explanation of the core statements within the accounts

Formal approval of the accounts includes the issuance of the Independent Auditors Report (see page 15) and the approval of the Chair of the Governance and Audit Committee (see page 13).

## Introduction to Thanet

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

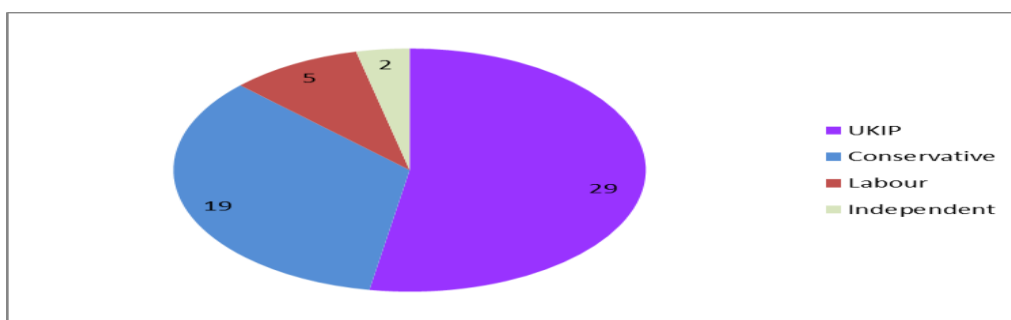
The Isle of Thanet is the major part of the District. Formed over 7,000 years ago it was once separated from the mainland by the Wantsum Channel.

Thanet has a resident population of 139,800 (2015), which is growing at approximately 1% per annum with the majority of residents in the resorts of Ramsgate, Broadstairs and Margate. Birchington and Westgate are the other two main postal towns within the district.

Recent developments including the establishment of the Westwood Cross retail park in Broadstairs are improving the district but Thanet is the most deprived local authority district in Kent as measured by the Index of Multiple Deprivation. Nationally, Thanet is ranked at 21 out of 326 authorities placing it within England's 10% most deprived areas.

## Key Information about the Council

Thanet has 23 Wards and 55 Councillors and following the election in May 2015 the political makeup of the council was as follows:



The position at 31 March 2017 remains generally the same, although 1 additional Independent councillor was elected during the year.

Local councillors are elected by the community to decide how the council should carry out various activities as well as to represent local interests.

Thanet is a progressive forward thinking authority which strives for excellence in all of its activities and seeks innovation to deliver value for money for residents whilst seeking economic opportunities for growth.

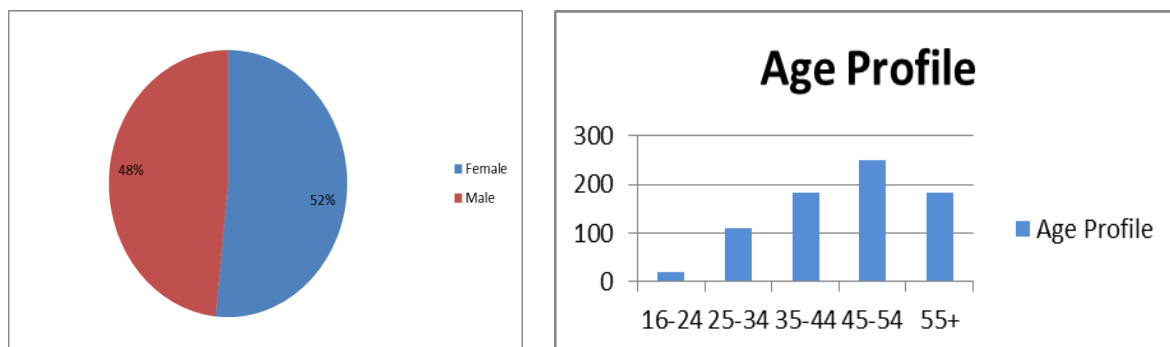
The council has adopted the Leader and Cabinet model as defined in the Local Government and Public Involvement in Health Act 2007. The Leader has the responsibility for the appointment of Cabinet members, allocation of portfolios and delegation of executive functions.

Cabinet members are held to account by a system of scrutiny which is set out in the constitution. Committees carrying out this function in 2016-17 were:

- Overview & Scrutiny
- Governance & Audit

## People

The Council employs 747 staff in full and part time positions and the profile as follows



## Management Performance 2016-17

### Here are some facts and figures:

- We collected 96.50% of the £67.3m of council tax due for the 2016-17 year (2015-16 96.49%)
- We collected 99.07% of the £36.1m of business rates due for the 2016-17 year (2015-16 99.53%)
- We paid 99.64% of the 12,815 invoices processed within 30 days of receipt (2015-16 96.15%)
- On average it took us 7.31 days to process a new housing benefit claim (2015-16 6.81 days)
- 85% of major planning applications were determined within the recommended timeframe, against a target of 79% (2015-16 79%)

The council's corporate plan 2016 to 2020 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

Examples of major projects that underpin these priorities are shown below

**Dreamland Heritage Park** –At year end TDC works were on-going in the cinema including the reinstatement of the iconic lighting. Our works compliment those of the operator following their announcement of a £15m investment programme. This investment does not directly affect the assets of the council but additional attractions are being made available and events are planned for 2017 to further increase usage of the park.

**Selective Licencing Scheme** – The Council's new designation for its selective licensing scheme came into effect on 21 April 2016 extending the scheme for a further five years and incorporating additional areas of Cliftonville West and Margate Central. A selective licensing designation requires private landlords to obtain a licence and effectively manage their properties, which since 2011 has resulted in declining numbers of empty properties, less anti-social behaviour and a greater number of well-managed and safe homes.

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

Priorities and objectives are managed by the Corporate Executive Management Team which comprises of: The Chief Executive and 4 Executive Directors (Resources, Operational Services, Community Services & Governance)

Management performance is reported to members on a quarterly basis using targets as set within the corporate plan.

## Financial Performance in 2016-17

Overall the council has completed the year in a stronger position with the balance sheets total assets increasing by £10m and is now better able to meet the significant financial challenges currently being faced.

|  | 31 March<br>2016<br>£m | 31 March<br>2017<br>£m |
|--|------------------------|------------------------|
| Long term assets   | 238                    | 250                    |
| Net current assets (current assets less current liabilities) | 12                     | 23                     |
| Long term liabilities  | (133)                  | (146)                  |
| <b>Net Assets</b>  | <b>117</b>             | <b>127</b>             |
| Represented by:  |                        |                        |
| Usable reserves  | 30                     | 36                     |
| Unusable reserves  | 87                     | 91                     |
| <b>Total Reserves</b>  | <b>117</b>             | <b>127</b>             |

Long term assets are generally valued in the balance sheet at fair value for their existing use or highest and best use for surplus assets and investment properties. Heritage assets are measured at valuation, or at cost of acquisition where this is not practicable.

An £11m increase in the net pension liability to £110.5 million (£99.5 million as at 31 March 2016) is included in the statements as calculated by the actuary to the Kent County Council Pension Fund. This represents an assessment of the council's proportion of the net assets and liabilities within the fund that is matched by a pension reserve in the balance sheet and therefore has no immediate effect on the financial position of the council as at 31 March 2017. The council relies and places assurance on the professional judgement of the actuary and the assumptions used to calculate this valuation.

Business rates are payable based on a property valuation and since 2010 we have been receiving appeals against the revaluation done in that year. We have a provision of £2.105m for potentially successful appeals based on 40% (our share) of possible refunds when the appeals are heard.

Treasury Management expertise by employees and external advisors is applied during the year with interest earned on balances of £211k (£207k 2015-16). Total funds administered by treasury management had the following balances at the end of the year:

|                         | 31 March 2016 | 31 March 2017 |
|-------------------------|---------------|---------------|
|                         | £m            | £m            |
| Cash & Cash Equivalents | 17            | 22            |
| Short term investments  | 13            | 17            |
|                         | <b>30</b>     | <b>39</b>     |

There are several factors which impact on cash flow and treasury management during each year

- Capital commitments
- Asset disposals
- Government funding streams
- Movement in reserves
- Income management / collection

The council has an annual Treasury Management Strategy that is approved together with the annual budget. Reviews are carried out during and after the year and reported to the Governance & Audit Committee and Cabinet.

## Financial Management – Revenue

### General Fund

The General Fund includes all income and expenditure included in the day-to-day running of the council and key services we provide include: refuse collection; recycling; street cleansing; maritime facilities; housing advice; planning & building control; licensing; and economic & community development. Services are organised by directorates and 2016-17 budget performance is summarised below:

| Service Area             | Budget<br>£'000s | Actual<br>£'000s | Variance<br>£'000s |
|--------------------------|------------------|------------------|--------------------|
| Chief Executive function | 335              | 253              | (82)               |
| Corporate Resources      | 9,560            | 11,240           | 1,680              |
| Community Services       | 3,388            | 3,534            | 146                |
| Corporate Governance     | 1,512            | 1,839            | 327                |
| Operational Services     | 4,324            | 4,302            | (22)               |
| <b>Total</b>             | <b>19,119</b>    | <b>21,168</b>    | <b>2,049</b>       |

The council has a shared service agreement with other East Kent authorities and East Kent Services (EKS) is shown as a separate entity in the Comprehensive Income and Expenditure Statement. This is because Thanet are the lead authority in the agreement and carry out all accounting on behalf of the other councils. Management accounts for the council delete all these entries and costs of shared services provided are included in relevant directorates above. For example all housing benefit work is carried out by EKS and the charge for managing the Thanet service is charged to a budget in the Corporate Resources directorate.

Management accounts as presented to the Corporate Management Team and Members that reflect costs directly incurred by the services and therefore are viewed as controllable by those services within the Directorate structure. The table above is presented in this way to aid understanding of the financial performance of the council as technical entries are also omitted from the table together with internal recharges.

Corporate Resources include additional allocation of additional available financing as highlighted below. Performance against the original expenditure budget highlighted a £369k underspend.

Community Services savings targets were met in year but additional pressure was experienced in the Housing service due to increasing demand which is reflected in the cost of providing the service.

Corporate Governance includes management of various commercial properties in the district and efficiencies have been identified in their operation. Full year benefits of the new methods of working will be available in the 2017-18 financial year.

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

| <b>Financing</b>  | <b>Budget<br/>£'000s</b> | <b>Actual<br/>£'000s</b> | <b>Variance<br/>£'000s</b> |
|-------------------|--------------------------|--------------------------|----------------------------|
| Council Tax       | (8,908)                  | (10,085)                 | (1,177)                    |
| Business Rates    | (4,830)                  | (5,528)                  | (698)                      |
| Government Grants | (5,381)                  | (5,555)                  | (174)                      |
| <b>Total</b>      | <b>(19,119)</b>          | <b>(21,168)</b>          | <b>(2,049)</b>             |

### Housing Revenue Account (HRA)

The HRA reflects costs and income of our Landlord service in respect of council housing. This is a ring-fenced account and all entries to the account are governed by law. The service generated a £1.418m surplus in year mainly due to lower expenditure on capital projects being reflected in lower funding contributions from the revenue account.

The surplus was added to the working balance on the account which is £6.714m (£5.296 m 2015-16).

### Financial Management - Capital

Programme performance and cost profile are included in this section.

| <b>General Fund Capital Programme</b>   | <b>Revised 2016-17 Budget<br/>£'000s</b> | <b>Actual 2016-17<br/>£'000s</b> | <b>Variance to Revised 2016-17 Budget<br/>£'000s</b> |
|---|--|----------------------------------|--|
| Corporate Services (East Kent Services) | 146                                      | 93                               | 53   |
| Community Services                      | 8,668                                    | 6,025                            | 2,643  |
| Operational Services                    | 3,026                                    | 1,488                            | 1,538  |
| Capital Salaries                        | 75                                       | 74                               | 1  |
| <b>Total</b>                            | <b>11,915</b>                            | <b>7,680</b>                     | <b>4,235</b>   |

64% of the revised budget was spent during the year and this reflects several projects where slippage has occurred and as a consequence outcomes have been re-profiled to match revised delivery dates. Completed schemes generated a £131k saving which will be available for future investment.

Refuse vehicles are an example of the slippage as delivery timescales on freighters has lengthened and delivery will now take place in mid-2017.

Works on Dreamland have been re-profiled in line with other works being carried out by our lessee Sand Heritage Limited.

The following new assets have been recognised in the Balance Sheet as at 31 March 2017:

- Street Scene vehicles (£264k)



- Welfare Van (£12k)
- Car park LED lighting (£43k)
- New telephony system (£63k)

| <b>HRA Capital Programme</b> | <b>Revised<br/>2016-17<br/>Budget<br/>£'000s</b> | <b>Actual<br/>2016-17<br/>£'000s</b> | <b>Variance<br/>2016-17<br/>£'000s</b> |
|------------------------------|--|--------------------------------------|--|
| <b>Total Expenditure</b>     | <b>6,895</b>                                     | <b>5,156</b>                         | <b>(1,739)</b>                         |

75% of the total programme was delivered in year with new build programmes being re-profiled for delivery in 2017-18.

97% of the improvement programme in council stock was achieved in year with the remainder of the work being carried out in April 2017.

## Capital Strategy and Medium Term Capital Programme

The programme is driven by the need to achieve maximum value for money from the council's assets by ensuring they are well maintained and remain fit for purpose, within the limits of available funding.

Although the council can borrow to fund its capital expenditure, the cost of the repayments often makes this option unaffordable and so future capital requirements in the medium term will depend upon a well-managed programme of asset disposals. An Asset Management Strategy has been developed which outlines the principles, criteria and processes associated with the disposal programme.

| <b>Capital Programme 2017–21</b>            | <b>2017-18<br/>£'000s</b> | <b>2018-19<br/>£'000s</b> | <b>2019-20<br/>£'000s</b> | <b>2020-21<br/>£'000s</b> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Statutory and Mandatory Schemes             | 1,600                     | 1,600                     | 1,600                     | 1,600                     |
| Annual Enhancement Schemes                  | 830                       | 330                       | 580                       | 2,285                     |
| Wholly/Part Externally Funded Schemes       | 1,981                     | 1,437                     | 942                       | 2,742                     |
| Construction, Replacements and Enhancements | 7,932                     | 125                       | 125                       | 3,075                     |
| Housing Revenue Account Schemes             | 19,531                    | 4,160                     | 3,325                     | 3,225                     |
| <b>Total Expenditure</b>                    | <b>31,874</b>             | <b>7,652</b>              | <b>6,572</b>              | <b>12,927</b>             |

The capital financing resources anticipated include prudential borrowing, capital receipts, and grants and other contributions, however as the council will continue to use internal resource wherever possible including receipts from asset disposals, prudential borrowing is unlikely to be undertaken in the near future.

## Risk Management

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

## Accounting Statements

The accounts have been prepared in accordance with the Accounts and Audit Regulations and the Code of Practice and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting policies adopted by the Council are outlined in this document and have been fairly and consistently applied.

The statements are as detailed below:

### The Core Statements

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

**Movement in Reserves Statement** – This Statement shows the movement in the year on the different reserves held by the Authority, analysed into “usable” reserves (those that can be applied to fund expenditure or reduce local taxation) and other 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.

**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 2016-17 Statement of Accounts on 27 September 2017.

Signed :

Date: 27 September 2017

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 2017 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 2017

# 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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves 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 2016-17.

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 Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Director of Corporate Resources and Section 151 Officer and auditor**

As explained more fully in the Statement of Responsibilities, the Director of Corporate Resources and 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 2016-17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Director of Corporate Resources and 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 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 for the financial year for which the financial statements are prepared 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Respective responsibilities of the Authority and auditor**

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

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 for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing

economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **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 2017 in accordance with the requirements of the Act and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

2<sup>nd</sup> Floor  
St John's House  
Haslett Avenue West  
Crawley  
RH10 1HS

27 September 2017



## Comprehensive Income and Expenditure Statement

The 2015-16 figures have been restated to reflect the new requirement under the Code of Practice on Local Authority Accounting in the UK 2016-17 to present expenditure and income for the cost of services in the format reported to management during the year (by Directorate), instead of under the Service Reporting Code of Practice (SERCOP). See Note 6 for further detail of the restatement.

| Restated 31 March 2016  |                  |  | 31 March 2017         |                  |                 |
|---|------------------|--|-----------------------|------------------|-----------------|
| Expenditure<br>£'000s   | Income<br>£'000s | Net<br>£'000s  | Expenditure<br>£'000s | Income<br>£'000s | Net<br>£'000s   |
| <b>Gross expenditure, gross income and net expenditure on continuing operations</b> |                  |  |                       |                  |                 |
| 506   | 11               | 495  | 405                   | 10               | 395             |
| 76,057  | 72,112           | 3,945  | 76,560                | 69,226           | 7,334           |
| 22,853  | 9,229            | 13,624   | 16,993                | 9,379            | 7,614           |
| 16,321  | 18,839           | (2,518)  | 18,223                | 21,582           | (3,359)         |
| 4,977   | 1,550            | 3,427  | 4,563                 | 1,761            | 2,802           |
| 13,079  | 8,371            | 4,708  | 12,207                | 7,871            | 4,336           |
| <b>133,793</b>  | <b>110,112</b>   | <b>23,681</b>  | <b>128,951</b>        | <b>109,829</b>   | <b>19,122</b>   |
|   |                  |  |                       |                  |                 |
|   | 1,908            | Other Operating Expenditure  | Note 8                |                  | 2,373           |
|   | 2,840            | Financing and Investment Income and Expenditure                            | Note 9                |                  | 3,599           |
|   | (25,537)         | Taxation and Non-Specific Grant Income and Expenditure                     | Note 10               |                  | (24,109)        |
|   | <b>2,892</b>     | <b>(Surplus) or Deficit on Provision of Services</b>                       |                       |                  | <b>985</b>      |
|   | (23,724)         | (Surplus) or Deficit on revaluation of non-current assets                  | Note 33a              |                  | (21,921)        |
|   | 2                | Impairment losses on non-current assets charged to the Revaluation Reserve |                       |                  | -               |
|   | (13,648)         | Re-measurements of the net defined benefit liability                       | Note 40               |                  | 8,198           |
|   | <b>(37,370)</b>  | <b>Other Comprehensive Income and Expenditure</b>                          |                       |                  | <b>(13,723)</b> |
|   |                  |  |                       |                  |                 |
|   | <b>(34,478)</b>  | <b>Total Comprehensive Income and Expenditure</b>                          |                       |                  | <b>(12,738)</b> |

## Movement in Reserves Statement

To comply with the CIPFA Code of Practice on Local Authority Accounting in the UK 16-17 the 2015-16 Movement in Reserves Statement has been restated to present the Earmarked General Fund and Housing Revenue Account Reserves as part of the General Fund and HRA balances, rather than disclosing them separately. Further detail of the movements and balances on the earmarked reserves are disclosed in Note 19.

| Restated for the Year Ended<br>31 March 2016                              | General<br>Fund<br>Balance | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserve | Major<br>Repairs<br>Reserve | Capital<br>Grants<br>Unapplied | Total<br>Usable<br>Reserves | Unusable<br>Reserves | Total<br>Authority<br>Reserves |
|---|----------------------------|-------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|----------------------|--------------------------------|
|   | £'000s                     | £'000s                        | £'000s                         | £'000s                      | £'000s                         | £'000s                      | £'000s               | £'000s                         |
|   | Note 18 & 19               | Note 18 & 19                  | Note 32a                       | Note 32                     | Note 32                        | Note 32                     | Note 33              |                                |
| <b>Balance at 1 April 2015</b>  | <b>12,718</b>              | <b>10,372</b>                 | <b>2,512</b>                   | <b>6,558</b>                | <b>108</b>                     | <b>32,268</b>               | <b>50,161</b>        | <b>82,429</b>                  |
| <b>Movement in reserves during 2015-16:</b>                               |                            |                               |                                |                             |                                |                             |                      |                                |
| Total Comprehensive Income and Expenditure                                | (4,588)                    | 1,696                         | -                              | -                           | -                              | (2,892)                     | 37,370               | 34,478                         |
| Adjustments between accounting & funding basis under regulations (Note 6) | 33                         | (1,277)                       | 1,411                          | 613                         | -                              | 780                         | (780)                | -                              |
| <b>Increase/ Decrease (movement) in 2015-16</b>                           | <b>(4,555)</b>             | <b>419</b>                    | <b>1,411</b>                   | <b>613</b>                  | <b>-</b>                       | <b>(2,112)</b>              | <b>36,590</b>        | <b>34,478</b>                  |
| <b>Balance at 31 March 2016 carried forward</b>                           | <b>8,163</b>               | <b>10,791</b>                 | <b>3,923</b>                   | <b>7,171</b>                | <b>108</b>                     | <b>30,156</b>               | <b>86,751</b>        | <b>116,907</b>                 |

## Movement in Reserves Statement cont'd

For the Year Ended  
31 March 2017

|   | General<br>Fund<br>Balance | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserve | Major<br>Repairs<br>Reserve | Capital<br>Grants<br>Unapplied | Total<br>Usable<br>Reserves | Unusable<br>Reserves | Total<br>Authority<br>Reserves |
|---|----------------------------|-------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|----------------------|--------------------------------|
|   | £'000s                     | £'000s                        | £'000s                         | £'000s                      | £'000s                         | £'000s                      | £'000s               | £'000s                         |
|   | Note 18 & 19               | Note 18 & 19                  | Note 32a                       | Note 32                     | Note 32                        | Note 32                     | Note 33              |                                |
| <b>Restated Balance at 1 April 2016</b>                                   | <b>8,163</b>               | <b>10,791</b>                 | <b>3,923</b>                   | <b>7,171</b>                | <b>108</b>                     | <b>30,156</b>               | <b>86,751</b>        | <b>116,907</b>                 |
| <b>Movement in reserves during 2016-17:</b>                               |                            |                               |                                |                             |                                |                             |                      |                                |
| Total Comprehensive Income and Expenditure                                | (341)                      | (644)                         | -                              | -                           | -                              | (985)                       | 13,723               | 12,738                         |
| Adjustments between accounting & funding basis under regulations (Note 6) | 528                        | 1,934                         | 5,797                          | 1,188                       | (28)                           | 9,419                       | (9,419)              | -                              |
| <b>Increase/ Decrease (movement) in 2016-17</b>                           | <b>187</b>                 | <b>1,290</b>                  | <b>5,797</b>                   | <b>1,188</b>                | <b>(28)</b>                    | <b>8,434</b>                | <b>4,304</b>         | <b>12,738</b>                  |
| <b>Balance at 31 March 2017 carried forward</b>                           | <b>8,350</b>               | <b>12,081</b>                 | <b>9,720</b>                   | <b>8,359</b>                | <b>80</b>                      | <b>38,590</b>               | <b>91,055</b>        | <b>129,645</b>                 |

# Balance Sheet as at 31 March 2017

| Restated<br>31 March 2016<br>£'000s |  |            | 31 March 2017<br>£'000s      £'000s |                |
|-------------------------------------|--|------------|-------------------------------------|----------------|
|                                     | <b>Property, Plant &amp; Equipment</b>   | Note 20    |                                     |                |
| 114,926                             | Council Dwellings                        |            | 133,534                             |                |
| 60,504                              | Other land and buildings                 |            | 53,828                              |                |
| 3,988                               | Vehicles, plant, furniture and equipment |            | 3,366                               |                |
| 14,828                              | Infrastructure                           |            | 14,266                              |                |
| 8,255                               | Assets under construction                |            | 11,724                              |                |
| 725                                 | Surplus assets not held for sale         |            | 467                                 |                |
| 9,207                               | <b>Heritage Assets</b>                   | Note 21    | 9,873                               |                |
| 24,750                              | <b>Investment Property</b>               | Note 23    | 22,550                              |                |
| 464                                 | <b>Long Term Debtors</b>                 | Note 27    | 392                                 |                |
| <b>237,647</b>                      | <b>Long Term Assets</b>                  |            |                                     | <b>250,000</b> |
| 12,764                              | <b>Short Term Investments</b>            | Note 24    | 17,239                              |                |
| 113                                 | <b>Inventories</b>                       |            | 173                                 |                |
| 15,829                              | <b>Short Term Debtors</b>                | Note 27    | 15,451                              |                |
| (5,368)                             | <b>Impairment of Debtors</b>             | Note 27    | (5,416)                             |                |
| 17,076                              | <b>Cash and Cash Equivalents</b>         | Note 28    | 24,780                              |                |
| 296                                 | <b>Assets Held for Sale (&lt; 1year)</b> | Note 29    | 74                                  |                |
| <b>40,710</b>                       | <b>Current Assets</b>                    |            |                                     | <b>52,301</b>  |
| 814                                 | <b>Short Term Borrowing</b>              | Note 24    | 984                                 |                |
| 16,121                              | <b>Short Term Creditors</b>              | Note 30    | 19,824                              |                |
| 4,899                               | <b>Provisions</b>                        | Note 31    | 2,536                               |                |
| 6,709                               | <b>Grant Receipts in Advance</b>         | Note 16    | 3,252                               |                |
| <b>28,543</b>                       | <b>Current Liabilities</b>               |            |                                     | <b>26,596</b>  |
| 28,741                              | <b>Long Term Borrowing</b>               | Note 24    | 31,047                              |                |
| 103,113                             | <b>Other Long Term Liabilities</b>       | Note 40/41 | 113,798                             |                |
| 1,053                               | <b>Grant Receipts in Advance</b>         | Note 16    | 1,215                               |                |
| <b>132,907</b>                      | <b>Long Term Liabilities</b>             |            |                                     | <b>146,060</b> |
| <b>116,907</b>                      | <b>Net Assets</b>                        |            |                                     | <b>129,645</b> |
|                                     | <b>Represented By:</b>                   |            |                                     |                |
|                                     | <b>Usable Reserves</b>                   |            |                                     |                |
| 2,011                               | General Fund                             | Note 32    | 2,011                               |                |
| 11,647                              | Earmarked Reserves                       | Note 19    | 11,706                              |                |
| 5,296                               | Housing Revenue Account                  | Note 32    | 6,714                               |                |
| 3,923                               | Capital Receipts Reserve                 | Note 32a   | 9,720                               |                |
| 7,171                               | Major Repairs Reserve                    | Note 32    | 8,359                               |                |
| 108                                 | Capital Grants Unapplied                 | Note 32    | 80                                  |                |
|                                     | <b>Unusable Reserves</b>                 |            |                                     |                |
| 61,480                              | Revaluation Reserve                      | Note 33a   | 79,833                              |                |
| (223)                               | Accumulated Absences Reserve             | Note 33e   | (235)                               |                |
| (99,458)                            | Pensions Reserve                         | Note 33c   | (110,534)                           |                |
| 125,996                             | Capital Adjustment Account               | Note 33b   | 120,373                             |                |
| 4                                   | Deferred Capital Receipts                | Note 33    | 4                                   |                |
| (1,048)                             | Collection Fund Adjustment Account       | Note 33d   | 1,614                               |                |
| <b>116,907</b>                      | <b>Total Reserves</b>                    |            |                                     | <b>129,645</b> |

Signed:

Tim Willis CPFA

Date: 27 September 2017

Director of Corporate Resources &amp; Section 151 Officer

## Cash Flow Statement

| 2015-16<br>£'000s |  |          | 2016-17<br>£'000s |
|-------------------|--|----------|-------------------|
| 2,892             | <b>Net (surplus) or deficit on the provision of services</b>   |          | 985               |
| (18,585)          | Adjust net surplus or deficit on the provision of services for non-cash movements  | Note 34a | (23,332)          |
| 7,492             | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | Note 34b | 13,536            |
| <b>(8,201)</b>    | <b>Net cash flows from Operating Activities</b>  |          | <b>(8,811)</b>    |
| 16,802            | Investing Activities   | Note 35  | 5,284             |
| (1,911)           | Financing Activities   | Note 36  | (4,177)           |
| <b>6,690</b>      | <b>Net (increase) or decrease in cash and cash equivalents</b>   | Note 28  | <b>(7,704)</b>    |
| (23,766)          | Cash and cash equivalents at the beginning of the reporting period   |          | (17,076)          |
| <b>(17,076)</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>  |          | <b>(24,780)</b>   |

# Notes to the Core Financial Statements

## 1. Accounting Policies

### General

The Statement of Accounts summarises the Authority's transactions for the 2016-17 financial year and its position at the year end of 31 March 2017. 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 2016-17 (The Code) and the Service Reporting Code of Practice 2016-17 (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 112-117.

The Narrative Report on pages 4-12 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 (the position required by the accounting standard will be shown in the Comprehensive Income and Expenditure Statement and the effect of the legislative requirement in the Movement in Reserves Statement).

### 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.

## 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.

**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 formal valuation of the Fund for the purpose of setting employers' actual contributions disclosed in these accounts 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

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.

## 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 2016-17 (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.

To comply with the Code the cost of overheads and support services are no longer recharged and disclosed in the Comprehensive Income and Expenditure Statement under the service benefiting from the supply, but are included as gross costs within the directorate responsible for each support service.

## 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, Lesley Trim BSc MRICS Chartered Surveyor RV and Tim Hewett MRICS Chartered Surveyor, 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 2016.

The basis for Council Dwellings valuations is Existing Use Value for Social Housing (EUV-SH). Under this method the vacant possession value of the dwellings is reduced to 33% of the market value, to reflect the occupation by a secure tenant. A full valuation of the Beacon properties is undertaken every five years but an annual adjustment is made to reflect market changes during the year. The date of valuation for the Housing Revenue Account is 31 March 2017.

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 (1<sup>st</sup> 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. 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 is disclosed in Note 31 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 31<sup>st</sup> 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 Equalisation Reserve within the council's Balance Sheet for future use.

## Value Added Tax

In accounting for VAT, the Council complies with FRS102 (The Financial Reporting Standard applicable in the UK) and VAT is excluded from the main accounting statements unless it is not recoverable under normal tax rules. The Council's partial exemption status is reviewed on an annual basis to ensure that VAT incurred as a result of exempt supplies remains below the HM Revenue and Customs allowable threshold of 5% to ensure it remains recoverable.

## 2. Critical Judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the 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 £1.92m (3.48%) against the operational asset base of £55.28m, and £834k (3.7%) against the investment property asset base of £22.55m. 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 £1.825m and would be required to repay its share of the cost of construction of the Spine Road £2.964m. 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 the asset classification will be reviewed.



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

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

The items in the Authority's Balance Sheet at 31 March 2017 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   |
|--------------------------------------|--|--|
| <b>Property, Plant and Equipment</b> | 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 £855k for every year that useful lives had to be reduced.   |
| <b>Fair Value Measurements</b>       | 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 22 and 23. | 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. |

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|   |   |  |
|---|---|--|
| <b>Pensions Liability</b>               | <p>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.</p>  | <p>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 £4.103m and an increase of one year to the mortality rate would result in a increased pension liability of £9.886m. However, the assumptions interact in complex ways.</p> |
| <b>Impairment</b>                       | <p>At 31 March 2017, the Authority had a balance of sundry debtors of £785k. 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.</p>   | <p>If collection rates were to deteriorate, an impairment of doubtful debts of 10% for those debts under 6 months old (total £259k) would require an additional £25.9k to be set aside as an allowance.</p>  |
| <b>Investment Property Asset Values</b> | <p>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.</p>   | <p>Investment assets totaling £7.367m have not been revalued in 2016-17. In general, the asset valuations for investment properties have gone up by 5.3% in 2016-17. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £390k to the asset valuation.</p>   |
| <b>Business Rate Appeals</b>            | <p>The Council has a significant number of outstanding appeals against the Valuation Office (VO) rating list (Rateable Value £28.284m) 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 £2.105m.</p> | <p>If the top ten appeals were successful (RV 14.3m) and rateable values were reduced by 15% and backdated to 2010 (if relevant) then an additional £1.05m would need to be set aside in the provision for appeals.</p>  |

## 4. Events After The Reporting Period

The Statement of Accounts was authorised for issue by the Director of Corporate Resources & S151 Officer on 27 September 2017, events taking place after this date will not be reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2017, figures and disclosures in the accounts require adjustment. No such material events have occurred.

# Notes Supporting the Comprehensive Income & Expenditure Statement

## 5. Expenditure and Funding Analysis

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

| Restated 31 March 2016                          |   |                             |   |
|---|---|-----------------------------|---|
| Expenditure Chargeable to the GF & HRA Balances | Adjustment between Funding and Accounting Basis | Net Expenditure in the CIES |   |
| £'000s  | £'000s  | £'000s                      |   |
| 495   | -   | 495                         | Chief Executive   |
| 3,962   | (17)  | 3,945                       | Director of Corporate Resources & Section 151 Officer                     |
| 13,624  | -   | 13,624                      | Director of Operational Services  |
| (2,518)   | -   | (2,518)                     | Director of Community Services  |
| 3,470   | (43)  | 3,427                       | Director of Corporate Governance  |
| 4,808   | (100)   | 4,708                       | East Kent Shared Services   |
| <b>23,841</b>                                   | <b>(160)</b>                                    | <b>23,681</b>               | <b>Cost of Services</b>   |
| (19,705)  | (1,084)   | (20,789)                    | Other Income and Expenditure  |
| 4,136   | (1,244)   | <b>2,892</b>                | <b>(Surplus) or Deficit on Provision of Services</b>                      |
| <b>(23,090)</b>                                 |   |                             | <b>Opening General Fund &amp; HRA balance as at 31<sup>st</sup> March</b> |
| 4,136   |   |                             | Less deficit on General Fund and HRA balance in year                      |
| <b>(18,954)</b>                                 |   |                             | <b>Closing General Fund &amp; HRA balance as at 31<sup>st</sup> March</b> |

| 31 March 2017                                   |   |                             |
|---|---|-----------------------------|
| Expenditure Chargeable to the GF & HRA Balances | Adjustment between Funding and Accounting Basis | Net Expenditure in the CIES |
| £'000s  | £'000s  | £'000s                      |
| 395   | -   | 395                         |
| 2,619   | 4,715   | 7,334                       |
| 7,614   | -   | 7,614                       |
| (3,359)   | -   | (3,359)                     |
| 2,802   | -   | 2,802                       |
| 4,336   | -   | 4,336                       |
| <b>14,407</b>                                   | <b>4,715</b>                                    | <b>19,122</b>               |
| (15,884)  | (2,253)   | (18,137)                    |
| <b>(1,477)</b>                                  | <b>2,462</b>                                    | <b>985</b>                  |
| <b>(18,954)</b>                                 |   |                             |
| <b>(1,477)</b>                                  |   |                             |
| <b>(20,431)</b>                                 |   |                             |

## 5a. Note to the Expenditure and Funding Analysis

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

| Restated 31 March 2016 |                        |                   |                |  |
|------------------------|------------------------|-------------------|----------------|--|
| Capital Purposes       | Net Change for Pension | Other Differences | Total          |  |
| £'000s                 | £'000s                 |                   | £'000s         |  |
| (3,539)                | 3,486                  | 36                | (17)           | Director of Corporate Resources & Section 151 Officer  |
| (43)                   | -                      | -                 | (43)           | Director of Corporate Governance                       |
| (100)                  | -                      | -                 | (100)          | East Kent Shared Services                              |
| <b>(3,682)</b>         | <b>3,486</b>           | <b>36</b>         | <b>(160)</b>   | <b>Cost of Services</b>                                |
| 1,053                  | -                      | -                 | 1,053          | Other Operating Expenditure                            |
| (1,306)                | -                      | -                 | (1,306)        | Financing and Investment Income and Expenditure        |
|                        |                        | (831)             | (831)          | Taxation and Non-Specific Grant Income and Expenditure |
| <b>(3,935)</b>         | <b>3,486</b>           | <b>(795)</b>      | <b>(1,244)</b> | <b>(Surplus) or Deficit on Provision of Services</b>   |

| 31 March 2017    |                         |                   |              |
|------------------|-------------------------|-------------------|--------------|
| Capital Purposes | Net Change for Pensions | Other Differences | Total        |
| £'000s           | £'000s                  | £'000s            | £'000s       |
| 1,825            | 2,878                   | 12                | 4,715        |
| -                | -                       | -                 | -            |
| -                | -                       | -                 | -            |
| <b>1,825</b>     | <b>2,878</b>            | <b>12</b>         | <b>4,715</b> |
| 1,226            | -                       | -                 | 1,226        |
| (817)            | -                       | -                 | (817)        |
| -                | -                       | (2,662)           | (2,662)      |
| <b>2,234</b>     | <b>2,878</b>            | <b>(2,650)</b>    | <b>2,462</b> |

## 6. Prior Period Restatement of Cost of Services Income and Expenditure

The CIPFA Code of Local Authority Accounting in the UK 2016-17 requires that the cost of services in the Comprehensive Income and Expenditure Statement is disclosed based on the authorities internal management reporting structure (by Directorate), this note shows how the 2015-16 expenditure and income has been restated to comply with the Code, and correct an expenditure/income disclosure error.

| <b>Net Expenditure<br/>SERCOP Service Line</b> | <b>As reported in<br/>the C I &amp; E<br/>Statement 15-16<br/>£'000s</b> | <b>Adjustments<br/>between<br/>SERCOP<br/>and Internal<br/>Reporting<br/>£'000s</b> | <b>Revised<br/>2015-16<br/>Total<br/>£'000s</b> | <b>Directorate</b>   |
|--|--|---|---|--|
| Cultural & Related Services                    | 6,315  | (4,767)   | 1,548   | Community Services<br>(Tourism & Recreation)   |
| Environmental & Regulatory<br>Services         | 8,467  | (2,539)<br>719  | 5,928<br>719                                    | Operational Services<br>Community Services<br>(Community Safety)   |
| Planning Services                              | 3,170  | (1,621)   | 1,549   | Community Services<br>(Planning & Conservation)  |
| Highways & Transport<br>Services               | 3,620  | 4,076   | 7,696   | Operational Services   |
| Other Housing Services                         | 2,011  | (2,099)<br>492<br>3,256   | (88)<br>492<br>3,256                            | Corporate Resources<br>(Housing Benefits)<br>Community Services<br>(Homelessness)<br>East Kent Shared Services<br>(Housing Benefits) |
| Local Authority Housing<br>(HRA)               | (3,494)  | (3,332)<br>3,350  | (6,826)<br>3,350                                | Community Services (HRA)<br>Corporate Resources (HRA)  |
| Central Services                               | 2,015  | (563)<br>683<br>867   | 1,452<br>683<br>867                             | East Kent Shared Services<br>Corporate Resources<br>(Local Taxation)<br>Corporate Governance<br>(Electoral Services)                 |
| Corporate & Democratic<br>Core                 | 1,780  | 780<br>495  | 2,560<br>495                                    | Corporate Governance<br>(Democratic Services)<br>Chief Executive<br>(Member Support)   |
| Non Distributed Costs                          | (203)  | 203   | -   |  |
| <b>Cost of Services</b>                        | <b>23,681</b>  | <b>-</b>  | <b>23,681</b>                                   |  |

| <b>Gross Expenditure<br/>SERCOP Service Line</b> | <b>As reported in<br/>the C I &amp; E<br/>Statement 15-16<br/>£'000s</b> | <b>Adjustments<br/>between<br/>SERCOP<br/>and Internal<br/>Reporting<br/>£'000s</b> | <b>Revised<br/>2015-16<br/>Total<br/>£'000s</b> | <b>Directorate</b>   |
|--|--|---|---|--|
| Cultural & Related Services                      | 7,393  | (5,315)   | 2,078   | Community Services<br>(Tourism & Recreation)   |
| Environmental & Regulatory<br>Services           | 14,376   | (5,039)<br>1,764  | 9,337<br>1,764                                  | Operational Services<br>Community Services<br>(Community Safety)   |
| Planning Services                                | 5,546  | (2,354)   | 3,192   | Community Services<br>(Planning & Conservation)  |
| Highways & Transport<br>Services                 | 9,657  | 3,859   | 13,516  | Operational Services   |
| Other Housing Services                           | 77,858   | (6,994)<br><br>2,151<br><br>7,356   | 70,864<br><br>2,151<br><br>7,356                | Corporate Resources<br>(Housing Benefits)<br>Community Services<br>(Homelessness)<br>East Kent Shared Services<br>(Housing Benefits)     |
| Local Authority Housing<br>(HRA)                 | 10,468   | (3,332)<br>3,350  | 7,136<br>3,350                                  | Community Services (HRA)<br>Corporate Resources (HRA)  |
| Central Services                                 | 7,900  | (2,177)<br><br>1,843<br><br>1,288   | 5,723<br><br>1,843<br><br>1,288                 | East Kent Shared Services<br>(Local Taxation)<br>Corporate Resources<br>(Local Taxation)<br>Corporate Governance<br>(Electoral Services) |
| Corporate & Democratic<br>Core                   | 2,340  | 1,349<br><br>506  | 3,689<br><br>506                                | Corporate Governance<br>(Democratic Services)<br>Chief Executive<br>(Member Support)   |
| Non Distributed Costs                            | 204  | (204)   | -   |  |
| <b>Cost of Services</b>                          | <b>135,742</b>   | <b>(1,949)</b>  | <b>133,793</b>                                  |  |

| <b>Gross Income<br/>SERCOP Service Line</b> | <b>As reported in<br/>the C I &amp; E<br/>Statement 15-16<br/>£'000s</b> | <b>Adjustments<br/>between<br/>SERCOP<br/>and Internal<br/>Reporting<br/>£'000s</b> | <b>Revised<br/>2015-16<br/>Total<br/>£'000s</b> | <b>Directorate</b>  |
|---|--|---|---|---|
| Cultural & Related Services                 | (1,078)  | 548   | (530)   | Community Services<br>(Tourism & Recreation)  |
| Environmental & Regulatory<br>Services      | (5,909)  | 2,500<br>(1,045)  | (3,409)<br>(1,045)                              | Operational Services<br>Community Services<br>(Community Safety)  |
| Planning Services                           | (2,376)  | 733   | (1,643)   | Community Services<br>(Planning & Conservation)   |
| Highways & Transport<br>Services            | (6,037)  | 217   | (5,820)   | Operational Services  |
| Other Housing Services                      | (75,847)   | 4,895<br><br>(1,659)<br><br>(4,100)   | (70,952)<br><br>(1,659)<br><br>(4,100)          | Corporate Resources<br>(Housing Benefits)<br>Community Services<br>(Homelessness)<br>East Kent Services<br>(Housing Benefits)     |
| Local Authority Housing<br>(HRA)            | (13,962)   | -   | (13,962)  | Community Services (HRA)  |
| Central Services                            | (5,885)  | 1,614<br><br>(1,160)<br><br>(421)   | (4,271)<br><br>(1,160)<br><br>(421)             | East Kent Services<br>(Local Taxation)<br>Corporate Resources<br>(Local Taxation)<br>Corporate Governance<br>(Electoral Services) |
| Corporate & Democratic<br>Core              | (560)  | (569)<br><br>(11)   | (1,129)<br><br>(11)                             | Corporate Governance<br>(Democratic Services)<br>Chief Executive<br>(Member Support)  |
| Non Distributed Costs                       | (407)  | 407   | -   |   |
| <b>Cost of Services</b>                     | <b>(112,061)</b>   | <b>1,949</b>  | <b>(110,112)</b>                                |   |



## 7. Expenditure and Income Analysed by Nature

| 2015-16<br>£'000s  |  | 2016-17<br>£'000s |
|--------------------|--|-------------------|
| <b>Expenditure</b> |  |                   |
| 28,633             | Employee benefits expenses                 | 27,961            |
| 68,841             | Housing benefit expenditure                | 66,589            |
| 32,870             | Other service expenses                     | 27,475            |
| 7,228              | Depreciation amortisation and impairment   | 10,709            |
| 845                | Loss on disposal of non-current assets     | 1,029             |
| 1,116              | Interest payments                          | 1,360             |
| 855                | Precepts and levies                        | 1,146             |
| <b>140,388</b>     |  | <b>136,269</b>    |
| <b>Income</b>      |  |                   |
| (41,727)           | Fees and charges and other service income  | (41,356)          |
| (14,520)           | Income from Council tax and Business Rates | (15,613)          |
| (15,034)           | Government grants and contributions        | (14,198)          |
| (66,008)           | Housing benefit subsidy                    | (63,906)          |
| (207)              | Interest and investment income             | (211)             |
| <b>(137,496)</b>   |  | <b>(135,284)</b>  |
| <b>2,892</b>       | <b>Deficit on Provision of Services</b>    | <b>985</b>        |

## Segment Analysis

| 2015-16   | Revenues<br>from<br>External<br>Customers<br>£'000s | Interest<br>Revenue<br>£'000s | Interest<br>Expense<br>£'000s | Depreciation<br>and<br>Amortisation<br>£'000s |
|---|---|-------------------------------|-------------------------------|---|
| <b>Directorate</b>                                |   |                               |                               |   |
| Chief Executive                                   | (11)  | -                             | -                             | -   |
| Director of Corporate<br>Resources & S151 Officer | (4,715)   | (94)                          | 1,116                         | 3,509   |
| Director of Operational Services                  | (9,147)   | (1)                           | -                             | 2,766   |
| Director of Community Services                    | (17,247)  | (112)                         | -                             | 683   |
| Director of Corporate Governance                  | (2,591)   | -                             | -                             | 428   |
| East Kent Shared Services                         | (8,016)   | -                             | -                             | -   |
| <b>Total</b>                                      | <b>41,727</b>                                       | <b>(207)</b>                  | <b>1,116</b>                  | <b>7,386</b>                                  |

| 2016-17   | Revenues<br>from<br>External<br>Customers<br>£'000s | Interest<br>Revenue<br>£'000s | Interest<br>Expense<br>£'000s | Depreciation<br>and<br>Amortisation<br>£'000s |
|---|---|-------------------------------|-------------------------------|---|
| <b>Directorate</b>                                |   |                               |                               |   |
| Chief Executive                                   | (9)   | -                             | -                             | -   |
| Director of Corporate<br>Resources & S151 Officer | (4,055)   | (121)                         | 1,171                         | 4,034   |
| Director of Operational Services                  | (9,367)   | (1)                           | -                             | 2,713   |
| Director of Community Services                    | (17,937)  | (89)                          | -                             | 733   |
| Director of Corporate Governance                  | (2,215)   | -                             | 189                           | 483   |
| East Kent Shared Services                         | (7,773)   | -                             | -                             | -   |
| <b>Total</b>                                      | <b>(41,356)</b>                                     | <b>(211)</b>                  | <b>1,360</b>                  | <b>7,963</b>                                  |

## 8. Other Operating Expenditure

| 2015-16<br>£'000s |  | 2016-17<br>£'000s |
|-------------------|--|-------------------|
| 855               | Parish Council Precepts                              | 1,146             |
| 208               | Payments to the Housing Capital Receipts Pool        | 198               |
| 845               | (Gains)/Losses on the disposal of non-current assets | 1,029             |
| <b>1,908</b>      | <b>Total</b>   | <b>2,373</b>      |

## 9. Financing and Investment Income and Expenditure

| 2015-16<br>£'000s |   | 2016-17<br>£'000s |
|-------------------|---|-------------------|
| 1,116             | Interest Payable and Similar Charges                    | 1,359             |
| 22                | Impairment of Financial Instruments                     | 106               |
| 3,621             | Net Interest on the Net Defined Benefit Liability       | 3,665             |
| (207)             | Interest Receivable and similar income                  | (211)             |
| 16                | (Gain)/Loss on Trading Operations (see below)           | (40)              |
| (422)             | Income and Expenditure on investment properties-Note 23 | (463)             |
| (1,306)           | Changes in fair value of investment properties          | (817)             |
| <b>2,840</b>      | <b>Total</b>  | <b>3,599</b>      |

## 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:

| 2015-16<br>(Surplus)/<br>Deficit<br>£'000s | Trading Service         | 2016-17<br>Expenditure<br>£'000s                     | 2016-17<br>Income<br>£'000s                          | 2016-17<br>(Surplus)/<br>Deficit<br>£'000s           |
|--|-------------------------|--|--|--|
| <b>16</b>                                  | <b>Building Control</b> | <b>346</b>   | <b>(386)</b>   | <b>(40)</b>  |
|  | <b>Building Control</b> | <b>2014-15<br/>(Surplus)/<br/>Deficit<br/>£'000s</b> | <b>2015-16<br/>(Surplus)/<br/>Deficit<br/>£'000s</b> | <b>2016-17<br/>(Surplus)/<br/>Deficit<br/>£'000s</b> |
|  | Turnover                | (340)  | (336)  | (386)  |
|  | Expenditure             | 324  | 352  | 346  |
|  | <b>Total</b>            | <b>(16)</b>  | <b>16</b>  | <b>(40)</b>  |

## 10. Taxation and Non-Specific Grant Income

| <b>2015-16</b>  |  | <b>2016-17</b>  |
|-----------------|--|-----------------|
| <b>£'000s</b>   |  | <b>£'000s</b>   |
| (9,424)         | Council Tax Income                             | (10,085)        |
| (13,650)        | Business Rates Income                          | (14,154)        |
| 8,555           | Business Rates Expenditure (Tariff)            | 8,626           |
| (6,564)         | Non Ring Fenced Government Grants              | (5,555)         |
| (4,454)         | Capital Grants and Contributions (see note 16) | (2,941)         |
| <b>(25,537)</b> | <b>Total</b>                                   | <b>(24,109)</b> |

## 11. 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. Prior year figures have been restated to correct a minor disclosure error.

| <b>Restated</b> |  | <b>2016-17</b> |
|-----------------|--|----------------|
| <b>2015-16</b>  |  | <b>£'000s</b>  |
| <b>£'000s</b>   |  |                |
| <b>(209)</b>    | <b>Net Cost of Service</b>             | <b>(295)</b>   |
| 1,036           | <b>Brought Forward</b>                 | 1,107          |
| (32)            | Gross Expenditure                      | 42             |
| 3               | Movement in Provision for unpaid fines | -              |
| (1,093)         | Use of Reserve                         | (1,365)        |
| <b>(295)</b>    | Gross Income                           | <b>(511)</b>   |
|                 | <b>Balance Carried Forward</b>         |                |

## 12. Members' Allowances

| <b>2015-16</b> |              | <b>2016-17</b> |
|----------------|--------------|----------------|
| <b>£'000s</b>  |              | <b>£'000s</b>  |
| 362            | Allowances   | 367            |
| 1              | Expenses     | 2              |
| <b>363</b>     | <b>Total</b> | <b>369</b>     |

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

### 13. 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.

| 2015-16 |                     | Remuneration Band<br>£ | 2016-17 |                     |
|---------|---------------------|------------------------|---------|---------------------|
| Total   | Left during<br>year |                        | Total   | Left during<br>year |
| 7       | -                   | 50,000 – 54,999        | 7       | -                   |
| 4       | -                   | 55,000 – 59,999        | 8       | 1                   |
| 2       | 1                   | 60,000 – 64,999        | 3       | -                   |
| 2       | -                   | 65,000 – 69,999        | 1       | -                   |
| 3       | -                   | 70,000 – 74,999        | -       | -                   |
| 1       | -                   | 75,000 – 79,999        | 1       | -                   |
| -       | -                   | 80,000 – 84,999        | -       | -                   |
| 1       | -                   | 85,000 – 89,999        | 2       | 1                   |
| -       | -                   | 90,000 – 94,999        | 1       | -                   |
| -       | -                   | 95,000 – 99,999        | -       | -                   |
| -       | -                   | 100,000 – 104,999      | 2       | -                   |
| 1       | -                   | 105,000 – 109,999      | 1       | -                   |
| -       | -                   | 110,000 – 114,999      | -       | -                   |
| 1       | -                   | 115,000 – 119,999      | 1       | -                   |

## Thanet District Council – Statement of Accounts 2016-17

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

**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.

## Thanet District Council – Statement of Accounts 2016-17

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 2016-17.

| Post Holder                        | Salary (incl. fees & allowances)<br>£ | Other Cash Benefits<br>£ | Comp. for loss of office<br>£ | Total Remun. Excl. pension contribs<br>£ | Pension contribs<br>£ | Total Incl. pension contribs<br>£ |
|------------------------------------|---------------------------------------|--------------------------|-------------------------------|--|-----------------------|-----------------------------------|
| Chief Executive                    | 123,173                               | 5,000                    | -                             | 128,173                                  | 16,887                | 145,060                           |
| Director EK Services (1)           | 106,660                               | 4,500                    | -                             | 111,160                                  | 13,727                | 124,887                           |
| Director of Corporate Governance   | 104,293                               | 4,000                    | -                             | 108,293                                  | 13,225                | 121,518                           |
| Director of Corporate Resources    | 97,112                                | 4,000                    | -                             | 101,112                                  | 13,255                | 114,367                           |
| Director of Community Services     | 90,381                                | 4,000                    | -                             | 94,381                                   | 12,441                | 106,822                           |
| Director of Operational Services   | 85,496                                | 4,000                    | -                             | 89,496                                   | 11,777                | 101,273                           |
| Assistant Director EK Services (1) | 76,737                                | 3,500                    | -                             | 80,237                                   | 9,892                 | 90,129                            |
| Head of ICT (1)                    | 61,586                                | 3,000                    | -                             | 64,586                                   | 8,046                 | 72,632                            |
| <b>Total</b>                       | <b>745,438</b>                        | <b>32,000</b>            | <b>-</b>                      | <b>777,438</b>                           | <b>99,250</b>         | <b>876,688</b>                    |

**Note 1:** The Shared Services Director, Assistant Director EK Services and the Head of ICT are all East Kent Services staff.

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

| Bands                                  | Number of<br>Compulsory<br>Redundancies |       | Number of<br>other<br>departures |       | Total Number<br>of packages<br>in each band |       | Total cost of<br>packages in<br>each band |                |
|--|---|-------|----------------------------------|-------|---|-------|---|----------------|
|  | 15-16                                   | 16-17 | 15-16                            | 16-17 | 15-16                                       | 16-17 | 15-16<br>£'000                            | 16-17<br>£'000 |
| 0 - 20,000                             | 6                                       | 6     | -                                | 5     | 6   | 11    | 63  | 85             |
| 20,001 - 40,000                        | 2                                       | 2     | -                                | 1     | 2   | 3     | 62  | 68             |
| 40,001 - 60,000                        | -                                       | -     | -                                | -     | -   | -     | -   | -              |
| 60,001 - 80,000                        | -                                       | -     | -                                | -     | -   | -     | -   | -              |
| 80,001 - 100,000                       | -                                       | -     | 1                                | -     | 1   | -     | 83  | -              |
| <b>Total Cost Included in Bandings</b> |   |       |                                  |       |   |       | <b>208</b>                                | <b>153</b>     |

## 14. 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.

| 2015-16<br>£'000s | Fees payable to external auditors                        | 2016-17<br>£'000s |
|-------------------|--|-------------------|
| 72                | External audit work carried out by the appointed auditor | 66                |
| 49                | Certification of grant claims and returns                | 34                |
| <b>121</b>        | <b>Total</b>   | <b>100</b>        |

## 15. 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.

| 2015-16<br>(Surplus)/<br>Deficit<br>£'000s |                        | 2016-17<br>Expenditure<br>£'000s | 2016-17<br>Income<br>£'000s | 2016-17<br>(Surplus)/<br>Deficit<br>£'000s |
|--|------------------------|----------------------------------|-----------------------------|--|
| 3,444                                      | Port of Ramsgate       | 3,219                            | (970)                       | 2,249                                      |
| (75)                                       | Ramsgate Royal Harbour | 1,505                            | (2,063)                     | (558)                                      |
| 11   | Broadstairs Harbour    | 27                               | (84)                        | (57)                                       |
| 15   | Margate Harbour        | 28                               | (5)                         | 23   |
| <b>3,395</b>                               | <b>Total</b>           | <b>4,779</b>                     | <b>(3,122)</b>              | <b>1,657</b>                               |

## 16. 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**

| <b>2015-16<br/>£'000s</b> | <b>Grant</b>                  | <b>2016-17<br/>£'000s</b> |
|---------------------------|-------------------------------|---------------------------|
| (1,154)                   | Environment Agency            | -                         |
| (206)                     | HCA – Cluster Bid             | (1,370)                   |
| (2,991)                   | Historic Grants               | (1,503)                   |
| -                         | Police and Crime Commissioner | (9)                       |
| (49)                      | Section 106                   | -                         |
| (4)                       | Regional Housing Board        | (59)                      |
| (50)                      | Vattenfall                    | -                         |
| <b>(4,454)</b>            | <b>Total</b>                  | <b>(2,941)</b>            |

**Credited to Services**

| <b>2015-16<br/>£'000s</b> | <b>Grant</b>                  | <b>2016-17<br/>£'000s</b> |
|---------------------------|-------------------------------|---------------------------|
| (23)                      | Arts Council England          | (15)                      |
| (17)                      | Big Lottery Fund              | (1)                       |
| (98)                      | Coastal Communities           | (105)                     |
| -                         | Canterbury City Council       | (26)                      |
| (429)                     | DCLG                          | (874)                     |
| 6                         | DEFRA                         | (3)                       |
| (67,052)                  | DWP                           | (64,792)                  |
| (12)                      | English Heritage              | -                         |
| (64)                      | Environment Agency            | (8)                       |
| (61)                      | GOSE                          | (69)                      |
| (20)                      | HCA                           | -                         |
| (245)                     | Heritage Lottery Fund         | (507)                     |
| (10)                      | Home Office                   | -                         |
| (31)                      | Interreg                      | (2)                       |
| (1,765)                   | Kent County Council           | (2,745)                   |
| (1)                       | Kent Police                   | (3)                       |
| (12)                      | Kent Resource Partnership     | (12)                      |
| (38)                      | LGA                           | (68)                      |
| (192)                     | NNDR                          | (192)                     |
| (17)                      | Orbit                         | -                         |
| (32)                      | Police and Crime Commissioner | (27)                      |
| (28)                      | Section 106                   | (410)                     |
| (17)                      | Street Games                  | -                         |
| (23)                      | Vattenfall                    | -                         |
| (373)                     | Royal Sands Bond              | 373                       |
| (793)                     | Other Contributions           | (656)                     |
| <b>(71,347)</b>           | <b>Total</b>                  | <b>(70,142)</b>           |

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**

| <b>2015-16</b> | <b>Grant</b>                 | <b>2016-17</b> |
|----------------|------------------------------|----------------|
| <b>£'000s</b>  |                              | <b>£'000s</b>  |
| (1,779)        | Coastal Communities Fund     | (560)          |
| (5)            | DCLG                         | (5)            |
| (8)            | Environment Agency           | (8)            |
| (1,404)        | Homes and Communities Agency | (35)           |
| (45)           | Kent County Council          | (27)           |
| (1,819)        | Section 106                  | (1,676)        |
| (462)          | Regional Housing Board       | (397)          |
| (652)          | Royal Sands Bond             | -              |
| <b>(6,174)</b> | <b>Total</b>                 | <b>(2,708)</b> |

**Revenue Grants Receipts in Advance**

| <b>2015-16</b> | <b>Grant</b>                          | <b>2016-17</b> |
|----------------|---------------------------------------|----------------|
| <b>£'000s</b>  |                                       | <b>£'000s</b>  |
| (21)           | Arts Council England                  | (6)            |
| (75)           | Coastal Communities Fund              | (73)           |
| (6)            | Community Safety Partnership          | -              |
| -              | Canterbury City Council               | (11)           |
| (450)          | DCLG                                  | (496)          |
| (4)            | DCMS                                  | (3)            |
| (15)           | DEFRA                                 | (13)           |
| -              | Dover District Council                | (24)           |
| (281)          | DWP                                   | (321)          |
| (10)           | East Kent Local Strategic Partnership | (10)           |
| (8)            | Environment Agency                    | (49)           |
| (4)            | GOSE - Migration Impact Fund          | (4)            |
| (27)           | HCA – Single Conversation             | (27)           |
| -              | Heritage Lottery Fund                 | (9)            |
| (324)          | Kent County Council                   | (303)          |
| (124)          | Kent Police                           | (165)          |
| (33)           | Kent Fire                             | (47)           |
| (15)           | Kent Resource Partnership             | (3)            |
| (39)           | LGA                                   | (4)            |
| (3)            | Police and Crime Commissioner         | (15)           |
| (33)           | Section 106                           | (77)           |
| (14)           | Royal Sands Bond                      | -              |
| (1)            | Sports Funding                        | (3)            |
| (95)           | Thanet Coast Project                  | (93)           |
| (3)            | Thanet Sports Network                 | -              |
| (3)            | Windows of Opportunity                | (3)            |
| <b>(1,588)</b> | <b>Total</b>                          | <b>(1,759)</b> |

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:

| <b>2015-16</b> |                      | <b>2016-17</b> |
|----------------|----------------------|----------------|
| <b>£'000s</b>  |                      | <b>£'000s</b>  |
| (1,588)        | Revenue – Short Term | (1,759)        |
| (5,121)        | Capital – Short Term | (1,493)        |
| (1,053)        | Capital – Long Term  | (1,215)        |
| <b>(7,762)</b> | <b>Total</b>         | <b>(4,467)</b> |

# Notes Supporting the Movement in Reserves Statement

## 17. Prior Period Restatement of Movement on Reserves Statement

The CIPFA Code of Local Authority Accounting in the United Kingdom 2016-17 requires the General Fund (GF) and Housing Revenue Account (HRA) balances to be presented in total. In the past it was recommended that the Earmarked General Fund and HRA reserves were presented separately. The 2015-16 Movement in Reserves Statement has been restated for this change, and previous capital accounting errors to enable the relevant disclosure.

| <b>2015-16</b>  | <b>General Fund<br/>Balance<br/>as previously<br/>stated<br/>£'000s</b> | <b>Earmarked<br/>General Fund<br/>Reserves<br/>as previously<br/>stated<br/>£'000s</b> | <b>General Fund<br/>Balance<br/>Restated<br/>£'000s</b> | <b>Housing<br/>Revenue<br/>Account<br/>Balance<br/>as previously<br/>stated<br/>£'000s</b> | <b>Earmarked<br/>Housing<br/>Revenue<br/>Account<br/>Reserves as<br/>previously<br/>stated<br/>£'000s</b> | <b>Housing<br/>Revenue<br/>Account<br/>Balance<br/>Restated<br/>£'000s</b> |
|---|---|--|---|--|---|--|
| <b>Balance at 1 April 2015</b>  | 2,011   | 10,707   | 12,718  | 5,392  | 4,980   | 10,372   |
| <b>Movement in reserves during 2015-16:</b>                               |   |  |   |  |   |  |
| Surplus or (deficit) on provision of services                             | (4,588)   | -  | (4,588)   | 1,696  | -   | 1,696  |
| <b>Total Comprehensive Income and Expenditure</b>                         | <b>(4,588)</b>  | <b>-</b>   | <b>(4,588)</b>  | <b>1,696</b>   | <b>-</b>  | <b>1,696</b>   |
| Adjustments between accounting & funding basis under regulations (Note 6) | 33  | -  | 33  | (1,277)  | -   | (1,277)  |
| <b>Increase or (decrease) before transfer to Earmarked Reserves</b>       | <b>(4,555)</b>  | <b>-</b>   | <b>(4,555)</b>  | <b>419</b>   | <b>-</b>  | <b>419</b>   |
| <b>Transfer to/from Earmarked Reserves</b>                                | <b>4,555</b>  | <b>(4,555)</b>   | <b>-</b>  | <b>(515)</b>   | <b>515</b>  | <b>-</b>   |
| <b>Balance at 31 March 2016 carried forward</b>                           | <b>2,011</b>  | <b>6,152</b>   | <b>8,163</b>  | <b>5,296</b>   | <b>5,495</b>  | <b>10,791</b>  |

## 18. 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 disclosure changes to the Movement in Reserves Statement in accordance with the Code.

### Restated 2015-16

|  | General<br>Fund<br>Balance<br>£'000s | Housing<br>Revenue<br>Account<br>£'000s | Capital<br>Receipts<br>Reserve<br>£'000s | Major<br>Repairs<br>Reserve<br>£'000s | Capital<br>Grants<br>Unapplied<br>£'000s | Movement<br>in Unusable<br>Reserves<br>£'000s |
|--|--------------------------------------|---|--|---------------------------------------|--|---|
| <b>Adjustments primarily involving the Capital Adjustment Account</b>  |                                      |   |  |                                       |  |   |
| Depreciation and impairment of non-current assets  | 4,006                                | 233                                     | -  | 3,090                                 | -  | (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)                                | (828)                                   | -  | 828                                   | -  | 848   |
| Capital expenditure charged to the General Fund  | (142)                                | (1,732)                                 | -  | -                                     | -  | 1,874   |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>  |                                      |   |  |                                       |  |   |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement   | (1,862)                              | (1,146)                                 | 3,008                                    | -                                     | -  | -   |
| 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 the payments to the Government capital receipts pool   | 208                                  | -                                       | (208)                                    | -                                     | -  | -   |
| Deferred capital receipts  | -                                    | -                                       | 11                                       | -                                     | -  | (11)  |
| <b>Adjustments primarily involving the Major Repairs Reserve</b>   |                                      |   |  |                                       |  |   |
| Use of the MRR to finance new capital expenditure  | -                                    | -                                       | -  | (2,477)                               | -  | 2,477   |
| Use of MRR to finance HRA debt repayment   | -                                    | -                                       | -  | (828)                                 | -  | 828   |
| <b>Adjustments primarily involving the Pensions Reserve</b>  |                                      |   |  |                                       |  |   |
| 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   |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account</b>  |                                      |   |  |                                       |  |   |
| Amount by which Council Tax and Business Rate income credited to the CI&E Statement is different from that calculated for the year in accordance with statute              | (831)                                | -                                       | -  | -                                     | -  | 831   |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>  |                                      |   |  |                                       |  |   |
| 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 | 36                                   | -                                       | -  | -                                     | -  | (36)  |
| <b>Total Adjustments</b>   | <b>33</b>                            | <b>(1,277)</b>                          | <b>1,411</b>                             | <b>613</b>                            | <b>-</b>                                 | <b>(780)</b>                                  |

# Thanet District Council –Statement of Accounts 2016-17

2016-17

## **Adjustments primarily involving the Capital Adjustment Account**

Depreciation and impairment of non-current assets  
 Revaluation losses of non-current assets  
 Movements in the fair value of investment properties  
 Amortisation of intangible assets  
 Capital grants and contributions applied  
 Revenue expenditure funded from capital under statute  
 Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement  
 Statutory provision for repayment of debt  
 Capital expenditure charged to the General Fund

## **Adjustments primarily involving the Capital Grants Unapplied Reserve**

Application of grants to capital financing transferred to Capital Adjustment Account

## **Adjustments primarily involving the Capital Receipts Reserve**

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement  
 Costs of disposal funded from capital receipts  
 Use of the CRR to finance new capital expenditure  
 Use of the CRR to finance payments to the Government capital receipts pool  
 Transfer from deferred capital receipts

## **Adjustments primarily involving the Major Repairs Reserve**

Use of the MRR to finance new capital expenditure

## **Adjustments primarily involving the Pensions Reserve**

Reversal of retirement benefit related items debited/credited to the CI&E Statement  
 Employer's pension contributions and in year payments direct to pensioners

## **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

## **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

## **Total Adjustments**

| General Fund Balance<br>£'000s | Housing Revenue Account<br>£'000s | Capital Receipts Reserve<br>£'000s | Major Repairs Reserve<br>£'000s | Capital Grants Unapplied<br>£'000s | Movement in Unusable Reserves<br>£'000s |
|--------------------------------|-----------------------------------|------------------------------------|---------------------------------|------------------------------------|---|
| 4,153                          | 139                               | -                                  | 3,632                           | -                                  | (7,924)                                 |
| 216                            | 2,530                             | -                                  | -                               | -                                  | (2,746)                                 |
| (817)                          | -                                 | -                                  | -                               | -                                  | 817                                     |
| 39                             | -                                 | -                                  | -                               | -                                  | (39)                                    |
| (1,912)                        | (1,370)                           | -                                  | -                               | -                                  | 3,282                                   |
| 70                             | -                                 | -                                  | -                               | -                                  | (70)                                    |
| 3,490                          | 3,674                             | 2,600                              | -                               | -                                  | (9,764)                                 |
| (917)                          | -                                 | -                                  | -                               | -                                  | 917                                     |
| (374)                          | (845)                             | -                                  | -                               | -                                  | 1,219                                   |
| -                              | -                                 | -                                  | -                               | (28)                               | 28                                      |
| (3,842)                        | (2,294)                           | 6,136                              | -                               | -                                  | -                                       |
| 67                             | 29                                | (96)                               | -                               | -                                  | -                                       |
| -                              | -                                 | (2,682)                            | -                               | -                                  | 2,682                                   |
| 198                            | -                                 | (198)                              | -                               | -                                  | -                                       |
| -                              | -                                 | 37                                 | -                               | -                                  | (37)                                    |
| -                              | -                                 | -                                  | (2,444)                         | -                                  | 2,444                                   |
| 7,858                          | 141                               | -                                  | -                               | -                                  | (7,999)                                 |
| (5,051)                        | (70)                              | -                                  | -                               | -                                  | 5,121                                   |
| (2,662)                        | -                                 | -                                  | -                               | -                                  | 2,662                                   |
| 12                             | -                                 | -                                  | -                               | -                                  | (12)                                    |
| <b>528</b>                     | <b>1,934</b>                      | <b>5,797</b>                       | <b>1,188</b>                    | <b>(28)</b>                        | <b>(9,419)</b>                          |

## 19. 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 2016-17. The 2015-16 figures have been restated to correct prior year capital accounting entries to comply with the disclosure changes to the Movement in Reserves Statement required under the Code 2016-17.

| <b>Restated For the Year Ended 31 March 2016</b>  | <b>1 April<br/>2015<br/>£000's</b> | <b>Transfers<br/>Between<br/>Reserves<br/>£000's</b> | <b>Revenue<br/>Approp.<br/>£000's</b> | <b>31 March<br/>2016<br/>£000's</b> |
|---|------------------------------------|--|---------------------------------------|-------------------------------------|
| <b>General Fund</b>                               |                                    |  |                                       |                                     |
| Capital Projects                                  | 954                                | (809)  | 116                                   | 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)                                 | -                                   |
| Equalisation                                      | 2,402                              | -  | (808)                                 | 1,594                               |
| 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                                 |
| 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                                   |
| <b>HRA</b>  |                                    |  |                                       |                                     |
| Slippage Fund – HRA                               | 277                                | -  | (246)                                 | 31                                  |
| HRA Properties                                    | 4,702                              | -  | 762                                   | 5,464                               |
|   | <b>15,687</b>                      | <b>-</b>   | <b>(4,040)</b>                        | <b>11,647</b>                       |

**Contribution from Reserves as per Movement in Reserves Statement (4,040)**

## For the Year Ended 31 March 2017

**General Fund****Local Taxation Funding Reserve**

|   |       |       |         |   |
|---|-------|-------|---------|---|
| East Kent Services                                | 150   | (126) | (24)    | - |
| Equalisation                                      | 1,594 | (522) | (1,072) | - |
| Slippage Fund – GF & Harbour                      | 566   | (101) | (465)   | - |
| Front Line Vehicle, Plant & Equipment Replacement | 6     | (6)   | -       | - |
| Pension Earmarked Reserve                         | 142   | -     | (142)   | - |
| Council Election                                  | -     | (29)  | 29      | - |
| Homelessness                                      | 289   | (284) | (5)     | - |
| Local Plan  | 294   | (171) | (123)   | - |
| Office Accommodation                              | 1     | -     | (1)     | - |
| Renewal Reserve                                   | 1     | -     | (1)     | - |
| New Homes Bonus                                   | 108   | 10    | (118)   | - |
| Economic Development & Regeneration               | 100   | (100) | -       | - |
| Pay & Reward                                      | 63    | (63)  | -       | - |
| Legal   | -     | (31)  | 31      | - |
| Training  | -     | (31)  | 31      | - |

**Investment & Growth Reserve**

|                        |     |       |       |   |
|------------------------|-----|-------|-------|---|
| Housing Intervention   | 72  | (472) | 400   | - |
| Maritime Reserve       | 160 | (160) | -     | - |
| Unringfenced Grant     | 346 | (302) | (44)  | - |
| Capital Projects       | 261 | 190   | (451) | - |
| Strategic Reserve      | 75  | (116) | 41    | - |
| Decriminalisation      | 295 | (512) | 217   | - |
| Priority Improvement   | 187 | (176) | (11)  | - |
| Destination Management | 151 | (144) | (7)   | - |

**Risk & Insurance Reserve**

|             |     |      |      |   |
|-------------|-----|------|------|---|
| VAT Reserve | 100 | (80) | (20) | - |
|-------------|-----|------|------|---|

**Repairs & Renewals Reserve**

|                               |     |         |       |   |
|-------------------------------|-----|---------|-------|---|
| Insurance Risk Management     | 332 | (1,990) | 1,658 | - |
| Information Technology        | 323 | (390)   | 67    | - |
| General Fund Repairs          | 168 | (168)   | -     | - |
| Cremator and Cemeteries Works | 69  | (190)   | 121   | - |
| Dreamland Reserve             | 299 | (299)   | -     | - |
| Coastal Maintenance           | -   | (76)    | 76    | - |

**HRA**

|                     |       |   |      |       |
|---------------------|-------|---|------|-------|
| Slippage Fund – HRA | 31    | - | (31) | -     |
| HRA Properties      | 5,464 | - | (97) | 5,367 |

| 1 April<br>2016<br>£000's | Transfers<br>Between<br>Reserves<br>£000's | Revenue<br>Approp.<br>£000's | 31 March<br>2017<br>£000's |
|---------------------------|--|------------------------------|----------------------------|
| -                         | 1,354                                      | -                            | 1,354                      |
| 150                       | (126)                                      | (24)                         | -                          |
| 1,594                     | (522)                                      | (1,072)                      | -                          |
| 566                       | (101)                                      | (465)                        | -                          |
| 6                         | (6)  | -                            | -                          |
| 142                       | -  | (142)                        | -                          |
| -                         | (29)                                       | 29                           | -                          |
| 289                       | (284)                                      | (5)                          | -                          |
| 294                       | (171)                                      | (123)                        | -                          |
| 1                         | -  | (1)                          | -                          |
| 1                         | -  | (1)                          | -                          |
| 108                       | 10   | (118)                        | -                          |
| 100                       | (100)                                      | -                            | -                          |
| 63                        | (63)                                       | -                            | -                          |
| -                         | (31)                                       | 31                           | -                          |
| -                         | (31)                                       | 31                           | -                          |
| -                         | 1,892                                      | -                            | 1,892                      |
| 72                        | (472)                                      | 400                          | -                          |
| 160                       | (160)                                      | -                            | -                          |
| 346                       | (302)                                      | (44)                         | -                          |
| 261                       | 190  | (451)                        | -                          |
| 75                        | (116)                                      | 41                           | -                          |
| 295                       | (512)                                      | 217                          | -                          |
| 187                       | (176)                                      | (11)                         | -                          |
| 151                       | (144)                                      | (7)                          | -                          |
| -                         | 2,109                                      | -                            | 2,109                      |
| 100                       | (80)                                       | (20)                         | -                          |
| 332                       | (1,990)                                    | 1,658                        | -                          |
| -                         | 984  | -                            | 984                        |
| 323                       | (390)                                      | 67                           | -                          |
| 168                       | (168)                                      | -                            | -                          |
| 69                        | (190)                                      | 121                          | -                          |
| 299                       | (299)                                      | -                            | -                          |
| -                         | (76)                                       | 76                           | -                          |
| 31                        | -  | (31)                         | -                          |
| 5,464                     | -  | (97)                         | 5,367                      |
| <b>11,647</b>             | <b>-</b>                                   | <b>59</b>                    | <b>11,706</b>              |

**Contribution to Reserves as per Movement in Reserves Statement****59**

The above reserves have been established under the Local Government and Housing Act 1989 to set aside specific amounts for future policy purposes. During 2016-17 the existing General Fund reserves were rationalised to four main reserves as follows:

**Local Taxation Funding Reserve** – is used for operational risks including loss of Housing Benefit subsidy, Business Rates appeals and other service movements. Any release from this reserve to services is controlled by a business case approach to the Section 151 Officer. This reserve has been created from the following existing reserves:

**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.

**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 been renamed from the NDR Equalisation Reserve.

**Slippage Fund GF & Harbour** – 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.

**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.

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

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

**Homelessness** – funds set aside to meet the financial requirements of the help to Move Scheme and Landlord Bond Scheme, and to assist with any shortfall in the Discretionary Housing Payment Scheme.

**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.

**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.

**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.

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

**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.

**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.

**Legal** – This reserve is to be used to fund one off Legal advice outside the scope of the internal Legal Service.

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

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

**Housing Intervention** – To fund anticipated costs associated with the Authority's Intervention and Empty Homes Schemes.

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

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

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

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

**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.

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

**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.

**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.

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

**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.

**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.

**Repairs & Renewal Reserve** – this reserve is used to fund planned maintenance in respect of buildings, coastal sites, information technology (ICT) and other equipment and includes a mechanism to avoid peaks and troughs in service budgets.

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



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

**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.

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

**Coastal Maintenance** – Due to the variable profile of spend on this activity and the variable cost involved with coastal infrastructure works, any under spend is set aside in this reserve to be drawn against as and when required.

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

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

# Notes Supporting the Balance Sheet

## 20. Property, Plant and Equipment

The accounting policies in relation to the measurement used for determining the gross carrying amount of Property, Plant and Equipment, and the depreciation method and rates that are used can be found in Note 1.

|  | <b>Council<br/>Dwellings</b> | <b>Other Land<br/>and<br/>Buildings</b> | <b>Heritage<br/>Assets</b> | <b>Vehicles,<br/>Plant and<br/>Equip</b> | <b>Infra-<br/>structure<br/>Assets</b> | <b>Community<br/>Assets</b> | <b>Assets Under<br/>Construction</b> | <b>Surplus<br/>Property</b> | <b>Total</b>   |
|--|------------------------------|---|----------------------------|--|--|-----------------------------|--------------------------------------|-----------------------------|----------------|
|  | <b>£'000s</b>                | <b>£'000s</b>                           | <b>£'000s</b>              | <b>£'000s</b>                            | <b>£'000s</b>                          | <b>£'000s</b>               | <b>£'000s</b>                        | <b>£'000s</b>               | <b>£'000s</b>  |
| <b>As at 1 April 2015</b>  | <b>96,838</b>                | <b>60,461</b>                           | <b>685</b>                 | <b>11,328</b>                            | <b>21,148</b>                          | <b>-</b>                    | <b>9,100</b>                         | <b>1,804</b>                | <b>201,364</b> |
| 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<br>Impairment charged to CI&E                     | -                            | (35)                                    | (89)                       | -  | -                                      | (18)                        | -                                    | -                           | (142)          |
| Downward Revaluation &<br>Impairment charged to the<br>Revaluation Reserve | (1,515)                      | (541)                                   | -                          | -  | -                                      | -                           | -                                    | (140)                       | (2,196)        |
| <b>Gross Asset Valuation</b>   | <b>114,926</b>               | <b>64,785</b>                           | <b>9,207</b>               | <b>11,686</b>                            | <b>22,457</b>                          | <b>-</b>                    | <b>8,255</b>                         | <b>737</b>                  | <b>232,053</b> |
| 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<br>Depreciation on Revaluation                       | (3,090)                      | (1,920)                                 | -                          | -  | -                                      | -                           | -                                    | (23)                        | (5,033)        |
| Other depreciation adj   | -                            | (163)                                   | -                          | (304)                                    | -                                      | -                           | -                                    | -                           | (467)          |
| <b>Gross Depreciation c/fwd</b>  | <b>-</b>                     | <b>4,281</b>                            | <b>-</b>                   | <b>7,698</b>                             | <b>7,629</b>                           | <b>-</b>                    | <b>-</b>                             | <b>12</b>                   | <b>19,620</b>  |
| <b>Net Book Value:</b>   |                              |   |                            |  |  |                             |                                      |                             |                |
| <b>as at 31 March 2016</b>   | <b>114,926</b>               | <b>60,504</b>                           | <b>9,207</b>               | <b>3,988</b>                             | <b>14,828</b>                          | <b>-</b>                    | <b>8,255</b>                         | <b>725</b>                  | <b>212,433</b> |
| <b>as at 31 March 2015</b>   | <b>96,838</b>                | <b>56,699</b>                           | <b>685</b>                 | <b>4,300</b>                             | <b>14,081</b>                          | <b>-</b>                    | <b>9,100</b>                         | <b>1,781</b>                | <b>183,484</b> |

Thanet District Council – Statement of Accounts 2016-17

|  | Council<br>Dwellings | Other<br>Land and<br>Buildings | Heritage<br>Assets | Vehicles,<br>Plant and<br>Equip | Infra-<br>structure<br>Assets | Community<br>Assets | Assets Under<br>Construction | Surplus<br>Property | Total          |
|--|----------------------|--------------------------------|--------------------|---------------------------------|-------------------------------|---------------------|------------------------------|---------------------|----------------|
|  | £'000s               | £'000s                         | £'000s             | £'000s                          | £'000s                        | £'000s              | £'000s                       | £'000s              | £'000s         |
| <b>As at 1 April 2016</b>  | <b>114,926</b>       | <b>64,785</b>                  | <b>9,207</b>       | <b>11,686</b>                   | <b>22,457</b>                 | <b>-</b>            | <b>8,255</b>                 | <b>737</b>          | <b>232,053</b> |
| Additions  | 3,691                | 2,738                          | 765                | 327                             | -                             | 232                 | 2,808                        | -                   | 10,561         |
| Disposals  | -                    | (3,306)                        | -                  | (239)                           | -                             | -                   | -                            | (210)               | (3,755)        |
| Reclassifications  | 1,086                | (2,915)                        | -                  | -                               | -                             | -                   | 382                          | (60)                | (1,507)        |
| Revaluation & Restatements   | 16,577               | 2,209                          | -                  | -                               | -                             | -                   | -                            | -                   | 18,786         |
| Recognition  | -                    | 75                             | -                  | -                               | -                             | -                   | 290                          | -                   | 365            |
| Downward Revaluation and<br>Impairment charged to CI&E                     | (2,530)              | -                              | (99)               | -                               | -                             | (232)               | (11)                         | -                   | (2,872)        |
| Downward Revaluation &<br>Impairment charged to the<br>Revaluation Reserve | (216)                | (3,689)                        | -                  | -                               | -                             | -                   | -                            | -                   | (3,905)        |
| <b>Gross Asset Valuation</b>   | <b>133,534</b>       | <b>59,897</b>                  | <b>9,873</b>       | <b>11,774</b>                   | <b>22,457</b>                 | <b>-</b>            | <b>11,724</b>                | <b>467</b>          | <b>249,726</b> |
| Depreciation b/fwd   | -                    | 4,281                          | -                  | 7,698                           | 7,629                         | -                   | -                            | 12                  | 19,620         |
| Depreciation 2016-17   | 3,632                | 2,696                          | -                  | 935                             | 562                           | -                   | -                            | -                   | 7,825          |
| Write out Accumulated<br>Depreciation on Revaluation                       | (3,632)              | (649)                          | -                  | -                               | -                             | -                   | -                            | -                   | (4,281)        |
| Other depreciation adjustments   | -                    | (259)                          | -                  | (225)                           | -                             | -                   | -                            | (12)                | (496)          |
| <b>Gross Depreciation c/fwd</b>  | <b>-</b>             | <b>6,069</b>                   | <b>-</b>           | <b>8,408</b>                    | <b>8,191</b>                  | <b>-</b>            | <b>-</b>                     | <b>-</b>            | <b>22,668</b>  |
| <b>Net Book Value:</b>   |                      |                                |                    |                                 |                               |                     |                              |                     |                |
| <b>as at 31 March 2017</b>   | <b>133,534</b>       | <b>53,828</b>                  | <b>9,873</b>       | <b>3,366</b>                    | <b>14,266</b>                 | <b>-</b>            | <b>11,724</b>                | <b>467</b>          | <b>227,058</b> |
| <b>as at 31 March 2016</b>   | <b>114,926</b>       | <b>60,504</b>                  | <b>9,207</b>       | <b>3,988</b>                    | <b>14,828</b>                 | <b>-</b>            | <b>8,255</b>                 | <b>725</b>          | <b>212,433</b> |

**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. £16.577m of the total £18.786m revaluation in 2016-17 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**

|                      | <b>Council<br/>Dwellings<br/>£'000</b> | <b>Land,<br/>Buildings<br/>£'000</b> | <b>Heritage<br/>£'000</b> | <b>Surplus<br/>£'000</b> | <b>Investment<br/>Properties<br/>£'000</b> | <b>Total<br/>£'000</b> |
|----------------------|--|--------------------------------------|---------------------------|--------------------------|--|------------------------|
| <b>Carried at:</b>   |  |                                      |                           |                          |  |                        |
| Cost                 |  | 1,927                                | 9,627                     | -                        | -  | 11,554                 |
| <b>Current Value</b> |  |                                      |                           |                          |  |                        |
| Pre 2012             | -                                      | 97                                   | 197                       | -                        | -  | 294                    |
| 2012/13              | -                                      | 303                                  | -                         | -                        | 1,719                                      | 2,022                  |
| 2013/14              | -                                      | 5,070                                | -                         | -                        | 923  | 5,993                  |
| 2014/15              | -                                      | 21,151                               | 49                        | -                        | 1,311                                      | 22,511                 |
| 2015/16              | -                                      | 27,030                               | -                         | -                        | 3,413                                      | 30,443                 |
| 2016/17              | 133,534                                | 4,319                                | -                         | 467                      | 15,184                                     | 153,504                |
| <b>Total Value</b>   | <b>133,534</b>                         | <b>59,897</b>                        | <b>9,873</b>              | <b>467</b>               | <b>22,550</b>                              | <b>226,321</b>         |

The Dreamland Amusement park heritage asset (£9,627k), vehicles, plant and equipment and infrastructure assets are carried at historical cost. Other Land and Buildings includes HRA development sites (which have not yet been valued) at cost of £1,927k.

**21. 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 20.

|                                      | <b>War<br/>Memorials<br/>Public<br/>Statues<br/>£,000s</b> | <b>Museum<br/>Artefacts<br/>£,000s</b> | <b>Art<br/>Collection<br/>£,000s</b> | <b>Civic<br/>Regalia<br/>£,000s</b> | <b>Dreamland<br/>£,000s</b> | <b>Total<br/>£,000s</b> |
|--------------------------------------|--|--|--------------------------------------|-------------------------------------|-----------------------------|-------------------------|
| <b>1 April 2016</b>                  | <b>113</b>   | <b>30</b>                              | <b>85</b>                            | <b>18</b>                           | <b>8,961</b>                | <b>9,207</b>            |
| Additions                            | -  | -                                      | -                                    | -                                   | 765                         | 765                     |
| Disposals                            | -  | -                                      | -                                    | -                                   | -                           | -                       |
| Reclassifications                    | -  | -                                      | -                                    | -                                   | -                           | -                       |
| Recognition                          | -  | -                                      | -                                    | -                                   | -                           | -                       |
| Upward Revaluation                   | -  | -                                      | -                                    | -                                   | -                           | -                       |
| Devaluation/Impairment<br>to C I & E | -  | -                                      | -                                    | -                                   | (99)                        | (99)                    |
| <b>31 March 2017</b>                 | <b>113</b>   | <b>30</b>                              | <b>85</b>                            | <b>18</b>                           | <b>9,627</b>                | <b>9,873</b>            |

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 on the amusement park is classified as a Heritage Asset, although capital expenditure on the cinema complex remains as an Asset Under Construction. Additions in 2016-17 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.

**22. 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 20, 23 and 29 respectively. This reflects the application of IFRS13 *Fair Value Measurement* prospectively from 1 April 2015.

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

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

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

|   | <b>Surplus<br/>Property<br/>£000's</b> | <b>Investment<br/>Property<br/>£000's</b> | <b>Current<br/>Assets<br/>Held for<br/>Sale<br/>£000's</b> | <b>Total<br/>£000's</b> |
|---|--|---|--|-------------------------|
| <b>Level 2 Assets</b>                       |  |   |  |                         |
| <b>Balance as at 1 April 2016</b>           | <b>737</b>                             | <b>24,742</b>                             | <b>296</b>   | <b>25,775</b>           |
| Disposals                                   | (210)                                  | (3,017)                                   | (3,946)  | (7,173)                 |
| Recognition                                 | -                                      | 56  | -  | 56                      |
| Reclassifications                           | (60)                                   | -   | 1,270  | 1,210                   |
| Upward Revaluations                         | -                                      | 877                                       | 2,454  | 3,331                   |
| Downward revaluation charged to the C I & E | -                                      | (118)                                     | -  | (118)                   |
| <b>Balance as at 31 March 2017</b>          | <b>467</b>                             | <b>22,540</b>                             | <b>74</b>  | <b>23,081</b>           |
| <b>Level 3 Assets</b>                       |  |   |  |                         |
| <b>Balance as at 1 April 2016</b>           | <b>-</b>                               | <b>8</b>                                  | <b>-</b>   | <b>8</b>                |
| Upward Revaluations                         | -                                      | 2   | -  | 2                       |
| <b>Balance as at 31 March 2017</b>          | <b>-</b>                               | <b>10</b>                                 | <b>-</b>   | <b>10</b>               |

**Valuation Methods**

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

**Valuation Inputs**

Typical level 2 valuation inputs include:

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

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

**Transfers**

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

**Highest and Best Use**

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

**Level 3 Valuation Inputs and Process**

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

**Impairments**

There were no valuation impairments during the financial year ended 31 March 2017.

**23. 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.

| <b>2015-16</b> |  | <b>2016-17</b> |  |
|----------------|--|----------------|--|
| <b>£'000s</b>  |  | <b>£'000s</b>  |  |
| (1,305)        | Rental Income from Investment property                     | (1,215)        |  |
| 883            | Direct operating expenses arising from investment property | 752            |  |
| <b>(422)</b>   | <b>Net (Gain)/Loss</b>                                     | <b>(463)</b>   |  |

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

| 2015-16<br>£'000s |  | 2016-17<br>£'000s |
|-------------------|--|-------------------|
| <b>24,623</b>     | <b>Balance as at 1 April</b>                 | <b>24,750</b>     |
| (1,172)           | Disposals                                    | (3,017)           |
| 1,306             | Net gains/losses from fair value adjustments | 761               |
| (7)               | Reclassifications                            | -                 |
| -                 | Recognitions                                 | 56                |
| <b>24,750</b>     | <b>Balance as at 31 March</b>                | <b>22,550</b>     |

## 24. 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<br>2016<br>£'000s | 31 March<br>2017<br>£'000s | 31 March<br>2016<br>£'000s | 31 March<br>2017<br>£'000s |
| Borrowings                              | 28,741                     | 31,047                     | 479                        | 622                        |
| Trade creditors                         | -                          | -                          | 5,777                      | 5,780                      |
| Deferred liabilities                    | 642                        | 641                        | 2,775                      | 2,964                      |
| + Accrued interest                      | -                          | -                          | 335                        | 362                        |
| Financial liabilities at amortised cost | 29,383                     | 31,688                     | 9,366                      | 9,728                      |
| <b>Total financial liabilities</b>      | <b>29,383</b>              | <b>31,688</b>              | <b>9,366</b>               | <b>9,728</b>               |
| Short term investments                  | -                          | -                          | 12,764                     | 17,239                     |
| Cash and Cash Equivalents               | -                          | -                          | 17,076                     | 24,780                     |
| Trade debtors                           | -                          | -                          | 5,751                      | 5,515                      |
| Capital/Revenue Grant Debtors           | -                          | -                          | 568                        | 906                        |
| Car Loans                               | 10                         | -                          | -                          | -                          |
| Mortgages                               | 5                          | 4                          | -                          | -                          |
| Charitable Loans                        | 22                         | 20                         | -                          | -                          |
| East Kent Housing Loans                 | 223                        | 186                        | -                          | -                          |
| Leisure Services Loans                  | 204                        | 182                        | -                          | -                          |
| + Accrued interest on investments       | -                          | -                          | 57                         | -                          |
| Loans and receivables at amortised cost | 464                        | 392                        | 36,216                     | 48,440                     |
| <b>Total financial assets</b>           | <b>464</b>                 | <b>392</b>                 | <b>36,216</b>              | <b>48,440</b>              |

**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 42. 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).

### 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:

| 2015-16               |                       |   | 2016-17               |                       |
|-----------------------|-----------------------|---|-----------------------|-----------------------|
| Financial Liabilities | Financial Assets      |   | Financial Liabilities | Financial Assets      |
| Amortised cost        | Loans and receivables |   | Amortised cost        | Loans and receivables |
| £'000s                | £'000s                |   | £'000s                | £'000s                |
| 1,116                 | -                     | Interest expense                            | 1,359                 | -                     |
| -                     | 22                    | Impairment losses                           | -                     | 106                   |
| <b>1,116</b>          | <b>22</b>             | <b>Interest payable and similar charges</b> | <b>1,359</b>          | <b>106</b>            |
| -                     | (207)                 | Interest income                             | -                     | (211)                 |
| -                     | (207)                 | <b>Interest and investment income</b>       | -                     | (211)                 |
| <b>931</b>            |                       | <b>Net (gain)/loss for the year</b>         | <b>1,254</b>          |                       |

### Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (level 2), using the following assumptions:

- For loans from the PWLB and other loans payable, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

| 31 March 2016   |               |                                    | 31 March 2017   |               |
|-----------------|---------------|------------------------------------|-----------------|---------------|
| Carrying Amount | Fair Value    |                                    | Carrying Amount | Fair Value    |
| £'000s          | £'000s        |                                    | £'000s          | £'000s        |
| 24,996          | 28,169        | PWLB debt                          | 27,473          | 31,802        |
| 4,559           | 5,968         | Other debt                         | 4,558           | 7,122         |
| <b>29,555</b>   | <b>34,137</b> | <b>Total debt</b>                  | <b>32,031</b>   | <b>38,924</b> |
| 3,416           | 3,416         | Deferred liabilities               | 3,605           | 3,605         |
| 5,777           | 5,777         | Trade creditors                    | 5,780           | 5,780         |
| <b>38,748</b>   | <b>43,330</b> | <b>Total Financial Liabilities</b> | <b>41,416</b>   | <b>48,309</b> |

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 2017) arising from a commitment to pay interest to lenders above current market rates.

| 31 March 2016   |               |                                    | 31 March 2017   |               |
|-----------------|---------------|------------------------------------|-----------------|---------------|
| Carrying Amount | Fair Value    |                                    | Carrying Amount | Fair Value    |
| £'000s          | £'000s        |                                    | £'000s          | £'000s        |
| 22              | 22            | Charitable loans                   | 20              | 20            |
| 10              | 10            | Employee Car loans                 | -               | -             |
| 29,842          | 29,842        | Money market loans < 1 year        | 38,881          | 38,881        |
| 5               | 5             | Mortgages                          | 4               | 4             |
| 204             | 204           | Leisure services loans             | 182             | 182           |
| 223             | 223           | East Kent Housing loan             | 186             | 186           |
| 5,751           | 5,751         | Trade debtors                      | 5,515           | 5,515         |
| <b>36,057</b>   | <b>36,057</b> | <b>Total Loans and Receivables</b> | <b>44,788</b>   | <b>44,788</b> |

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

## 25. 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 2016-17 was approved by Full Council on 4 February 2016 (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 £37.988m as at 31 March 2017 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 2017 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:

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

| 2016-17                 |       | Amount at<br>31 March<br>2017 | Historical<br>experience<br>of default | Adjustment<br>for market<br>conditions<br>at 31 March<br>2017 | Estimated<br>maximum<br>exposure to<br>default |
|-------------------------|-------|-------------------------------|--|---|--|
|                         |       | £'000s<br>(a)                 | %<br>(b)                               | %<br>(c)  | £'000s<br>(a * c)                              |
| Trade Debtors           |       | 9,353                         | 41.03                                  | 41.03   | 3,838  |
| Capital/Revenue Debtors | Grant | 906                           | -                                      | -   | -  |
| Mortgages               |       | 4                             | -                                      | -   | -  |
| Charitable Loans        |       | 20                            | -                                      | -   | -  |
| East Kent Housing Loans |       | 186                           | -                                      | -   | -  |
| Leisure Services Loans  |       | 182                           | -                                      | -   | -  |
| <b>Total</b>            |       | <b>10,651</b>                 |  |   | <b>3,838</b>                                   |

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 £5.363m of the £9.353m 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<br>2016<br>£'000s |                        |
|----------------------------|------------------------|
| 1,467                      | Less than three months |
| 531                        | Three to six months    |
| 877                        | Six months to one year |
| 2,875                      | More than one year     |
| <b>5,750</b>               | <b>Total</b>           |

| 31 March<br>2017<br>£'000s |  |
|----------------------------|--|
| 880                        |  |
| 392                        |  |
| 842                        |  |
| 3,249                      |  |
| <b>5,363</b>               |  |

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:

| <b>31 March<br/>2016<br/>£'000s</b> |   | <b>31 March<br/>2017<br/>£'000s</b> |
|-------------------------------------|---|-------------------------------------|
| <b>233</b>                          | <b>Debt brought forward from previous year (more than 1 year old)</b> | <b>224</b>                          |
| 266                                 | Costs incurred in financial year (less than 1 year old)               | 260                                 |
| (275)                               | Debtor invoices raised in year  | (90)                                |
| <b>224</b>                          | <b>Total debt outstanding at year end</b>                             | <b>394</b>                          |

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:

| <b>31 March<br/>2016<br/>£'000s</b> |                    | <b>31 March<br/>2017<br/>£'000s</b> |
|-------------------------------------|--------------------|-------------------------------------|
| 29,842                              | Less than one year | 38,881                              |
| <b>29,842</b>                       | <b>Total</b>       | <b>38,881</b>                       |

### 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:

| <b>31 March<br/>2016<br/>£'000s</b> |                                | <b>Approved<br/>Maximum Limits<br/>2016-17<br/>£'000s</b> |  | <b>31 March<br/>2017<br/>£'000s</b> |  |
|-------------------------------------|--------------------------------|---|--|-------------------------------------|--|
| 815                                 | Less than one year             | 13,765  |  | 984                                 |  |
| 480                                 | Maturing in 1 - 2 years        | 13,765  |  | 623                                 |  |
| 6,239                               | Maturing in 2 - 5 years        | 13,765  |  | 10,216                              |  |
| 6,975                               | Maturing in 5 - 10 years       | 15,142  |  | 3,249                               |  |
| 6,626                               | Maturing in 10 - 20 years      | 13,765  |  | 6,539                               |  |
| 1,000                               | Maturing in 20 - 30 years      | 13,765  |  | 3,000                               |  |
| 1,920                               | Maturing in 30 - 40 years      | 13,765  |  | 1,920                               |  |
| 1,000                               | Maturing in 40 - 50 years      | 13,765  |  | 1,000                               |  |
| -                                   | Maturing in 50 years and above | 13,765  |  | -                                   |  |
| <b>25,055</b>                       | <b>Total</b>                   |   |  | <b>27,531</b>                       |  |

Not shown in the table above are:

Trade and other payables (£19.287m) 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 2017, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| 2015-16<br>£'000s |   | 2016-17<br>£'000s |
|-------------------|---|-------------------|
| 45                | Increase in interest payable on variable rate borrowings  | 45                |
| (297)             | Increase in interest receivable on variable rate investments  | (309)             |
| <b>(252)</b>      | <b>Impact on Comprehensive Income and Expenditure Statement</b>   | <b>(264)</b>      |
| (2,666)           | Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure) | (3,060)           |

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.

## 26. Construction Contracts

As at 31 March 2017 the Authority had a number of construction contracts in progress in excess of £75k, Berth 3 refurbishment by Burgess Marine, works to the Dreamland Amusement Park, Cinema and Sunshine Cafe by Coombs (Canterbury) Ltd, works associated with the Intervention programme, HRA and Dalby square gardens works. The Value of work completed at 31 March 2017 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:

|                               | Berth 3<br>Port<br>£'000s | Dreamland<br>£'000s | HRA<br>£'000s | Dalby<br>Square<br>£'000s | Housing<br>Intervention<br>£'000s | Total<br>£'000s |
|-------------------------------|---------------------------|---------------------|---------------|---------------------------|-----------------------------------|-----------------|
| <b>Costs incurred to date</b> | 785                       | 7,557               | 486           | 224                       | 3,250                             | 12,302          |
| <b>Revenue recognised:</b>    |                           |                     |               |                           |                                   |                 |
| Prior to 1 April 2016         | -                         | (5,856)             | -             | -                         | (1,485)                           | (7,341)         |
| During 2016-17                | (785)                     | (1,701)             | (486)         | (224)                     | (1,765)                           | (4,961)         |
| <b>Profit/Loss</b>            | -                         | -                   | -             | -                         | -                                 | -               |
| <b>Advances received</b>      | (544)                     | (6,819)             | (399)         | (202)                     | (3,032)                           | (10,996)        |
| <b>Gross amount due</b>       | <b>241</b>                | <b>738</b>          | <b>87</b>     | <b>22</b>                 | <b>218</b>                        | <b>1,306</b>    |
| <b>Comprising:</b>            |                           |                     |               |                           |                                   |                 |
| Amounts not billed            | 241                       | 614                 | 81            | 17                        | 120                               | 1,073           |
| Retentions                    | -                         | 124                 | 6             | 5                         | 98                                | 233             |

## 27. Debtors

| <b>Restated<br/>2015-16<br/>£'000s</b> | <b>Amounts falling due in one year</b> | <b>2016-17<br/>£'000s</b> |
|--|--|---------------------------|
| 4,054                                  | Council Tax and Non Domestic Rates     | 3,952                     |
| 932                                    | Central Government Bodies              | 401                       |
| 99                                     | Public Corporations and Trading Funds  | -                         |
| 434                                    | Other Local Authorities                | 303                       |
| 1                                      | NHS Bodies                             | 2                         |
| 10,309                                 | Other Entities and Individuals         | 10,793                    |
| (5,368)                                | Less Impairment Provision              | (5,416)                   |
| <b>10,461</b>                          | <b>Total Short Term Debtors</b>        | <b>10,035</b>             |

The 2015-16 figures have been restated to disclose the business rates appeals provision under Note 31 Provisions.

| <b>2015-16<br/>£'000s</b> | <b>Amounts falling due after one year</b> | <b>2016-17<br/>£'000s</b> |
|---------------------------|---|---------------------------|
| 5                         | Mortgages                                 | 4                         |
| 22                        | Charitable Loans                          | 20                        |
| 10                        | Car Loans                                 | -                         |
| 204                       | Leisure Services Loans                    | 182                       |
| 223                       | East Kent Housing                         | 186                       |
| <b>464</b>                | <b>Total Long Term Debtors</b>            | <b>392</b>                |



## 28. Cash and Cash Equivalents

| <b>31 March<br/>2016<br/>£'000s</b> |  |
|-------------------------------------|--|
| 1,227                               | Cash held by the Authority             |
| 4,425                               | Bank current accounts                  |
| 11,424                              | Short Term deposits                    |
| <b>17,076</b>                       | <b>Total Cash and Cash Equivalents</b> |

| <b>31 March<br/>2017<br/>£'000s</b> | <b>Movement<br/>2016-17<br/>£'000s</b> |
|-------------------------------------|--|
| 4,030                               | 2,803                                  |
| 3                                   | (4,422)                                |
| 20,747                              | 9,323                                  |
| <b>24,780</b>                       | <b>7,704</b>                           |

## 29. 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.

| <b>2015-16<br/>£'000s</b> |  |
|---------------------------|--|
| <b>247</b>                | <b>Balance as at 1 April</b>             |
| 760                       | Assets newly classified as held for sale |
| -                         | Assets declassified as held for sale     |
| 1,865                     | Revaluation gains                        |
| (2,576)                   | Disposals                                |
| <b>296</b>                | <b>Balance as at 31 March</b>            |

| <b>2016-17<br/>£'000s</b> |
|---------------------------|
| <b>296</b>                |
| 1,270                     |
| -                         |
| 2,454                     |
| (3,946)                   |
| <b>74</b>                 |

## 30. Creditors

| <b>2015-16<br/>£'000s</b> | <b>Amounts falling due in one year</b> |
|---------------------------|--|
| 1,515                     | Council Tax & Non Domestic Rates       |
| 2,987                     | Central Government bodies              |
| 17                        | Public Corporations and trading funds  |
| 6,047                     | Other Local Authorities                |
| 5,555                     | Other Entities and Individuals         |
| <b>16,121</b>             | <b>Total Short Term Creditors</b>      |

| <b>2016-17<br/>£'000s</b> |
|---------------------------|
| 1,038                     |
| 5,921                     |
| 186                       |
| 6,354                     |
| 6,325                     |
| <b>19,824</b>             |

The increase in central government bodies creditors £2.934m relates mainly to the amounts owed to central government for business rate income due for the year as a result of anticipated reliefs not being awarded.

## 31. Provisions

|  |
|--|
| <b>Balance as at 1 April</b>               |
| Additional provisions made during the year |
| Amounts used during the year               |
| Unused amounts reversed during the year    |
| <b>Balance as at 31 March</b>              |

| <b>Compensation<br/>Claims<br/>£'000s</b> | <b>Other<br/>Provisions<br/>£'000s</b> | <b>Total<br/>£'000s</b> |
|---|--|-------------------------|
| <b>2,465</b>                              | <b>2,434</b>                           | <b>4,899</b>            |
| -   | 830                                    | 830                     |
| (290)                                     | (1,159)                                | (1,449)                 |
| (1,744)                                   | -                                      | (1,744)                 |
| <b>431</b>                                | <b>2,105</b>                           | <b>2,536</b>            |

The Council holds a provision of £431k in respect of asbestos related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants, and a business rates appeal provision of £2.105m for past and future appeals against the Valuation Office Agency (VOA) rateable valuation list. The 2015-16 figures have been restated to disclose this set aside as a provision rather than a reduction to debtors (see Note 27).

The Health and Safety Executive are now satisfied that the revised management arrangements put in place are satisfactory and previous contraventions of the Health and Safety at Work Act relating to Hand Arm Vibration have been remedied.

## 32. Usable Reserves

| 2015-16<br>£'000s |                                | 2016-17<br>£'000s |
|-------------------|--------------------------------|-------------------|
| 3,923             | Capital Receipts Reserve       | 9,720             |
| 7,171             | Major Repairs Reserve          | 8,359             |
| 2,011             | General Fund Balance           | 2,011             |
| 5,296             | HRA Balance                    | 6,714             |
| 108               | Capital Grants Unapplied       | 80                |
| 11,647            | Earmarked Reserves             | 11,706            |
| <b>30,156</b>     | <b>Total Unusable Reserves</b> | <b>38,590</b>     |

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 32a below.

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

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

**Housing Revenue Account Balance** – resources available to meet future running costs for council houses (see HRA Note 1).

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

**Earmarked Reserves** – see Note 19.

### 32a. 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.

| 2015-16<br>£'000s |  |
|-------------------|--|
| <b>2,512</b>      | <b>Balance as at 1 April</b>             |
| 3,043             | Capital Receipts in year                 |
| (1,378)           | Capital Receipts applied during the year |
| (208)             | Housing Pooled Capital Receipts          |
| (46)              | Cost of sales/Right to Buy admin costs   |
| <b>3,923</b>      | <b>Balance as at 31 March</b>            |

| 2016-17<br>£'000s |
|-------------------|
| <b>3,923</b>      |
| 8,773             |
| (2,682)           |
| (198)             |
| (96)              |
| <b>9,720</b>      |

### 33. Unusable Reserves

| 2015-16<br>£'000s |                                    |
|-------------------|------------------------------------|
| 61,480            | Revaluation Reserve                |
| 125,996           | Capital Adjustment Account         |
| 4                 | Deferred Capital Receipts Reserve  |
| (99,458)          | Pensions Reserve                   |
| (1,048)           | Collection Fund Adjustment Account |
| (223)             | Accumulated Absences Account       |
| <b>86,751</b>     | <b>Total Unusable Reserves</b>     |

| 2016-17<br>£'000s |
|-------------------|
| 79,833            |
| 120,373           |
| 4                 |
| (110,534)         |
| 1,614             |
| (235)             |
| <b>91,055</b>     |

#### 33a. 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.

| 2015-16<br>£'000s |   |
|-------------------|---|
| <b>40,231</b>     | <b>Balance as at 1 April</b>  |
| 25,010            | Upward revaluation of assets  |
| (1,404)           | Downward revaluation of assets and impairment losses charged to the reserve |
| 118               | Gains through acquisition/recognition of non-current assets in the year     |
| <b>23,724</b>     | <b>Surplus or deficit arising on revaluation of non-current assets</b>      |
| (533)             | Difference between fair value depreciation and historical cost depreciation |
| (1,942)           | Accumulated gains on assets disposed of                                     |
| <b>(2,475)</b>    | Amount written off to the Capital Adjustment Account                        |
| <b>61,480</b>     | <b>Balance as at 31 March</b>   |

| 2016-17<br>£'000s |
|-------------------|
| <b>61,480</b>     |
| 25,228            |
| (3,640)           |
| 334               |
| <b>21,922</b>     |
| (745)             |
| (2,824)           |
| <b>(3,569)</b>    |
| <b>79,833</b>     |

### 33b. 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 18 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve. The 2015-16 figures have been restated to correct prior year capital accounting entries to comply with the disclosure changes to the Movement in Reserves Statement required under the Code 2016-17.

| <b>Restated<br/>2015-16<br/>£'000s</b> |  | <b>2016-17<br/>£'000s</b> |
|--|--|---------------------------|
| <b>121,601</b>                         | <b>Balance as at 1 April</b>   | <b>125,996</b>            |
|  | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>                      |                           |
| (7,329)                                | Charges for depreciation and impairment of non-current assets  | (7,924)                   |
| 172                                    | Revaluation losses on Property, Plant and Equipment  | (2,746)                   |
| (57)                                   | Amortisation of intangible assets  | (39)                      |
| (493)                                  | Revenue expenditure funded from capital under statute  | (70)                      |
|  | 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 | (9,764)                   |
| <b>(3,878)</b>                         |  | <b>(9,764)</b>            |
| <b>110,016</b>                         |  | <b>105,453</b>            |
| 2,475                                  | Adjusting amounts written out of the Revaluation Reserve   | 3,569                     |
| <b>112,491</b>                         | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   | <b>109,022</b>            |
|  | <b>Capital Financing applied in the year:</b>  |                           |
| 1,378                                  | Use of the Capital Receipts Reserve to finance new capital expenditure   | 2,682                     |
| 2,477                                  | Use of the Major Repairs Reserve to finance new capital expenditure  | 2,444                     |
| 4,794                                  | Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | 3,309                     |
| 848                                    | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances  | 917                       |
| 828                                    | HRA Loan repayment from the Major Repairs Reserve  | (37)                      |
| 1,874                                  | Capital Expenditure charged against the General Fund and HRA balances  | 1,219                     |
|  | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                         | 817                       |
| <b>1,306</b>                           |  | <b>817</b>                |
| <b>125,996</b>                         | <b>Balance as at 31 March</b>  | <b>120,373</b>            |

### 33c. 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.

| 2015-16<br>£'000s      |  | 2016-17<br>£'000s       |
|------------------------|--|-------------------------|
| <b>(109,620)</b>       | <b>Balance as at 1 April</b>   | <b>(99,458)</b>         |
| 13,648                 | Re-measurement of the net defined benefit liability  | (8,198)                 |
| 5,057                  | Employers contributions payable in the year  | 5,121                   |
| (8,543)                | 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 | (7,999)                 |
| <b><u>(99,458)</u></b> | <b>Balance as at 31 March</b>  | <b><u>(110,534)</u></b> |

### 33d. Collection Fund Adjustment Account

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

| 2015-16<br>£'000s     |   | 2016-17<br>£'000s   |
|-----------------------|---|---------------------|
| <b>(1,879)</b>        | <b>Balance as at 1 April</b>  | <b>(1,048)</b>      |
| 76                    | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute        | 25                  |
| 755                   | 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 | 2,637               |
| <b><u>(1,048)</u></b> | <b>Balance as at 31 March</b>   | <b><u>1,614</u></b> |

### 33e. 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, (annual leave entitlement carried forward at 31 March). Statute requires that the impact on the General Fund Balance is mitigated by transfers to/from the Account.

| 2015-16<br>£'000s |   | 2016-17<br>£'000s |
|-------------------|---|-------------------|
| (187)             | <b>Balance as at 1 April</b>  | (223)             |
| 187               | Settlement or cancellation of accrual made at the end of the preceding year   | 223               |
| (223)             | Amounts accrued at the end of the current year  | (235)             |
| (36)              | 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 | (12)              |
| <b>(223)</b>      | <b>Balance as at 31 March</b>   | <b>(235)</b>      |

### 34. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2015-16<br>£'000s |                   | 2016-17<br>£'000s |
|-------------------|-------------------|-------------------|
| (207)             | Interest Received | (211)             |
| 1,116             | Interest Paid     | 1,359             |

### 34a. Cash Flow Statement – Adjust net surplus or deficit on the provision of services for non-cash movements

| 2015-16<br>£'000s |  | 2016-17<br>£'000s |
|-------------------|--|-------------------|
| (7,329)           | Depreciation                               | (7,935)           |
| 172               | Impairment and downward valuations         | (5,178)           |
| (57)              | Amortisation                               | (39)              |
| 166               | Movement in Creditors                      | 854               |
| (631)             | Movement in Debtors                        | (139)             |
| (19)              | Movement in Inventories                    | 60                |
| (7,107)           | Pension Liability                          | (6,543)           |
| (3,878)           | Carrying amount of non-current assets sold | (7,195)           |
| 1,306             | Movement in Investment Property Values     | 817               |
| (1,238)           | Contribution (to)/from Provisions          | 2,034             |
| 30                | Other non-cash items                       | (68)              |
| <b>(18,585)</b>   |  | <b>(23,332)</b>   |

### 34b. Cash Flow Statement – Adjust net surplus or deficit on the provision of services for investing and financing activities

| 2015-16<br>£'000s |  | 2016-17<br>£'000s |
|-------------------|--|-------------------|
| 4,472             | Capital Grants credited  | 7,497             |
| 3,020             | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 6,039             |
| <b>7,492</b>      |  | <b>13,536</b>     |

### 35. Cash Flow Statement - Investing Activities

| 2015-16<br>£'000s | Investing Activities   | 2016-17<br>£'000s |
|-------------------|--|-------------------|
| 17,226            | Purchase of Property, plant and equipment, investment property and intangible assets               | 12,717            |
| 5,964             | Purchase of short term and long term investments   | 4,475             |
| 228               | Other Payments for investing activities  | 2                 |
| (3,020)           | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (9,176)           |
| (3,596)           | Other receipts from investing activities   | (2,734)           |
| <b>16,802</b>     | <b>Net cash flows from Investing activities</b>  | <b>5,284</b>      |

### 36. Cash Flow Statement - Financing Activities

| 2015-16<br>£'000s | Financing Activities                            | 2016-17<br>£'000s |
|-------------------|---|-------------------|
| -                 | Cash Receipts of short and long term borrowing  | (3,000)           |
| 1,439             | Repayments of short and long term borrowing     | 550               |
| (3,350)           | Other payments for financing activities         | (1,727)           |
| <b>(1,911)</b>    | <b>Net cash flows from Financing activities</b> | <b>(4,177)</b>    |

### 37. 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 2016-17 is shown in Note 12. During 2016-17 a questionnaire was distributed to the 56 Current Members and 7 relevant officers.

One councillor declared an interest in the Thanet Countryside Trust who received a grant payment of £5k. Five councillors declared payments to the Council totalling £2k for council services.

**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 7 Expenditure and Income Analysed by Nature. Grant receipts and amounts outstanding at 31 March 2017 are shown in Note 16.

**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 2017 payable by Thanet District Council amounted to £1.307m. 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 Thanet District Council** - The balance owed to Thanet District Council at the year end was £8k, and is included within note 27 and 30 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.

## 38. 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. The 2015-16 figures have been restated to correct prior year capital accounting entries to comply with the disclosure changes to the Movement in Reserves Statement required under the Code 2016-17.



| Restated<br>2015-16<br>£'000s |  | 2016-17<br>£'000s | 2016-17<br>£'000s |
|-------------------------------|--|-------------------|-------------------|
| 43,264                        | <b>Opening Capital Financing Requirement</b>   |                   | <b>47,307</b>     |
|                               | <b>Capital Investment</b>  |                   |                   |
| 15,128                        | Property, Plant and Equipment  | 9,899             |                   |
| 223                           | Capital loan granted (debtor)  | -                 |                   |
| 57                            | Intangible assets  | 39                |                   |
| 2,341                         | Revenue expenditure funded from capital under statute (including external funding)                   | 3,305             |                   |
| 17,749                        |  |                   | 13,243            |
|                               | <b>Sources of finance</b>  |                   |                   |
| (1,378)                       | Capital Receipts   | (2,682)           |                   |
| (8,779)                       | Government Grants and other contributions  | (8,649)           |                   |
| (1,874)                       | Direct revenue contributions   | (1,219)           |                   |
| 1                             | HRA upward revaluations (revenue contribution)   | -                 |                   |
| (848)                         | MRP  | (917)             |                   |
| (828)                         | Repayment of HRA loan principal  | -                 |                   |
| (13,706)                      |  |                   | (13,467)          |
| <b>47,307</b>                 | <b>Closing Capital Financing Requirement</b>   |                   | <b>47,083</b>     |
|                               | <b>Explanation of movements in year</b>  |                   |                   |
| (828)                         | Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)   | -                 |                   |
| 5,718                         | Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance) | 693               |                   |
| 1                             | HRA upward revaluations  | -                 |                   |
| (848)                         | MRP  | (917)             |                   |
| <b>4,043</b>                  | <b>Increase/(decrease) in CFR</b>  |                   | <b>(224)</b>      |

### Capital Expenditure and Financing

The total capital expenditure in 2016-17 amounted to £13.243m. This included £5.156m in relation to HRA which was funded through the Major Repairs Allowance £2.444m, grants £1.394m, Capital receipts £0.336m and revenue/reserves £0.845m. The balance of £0.137m was unfinanced.

General fund capital expenditure was £8.087m, funded from grants £4.811m, capital receipts £1.596m, housing capital receipts £0.750m and revenue/reserves £0.374m. The balance of £0.556m was unfunded.

Included in the capital expenditure of £13.243m is £0.382m for the acquisition of new assets (as set out in the Capital Expenditure section of the Narrative Report). Other significant expenditure includes £2.808m for assets under construction, £1.196m for harbour berth improvements, and £3.691m on enhancements to HRA dwellings.

## 39. 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:

|  | 2015-16<br>£'000s | 2016-17<br>£'000s |
|--|-------------------|-------------------|
| <b>Finance lease liabilities (net present value of minimum lease payments)</b> |                   |                   |
| Non-current  | 570               | 569               |
| Finance costs payable in future years  | 72                | 72                |
| <b>Minimum lease payments</b>  | <b>642</b>        | <b>641</b>        |

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

|                                    | 2015-16<br>£'000s | 2016-17<br>£'000s |
|------------------------------------|-------------------|-------------------|
| More than 1 year less than 5 years | 1                 | 1                 |
| More than 5 years                  | 641               | 640               |
|                                    | <b>642</b>        | <b>641</b>        |

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 2016-17 £412k contingent rents were payable by the Authority (2015-16 £395k).

#### 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:

| 2015-16<br>£'000s |   | 2016-17<br>£'000s |
|-------------------|---|-------------------|
| 35                | Not later than one year                           | 36                |
| 61                | Later than one year and not later than five years | 37                |
| <b>96</b>         | <b>Total</b>                                      | <b>73</b>         |

#### 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 (£1.215m 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**

| <b>2015-16</b> |                                    | <b>2016-17</b> |  |
|----------------|------------------------------------|----------------|--|
| <b>£'000s</b>  |                                    | <b>£'000s</b>  |  |
| 53             | Investment Properties HRA          | 53             |  |
| 24,697         | Investment Properties General Fund | 22,497         |  |
| <b>24,750</b>  | <b>Total</b>                       | <b>22,550</b>  |  |

## 40. 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:

| 2015-16<br>£'000s | Amounts recognised in the Comprehensive Income and Expenditure Statement                           | 2016-17<br>£'000s |
|-------------------|--|-------------------|
|                   | <b>Cost of Services</b>  |                   |
| 4,847             | Service cost   | 4,246             |
| 75                | Past Service costs and curtailments  | 88                |
| 3,536             | Net Interest on the defined liability  | 3,586             |
| 85                | Administration Expenses  | 79                |
| <b>8,543</b>      | <b>Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services</b> | <b>7,999</b>      |

| 2015-16<br>£'000s |  | 2016-17<br>£'000s |
|-------------------|--|-------------------|
|                   | <b>Re-measurement of Net Defined Benefit</b>   |                   |
| 2,715             | Return on Plan assets in excess of interest  | (21,090)          |
| -                 | Other Actuarial gains/(losses) on assets   | 1,017             |
| (16,522)          | Changes in Financial Assumptions   | 45,590            |
| -                 | Changes in Demographic Assumptions   | (4,457)           |
| 159               | Experience (gain)/loss on defined benefit obligation                                       | (12,862)          |
| <b>(13,648)</b>   | <b>Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure</b> | <b>8,198</b>      |

| 2015-16<br>£'000s | Amounts recognised in the Movement in Reserves Statement  | 2016-17<br>£'000s |
|-------------------|---|-------------------|
|                   | Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code | (7,999)           |
| (8,543)           | Actual amount charged against the general fund balance for pensioners:  |                   |
| 5,057             | Employers' contributions payable to the scheme  | 5,121             |

## Assets and Liabilities in relation to Retirement Benefits

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

| 2015-16<br>£'000s |  | 2016-17<br>£'000s |
|-------------------|--|-------------------|
| <b>232,899</b>    | <b>Balance as at 1 April</b>                         | <b>222,564</b>    |
| 4,847             | Current service cost                                 | 4,246             |
| 7,581             | Interest cost  | 8,122             |
| (16,522)          | Change in Financial Assumption                       | 45,590            |
| -                 | Change in Demographic Assumption                     | (4,457)           |
| 159               | Experience loss/(gain) on defined benefit obligation | (12,862)          |
| 1,044             | Contributions by scheme participants                 | 1,054             |
| (6,912)           | Benefits paid  | (6,613)           |
| (607)             | Unfunded pension payments                            | (596)             |
| 75                | Past Service Costs including curtailments            | 88                |
| <b>222,564</b>    | <b>Closing Defined Benefit Obligation</b>            | <b>257,136</b>    |

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

| <b>2015-16</b> |  | <b>2016-17</b> |
|----------------|--|----------------|
| <b>£'000s</b>  |  | <b>£'000s</b>  |
| <b>123,279</b> | <b>Balance as at 1 April</b>                 | <b>123,106</b> |
| 4,045          | Interest On assets                           | 4,536          |
| (2,715)        | Return on Assets less interest               | 21,090         |
| -              | Other Actuarial gains/(Losses)               | (1,017)        |
| (85)           | Administration Expenses                      | (79)           |
| 5,057          | Employer contributions including unfunded    | 5,121          |
| 1,044          | Contributions by scheme participants         | 1,054          |
| (7,519)        | Benefits paid including unfunded             | (7,209)        |
| <b>123,106</b> | <b>Closing Fair Value of Employer Assets</b> | <b>146,602</b> |

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 £25.626m, (2015-16 £1.330m).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £110.5m 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 2018 is £4.5m.

### Balance Sheet Disclosure as at 31 March 2017

| <b>Net Pension assets as at</b>         | <b>31 March<br/>2015<br/>£'000s</b> | <b>31 March<br/>2016<br/>£'000s</b> | <b>31 March<br/>2017<br/>£'000s</b> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Present value of funded obligation      | 223,866                             | 214,043                             | 248,234                             |
| Fair value of scheme assets (bid value) | (123,279)                           | (123,106)                           | (146,602)                           |
| <b>Net Liability</b>                    | <b>100,587</b>                      | <b>90,937</b>                       | <b>101,632</b>                      |
| Present value of unfunded obligation    | 9,033                               | 8,521                               | 8,902                               |
| <b>Net Liability in Balance Sheet</b>   | <b>109,620</b>                      | <b>99,458</b>                       | <b>110,534</b>                      |

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 2014.

The principal assumptions used by the actuary have been:

| 31 March<br>2016 |  | 31 March<br>2017 |
|------------------|--|------------------|
|                  | Mortality assumptions:   |                  |
|                  | Longevity at 65 for current pensioners:                              |                  |
| 22.9 yrs         | Men  | 23 yrs           |
| 25.3 yrs         | Women  | 25 yrs           |
|                  | Longevity at 65 for future pensioners:                               |                  |
| 25.2 yrs         | Men  | 25.1 yrs         |
| 27.7 yrs         | Women  | 27.4 yrs         |
| 3.3%             | Rate of inflation (RPI)  | 3.5%             |
| 4.2%             | Rate of increase in salaries   | 4.1%             |
| 2.4%             | Rate of increase in pensions   | 2.6%             |
| 3.7%             | Rate for discounting scheme liabilities                              | 2.7%             |
| 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 2016  |    |                         | 31 March 2017  |    |
|----------------|----|-------------------------|----------------|----|
| £'000s         | %  |                         | £'000s         | %  |
| 82,095         | 66 | Equity investments      | 103,463        | 70 |
| 1,091          | 1  | Gilts                   | 1,094          | 1  |
| 13,517         | 11 | Bonds                   | 14,281         | 10 |
| 17,882         | 15 | Property                | 18,268         | 12 |
| 3,170          | 3  | Cash                    | 3,745          | 3  |
| 5,350          | 4  | Target Return Portfolio | 5,750          | 4  |
| <b>123,105</b> |    | <b>Total</b>            | <b>146,601</b> |    |

The following provides detail of these assets as at 31 March 2017, 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 –<br>bid value |                            |  | 31 March 2017 |               |
|-------------------------------------|----------------------------|--|---------------|---------------|
|                                     |                            |  | % Quoted      | % Unquoted    |
| Fixed Interest                      |                            |  |               |               |
| Government Securities               | UK                         |  | -             | -             |
|                                     | Overseas                   |  | 0.70%         | -             |
| Corporate Bonds                     | UK                         |  | 4.60%         | -             |
|                                     | Overseas                   |  | 5.10%         | -             |
| Equities                            | UK                         |  | 29.00%        | -             |
|                                     | Overseas                   |  | 39.20%        | -             |
| Property                            | All                        |  | -             | 12.50%        |
| Others                              | Absolute return portfolio  |  | 3.90%         |               |
|                                     | Private equity             |  | -             | 1.50%         |
|                                     | Infrastructure             |  | -             | 1.10%         |
|                                     | Cash/temporary investments |  | -             | 2.00%         |
| Net Current Assets                  | Debtors                    |  | -             | 0.70%         |
|                                     | Creditors                  |  | -             | (0.30%)       |
| <b>Total</b>                        |                            |  | <b>82.50%</b> | <b>17.50%</b> |

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                      | 253,033 | 257,136 | 261,309 |
| Projected Service Cost                                 | 5,903   | 6,054   | 6,209   |
| Adjustment to Long Term Salary Increase                | +0.1%   | 0.0%    | -0.1%   |
| Present value of total obligation                      | 257,811 | 257,136 | 256,466 |
| Projected Service Cost                                 | 6,054   | 6,054   | 6,054   |
| Adjustment to Pension Increases & Deferred Revaluation | 0.1%    | 0.0%    | -0.1%   |
| Present value of total obligation                      | 260,633 | 257,136 | 253,694 |
| Projected Service Cost                                 | 6,209   | 6,054   | 5,903   |
| Adjustment to Mortality age rating assumption          | +1 year | None    | -1 Year |
| Present value of total obligation                      | 267,022 | 257,136 | 247,626 |
| Projected Service Cost                                 | 6,247   | 6,054   | 5,867   |

These assumptions are set with reference to market conditions at 31 March 2017.

Our estimate of the duration of the Employer's liabilities is 17 years.

The discount rate is the annualized yield at the 17 year point on the Merrill 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 17 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.5% 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. 2.6% p.a. We believe that this is a reasonable estimate for the future differences in indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the last accounting date. Salaries are assumed to increase at 1.50% p.a. above CPI in addition to the promotional scale. However, we have allowed for a short-term overlay from 31<sup>st</sup> March 2016 to 31<sup>st</sup> March 2020 for salaries to rise in line with CPI. This has been updated from last year to be consistent with the 2016 valuation of the Fund.

### Projected Pension Expense for the year to 31 March 2018

|   | £'000s       |
|---|--------------|
| Service Cost                                  | 6,054        |
| Net Interest on the Defined Liability (asset) | 2,928        |
| Administration Expenses                       | 94           |
| <b>Total</b>                                  | <b>9,076</b> |
| Employer Contributions                        | 4,500        |

## 41. Other Long Term Liabilities

Other long term liabilities on the Balance Sheet include the multi storey car parks finance lease obligation £0.641m (see Note 39 for further detail), the pension liability £110.534m (see previous note), and a deferred credit of £2.238m 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 £0.340m (2015-16 £0.340m) over the remaining term of the lease. In addition £0.385m relates to projects still to be delivered by East Kent Services on behalf of the other partners in the shared service arrangement (see Note 37 for further detail of the arrangement).

## 42. 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 2017 payments totalling £1,332k 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 2017 payments totalling £1,646k 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 £10.175m, 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

**Dreamland CPO**

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

**Hand Arm Vibration**

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

## 43. 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.

## 44. 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:

|                 | <b>Expenditure<br/>2016-17<br/>£</b> | <b>Income<br/>2016-17<br/>£</b> |
|-----------------|--------------------------------------|---------------------------------|
| Kenrick Trust   | 2.50                                 | 2.50                            |
| Farrar Award    | 26.32                                | 26.32                           |
| Simpson Bequest | 3.14                                 | 3.14                            |
| Woodward Trust  | 119.93                               | 119.93                          |

|                                      |   |
|--------------------------------------|---|
| 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 |

## 45. Joint Operations

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

In accordance with IFRS 11 the Council accounts for its share of the assets, liabilities, and income and expenditure within its own single entity accounts. To provide greater transparency, the council's share of the (profit)/loss for each year is reflected in the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure, and the liability for the construction of the spine road (funded by KCC) is disclosed within other local authority creditors (Note 31). On 31 March 2017 a substantial parcel of land was sold, whilst the cash was received by EKO on 31 March the liability remains at the year-end due to timing difficulties. The council's share of the proceeds (£2.6m) is included in the Capital Receipts Reserve on the balance sheet until the spine road debt is extinguished. Part of the total EKO sale amount is subject to planning consent (£1.325m) so is considered to be a contingent asset until consent is granted.

## 46. 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 its 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:

|   | 2015-16<br>£'000s | 2016-17<br>£'000s |
|---|-------------------|-------------------|
| <b>Cost of Recognition/acquisition of Heritage assets</b>                 |                   |                   |
| <b>Art</b>  |                   |                   |
| - Items with value > £10,000  | 85                | 85                |
| - balance of collection   | 121               | 121               |
| <b>Furniture/Dolls etc</b>  |                   |                   |
| - Items with value > £10,000  | 30                | 30                |
| - balance of collection   | 14                | 14                |
| <b>Civic Statues</b>  |                   |                   |
| - Items with value > £10,000  | 113               | 113               |
| <b>Posters</b>  |                   |                   |
| - balance of collection   | 16                | 16                |
| <b>Civic Regalia</b>  |                   |                   |
| - Items with value > £10,000  | 18                | 18                |
| - balance of collection   | 11                | 11                |
| <b>Miscellaneous</b>  |                   |                   |
| - balance of collection   | 52                | 52                |
| <b>Dreamland</b>  |                   |                   |
| - Items with value > £10,000  | 8,961             | 9,627             |
| <b>Total Value of Assets</b>  | <b>9,421</b>      | <b>10,087</b>     |
| <b>Total Value shown on Balance Sheet (net of impairment/devaluation)</b> | <b>9,207</b>      | <b>9,873</b>      |

## 47. 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 Louterberg; 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.

## 48. 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 14.

# Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2017

| 2015-16<br>£'000s  |   | 2016-17<br>£'000s |
|--------------------|---|-------------------|
| <b>INCOME</b>      |   |                   |
| 13,030             | Dwelling rents (gross)  | 12,877            |
| 223                | Non-dwelling rents (gross)  | 244               |
| 348                | Charges for services and facilities   | 363               |
| 361                | Contributions towards expenditure   | 442               |
| 13,962             | Sub-Total Income  | 13,926            |
| <b>EXPENDITURE</b> |   |                   |
| 3,275              | Repairs and maintenance   | 3,294             |
| 2,890              | Supervision and management – General  | 3,069             |
| 502                | Supervision and management – Special  | 635               |
| 311                | Rents, rates, taxes and other charges   | 175               |
| 158                | Movement in the Allowance for Bad Debts   | 137               |
| 3,322              | Depreciation, impairments and revaluation losses of non current assets  | 6,301             |
| 10                 | Debt management costs   | 8                 |
| 10,468             | Sub-Total Expenditure   | 13,619            |
| <b>(3,494)</b>     | <b>Net Expenditure and Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b> | <b>(307)</b>      |
| 149                | HRA Services share of Corporate and Democratic Core   | 296               |
| <b>(3,345)</b>     | <b>Net Cost of HRA Services</b>   | <b>(11)</b>       |
| 1,206              | (Gain) or loss on HRA non-current assets  | 1,381             |
| 811                | Interest payable and similar charges  | 809               |
| (112)              | Interest and investment income  | (89)              |
| (255)              | Capital Grants and Contributions Receivable   | (1,370)           |
| <b>(1,695)</b>     | <b>(Surplus)/Deficit for the year on HRA services</b>   | <b>720</b>        |

## Movement on the Housing Revenue Account Statement

| Restated<br>2015-16<br>£'000s   |   | 2016-17<br>£'000s |
|---|---|-------------------|
| (5,392)   | Balance on the HRA at the end of the previous year  | (5,296)           |
| (1,695)   | (Surplus) or deficit for the year on the HRA Income and Expenditure Account                                   | 720               |
| 705   | Adjustments between accounting basis and funding basis under regulations                                      | 763               |
| (990)   | (Increase) or decrease in the Housing Revenue Account Balance before transfers to/(from) reserves             | 1,483             |
| 1,086   | Transfer to/(from) Earmarked & Other Reserves   | (2,901)           |
| 96  | (Increase)/decrease in the year on the Housing Revenue Account  | (1,418)           |
| <b>(5,296)</b>  | Balance on the HRA at the end of the current year   | <b>(6,714)</b>    |
| <b>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</b>                  |   |                   |
| 255   | Capital Grants and Contributions Receivable   | 1,370             |
| (1,206)   | Gain or loss on HRA non-current assets  | (1,381)           |
| 61  | Net charges made for retirement benefits in accordance with IAS 19  | 70                |
| <b>(890)</b>  |   | <b>59</b>         |
| <b>Addition of items not debited/(credited) to the Comprehensive Income &amp; Expenditure Statement to be included for determining the movement on the HRA balance for the year</b> |   |                   |
| (137)   | Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners | (141)             |
| 1,732   | HRA contribution to finance capital expenditure   | 845               |
| <b>1,595</b>  |   | <b>704</b>        |
| <b>705</b>  | <b>Net additional amount required by statute to be debited/(credited) to the HRA balance for the year</b>     | <b>763</b>        |

The 2015-16 figures have been restated to correct prior year capital accounting entries to comply with the disclosure changes to the Movement in Reserves Statement required under the Code 2016-17.

## 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 3,026 dwellings during 2016-17 including the Authority’s share of shared ownership dwellings.

The stock as at 31 March 2017 is comprised of the following types of dwellings:

| Stock as at 31<br>March 2016 |                                     | Stock as at 31<br>March 2017 |  |
|------------------------------|-------------------------------------|------------------------------|--|
| 1,582                        | Houses                              | 1,557                        |  |
| 192                          | Low Rise Flats (1 to 2 Storey)      | 191                          |  |
| 849                          | Medium-Rise Flats (3 to 5 Storey)   | 872                          |  |
| 408                          | High-Rise Flats (6 Storeys or more) | 406                          |  |
| <b>3,031</b>                 | <b>Total</b>                        | <b>3,026</b>                 |  |

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

| 31 March<br>2016<br>£'000s |                              | 31 March<br>2017<br>£'000s |  |
|----------------------------|------------------------------|----------------------------|--|
| 114,926                    | Council Dwellings            | 133,534                    |  |
| 6,184                      | Operational Land & Buildings | 4,420                      |  |
| 53                         | Investment                   | 53                         |  |
| -                          | Assets Under Construction    | 1,396                      |  |
| <b>121,163</b>             | <b>Total</b>                 | <b>139,403</b>             |  |

The vacant possession value of dwellings within the Authority’s Housing Revenue Account as at 1 April 2017 was £358m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

### 3. Housing Revenue Account Capital Expenditure

| 2015-16<br>£'000s |  | 2016-17<br>£'000s |  |
|-------------------|--|-------------------|--|
| 194               | Borrowing  | 137               |  |
| 1,732             | Revenue Contribution to Capital                          | 845               |  |
| 2,477             | Financed from Major Repairs Reserve                      | 2,444             |  |
| 371               | Funded from Capital Receipts                             | 1,394             |  |
| 255               | Funded by grants and external contributions              | 336               |  |
| <b>5,029</b>      | <b>Total Housing Revenue Account Capital Expenditure</b> | <b>5,156</b>      |  |



| 2015-16      |   | 2016-17      |
|--------------|---|--------------|
| £'000s       |   | £'000s       |
| 4,806        | Houses (dwellings and other land & buildings) | 3,691        |
| -            | OLB & AUC                                     | 1,465        |
| 223          | Loan  | -            |
| <b>5,029</b> | <b>Total</b>                                  | <b>5,156</b> |

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

| 2015-16<br>Total |                                  | 2016-17<br>Usable | 2016-17<br>Contribution<br>to Gov't<br>Pool | 2016-17<br>Total |
|------------------|----------------------------------|-------------------|---|------------------|
| £'000s           |                                  | £'000s            | £'000s                                      | £'000s           |
| 961              | Sale of Dwellings                | 1,622             | (198)                                       | 1,424            |
| -                | Sale of Other Land and Buildings | 664               | -   | 664              |
| 11               | Mortgage Repayments              | -                 | -   | -                |
| <b>972</b>       | <b>Total</b>                     | <b>2,286</b>      | <b>(198)</b>                                | <b>2,088</b>     |

#### 5. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2017 amounted to £560k. This figure includes the full week rent charge but only payments up to and including 31 March 2017.

At the end of the rent week ended 5 April 2017 the arrears had reduced to £548k.

| 2015-16    |                             | 2016-17    |
|------------|-----------------------------|------------|
| £'000s     |                             | £'000s     |
| 187        | Current Tenant Rent Arrears | 207        |
| 435        | Former Tenant Rent Arrears  | 341        |
| <b>622</b> | <b>Total</b>                | <b>548</b> |

#### 6. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £543k as at 31 March 2017. The provision in 2015-16 was £595k.

#### 7. Depreciation and Impairment of Fixed Assets

| 2015-16<br>Depreciation<br>£'000s | 2015-16<br>Impairment<br>£'000s |                            | 2016-17<br>Depreciation<br>£'000s | 2016-17<br>Impairment<br>£'000s |
|-----------------------------------|---------------------------------|----------------------------|-----------------------------------|---------------------------------|
| 3,090                             | -                               | Houses                     | 3,632                             | -                               |
| 233                               | -                               | Other Operational Property | 139                               | -                               |
| <b>3,323</b>                      | <b>-</b>                        | <b>Total</b>               | <b>3,771</b>                      | <b>-</b>                        |

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

## 8. Pension Costs

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:

| <b>2015-16</b>     |                                     | <b>2016-17</b>     |  |
|--------------------|-------------------------------------|--------------------|--|
| <b>IAS19</b>       |                                     | <b>IAS19</b>       |  |
| <b>Adjustments</b> |                                     | <b>Adjustments</b> |  |
| <b>£'000s</b>      |                                     | <b>£'000s</b>      |  |
| (76)               | Current Service Costs               | (71)               |  |
| (61)               | Movement on Pension Reserve         | (70)               |  |
| 137                | HRA contributions payable to scheme | 141                |  |
| <u>-</u>           | <b>Net Impact</b>                   | <u>-</u>           |  |

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 2017

| 2015-16               |                              |  |        | 2016-17               |                              |
|-----------------------|------------------------------|--|--------|-----------------------|------------------------------|
| Council Tax<br>£'000s | Non-Domestic Rates<br>£'000s |  |        | Council Tax<br>£'000s | Non-Domestic Rates<br>£'000s |
| INCOME                |                              |  |        |                       |                              |
| 63,713                |                              | Council Tax (net of Benefits and Transitional Relief)  | Note 2 | 67,323                |                              |
|                       | 32,905                       | Non-Domestic Rates Income  | Note 3 |                       | 36,171                       |
|                       | 113                          | Transitional Protection Payment  |        |                       |                              |
|                       | 1,298                        | Contribution towards previous years estimated deficit  |        |                       | 3,006                        |
| 63,713                | 34,316                       | Total Income   |        | 67,323                | 39,177                       |
| EXPENDITURE           |                              |  |        |                       |                              |
| 61,640                |                              | Precepts and Demands from County Council, Police and Crime Commissioner, Fire and Rescue and the Billing Authority | Note 5 | 65,137                |                              |
|                       |                              | Non-Domestic Rates   |        |                       |                              |
|                       | 15,471                       | - Payment to Central Government  |        |                       | 15,044                       |
|                       | 2,785                        | - Payment to County Council  |        |                       | 2,708                        |
|                       | 309                          | - Payment to Fire and Rescue   |        |                       | 301                          |
|                       | 12,377                       | - Payment to Billing Authority   |        |                       | 12,035                       |
|                       | 192                          | - Cost of Collection Allowance   |        |                       | 192                          |
|                       | -                            | Transitional Protection Payment  |        |                       | 44                           |
|                       |                              | Bad and doubtful debts/ appeals  |        |                       |                              |
| 398                   | 289                          | - Amounts Written Off in year  |        | 424                   | 291                          |
| 555                   | (26)                         | - Provision for Bad and Doubtful Debts   |        | 310                   | (106)                        |
| -                     | 1,032                        | - Provision for Appeals  |        | -                     | 2,075                        |
| 594                   | -                            | Contributions towards previous years estimated surplus   |        | 1,218                 | -                            |
| 63,187                | 32,429                       | Total Expenditure  |        | 67,089                | 32,584                       |
| (526)                 | (1,887)                      | (Surplus)/Deficit for Year   |        | (234)                 | (6,593)                      |
| (1,035)               | 5,059                        | Balance at Beginning of Year   |        | (1,561)               | 3,172                        |
| (1,561)               | 3,172                        | Balance at End of Year   |        | (1,795)               | (3,421)                      |

# 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  | 8,472   | 6/9   | 5,648             |
| B  | 13,217  | 7/9   | 10,280            |
| C  | 13,613  | 8/9   | 12,100            |
| D  | 6,484   | 1     | 6,484             |
| E  | 3,492   | 11/9  | 4,268             |
| F  | 1,342   | 13/9  | 1,938             |
| G  | 641   | 15/9  | 1,068             |
| H  | 15  | 2     | 30                |
| <b>TOTAL</b>                             | <b>47,276</b>   |       | <b>41,816</b>     |
| Add Band D equivalent military dwellings |   |       | 24                |
| Adjustment for Non-collection (2.75%)    |   |       | (1,150)           |
| <b>COUNCIL TAX BASE</b>                  |   |       | <b>40,690</b>     |

Estimated income for 2016-17 was £65.137m, actual income was £67.323m. After set aside and write off of bad debt (£0.734m) and redistribution of estimated prior year surpluses to major preceptors (£1.218m) the surplus for the year (£0.234m) has resulted in an increased surplus on the fund of £1.795m.

### 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:

| 2015-16<br>£'000s |   | 2016-17<br>£'000s |
|-------------------|---|-------------------|
|                   | Non-Domestic Rateable Value £90,178,807                     |                   |
| 44,470            | Multiplied by the Uniform Business Rate (49.7p for 2016-17) | 44,819            |
| (11,565)          | Allowances and other adjustments                            | (8,648)           |
| <b>32,905</b>     | <b>Net collectable Non-Domestic Rates 16-17</b>             | <b>36,171</b>     |

The Non-Domestic Rate multiplier for 2016-17 was 48.4p for qualifying properties of less than £18,000 rateable value and 49.7p for all others (2015-16 48.0p and 49.3p respectively.) The variance in business rate income is as a result of timing differences relating to the actual payment of refunds for settled GP surgery appeals.

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 2016-17 was £135k and has been credited to the Comprehensive Income and Expenditure Statement, and the growth fund share was £131k which has been transferred to the 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 2015-16 to be distributed during 2016-17 was £1.218m. The actual surplus on the Council Tax Collection Fund for the year 2016-17 (£1.795m) 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) 2016-17 this has been split between Thanet District Council fund balances (£0.246m) and other local authority creditors (£1.549m) 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. A deficit was estimated for 2015-16 (£3.006m) to be recovered during 2016-17 as a result of additional mandatory reliefs. The anticipated reliefs were not awarded resulting in an actual surplus on the Non Domestic Rates Collection Fund for the year 2016-17 (£3.421m) split between Thanet District Council (£1.368m) and other local authorities and central government (£2.053m).

## 5. Precepts and Demands on the Collection Fund

| 2015-16           |                                    | 2016-17           |
|-------------------|------------------------------------|-------------------|
| £                 |                                    | £                 |
| 43,652,454        | Kent County Council                | 46,124,796        |
| 5,893,135         | Kent Police and Crime Commissioner | 6,191,070         |
| 2,829,426         | Kent Fire and Rescue               | 2,929,721         |
| 8,409,000         | Thanet District Council            | 8,745,220         |
| <b>60,784,015</b> | <b>Total</b>                       | <b>63,990,807</b> |
|                   | Parishes and Charter Trustees      |                   |
| 4,887             | - Acol                             | 3,970             |
| 48,082            | - Birchington                      | 50,660            |
| 269,758           | - Broadstairs                      | 364,295           |
| 13,948            | - Cliffsend                        | 14,072            |
| 16,487            | - Manston                          | 16,210            |
| 75,440            | - Margate                          | 139,250           |
| 52,576            | - Minster                          | 53,411            |
| 7,958             | - Monkton                          | 8,133             |
| 288,139           | - Ramsgate                         | 413,904           |
| 15,322            | - St Nicholas at Wade              | 15,579            |
| 62,880            | - Westgate on Sea                  | 66,810            |
| <b>855,477</b>    | <b>Total</b>                       | <b>1,146,294</b>  |

# 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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Grant Thornton UK LLP  
2<sup>nd</sup> Floor  
St John's House  
Haslett Avenue West  
Crawley  
RH10 1HS

27 September 2017

Dear Sirs

Thanet District Council  
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Thanet District Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of 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 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

# Agenda Item 10

## Annex 2

- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

The financial statements are free of material misstatements, including omissions.

- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.
- xvi We also believe that the judgements made around the carrying value of assets which have not been revalued during the course of the year are reasonable, and that the carrying value of these assets in the financial statements at year end is materially accurate.

### Information Provided

- xvii We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xviii We have communicated to you all deficiencies in internal control of which management is aware.



# Agenda Item 10

## Annex 2

- xix All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - d management;
  - e employees who have significant roles in internal control; or
  - f others where the fraud could have a material effect on the financial statements.
- xxii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

### Narrative Report

- xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

### Approval

The approval of this letter of representation was minuted by the Council's Governance and Audit Committee at its meeting on the 27 September 2017.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

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