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SUPPLEMENTARY AGENDA No.1

Date: 23 July 2018
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GOVERNANCE AND AUDIT COMMITTEE

25 JULY 2018

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 25 July 2018** in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor Day (Chairman); Councillors: Bambridge, Buckley, Braidwood, Campbell, Connor, Dennis, Dexter, Dixon, Evans, Larkins (Vice-Chairman), Messenger, R Potts, Pugh and Townend.

SUPPLEMENTARY AGENDA No.1

<u>Item No</u>	<u>Subject</u>
9.	<u>EXTERNAL AUDIT - AUDIT FINDINGS REPORT</u> (Pages 3 - 34)
11.	<u>FINAL STATEMENT OF ACCOUNTS 2017-18 AND MANAGEMENT'S LETTER OF REPRESENTATION</u> (Pages 35 - 152)



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EXTERNAL AUDIT – AUDIT FINDINGS REPORT

25 July 2018	Governance and Audit Committee
Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr Jason Savage, Cabinet Member Corporate Governance and Coastal Development
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Reasons for Key	N/A
Ward:	All Wards

Executive Summary:

The council's external auditor Grant Thornton is required to report its audit findings from its audit of the accounts to this Committee.

Recommendations:

1. That the Committee notes the contents of the Audit Findings Report as set out in Annex 1.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no direct financial implications arising from this report.
Legal	This is a statutory requirement.
Corporate	This is part of the external audit process.
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p>

	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	
Supporting the Workforce	
Promoting open communications	

1. Introduction and Background

- 1.1 The Accounts and Audit (England) Regulations 2015, requires this Committee to approve the council's accounts by 31 July.
- 1.2 The draft Statement of Accounts for 2017-18 has now been audited and the audit findings are set out in detail in Grant Thornton's report, shown in Annex 1.
- 1.3 The Committee is asked to consider the audit findings and to note the report.

2. Key Points

- 2.1 Subject to outstanding items being resolved, Grant Thornton intends to issue an unqualified audit opinion following the Committee meeting.
- 2.2 A number of audit adjustments have been identified and are detailed in Appendix C to the Audit Findings Report. All proposed adjustments identified during the audit have been agreed by the council. As with the 2016-17 financial statements there is one accounting treatment concerning conversion to council dwellings where the council's stance differs to the auditor's – however, the value under question is not material enough to impact on the audit opinion.
- 2.3 Grant Thornton has concluded that the council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources and therefore anticipates issuing an unqualified value for money conclusion.
- 2.4 Grant Thornton expects to be able to certify the completion of the audit when the audit opinion is given.

3. Conclusion

- 3.1 The result of Grant Thornton's audit of the accounts is that the council is likely to receive an unqualified opinion on the financial statements and an unqualified value for money conclusion for 2017-18.

Contact Officer:	Ramesh Prashar – Head of Financial Services Gary Whittaker – Interim Finance Manager
Reporting to:	Tim Willis – Deputy Chief Executive and s151 Officer

Annex List

Annex 1	Grant Thornton Audit Findings Report 2017-18
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Corporate Consultation

Finance	Ramesh Prashar – Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance

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Audit Findings Report

Year ending 31 March 2018

Phanet District Council
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4. Independence and ethics

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- B. Follow up of prior year recommendations
- C. Audit adjustments
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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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Headlines

This table summarises the key issues arising from the statutory audit of Thanet District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for the Governance and Audit Committee as those charged with governance.

Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 12. To date we have not identified any amendments to the overall financial position reported within the Statement of Comprehensive Income and Expenditure, although some presentation changes have been made to this Statement.</p> <p>A number of other audit adjustments have been identified and are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 25 July 2018, as detailed in Appendix E. These outstanding items include:</p> <ul style="list-style-type: none">completion of our work in a few minor areas (more details on the following page);completion of our internal quality review process;receipt of management representation letter;review of the final set of financial statements and Annual Governance Statement. <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Thanet District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 13 to 16.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andcertify the closure of the audit	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- 1 An evaluation of the Council's internal controls environment including its IT systems and controls;
- 2 Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 25 July 2018, as detailed in Appendix E. These outstanding items include:

- completion of our testing in the following areas: Employee Remuneration, including the Local Government Pension Scheme, Housing Benefit Expenditure, Financial Instruments
- completion of our internal quality review process;
- receipt of management representation letter;
- review of the final set of financial statements and Annual Governance Statement.

Our approach to Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of materiality and related measures has been adjusted to reflect the change in Gross Expenditure in 2017/18, when compared to the spend incurred in the previous year. This change was largely due to the transfer of functions provided by East Kent Services to Civica in February 2018, and the impact of the transfer of the related Pensions Liability as well. We detail in the table below our assessment of materiality for Thanet District Council.

	Council Amount (£) – Planning Stage	Council Amount (£) – Final Accounts	Qualitative factors considered
Materiality for the financial statements	£2.579m	£2.231m	As mentioned above, the value of our overall Materiality threshold decreased from the planning stage to the final Accounts stage due to the decrease in expenditure incurred during the course of the year.
Performance materiality	£1.934m	£1.673m	Performance Materiality is based on a percentage of the overall materiality, hence an decrease in this value has decreased Performance Materiality in line with this.
Trivial matters	£128,950	£111,000	As above, Triviality is based on a percentage of the overall materiality, hence an decrease in this value has decreased Triviality in line with this.
Materiality for specific transactions, balances or disclosures	£500k for Cash and Cash Equivalents	£500k for Cash and Cash Equivalents	As at the Planning Stage, no specific materialities have been set for the purposes of our work in 2017-18.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

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:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited;
- The culture and ethical frameworks of local authorities, including Thanet District Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Thanet District Council.

To support this assessment, we have completed the following work in respect of this risk:

- reviewed and tested the Council's revenue recognition policies;
- performed testing on material revenue streams.

Our audit work has not identified any significant issues in relation to the risk identified.

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2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness;
- obtained a full listing of journal entries, identify and test unusual journal entries for appropriateness;
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Our audit work has not identified any significant issues in relation to the risk identified.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from current or fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

Auditor commentary

We have undertaken the following work in relation to this risk:

- reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- considered the competence, expertise and objectivity of any management experts used;
- discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions;
- reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;
- tested revaluations made during the year to ensure they are input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

The work completed to date has not identified any issues in respect of this area. Should any issues be identified from our outstanding work, then we will provide an update to Management and the Committee.

4

Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

Auditor commentary

We have undertaken the following work in relation to this risk:

- Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;
- Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have also gained an understanding of the basis on which the valuation is carried out;
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made;
- Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

The work completed to date in this area has not identified any issues in respect of this area. Should any issues be identified from our outstanding work, then we will provide an update to Management and the Committee.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

5

Employee remuneration

Payroll expenditure represents a significant percentage (13%) of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls;
- agreed that payroll costs are complete within the financial statements via review of the reconciliations between the payroll system and the General Ledger; and
- We have obtained assurances via detailed analytics to ensure that pay included within the accounts is materially complete. Given we were able to obtain this assurance, we did not need to undertake detailed testing in this area.

Our audit work completed to date has not identified any significant issues in relation to the risk identified. Should any issues be identified from our outstanding work, then we will provide an update to Management and the Committee.

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Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (70%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non-pay expenses as a risk requiring particular audit attention:

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- performed detailed substantive testing on operating expenditure recorded for the financial year; and
- tested operating expenditure to ensure cut-off has been correctly applied.

Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of Property, plant and equipment Revaluations Impairments Accruals Valuation of pension fund net liability Provision for Business Rate appeals Other provisions 	<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.</p> <ul style="list-style-type: none"> Ahead of the Final Accounts Audit starting, the Council identified that it had omitted £1.339m of Depreciation from the draft Accounts, This has now been subsequently included within the revised Accounts, which reduces the Council's Surplus on Provision of Services but does not affect the final overall financial position at the end of 2017-18. We did not identify any significant issues with the items relating to property, plant and equipment, the asset lives applied, or the revaluations applied by the Council during the course of the year. We note that on completion of further work at Dreamland, a transfer was made from assets under construction to heritage assets. The Council has determined that Dreamland meets the criteria of a heritage asset. That is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Council may have to revisit its classification in future years should components of the Dreamland site be let on commercial terms. We also note Dreamland is held on the balance sheet at cost in accordance with FRS102. The Code of Practice of Local Authority Accounting notes that heritage assets are normally measured at valuation, but being carried at cost is allowed where the costs of obtaining a valuation are not commensurate with the value obtained from a valuation. We confirmed the pension fund valuations were consistent with the reports received from the Fund's Actuary, Barnett Waddingham. Our use of an expert, PwC, to assess the work performed by the Actuary did not identify any issues. Our work on the Business Rate Provision identified a slight increase in the provision from the previous year, which was due to an harmonisation of policies across Kent as part of the move to a Kent Business Rates Pool in 2018-19. We reviewed the Council's approach and assumptions around this area and are comfortable with the revised provision included in this year's Accounts. 	 Amber

Assessment

-  - **Red** - Marginal accounting policy which could potentially be open to challenge by regulators
-  - **Amber** - Accounting policy appropriate but scope for improved disclosure
-  - **Green** - Accounting policy appropriate and disclosures sufficient

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	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. Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition.	 Green
Other critical policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. We identified some minor enhancements to these policies to improve the transparency of these disclosures, all of which have been processed by the Council.	 Green

Assessment

-  - **Red** - Marginal accounting policy which could potentially be open to challenge by regulators
-  - **Amber** - Accounting policy appropriate but scope for improved disclosure
-  - **Green** - Accounting policy appropriate and disclosures sufficient

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 Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council, which is included within the papers for this meeting of the Governance and Audit Committee.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> 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. We requested management to send letters to those solicitors who worked with the Council during the year. All responses have been received and no issues have been identified.
⑥ Disclosures	<ul style="list-style-type: none"> Our review identified a number of disclosures which required amendment or expansion, and management agreed to amend all of the items identified. Further detail is provided within the Misclassifications and disclosure changes page, which is included later in the Report.

Other responsibilities under the Code

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

Issue	Commentary
① Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>Inconsistencies and omissions have been identified from the work performed on the Annual Governance Statement but have been adequately rectified by management. We plan to issue an unqualified opinion in this respect – refer to Appendix E</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> 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 other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
③ Specified procedures for Whole of Government Accounts	<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>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Thanet District Council in the audit opinion, as detailed in Appendix E.</p>

Value for Money

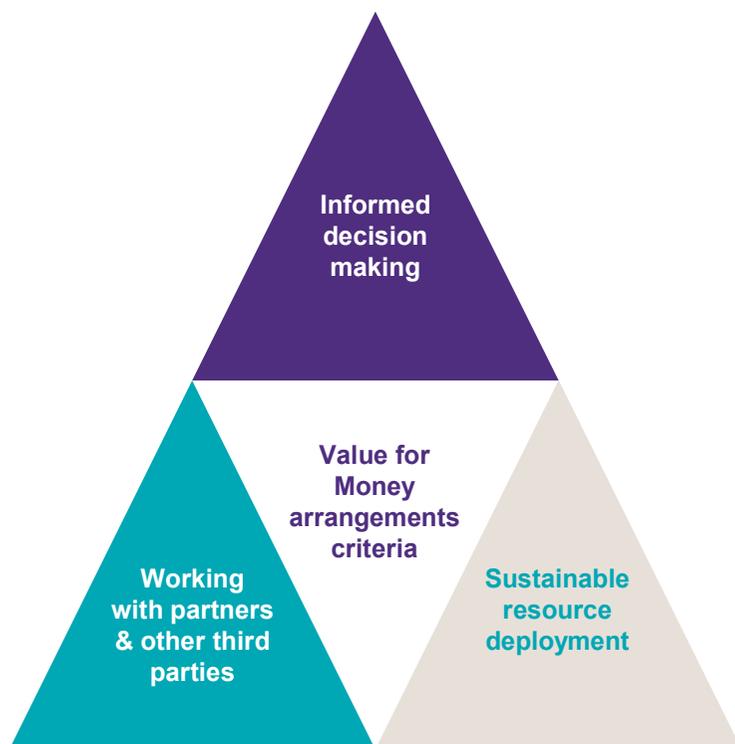
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance 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.”

This is supported by three sub-criteria, as set out below:



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Risk assessment

We carried out an initial risk assessment in February 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 6 March 2018, which was as follows:



Overall Financial Position – Medium Term Financial Plan (MTFP)

The Council has identified that a significant level of savings are needed over the life of the next Medium Term Financial Plan. Council reserves have been depleted over the past few years reducing future flexibility.

We propose to:

- Review the assumptions behind the MTFP for the coming four years;
- Consider the 2017-18 Budget outturn and any implications for the MTFP, along with the latest year to date outturn against budget for 2018-19;
- Review 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.

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 risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risk 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.

Value for Money

Our work

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 risk 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 2017-18, 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.
- The Council did not call on its reserves to support the general fund breakeven position, and was able to grow its General Fund and HRA Reserves by **£3.5m**.
- A balanced budget for 2018-19 was set, which includes **£2.808m** of savings/income generation plans. These had been fully worked up ahead of the start of the financial year. Unlike in 2017-18, the Council was able to balance its budget without the use of any Reserves, which is positive given the pressures that these Reserves have been placed under in recent years. However 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, despite the improvement during 2017-18, does not provide much room for manoeuvre should the full range of savings not be identified.

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

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Overall conclusion

Based on the work we performed to address the significant risk, 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 E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed one recommendation for improvement as follows:

- the Council need to continue to look longer term to ensure that savings 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. This is becoming even more acute given the next Local Government Spending Review is due in December 2019 ahead of 2020.

Our recommendation and management's response to this can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

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>Overall Financial Position – Medium Term Financial Plan (MTFP)</p> <p>The Council has identified that a significant level of savings are needed over the life of the next Medium Term Financial Plan. 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"> Review the assumptions behind the MTFP for the coming four years; Consider the 2017-18 Budget outturn and any implications for the MTFP, along with the latest year to date outturn against budget for 2018-19; Review 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. 	<p>The key points from our work in this area are the following:</p> <ul style="list-style-type: none"> The Council delivered a breakeven position against its General Fund Budget in 2017-18, within which it managed some small under and overspends within each of the Council’s directorates to achieve the breakeven position. The outturn included a net transfer of £1.4 million to earmarked reserves covering the planned drawdown on reserves assumed in the budget setting. General Fund Balance was maintained at £2.011m. The Council also delivered £6.05m of its Capital Programme, against a revised plan of £15.637m. The Council has deferred the remaining spend into 2018-19 to ensure the planned projects are still delivered. Some £3m of the deferred balance was spent in the early part of 2018-19. The performance for the Housing Revenue Account (HRA) against budget was positive with a surplus of £1.039m in 2017-18. The Council set a balanced budget for 2018-19, which includes £2.808m of savings (£1.66 million) and additional income (£1.15 million). The previous MTFS (covering 2017/19 to 2021) assumed savings of £1.9 million would be required in 2018/19. Additional cost pressures account for the increased requirements for income and efficiency savings. The Council had fully identified the £2.808m of savings and additional income ahead of the start of the year, which is a positive achievement. The Council has four broad themes, Income Generation, Digitalisation, Alternative Delivery Models, and making the most of the assets it owns around which income generation and efficiency savings are framed. Unlike in the prior year, there is no planned use of reserves to help achieve breakeven and similarly for later years covered by the MTFS, there are no plans to support the annual budgets through reserves. Usable Reserves, covering both the general fund and HRA, increased by nearly £3.5m, helping to offset some of the one-off costs supported by reserves in recent years. Rebuilding Reserves remains a key tenant of the MTFS. The Council’s latest Financial Plan (MTFP) covers the period from 2018 to 2022. Whilst the 2018-19 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 £2.878m of savings needed over the remainder of the MTFP (from 2019/20 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. There is also a degree of uncertainty around the impact of the Local Government Spending Review due in December 2019. This could have a significant impact on the Council’s financial position once the next settlement is known.

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>Overall Financial Position – Medium Term Financial Plan (MTFP)</p> <p>The Council has identified that a significant level of savings are needed over the life of the next Medium Term Financial Plan. 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"> Review the assumptions behind the MTFP for the coming four years; Consider the 2017-18 Budget outturn and any implications for the MTFP, along with the latest year to date outturn against budget for 2018-19; Review 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. 	<p>Recommendation</p> <p>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. 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>

Independence and ethics

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Capital Receipts Grant	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £66,296 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Audit of the Council's Harbour Accounts	2,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,000 in comparison to the total fee for the audit of £66,296 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit, Governance and Standards Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Action plan

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2018/19 audit. 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	Issue and risk	Recommendations
<p>1</p> <p> Amber</p>	<p>VFM – Medium Term Financial Plan</p> <p>Whilst the Council has been able to deliver a balanced budget in 2017-18 without drawing down any Reserves, and has identified all of the savings needed for 2018-19, there remain challenges ahead longer term. The new Local Government Spending Review, which is due in December 2019, may adversely impact the Council, and thus there is a need to ensure savings are being considered as far in advance as possible to make sure the Council is well placed to tackle the potential challenges post-2020.</p>	<p>The Council need to continue to look longer term to ensure that savings 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. This is becoming even more acute given the next Local Government Spending Review is due in December 2019 ahead of 2020</p> <p>Management response</p> <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>

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Thanet District Council's 2016/17 financial statements, which resulted in four recommendations being reported in our 2016/17 Audit Findings Report. We have followed up on the implementation of our recommendations and note that as it stands one of these still needs to be carried forward to 2018-19, with the other recommendation subject to confirmation at the date of issuing the Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
① ✓	<p>PPE Revaluations</p> <p>Our work in 2016-17 encountered significant challenges in obtaining sufficient assurance over this area of the Accounts. To reduce the level of uncertainty in this area we proposed the Council should consider the following:</p> <ul style="list-style-type: none"> - 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. - 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. - 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. 	<p>The Council has taken several steps to provide us with sufficient assurance over this area:</p> <ul style="list-style-type: none"> - It has reduced the threshold for individually significant assets, ie those which are revalued every year, from £1m to £800k, thus increasing the number of assets revalued each year; and - Has moved the date of valuation to the end of December, reducing the period of uncertainty between the valuation date and 31 March. <p>Whilst the Council has not undertaken a full revaluation exercise, the work performed has enabled us to obtain sufficient assurance over the PPE Valuations included within the Accounts. On this basis we can confirm that this issue has been resolved.</p>
② ✓	<p>Accruals</p> <p>Our testing of the Council's Accruals in 2016-17 identified an item which the Council was unable to provide support for. Our recommendation was that the Council should continue to strengthen procedures around accruals during the year to ensure they are all supported by valid documentation.</p>	<p>During our testing of accruals during the course of 2017-18 no issues were identified, which provides us with sufficient assurance that this issue has been adequately cleared by the Council.</p>
③ ✓	<p>VFM – Cost Savings</p> <p>During our Value for Money work within 2016-17, we identified that 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>	<p>Our VFM Work in 2017-18 identified that the Council was able to deliver a balanced budget without the use of any Reserves, which provides assurance that sufficient cost savings and income generation activities were identified during the course of the year. Going forward, the challenge will be planning for life post-2020, which is covered by point 4, and thus we are satisfied this recommendation has been cleared.</p>

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4	<p>X</p> <p>VFM – Medium Term Financial Plan</p> <p>We also identified that there was 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>	<p>Our VFM work this year continued to identified that the Council needs to look further ahead when identifying savings, which is particularly acute given the Local Government Spending Review, due in December 2019. The Council needs to look as far ahead as possible when identifying savings to ensure they are able to deal with the challenges ahead.</p>

Assessment

✓ Action completed

X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted 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 and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
1 PPE Depreciation The Council identified it had omitted £1,339k of Depreciation from the CIES, which should have been charged to 2017-18. However as the depreciation was charged in respect of Assets which were revalued during the course of the year, this has no overall impact on the Council's Total Net Expenditure at year end.	Cr Net Cost of Services £1,339k Dr Surplus on Revaluation of Non Current Assets £1,339k	Dr Capital Adjustment Account £1,248k Cr Revaluation Reserve £1,248k	Nil
Overall impact	£0	£0	£0

Audit Adjustments

Misclassification 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.

Disclosure omission	Value (£000)	Impact on the Accounts	Adjusted?
Note 4a – Material Items of Income and Expenditure	Various	We asked the Council to provide additional disclosures around the financial impact of the transfer of a number of functions previously provided by East Kent Services to Civica on the 1 st February 2018. This enhanced disclosure has now been included within the revised Accounts.	✓
Note 14 – Harbours	£771k	The error identified on the previous page in respect of the in-year depreciation charge has also had an increase in the expenditure incurred by the Council's Harbours. This amendment has been correctly processed within the revised Accounts.	✓
Note 19 – Heritage Assets	£182k	We identified that the Council had incorrectly accounted for Depreciation in respect of their Heritage Assets, when this should have been treated as an impairment. This has subsequently been adjusted in the revised Accounts.	✓
Note 22 – Financial Instruments and Note 36 – Capital Financing Requirement	£2,964k	Our work identified that the Council had incorrectly included the financial liability relating to the Spine Road Creditor with East Kent Opportunities, despite this being paid off in-year. This balance has been removed from the Note in the updated Accounts, and has also been correctly reflected within Note 36, covering the Capital Financing Requirement as well.	✓
Note 38 – Defined Benefit Pension Scheme – Sensitivity Analysis	Various	The Council had not included the required sensitivity analyses in the draft Note, which provides information around the risk that the Council's share of the Local Government Pension Scheme is exposed to. These numbers have been correctly included within the updated Note.	✓
Note 40 – Contingent Liabilities	n/a – narrative disclosure	The Council has added some additional narrative to a couple of the liabilities within this Note to enhance the transparency around the treatment of these liabilities.	✓
Note 3 of the Collection Fund – Income from Business Rates	Various	The initial disclosure showed the incorrect value for the total Rateable Value of the Council's Premises, which meant the following disclosures were also incorrect. This value has now been updated, along with the subsequent calculations driven by this balance.	✓
Various Notes	Various	A number of minor presentational and disclosure amendments have been made to the Accounts to enhance the transparency of the disclosures within the Accounts.	✓

Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2016/17 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Transfer of Council Dwellings to Assets under Construction (AUC) – Gross Book Value including Additions and Accumulated Depreciation				Response from Thanet DC:
- AUC (Opening Gross Book Value)		1,186	Nil impact on	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.
- Council Dwellings (Opening Gross Book Value)		(1,186)	Total Net	
- AUC Additions		686	Expenditure	
- Council Dwellings Additions		(686)		
- AUC Accumulated Depreciation		89		
- Council Dwellings Depreciation		(89)		
Reversal of in year Depreciation Charge in respect of Council Dwellings above				
- Accumulated Depreciation		66		
- Depreciation Charge to the CIES	(66)		(66)	
- General Fund		66		
- Capital Adjustment Account		(66)		
				2017/18 Update: The Council has moved two further assets to Council Dwellings which we would say should be held as AUC. However when considered with the remaining assets from 2016-17, which remain in this state, the NBV of these assets is £1,421k, which is below our materiality threshold and thus does not have an impact on our Audit Opinion.

Fees

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

Audit Fees

	Proposed fee £	Final fee £
Council Audit	66,296	66,296
Grant Certification	31,836	31,836
Total audit fees (excluding VAT)	£98,132	£98,132

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

Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• Certification of Housing Capital Receipts Grant	2,500
• Audit of Council's Harbour Accounts	2,000
Non-audit services	None
Total	4,500

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Thanet District Council (the 'Authority') for the year ended 31 March 2018 which 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 Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Deputy Chief Executive and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Deputy Chief Executive and Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Deputy Chief Executive and Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Audit opinion (continued)

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

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Deputy Chief Executive and Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of 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. In this authority, that officer is the Deputy Chief Executive and Section 151 Officer. The Deputy Chief Executive 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 2017/18, which give a true and fair view, and for such internal control as the Deputy Chief Executive and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Governance and Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper

Audit opinion (continued)

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

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

Report on other legal and regulatory requirements - Certificate

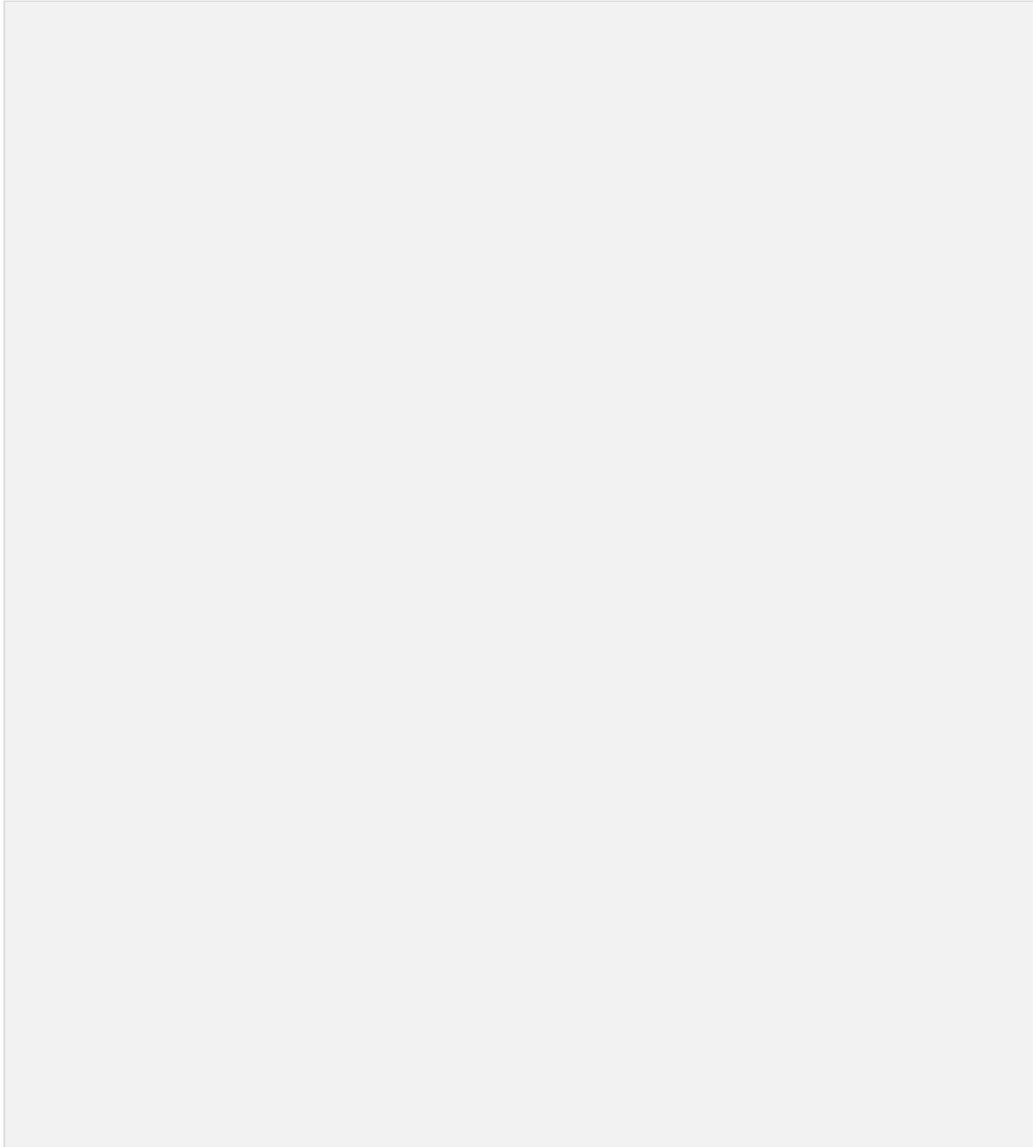
We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

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

Grant Thornton UK LLP
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RH10 1HS

xx July 2018





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STATEMENT OF ACCOUNTS 2017-18

Governance and Audit Committee **25 July 2018**

Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr Ian Gregory, Cabinet Member Finance and Estates
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Reasons for Key	N/A
Ward:	All Wards

Executive Summary:

In accordance with the Accounts and Audit Regulations 2015 the Committee is required to approve the Statement of Accounts for 2017-18.

Recommendations:

1. That the Committee approves the Statement of Accounts for 2017-18.
2. That the Committee notes the Letter of Representation to Grant Thornton issued by the Deputy Chief Executive and s151 Officer.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no direct financial implications arising from this report.
Legal	This is a statutory requirement.
Corporate	This is part of the external audit process.
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p>

	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1. Introduction

- 1.1 The Accounts and Audit (England) Regulations 2015 requires the council (through this Committee) to approve and publish the 2017-18 accounts by 31 July 2018. This deadline has been brought forward by two months. The Regulations also required the council to publish a draft set of accounts, subject to audit, by 31 May. This was a month earlier than previous years.
- 1.2 The draft Statement of Accounts for 2017-18 has now been audited by Grant Thornton. Grant Thornton is required to report to those charged with governance 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. It is also required to reach a formal conclusion on whether the council has put in place proper arrangements to secure value for money. A separate report to this Committee setting out its findings is included within the same agenda. The Committee is now asked to approve the audited accounts. These are provided at Annex 1.
- 1.3 The Committee must also consider the letter of representation on behalf of the council. The letter is provided at Annex 2.

2. Options

- 2.1 The council has a statutory duty to approve its accounts.

Contact Officer:	Ramesh Prashar – Head of Financial Services Gary Whittaker – Interim Finance Manager
Reporting to:	Tim Willis – Deputy Chief Executive and s151 Officer

Annex List

Annex 1	Statement of Accounts 2017-18
Annex 2	Letter of representation dated 25 July 2018

Corporate Consultation

Finance	Ramesh Prashar – Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance

Thanet District Council Statement of Accounts

2017-18
July 2018



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Narrative Report

Presented by Tim Willis, Deputy Chief Executive & 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 been maintained and Housing Revenue Account Balances have been increased by £1.04m.

Due to national austerity measures the council is facing and meeting major financial challenges. As part of the 2017 to 2021 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 2017-18 budgets have been met and substitute savings found where the plan could not reach target levels.

The 2018-19 budget and the 2018 to 2022 medium term financial strategy approved by council on 8 February 2018 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 (including revenue expenditure funded from capital) in the 4 year period of approximately £39.5m has been approved of which £1.6m will be applied to address some of the homelessness pressures being faced within the district and will contribute towards reducing the council's expenditure on homelessness.

In addition there have been some changes to the way the service is provided by East Kent Services (EKS). From 1 February 2018 the Revenues and Benefits and the Customer Services elements have been outsourced to Civica UK Limited including the transfer of employees (TUPE) in those service areas, with EKS retaining the day to day contract function along with the other functions already being provided (IT, Payroll and Human Resources).

These Draft Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (The Code) and are available for public inspection between 1 June 2018 and 12 July 2018.

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 2018. Sections containing this information are:

- Introduction to Thanet
- Key information about the council and 2017-18 management performance
- Financial performance in 2017-18
- Capital strategy and capital programme 2017-18 to 2018-19

Thanet District Council – Statement of Accounts 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 16) and the approval of the Chair of the Governance and Audit Committee (see page 14) once the audit of the accounts is complete.

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.

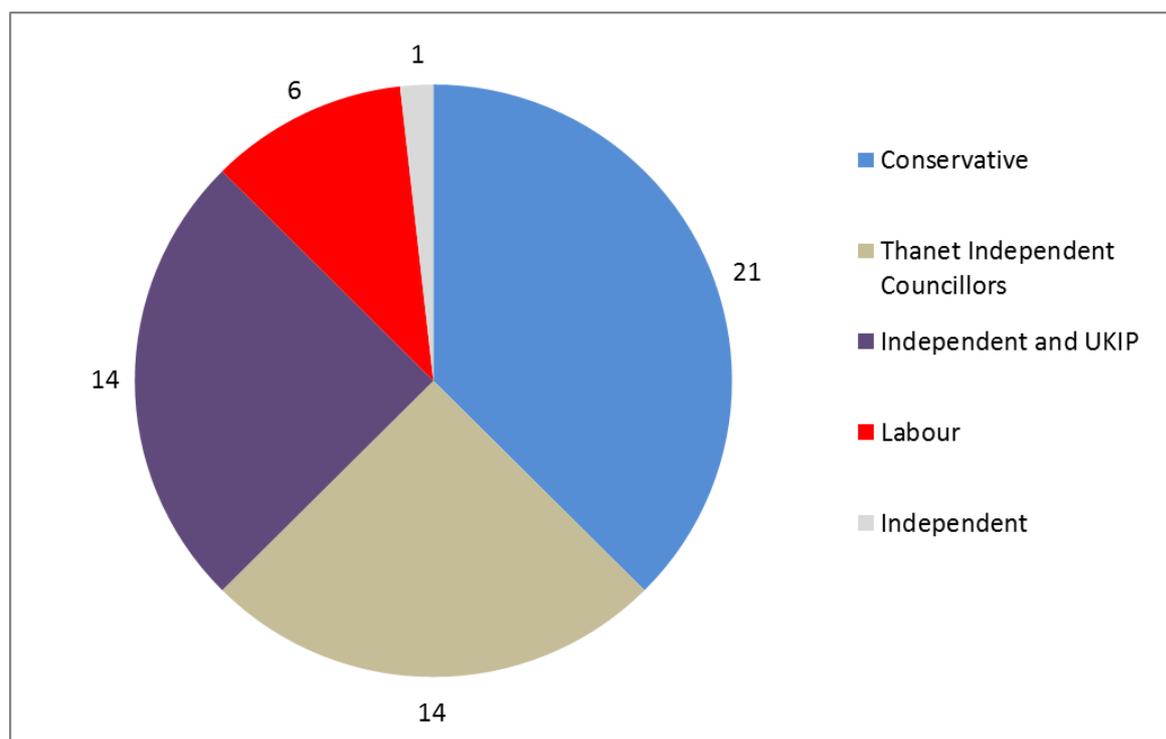
The Isle of Thanet is the major part of the District. Formed over 7,000 years ago it was once separated from the mainland by the Wantsum Channel.

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 35 out of 326 authorities (2015) placing it within England's 10% most deprived areas.

Key Information about the Council

Thanet has 23 Wards and 56 Councillors and as at 31 March 2018 the political makeup of the council was as follows:



Thanet District Council – Statement of Accounts 2017-18

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.

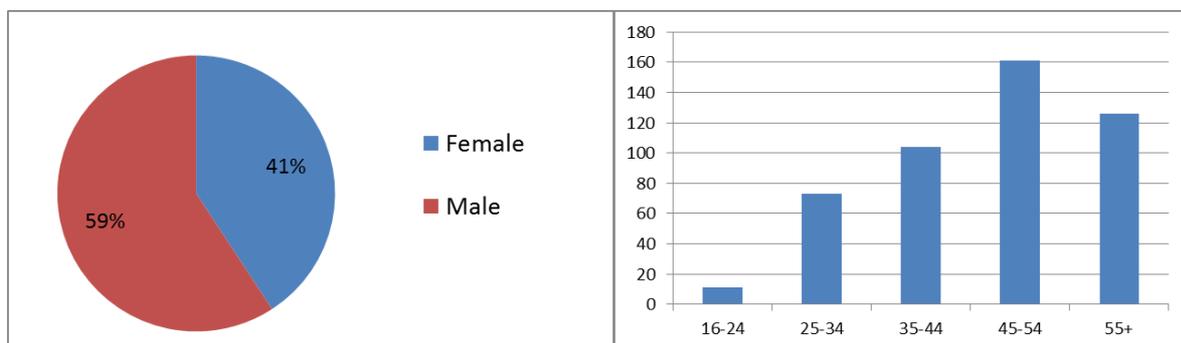
The council has adopted the Leader and Cabinet model as defined in the Local Government and Public Involvement in Health Act 2007. The Leader has the responsibility for the appointment of Cabinet members, allocation of portfolios and delegation of executive functions.

Cabinet members are held to account by a system of scrutiny which is set out in the constitution. Committees carrying out this function in 2017-18 were:

- Overview & Scrutiny
- Governance & Audit

People

The Council employs 475 staff (747 in 2016-17 before the transfer of EKS staff to Civica) in full and part time positions and the profile as follows:



Management Performance 2017-18

Here are some facts and figures:

- We collected 96.30% of the £71.97m of council tax due for the 2017-18 year (2016-17 96.50%)
- We collected 99.13% of the £34.02m of business rates due for the 2017-18 year (2016-17 99.07%)
- We paid 99.50% of the 11,649 invoices processed within 30 days of receipt (2016-17 96.64%)
- On average it took us 8.48 days to process a new housing benefit claim (2016-17 7.31 days)
- 84% of major planning applications were determined within the recommended timeframe, against a target of 81% (2016-17 85%)

Thanet District Council – Statement of Accounts 2017-18

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 largely completed in the cinema including the reinstatement of the iconic lighting. Our works compliment those of the operator following their announcement of an ongoing 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 2018 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.

Ellington Park Scheme – The council has commenced a detailed design work to bring forward the capital refurbishment of the park.

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 3 Executive Directors (Resources, Operational Services & Governance).

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

Financial Performance in 2017-18

The net worth of the council has increased by £35m mainly as a result of the reduction in the Pension Liability and the increase in the council's fixed assets:

	31 March 2017 £m	31 March 2018 £m
Long term assets	250	264
Net current assets (current assets less current liabilities)	26	29
Long term liabilities	(146)	(128)
Net Assets	130	165
Represented by:		
Usable reserves	39	42
Unusable reserves	91	123
Total Reserves	130	165

Thanet District Council – Statement of Accounts 2017-18

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.

A £16m reduction in the net pension liability to £94.2 million (£110.5 million as at 31 March 2017) 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 2018. The council relies and places assurance on the professional judgement of the actuary and the assumptions used to calculate this valuation. The main reason for the reduction is due to the transfer of EKS staff to Civica in February 2018.

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 £2.496m 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 £170k (£211k 2016-17). Total funds administered by treasury management had the following balances at the end of the year:

	31 March 2017	31 March 2018
	£m	£m
Cash & Cash Equivalents	25	24
Short term investments	17	17
	42	41

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 2017-18 budget performance is summarised below:

Thanet District Council – Statement of Accounts 2017-18

Service Area	2017-18 Budget £'000s	2017-18 Actual £'000s	2017-18 Variance £'000s
Chief Executive	381	340	(41)
Director of Corporate Resources & S151	6,633	6,991	358
Director of Community Services	4,238	4,431	193
Director of Corporate Governance	1,386	1,435	49
Director of Operational Services	5,405	6,285	880
Directorate Sub-Total	18,043	19,482	1,439
Internal Drainage Board rates	83	83	-
Interest & investment income	(14)	(173)	(159)
Interest payable & similar charges	657	436	(221)
Minimum Revenue Provision (MRP)	1,431	931	(500)
Town & Parish Council precepts	1,383	1,383	-
Movement on earmarked reserves	738	2,412	1,674
Charges to HRA, Capital & EKS	(2,270)	(2,228)	42
Total Net Expenditure	20,051	22,326	2,275

The table above summarises the 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.

Operational Services - savings targets were met in year but there was additional pressure in achieving budgeted income.

Corporate Resources - savings targets were met in year but additional pressure was experienced due to the increasing demand for housing benefits.

Community Services - savings targets were met in year but additional pressure was experienced in the Housing service due to increasing demand.

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

Financing	2017-18 Budget £'000s	2017-18 Actual £'000s	2017-18 Variance £'000s
Revenue Support Grant	(1,446)	(1,446)	-
Council Tax	(10,733)	(10,901)	(168)
Business Rates	(4,916)	(7,174)	(2,258)
New Homes Bonus Grant	(1,877)	(1,890)	(13)
Capital Grants	(1,079)	(694)	385
Other Grants	-	(221)	(221)
Total	(20,051)	(22,326)	(2,275)

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 £1.039m surplus in year mainly due to lower expenditure on capital projects being reflected in lower funding contributions from the revenue account.

Thanet District Council – Statement of Accounts 2017-18

The surplus was added to the working balance on the account which is £7.753m (£6.714m in 2016-17).

Financial Management - Capital

Programme performance and cost profile are included in this section.

General Fund Capital Programme	Revised 2017-18 Budget	Actual 2017-18	Variance to Revised 2017-18 Budget
	£'000s	£'000s	£'000s
Corporate Services (East Kent Services)	1,117	434	683
Community Services	5,382	3,146	2,236
Operational Services	9,063	2,405	6,658
Capital Salaries	75	62	13
Total Expenditure	15,637	6,047	9,590

39% of the revised budget was spent during the year and this reflects several projects where slippage has occurred and as a consequence outcomes have been re-profiled to match revised delivery dates. In particular, £3m of the carry-over is in respect of the purchase of Mill Lane car park in Margate and £1.5m towards urgent refurbishment and improvements to Ramsgate Harbour (gate, bridge and piles).

The following new assets have been recognised in the Balance Sheet as at 31 March 2018:

- IT infrastructure (£54k)
- Mail room equipment (£19k)
- Margate Harbour railings (£86k)
- Operational services vehicles (£1.904m)
- Ramsgate safety, flood and coast protection infrastructure (£57k)
- Manston depot plant (£41k)

HRA Capital Programme	Revised 2017-18 Budget	Actual 2017-18	Variance to Revised 2017-18 Budget
	£'000s	£'000s	£'000s
Major Works	2,249	2,037	(212)
Empty Properties Programme	4	-	(4)
Ramsgate Housing Intervention	86	3	(83)
Margate Housing Intervention	4,120	639	(3,481)
New Build Programme	5,775	634	(5,141)
Fort Road Hotel	180	163	(17)
Coastguard Cottages Major Works	201	216	15
93 Westcliff Road	34	9	(25)
1-4-1 Acquisitions Programme	1,130	790	(340)
St Johns Crescent	130	1	(129)
Total Expenditure	13,909	4,492	(9,417)

32% of the total programme was delivered in year with several programmes being re-profiled for delivery in 2018-19.

91% of the improvement programme in council stock was achieved in year with the remainder of the work being carried out in 2018-19.

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.

General Fund Capital Programme 2018-22	2018-19	2019-20	2020-21	2021-22
	£'000s	£'000s	£'000s	£'000s
Statutory and Mandatory Schemes	2,342	2,342	2,342	2,342
Annual Enhancement Schemes	378	703	2,620	700
Wholly/Part Externally Funded Schemes	695	693	3,335	780
Construction, Replacements and Enhancements	811	175	3,310	-
Capitalised Salaries	75	75	75	75
Total Expenditure	4,301	3,988	11,682	3,897

Use of General Fund Capital Resources 2018-22	2018-19	2019-20	2020-21	2021-22
	£'000s	£'000s	£'000s	£'000s
Capital Receipts and Reserves	1,014	453	830	275
Capital Grants and Contributions	3,037	3,010	5,597	3,122
Contributions from Revenue	-	25	50	-
Prudential Borrowing	250	500	5,205	500
Total Resources	4,301	3,988	11,682	3,897

The HRA Capital Programme as per the Medium Term Financial Strategy approved by Council on 8 February 2018 is as follows:

HRA Capital Programme 2018-22	2018-19	2019-20	2020-21	2021-22
	£'000s	£'000s	£'000s	£'000s
Major Works	3,793	2,978	2,400	2,400
Disabled Adaptations	300	300	300	300
Margate Housing Intervention	391	417	488	647
Total Expenditure	4,484	3,695	3,188	3,347

Use of HRA Capital Resources 2018-22	2018-19	2019-20	2020-21	2021-22
	£'000s	£'000s	£'000s	£'000s
Major Repairs Reserve	3,793	2,978	2,400	2,400
Revenue Contributions	300	300	300	300
New Properties Reserve	391	417	488	647
Total Resources	4,484	3,695	3,188	3,347

Prudential Borrowing and Capital Receipts

The Council's Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's indebtedness and so it's underlying borrowing need. As at 31 March 2018 the council's CFR was £47.562m (Note 36) and its external borrowings were £31.086m (Note 22).

During the year the council took out an interest-free loan of £43k from Salix Finance Ltd, repayable by instalments to April 2022. Salix Finance Ltd provides Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills.

During the year the council utilised its capital receipts balance to part-fund its capital programme (Note 30a), and also added £4.591m from asset disposals. This included disposal proceeds for land at Manston Road, Margate (£980k), Thanet Enterprise Centre at Dane Valley Road (£415k) and the disused shelter, toilets and lift shaft at Victoria Parade, Viking Bay, Broadstairs (£350k).

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 "Increase/(Decrease) (movements) in the year" line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and Housing Revenue Account (HRA) for Council Tax setting and dwellings rent setting purposes.

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

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

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

The Supplementary Financial Statements

Housing Revenue Account – 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 2017-18 Statement of Accounts on 25 July 2018.

Signed :

Date: 25 July 2018

Chair of the Governance and Audit Committee

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

Statement of Responsibilities for the Statement of Accounts

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

The Council's Responsibilities

The Council is required:

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

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

Deputy Chief Executive & Section 151 Officer's Responsibilities

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

In preparing this statement of accounts, the Deputy Chief Executive & Section 151 Officer has:

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

The Statement of Accounts gives a true and fair view of the financial position of Thanet District Council as at 31 March 2018 and of its income and expenditure for the year ended on that date.

Tim Willis CPFA
Deputy Chief Executive & Section 151 Officer
Date: 25 July 2018

Independent Auditors Report to the Members of Thanet District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Thanet District Council (the 'Authority') for the year ended 31 March 2018 which 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 Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Deputy Chief Executive and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Deputy Chief Executive and Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period

of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Deputy Chief Executive and Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Deputy Chief Executive and Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of 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. In this authority, that officer is the Deputy Chief Executive and Section 151 Officer. The Deputy Chief Executive 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 2017/18, which give a true and fair view, and for such internal control as the Deputy Chief Executive and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Governance and Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

25 July 2018

Movement in Reserves Statement

Detail of the movements and balances on the earmarked reserves are disclosed in Note 17.

For the Year Ended 31 March 2017	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Note 16 & 17	Note 16 & 17	Note 30a	Note 30	Note 30	Note 30	Note 31	
Balance at 1 April 2016	8,163	10,791	3,923	7,171	108	30,156	86,751	116,907
Movement in reserves during 2016-17:								
Total Comprehensive Income and Expenditure	(341)	(644)	-	-	-	(985)	13,723	12,738
Adjustments between accounting & funding basis under regulations (Note 16)	528	1,934	5,797	1,188	(28)	9,419	(9,419)	-
Increase/ Decrease (movement) in 2016-17	187	1,290	5,797	1,188	(28)	8,434	4,304	12,738
Balance at 31 March 2017 carried forward	8,350	12,081	9,720	8,359	80	38,590	91,055	129,645

Movement in Reserves Statement cont'd

For the Year Ended
31 March 2018

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Note 16 & 17	Note 16 & 17	Note 30a	Note 30	Note 30	Note 30	Note 31	
Balance at 1 April 2017	8,350	12,081	9,720	8,359	80	38,590	91,055	129,645
Movement in reserves during 2017-18:								
Total Comprehensive Income and Expenditure	9,936	(923)	-	-	-	9,013	26,343	35,356
Adjustments between accounting & funding basis under regulations (Note 16)	(8,498)	1,839	(499)	1,660	(37)	(5,535)	5,535	-
Increase/ Decrease (movement) in 2017-18	1,438	916	(499)	1,660	(37)	3,478	31,878	35,356
Balance at 31 March 2018 carried forward	9,788	12,997	9,221	10,019	43	42,068	122,933	165,001

Balance Sheet as at 31 March 2018

31 March 2017		31 March 2018	
£'000s		£'000s	£'000s
	Property, Plant & Equipment	Note 18	
133,534	Council Dwellings		142,159
53,828	Other land and buildings		57,933
3,366	Vehicles, plant, furniture and equipment		4,254
14,266	Infrastructure		13,788
11,724	Assets under construction		1,524
467	Surplus assets not held for sale		467
9,873	Heritage Assets	Note 19	20,590
22,550	Investment Property	Note 21	22,865
392	Long Term Debtors	Note 25	374
250,000	Long Term Assets		263,954
17,239	Short Term Investments	Note 22	17,243
173	Inventories		212
15,451	Short Term Debtors	Note 25	17,774
(5,416)	Impairment of Debtors	Note 25	(6,260)
24,780	Cash and Cash Equivalents	Note 26	24,155
74	Assets Held for Sale (< 1year)	Note 27	74
52,301	Current Assets		53,198
984	Short Term Borrowing	Note 22	1,006
19,824	Short Term Creditors	Note 28	14,770
2,536	Provisions	Note 29	3,428
3,252	Grant Receipts in Advance	Note 15	5,230
26,596	Current Liabilities		24,434
31,047	Long Term Borrowing	Note 22	30,455
113,798	Other Long Term Liabilities	Note 38/39	97,105
1,215	Grant Receipts in Advance	Note 15	157
146,060	Long Term Liabilities		127,717
129,645	Net Assets		165,001
	Represented By:		
	Usable Reserves		
2,011	General Fund	Note 30	2,011
11,706	Earmarked Reserves	Note 17	13,021
6,714	Housing Revenue Account	Note 30	7,753
9,720	Capital Receipts Reserve	Note 30a	9,221
8,359	Major Repairs Reserve	Note 30	10,019
80	Capital Grants Unapplied	Note 30	43
	Unusable Reserves		
79,833	Revaluation Reserve	Note 31a	96,779
(235)	Accumulated Absences Reserve	Note 31e	(187)
(110,534)	Pensions Reserve	Note 31c	(94,194)
120,373	Capital Adjustment Account	Note 31b	120,244
4	Deferred Capital Receipts		3
1,614	Collection Fund Adjustment Account	Note 31d	288
129,645	Total Reserves		165,001

Signed:

Tim Willis CPFA

Date: 25 July 2018

Deputy Chief Executive & Section 151 Officer

Cash Flow Statement

2016-17 £'000s			2017-18 £'000s
985	Net (surplus) or deficit on the provision of services		(9,013)
(23,332)	Adjust net surplus or deficit on the provision of services for non-cash movements	Note 32a	(923)
13,536	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 32b	5,597
(8,811)	Net cash flows from Operating Activities		(4,339)
5,284	Investing Activities	Note 33	3,276
(4,177)	Financing Activities	Note 34	1,688
(7,704)	Net (increase) or decrease in cash and cash equivalents	Note 26	625
(17,076)	Cash and cash equivalents at the beginning of the reporting period		(24,780)
(24,780)	Cash and cash equivalents at the end of the reporting period		(24,155)

Notes to the Core Financial Statements

1. Accounting Policies

General

The Statement of Accounts summarises the Council's transactions for the 2017-18 financial year and its position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts in accordance with the statutory framework established in England by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practice. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code) supported by the International Financial Reporting Standards (IFRS).

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

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.

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 Council transfers the risks and rewards of ownership to the purchaser and it is probable that the economic benefits will flow to the Council
- Revenue from the provision of services is recognised when the Council can reliably measure the level of completion of the transaction and it is probable that economic benefits will flow to the Council
- 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 Council and the amount of revenue can be measured reliably.

Exceptions to this principle are public utility accounts which are charged according to the date of the meter reading and some recurring sundry debtor accounts and annual fees for which the due dates do not coincide with normal quarter or year dates, subject to materiality. This policy is applied consistently each year and does not have a material effect on the year's accounts.

Cash and Cash Equivalents

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

convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Material Items of Income and Expenditure

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

Prior Period Adjustments

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

Charges to Revenue for Non-Current Assets

Service revenue accounts are debited with the following amounts to record the real cost of holding non-current 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 Council 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.

Benefits Payable During Employment

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.

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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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The formal valuation of the Fund for the purpose of setting employers' actual contributions disclosed in these accounts was as at 31 March 2017 and this has been used to update the service cost figures.

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% 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.

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

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

Events after the Reporting Period

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

Events that occur after the Balance Sheet date indicative of conditions arising after the Balance Sheet date will not be adjusted in the Accounting Statements, but will be disclosed in the Notes to the Core Financial Statements, 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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in accordance with the loan agreements.

Financial Instruments – Financial Assets

The Council's financial assets are classified into:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

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

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

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

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

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

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

Government and Non-Government Grants and Contributions

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

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

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

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

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

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are

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credited to the foot of the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grant Income.

Heritage Assets

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

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

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

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

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

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

Intangible Assets

In line with IAS 38 (Intangible Assets), expenditure on intangible fixed assets is capitalised at cost. An intangible fixed asset is one that has no physical substance but is identifiable and the Council has control, (either through custody or legal protection) over the future economic benefits derivable from it.

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

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

Interests in Companies and Other Entities

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

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

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

Inventories, Rechargeable Works and Long Term Contracts

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

The Code and IAS 2 (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 Council in conjunction with other bodies where there is joint control and the parties have rights to the assets, and obligations for the liabilities of the arrangement. Joint control exists where unanimous consent is required from the parties sharing control for decisions about relevant activities. The Council recognises on its Balance Sheet its own assets and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of the income it may earn from the activity of the operation.

Leases

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

Where the Council is a Lessee

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

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

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

Where the Council is a Lessor

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

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

Overheads and Support Services

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

Property, Plant and Equipment and Investment Property

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

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

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Measurement: Non-current assets have been valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). They have been classified in accordance with the IFRS Code and have been valued on the following bases:

- a) **Land and Operational Buildings** – the lower of net current replacement cost or net realisable value (as certified by the Estates Surveyor)
- b) **Council Dwellings** – existing use value for social housing, including regional adjustment factors as amended from time to time
- c) **Heritage Assets** – (see separate accounting policy)
- d) **Infrastructure Assets** – historical costs net of depreciation
- e) **Vehicles, Plant and Equipment** – the lower of net current replacement cost or net realisable value
- f) **Community Assets** – historic cost
- g) **Investment Properties** – normally open market value

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

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

Revaluation: Revaluations of non-current assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of the Council's assets annually. Council Dwellings are re-valued annually using the Beacon principle. Identified material changes to asset valuations will be adjusted in the interim period, as they occur. The Asset Valuations in these accounts have been prepared by the Council's internal Estates Surveyors Lesley Trim BSc MRICS Chartered Surveyor RV, apart from the valuation of specialist assets such as council dwellings and Ramsgate Port/Harbour, where the services of external valuers are used. The valuations were produced in accordance with guidelines issued by CIPFA, and in accordance with the Royal Institute of Chartered Surveyors current guidance notes for Asset Valuation. The date of valuation for the General Fund is 31 December 2017.

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 2018.

Surpluses from any revaluation of assets are credited to the Revaluation Reserve and are used to offset any subsequent revaluation loss with the exception of investment properties that are charged directly to the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account to ensure that no cost falls to the taxpayer. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The Council has decided to adopt a phased approach to annual valuation of its land, operational buildings and investment properties due to the size of the portfolio. From April 2010 investment properties with a value in excess of £100,000 are valued annually and from April 2017, land and operational buildings with a value in excess of £800,000 are valued

annually. The remaining properties are included in the existing 5 yearly rolling programme of revaluation.

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

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transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Right to Buy disposals are payable to Government, net of allowable deductions. Since the changes to the pooling of capital receipts (1st April 2012) and the introduction of the Governments 1-4-1 replacement programme, which the Council adopted, a higher proportion of receipts are retained. These housing receipts are retained for the 1-4-1 replacement of Council Dwellings and for investment in certain regeneration projects or affordable housing. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the reserve through the Movement in Reserves Statement.

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

Depreciation: With the exception of Investment Properties and Land (which are not subject to depreciation), assets are depreciated on a straight line basis over their useful economic life as follows:

Council Dwellings	Up to 60 years
Infrastructure	Up to 40 years
Heritage Assets	Varies on asset type, see separate accounting policy
Other Buildings	Specifically determined by Estates Officer
Vehicles	Up to 12 years
Plant	Up to 10 years
Surplus assets	Up to 40 years

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. On revaluation, accumulated depreciation is written out for both current value and historical cost with subsequent depreciation calculated on a straight line basis over the remaining useful life of the asset.

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

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

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

Provisions

Provisions represent sums set aside for liabilities or losses which are likely or certain to be incurred 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.

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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 (VO) data on successful and outstanding appeals. As there is potential for such appeals to be backdated to the last VO valuation of the rating list, (the closing date for backdating to the 2010 list being 31st March 2015) the amount set aside includes an element for backdating. An estimated provision is also made for appeals that may yet be lodged, based on new assessments due to be added to the rating list if the estimated assessment is material. Where relevant historical VO data is not available as a result of the new 2017 Ratings List and the recently introduced Check, Challenge and Appeal process, an estimated contingency sum has been added.

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 non-current assets and retirement benefits and they do not represent usable resources for the Council.

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

Contingent Assets and Liabilities

Contingent Liabilities are defined as possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. 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 Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

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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 Pool

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

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.

1a. Accounting Standards Issued, not yet Adopted

The 2018-19 Code of Practice on Local Authority Accounting adopts the changes to accounting standard IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The Council does not hold financial instruments at 31 March 2018 whose accounting treatment would be substantially affected by the introduction of changes from IFRS 9.

IFRS 15 requires local authorities to recognise revenue in such a way that it represents the transfer of promised goods and services to the customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. Since this Council has relatively predictable income streams the Council is of the view that this Standard will not have a substantial effect.

2. Critical Judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council is satisfied that its financial management procedures are robust and that it has sufficient reserves to mitigate any adverse economic trends.
- The Council annually revalues its Investment Properties with a value of over £100k, and its General Fund Operational Land and Buildings with a value of over £800k. It is not considered feasible or financially viable to value all assets

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annually and the Council revalues all its other Investment Properties and General Fund Operational Land and Buildings on a five yearly rolling cycle. The Council has also implemented a desk top review process to assess whether or not the valuation held on the balance sheet is materially different from that if an actual year end valuation had taken place. This assessment has identified an estimated increase of £0.880m (1.55%) against the operational asset base of £56.982m, and £0.479m (2.10%) against the investment property asset base of £22.865m. This is considered to be immaterial and no adjustment has been made to the balance sheet. The current revaluation policy (including frequency, methodology and classifications) states that any material changes to asset valuations will be adjusted in the interim period as they occur. All valuations are performed in accordance with RICS and CIPFA guidance.

- Dreamland is considered to be the oldest surviving pleasure park in Great Britain (dating back to the British railway boom of the early 1860's) and has been restored specifically as a vintage site. The amusement park is regarded as a heritage asset in these accounts as it is essential to provide the heritage dreamland activities/services from the site, which is held and maintained principally for its contribution to knowledge and culture. The specific site is an integral part of the heritage experience (being the original location of the park) as are certain features of the site such as the iconic Grade II Listed Scenic Railway and cinema complex. Given that the amusement park is a specialist asset providing a unique heritage experience, it is measured at historical cost as it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of these accounts. The restoration of the Dreamland building was completed during the year and accordingly was reclassified from an asset under construction to a heritage asset at historical cost, for the reasons given above.
- The Council has entered into an agreement with East Kent Housing Limited that if the company is not able to make payments to the Kent Local Government Pension Fund in respect of the pensionable service of employees transferred from the council, then the council will meet such payments. East Kent Housing Limited's pension liability has decreased from £10.2 to £10.1m at 31st March 2018. The company remains able to meet its current pension obligations and will not be making calls on the four owner councils towards its pension liability. The council's share of this liability is £2.52m but it has been concluded that the financial risk associated with the liability crystallising is immaterial and on this basis the liability has not been accounted for at fair value through profit and loss.

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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of operational assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £781k for every year that useful lives had to be reduced.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie.Level 1 inputs), their fair value is measured using valuation techniques such as quoted prices for similar assets or liabilities in active markets or using the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authorities assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (eg. for investment properties the authority’s valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority’s assets and liabilities are disclosed in Notes 21 and 22.	The authority uses the discounted cash flow (DCF) model and the market, income and cost approaches to measure the fair value of some of its property assets and financial assets. The significant unobservable inputs used in the fair value measurement include the management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the relevant property assets and financial assets/liabilities.

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Pensions Liability	<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 £3.639m and an increase of one year to the mortality rate would result in an increased pension liability of £8.978m. However, the assumptions interact in complex ways.</p>
Impairment	<p>At 31 March 2018, the Authority had a balance of sundry debtors of £1.626m. 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 £1.186m) would require an additional £118.6k to be set aside as an allowance.</p>
Investment Property Asset Values	<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 £6.314m have not been revalued in 2017-18. In general, the asset valuations for investment properties have gone up by 1.84% in 2017-18. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £116k to the asset valuation.</p>
Business Rate Appeals	<p>The Council has a significant number of outstanding appeals against the Valuation Office (VO) rating list (Rateable Value £15.453m) 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 £2.496m.</p>	<p>If the top ten appeals were successful (RV 12.035m) and rateable values were reduced by 5% more than originally estimated and backdated to 2010 (if relevant) then an additional £0.774m 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 Deputy Chief Executive & S151 Officer on 25 July 2018. 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 2018, figures and disclosures in the accounts require adjustment. No such material events have occurred.

4a. Material Items of Income and Expense

In the Comprehensive Income and Expenditure Statement within the Director of Corporate Resources and Section 151 Officer expenditure of £55.621m is an exceptional one off pension credit of £14.8m in respect of the transfer of staff from the council to Civica UK Ltd, following the council's decision to outsource a number of functions previously undertaken within East Kent Services. The credit is a notional entry determined by the pension actuary and is reversed out through the Movement in Reserves Statement to ensure it does not impact on the final General Fund reserve balance. Further details can be found in Note 38 to the accounts.

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.

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31 March 2017				31 March 2018		
Expenditure Chargeable to the GF & HRA Balances	Adjustment between Funding and Accounting Basis	Net Expenditure in the CIES		Expenditure Chargeable to the GF & HRA Balances	Adjustment between Funding and Accounting Basis	Net Expenditure in the CIES
£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
395	-	395	Chief Executive	352	-	352
2,619	4,715	7,334	Director of Corporate Resources & Section 151 Officer	(280)	(7,394)	(7,674)
7,614	-	7,614	Director of Operational Services	10,081	-	10,081
(3,359)	-	(3,359)	Director of Community Services	(2,158)	-	(2,158)
2,802	-	2,802	Director of Corporate Governance	3,296	-	3,296
4,336	-	4,336	East Kent Shared Services	4,651	-	4,651
14,407	4,715	19,122	Cost of Services	15,942	(7,394)	8,548
(15,884)	(2,253)	(18,137)	Other Income and Expenditure	(18,296)	735	(17,561)
(1,477)	2,462	985	(Surplus) or Deficit on Provision of Services	(2,354)	(6,659)	(9,013)
(18,954)			Opening General Fund & HRA balance as at 31st March	(20,431)		
(1,477)			Surplus on General Fund and HRA balance in year	(2,354)		
(20,431)			Closing General Fund & HRA balance as at 31st March	(22,785)		

5a. Note to the Expenditure and Funding Analysis

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

31 March 2017				Adjustments from General Fund & HRA to arrive at the Comprehensive Income & Expenditure Statement amounts	31 March 2018			
Capital Purposes	Net Change for Pensions	Other Statutory Differences	Total		Capital Purposes	Net Change for Pensions	Other Statutory Differences	Total
£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s
1,825	2,878	12	4,715	Director of Corporate Resources & Section 151 Officer	3,365	(10,711)	(48)	(7,394)
-	-	-	-	Director of Corporate Governance	-	-	-	-
-	-	-	-	East Kent Shared Services	-	-	-	-
1,825	2,878	12	4,715	Cost of Services	3,365	(10,711)	(48)	(7,394)
1,226	-	-	1,226	Other Operating Expenditure	(32)	-	-	(32)
(817)	-	-	(817)	Financing and Investment Income and Expenditure	(560)	-	-	(560)
-	-	(2,662)	(2,662)	Taxation and Non-Specific Grant Income and Expenditure	-	-	1,327	1,327
409	-	(2,662)	(2,253)	Other Income & Expenditure from the Expenditure & Funding Analysis	(592)	-	1,327	735
2,234	2,878	(2,650)	2,462	Difference between General Fund & HRA (Surplus)/Deficit and Comprehensive Income & Expenditure Statement (Surplus)/Deficit on the Provision of Services	2,773	(10,711)	1,279	(6,659)

6. Expenditure and Income Analysed by Nature

2016-17 £'000s		2017-18 £'000s
	Expenditure	
27,961	Employee benefits expenses	13,819
66,589	Housing benefit expenditure	60,529
27,475	Other service expenses	31,396
10,709	Depreciation amortisation and impairment	10,387
1,029	Loss on disposal of non-current assets	(228)
1,360	Interest payments	1,165
1,146	Precepts and levies	1,383
136,269		118,451
	Income	
(41,356)	Fees and charges and other service income	(44,074)
(15,613)	Income from Council tax and Business Rates	(16,749)
(14,198)	Government grants and contributions	(9,264)
(63,906)	Housing benefit subsidy	(57,207)
(211)	Interest and investment income	(170)
(135,284)		(127,464)
985	Deficit on Provision of Services	(9,013)

Segment Analysis

2016-17	Revenues from External Customers £'000s	Interest Revenue £'000s	Interest Expense £'000s	Depreciation and Amortisation £'000s
Directorate				
Chief Executive	(9)	-	-	-
Director of Corporate 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)	-	-	-
Total	(41,356)	(211)	1,360	7,963

2017-18	Revenues from External Customers £'000s	Interest Revenue £'000s	Interest Expense £'000s	Depreciation and Amortisation £'000s
Directorate				
Chief Executive	-	-	-	-
Director of Corporate Resources & S151 Officer	(4,794)	(93)	1,165	3,987
Director of Operational Services	(10,060)	(1)	-	3,098
Director of Community Services	(18,570)	(76)	-	783
Director of Corporate Governance	(2,933)	-	-	628
East Kent Shared Services	(7,717)	-	-	-
Total	(44,074)	(170)	1,165	8,496

7. Other Operating Expenditure

2016-17 £'000s		2017-18 £'000s
1,146	Parish Council Precepts	1,383
198	Payments to the Housing Capital Receipts Pool	196
1,029	(Gains)/Losses on the disposal of non-current assets	(228)
2,373	Total	1,351

8. Financing and Investment Income and Expenditure

2016-17 £'000s		2017-18 £'000s
1,359	Interest Payable and Similar Charges	1,165
106	Impairment of Financial Instruments	13
3,665	Net Interest on the Net Defined Benefit Liability	2,924
(211)	Interest Receivable and similar income	(170)
(40)	(Gain)/Loss on Trading Operations (see below)	(18)
(463)	Income and Expenditure on investment properties-Note 21	(913)
(817)	Changes in fair value of investment properties	(560)
3,599	Total	2,441

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:

2016-17 (Surplus)/ Deficit £'000s	Trading Service	2017-18 Expenditure £'000s	2017-18 Income £'000s	2017-18 (Surplus)/ Deficit £'000s
(40)	Building Control	345	(363)	(18)
	Building Control	2015-16 (Surplus)/ Deficit £'000s	2016-17 (Surplus)/ Deficit £'000s	2017-18 (Surplus)/ Deficit £'000s
	Turnover	(336)	(386)	(363)
	Expenditure	352	346	345
	Total	16	(40)	(18)

9. Taxation and Non-Specific Grant Income

2016-17 £'000s		2017-18 £'000s
(10,085)	Council Tax Income	(10,779)
(14,154)	Business Rates Income	(13,972)
8,626	Business Rates Expenditure (Tariff)	8,002
(5,555)	Non Ring Fenced Government Grants	(3,557)
(2,941)	Capital Grants and Contributions (see note 16)	(1,047)
(24,109)	Total	(21,353)

10. On Street Parking Services

The Council administers and controls the on-street parking services on behalf of Kent County Council. Any surpluses on the account are used by the Council for future investment in the local transport infrastructure within the area. Prior year figures have been restated to correct a minor disclosure error.

2016-17 £'000s		2017-18 £'000s
(295)	Net Cost of Service Brought Forward	(511)
1,107	Gross Expenditure	1,124
42	Movement in Provision for unpaid fines	81
-	Use of Reserve	145
(1,365)	Gross Income	(1,460)
(511)	Balance Carried Forward	(621)

11. Members' Allowances

2016-17 £'000s		2017-18 £'000s
367	Allowances	364
2	Expenses	1
369	Total	365

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

12. Remuneration of Employees

The table below shows the number of employees whose remuneration, excluding employer's pension contributions, exceeded £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.

2016-17		Remuneration Band £	2017-18	
Number of Staff Total	Left during year		Number of Staff Total	Left during year
7	-	50,000 – 54,999	6	-
8	1	55,000 – 59,999	2	-
3	-	60,000 – 64,999	2	1
1	-	65,000 – 69,999	6	2
-	-	70,000 – 74,999	3	1
1	-	75,000 – 79,999	3	1
-	-	80,000 – 84,999	-	-
2	1	85,000 – 89,999	1	-
1	-	90,000 – 94,999	1	-
-	-	95,000 – 99,999	-	-
2	-	100,000 – 104,999	2	-
1	-	105,000 – 109,999	-	-
-	-	110,000 – 114,999	1	-
1	-	115,000 – 119,999	-	-
-	-	120,000 – 124,999	1	-

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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) £	Other Cash Benefits £	Comp. for loss of office £	Total Remun. Excl. pension contribs £	Pension contribs £	Total Incl. pension contribs £
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
Total	745,438	32,000	-	777,438	99,250	876,688

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

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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 2017-18.

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

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

Note 2: The Director of Community Services left during 2017-18.

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

Bands	Number of Compulsory Redundancies		Number of other departures		Total Number of packages in each band		Total cost of packages in each band	
	16-17	17-18	16-17	17-18	16-17	17-18	16-17 £'000	17-18 £'000
0 - 20,000	6	4	5	4	11	8	85	70
20,001 - 40,000	2	1	1	3	3	4	68	121
40,001 - 60,000	-	3	-	-	-	3	-	148
60,001 - 80,000	-	-	-	-	-	-	-	-
80,001 - 100,000	-	-	-	-	-	-	-	-
Total Cost Included in Bandings							153	339

13. External Audit Costs

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

2016-17 £'000s	Fees payable to external auditors	2017-18 £'000s
66	External audit work carried out by the appointed auditor	66
-	Prior year refund of audit services fees	(8)
-	Statutory Inspection/Objections	9
34	Certification of grant claims and returns	50
100	Total	117

14. 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.

2016-17 (Surplus)/ Deficit £'000s		2017-18 Expenditure £'000s	2017-18 Income £'000s	2017-18 (Surplus)/ Deficit £'000s
2,249	Port of Ramsgate	3,648	(1,011)	2,637
(558)	Ramsgate Royal Harbour	2,073	(2,300)	(227)
(57)	Broadstairs Harbour	39	(85)	(46)
23	Margate Harbour	29	(6)	23
1,657	Total	5,789	(3,402)	2,387

15. Grant Income

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

Thanet District Council – Statement of Accounts 2017-18

Credited to Taxation and Non Specific Grant Income

2016-17 £'000s	Grant	2017-18 £'000s
-	Environment Agency	(55)
(1,370)	HCA – Cluster Bid	(244)
(1,503)	Historic Grants	(619)
(9)	Police and Crime Commissioner	-
(59)	Regional Housing Board	-
-	SELEP/KCC	(74)
-	Section 106	(55)
(2,941)	Total	(1,047)

Credited to Services

2016-17 £'000s	Grant	2017-18 £'000s
(15)	Arts Council England	(6)
(1)	Big Lottery Fund	(35)
(26)	Canterbury City Council	-
(105)	Coastal Communities	(59)
(3)	DEFRA	-
(64,792)	DWP	(58,136)
(8)	Environment Agency	(132)
(69)	GOSE	(53)
(507)	Heritage Lottery Fund	(440)
-	Historic England	(31)
-	HMRC	(1)
(2)	Interreg	-
(2,745)	Kent County Council	(685)
-	Kent Fire	(3)
(3)	Kent Police	(19)
(12)	Kent Resource Partnership	(3)
(68)	LGA	-
(874)	MHCLG	(3,011)
(192)	NNDR	(192)
(27)	Police and Crime Commissioner	(34)
(410)	Section 106	(198)
-	Wellcome Trust	(10)
373	Royal Sands Bond	-
(656)	Other Contributions	(725)
(70,142)	Total	(63,773)

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:

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Capital Grants Receipts In Advance

2016-17 £'000s	Grant	2017-18 £'000s
(560)	Coastal Communities Fund	-
(8)	Environment Agency	(1,018)
(35)	Homes England	(15)
(27)	Kent County Council	(3)
(5)	MHCLG	(597)
(1,676)	Section 106	(1,620)
(397)	Regional Housing Board	(431)
(2,708)	Total	(3,684)

Revenue Grants Receipts in Advance

2016-17 £'000s	Grant	2017-18 £'000s
(6)	Arts Council England	-
(73)	Coastal Communities Fund	(14)
-	Community Safety Partnership	
(11)	Canterbury City Council	(11)
(3)	DCMS	(3)
(13)	DEFRA	(18)
(24)	Dover District Council	(24)
(321)	DWP	(324)
(10)	East Kent Local Strategic Partnership	(10)
(49)	Environment Agency	(30)
(4)	GOSE - Migration Impact Fund	(2)
(9)	Heritage Lottery Fund	(7)
(27)	Homes England	(27)
-	HMRC	(72)
(303)	Kent County Council	(301)
(165)	Kent Police	(147)
(47)	Kent Fire	(44)
(3)	Kent Resource Partnership	-
(4)	LGA	(4)
(496)	MHCLG	(426)
(15)	Police and Crime Commissioner	(31)
(77)	Section 106	(98)
(3)	Sports Funding	(14)
(93)	Thanet Coast Project	(91)
-	Wellcome Trust	(4)
(3)	Windows of Opportunity	(1)
(1,759)	Total	(1,703)

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:

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2016-17		2017-18
£'000s		£'000s
(1,759)	Revenue – Short Term	(1,703)
(1,493)	Capital – Short Term	(3,527)
(1,215)	Capital – Long Term	(157)
(4,467)	Total	(5,387)

Notes Supporting the Movement in Reserves Statement

16. Adjustments Between Accounting Basis and Funding Basis under Regulations

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

2016-17	General Fund Balance £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable Reserves £'000s
Adjustments primarily involving the Capital Adjustment Account						
Depreciation and impairment of non-current assets	4,153	139	-	3,632	-	(7,924)
Revaluation losses of non-current assets	216	2,530	-	-	-	(2,746)
Movements in the fair value of investment properties	(817)	-	-	-	-	817
Amortisation of intangible assets	39	-	-	-	-	(39)
Capital grants and contributions applied	(1,912)	(1,370)	-	-	-	3,282
Revenue expenditure funded from capital under statute	70	-	-	-	-	(70)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	3,490	3,674	2,600	-	-	(9,764)
Statutory provision for repayment of debt	(917)	-	-	-	-	917
Capital expenditure charged to the General Fund	(374)	(845)	-	-	-	1,219
Adjustments primarily involving the Capital Grants Unapplied Reserve						
Application of grants to capital financing transferred to Capital Adjustment Account	-	-	-	-	(28)	28
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	(3,842)	(2,294)	6,136	-	-	-
Costs of disposal funded from capital receipts	67	29	(96)	-	-	-
Use of the CRR to finance new capital expenditure	-	-	(2,682)	-	-	2,682
Use of the CRR to finance payments to the Government capital receipts pool	198	-	(198)	-	-	-
Transfer from deferred capital receipts	-	-	37	-	-	(37)
Adjustments primarily involving the Major Repairs Reserve						
Use of the MRR to finance new capital expenditure	-	-	-	(2,444)	-	2,444
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	7,858	141	-	-	-	(7,999)
Employer's pension contributions and in year payments direct to pensioners	(5,051)	(70)	-	-	-	5,121
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	(2,662)	-	-	-	-	2,662
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	12	-	-	-	-	(12)
Total Adjustments	528	1,934	5,797	1,188	(28)	(9,419)

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2017-18

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

17. Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2017-18.

For the Year Ended 31 March 2017	1 April 2016 £000's	Transfers Between Reserves £000's	Revenue Approp. £000's	31 March 2017 £000's
General Fund				
Local Taxation Funding Reserve	3,314	(100)	(1,860)	1,354
Investment & Growth Reserve	1,547	200	145	1,892
Risk & Insurance Reserve	432	39	1,638	2,109
Repairs & Renewals Reserve	859	(139)	264	984
HRA				
Slippage Fund – HRA	31	-	(31)	-
HRA Properties	5,464	-	(97)	5,367
	11,647	-	59	11,706

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

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

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

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

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

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

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

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

Notes Supporting the Balance Sheet

18. Property, Plant and Equipment

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

	Council Dwellings	Other Land and Buildings	Heritage Assets	Vehicles, Plant and Equip	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2016	114,926	64,785	9,207	11,686	22,457	-	8,255	737	232,053
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 Impairment charged to CI&E	(2,530)	-	(99)	-	-	(232)	(11)	-	(2,872)
Downward Revaluation & Impairment charged to the Revaluation Reserve	(216)	(3,689)	-	-	-	-	-	-	(3,905)
Gross Asset Valuation	133,534	59,897	9,873	11,774	22,457	-	11,724	467	249,726
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 Depreciation on Revaluation	(3,632)	(649)	-	-	-	-	-	-	(4,281)
Other depreciation adj.	-	(259)	-	(225)	-	-	-	(12)	(496)
Gross Depreciation c/fwd	-	6,069	-	8,408	8,191	-	-	-	22,668
Net Book Value:									
as at 31 March 2017	133,534	53,828	9,873	3,366	14,266	-	11,724	467	227,058
as at 31 March 2016	114,926	60,504	9,207	3,988	14,828	-	8,255	725	212,433

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	Council Dwellings	Other Land and Buildings	Heritage Assets	Vehicles, Plant and Equip	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2017	133,534	59,897	9,873	11,774	22,457	-	11,724	467	249,726
Additions	3,622	453	761	2,037	85	32	768	-	7,758
Disposals	-	(414)	-	(1,120)	-	-	-	-	(1,534)
Reclassifications	(102)	(956)	10,245	63	-	-	(10,968)	-	(1,718)
Revaluation & Restatements	7,627	2,823	-	-	-	-	-	-	10,450
Recognition	-	-	-	60	-	-	-	-	60
Downward Revaluation and Impairment charged to CI&E	(1,975)	(38)	(289)	-	-	(32)	-	-	(2,334)
Downward Revaluation & Impairment charged to the Revaluation Reserve	(547)	(1,178)	-	-	-	-	-	-	(1,725)
Gross Asset Valuation	142,159	60,587	20,590	12,814	22,542	-	1,524	467	260,683
Depreciation b/fwd	-	6,069	-	8,408	8,191	-	-	-	22,668
Depreciation 2017-18	3,643	2,737	-	1,212	563	-	-	-	8,155
Write out Accumulated Depreciation on Revaluation	(3,643)	(6,042)	-	-	-	-	-	-	(9,685)
Other depreciation adj	-	(110)	-	(1,060)	-	-	-	-	(1,170)
Gross Depreciation c/fwd	-	2,654	-	8,560	8,754	-	-	-	19,968
Net Book Value:									
as at 31 March 2018	142,159	57,933	20,590	4,254	13,788	-	1,524	467	240,715
as at 31 March 2017	133,534	53,828	9,873	3,366	14,266	-	11,724	467	227,058

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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. £7.627m of the total £10.351m revaluation in 2017-18 relates to Council Dwellings.

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

	Council Dwellings £'000	Land, Buildings £'000	Heritage £'000	Surplus £'000	Investment Properties £'000	Total £'000
Carried at:						
Cost	-	1,042	20,344	-	-	21,386
Current Value						
Pre 2012	-	-	197	-	-	197
2012-13	-	-	-	-	-	-
2013-14	-	646	-	-	923	1,569
2014-15	-	2,987	49	-	1,313	4,349
2015-16	-	3,148	-	-	3,369	6,517
2016-17	-	1,831	-	-	709	2,540
2017-18	142,159	50,933	-	467	16,551	210,110
Total Value	142,159	60,587	20,590	467	22,865	246,668

The Dreamland Amusement park heritage assets (£20.344m), vehicles, plant and equipment, infrastructure, and assets under construction are carried at historical cost. Other Land and Buildings includes HRA development sites (which have not yet been valued) at cost of £1.042m.

19. Heritage Assets

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

	War Memorials Public Statues £,000s	Museum Artefacts £,000s	Art Collection £,000s	Civic Regalia £,000s	Dreamland £,000s	Total £,000s
1 April 2017	113	30	85	18	9,627	9,873
Additions	-	-	-	-	761	761
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	10,245	10,245
Recognition	-	-	-	-	-	-
Upward Revaluation	-	-	-	-	-	-
Depreciation	-	-	-	-	(182)	(182)
Devaluation/Impairment to C I & E	-	-	-	-	(107)	(107)
31 March 2018	113	30	85	18	20,344	20,590

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, as is capital expenditure on the cinema complex (which has been reclassified from Assets under Construction during the year). Additions in 2017-18 relate to the amusement park, cinema complex and 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 that both the amusement park and cinema complex are specialist assets giving a unique heritage experience, they will be measured at historical cost rather than valuation in accordance with the Council's accounting policies set out in Note 1.

Heritage Assets – General

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

20. Fair Value Measurement of Property Assets

Valuation Hierarchy

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

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

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

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

	Surplus Property £000's	Investment Property £000's	Current Assets Held for Sale £000's	Total £000's
Level 2 Assets				
Balance as at 1 April 2017	467	22,540	74	23,081
Additions	-	2	-	2
Disposals	-	(415)	(3,839)	(4,254)
Recognition	-	-	-	-
Reclassifications	-	168	1,440	1,608
Upward Revaluations	-	983	2,449	3,432
Downward revaluation charged to the C I & E	-	(423)	(23)	(446)
Downward revaluation charged to Revaluation Reserve	-	-	(27)	(27)
Balance as at 31 March 2018	467	22,855	74	23,396
Level 3 Assets				
Balance as at 1 April 2017	-	10	-	10
Upward Revaluations	-	-	-	-
Balance as at 31 March 2018	-	10	-	10

Valuation Methods

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

Valuation Inputs

Typical level 2 valuation inputs include:

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

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

Transfers

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

Highest and Best Use

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

Level 3 Valuation Inputs and Process

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

Impairments

There were no valuation impairments during the financial year ended 31 March 2018.

21. Investment Property

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

2016-17		2017-18
£’000s		£’000s
(1,215)	Rental Income from Investment property	(1,242)
752	Direct operating expenses arising from investment property	329
(463)	Net (Gain)/Loss	(913)

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

2016-17 £'000s		2017-18 £'000s
24,750	Balance as at 1 April	22,550
(3,017)	Disposals	(415)
-	Additions	2
761	Net gains/losses from fair value adjustments	560
-	Reclassifications	168
56	Recognitions	-
22,550	Balance as at 31 March	22,865

22. 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 2017 £'000s	31 March 2018 £'000s	31 March 2017 £'000s	31 March 2018 £'000s
Borrowings	31,047	30,455	622	631
Trade creditors	-	-	5,780	5,127
Deferred liabilities	641	641	2,964	-
+ Accrued interest	-	-	362	375
Financial liabilities at amortised cost	31,688	31,096	9,728	6,133
Total financial liabilities	31,688	31,096	9,728	6,133
Short term investments	-	-	17,239	17,211
Cash and Cash Equivalents	-	-	24,780	24,155
Trade debtors	-	-	5,515	6,876
Capital/Revenue Grant Debtors	-	-	906	630
Mortgages	4	3	-	-
Charitable Loans	20	26	-	-
East Kent Housing Loans	186	186	-	-
Leisure Services Loans	182	159	-	-
+ Accrued interest on investments	-	-	-	32
Loans and receivables at amortised cost	392	374	48,440	48,904
Total financial assets	392	374	48,440	48,904

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.

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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 40. 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:

2016-17			2017-18	
Financial Liabilities Amortised cost £'000s	Financial Assets Loans and receivables £'000s		Financial Liabilities Amortised cost £'000s	Financial Assets Loans and receivables £'000s
1,359	-	Interest expense	1,165	-
-	106	Impairment losses	-	14
1,359	106	Interest payable and similar charges	1,165	14
-	(211)	Interest income	-	(170)
-	(211)	Interest and investment income	-	(170)
1,254		Net (gain)/loss for the year	1,009	

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.

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The fair values are calculated as follows:

31 March 2017			31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000s	£'000s		£'000s	£'000s
27,473	31,802	PWLB debt	26,865	30,512
4,558	7,122	Other debt	4,596	7,015
32,031	38,924	Total debt	31,461	37,527
3,605	3,605	Deferred liabilities	3,605	3,605
5,780	5,780	Trade creditors	5,127	5,127
41,416	48,309	Total Financial Liabilities	40,193	46,259

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 2018) arising from a commitment to pay interest to lenders above current market rates.

31 March 2017			31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000s	£'000s		£'000s	£'000s
20	20	Charitable loans	26	26
38,881	38,881	Money market loans < 1 year	41,366	41,366
4	4	Mortgages	3	3
182	182	Leisure services loans	159	159
186	186	East Kent Housing loan	186	186
5,515	5,515	Trade debtors	6,876	6,876
44,788	44,788	Total Loans and Receivables	48,616	48,616

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

Basis for fair value measurements

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

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

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

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

23. Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

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- 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 Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2017-18 was approved by Full Council on 9 February 2017 (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.

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The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £40.882m as at 31 March 2018 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 2018 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:

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

2017-18		Amount at 31 March 2018	Historical experience of default	Adjustment for market conditions at 31 March 2018	Estimated maximum exposure to default
		£'000s (a)	% (b)	% (c)	£'000s (a * c)
Trade Debtors		11,469	40.05	40.05	4,593
Capital/Revenue	Grant	630	-	-	-
Debtors					
Mortgages		3	-	-	-
Charitable Loans		26	-	-	-
East Kent Housing Loans		186	-	-	-
Leisure Services Loans		159	-	-	-
Total		12,473			4,593

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 £7.288m of the £11.469m balance is past its due date for payment. The past due amount of trade debtors can be analysed by age as follows:

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31 March 2017 £'000s		31 March 2018 £'000s
880	Less than three months	1,973
392	Three to six months	757
842	Six months to one year	1,183
3,249	More than one year	3,375
5,363	Total	7,288

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

31 March 2017 £'000s		31 March 2018 £'000s
224	Debt brought forward from previous year (more than 1 year old)	394
260	Costs incurred in financial year (less than 1 year old)	103
(90)	Debtor invoices raised in year	(262)
394	Total debt outstanding at year end	235

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

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and Money Markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of investments is as follows:

31 March 2017 £'000s		31 March 2018 £'000s
38,881	Less than one year	41,366
38,881	Total	41,366

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.

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The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies that address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

31 March 2017 £'000s		Approved Maximum Limits 2017-18 £'000s	31 March 2018 £'000s
984	Less than one year	13,481	1,006
623	Maturing in 1 - 2 years	13,481	5,432
10,216	Maturing in 2 - 5 years	13,481	5,144
3,249	Maturing in 5 - 10 years	14,829	3,006
6,539	Maturing in 10 - 20 years	13,481	6,453
3,000	Maturing in 20 - 30 years	13,481	3,000
1,920	Maturing in 30 - 40 years	13,481	1,920
1,000	Maturing in 40 - 50 years	13,481	1,000
-	Maturing in 50 years and above	13,481	-
27,531	Total		26,961

Not shown in the table above are:

Trade and other payables (£14.770m) which are due to be paid in less than one year, and a loan with Dexia (£4.5m) that matures in 40 - 50 years (see Market Risk section below).

Market Risk

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

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

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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 2018, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2016-17 £'000s		2017-18 £'000s
45	Increase in interest payable on variable rate borrowings	45
(309)	Increase in interest receivable on variable rate investments	(291)
(264)	Impact on Comprehensive Income and Expenditure Statement	(246)
(3,060)	Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure)	(2,532)

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

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

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

24. Construction Contracts

As at 31 March 2018 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

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associated with the Intervention programme and new build, refurbishment of Coastguard cottages and Dalby Square Gardens works. The value of work completed as at 31 March 2018 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:

	Port	Dream-land	Inter- vention program- me	New Build	HRA	Dalby Square	Total
Costs incurred to date	1,179	8,217	3,772	396	692	211	14,467
Revenue recognised:							
Prior to 1 April 2017	(1,073)	(6,457)	(3,243)	-	(333)	(202)	(11,308)
During 2017-18	(106)	(1,760)	(529)	(396)	(359)	(9)	(3,159)
Profit/Loss	-	-	-	-	-	-	-
Advances received	(1,159)	(7,937)	(3,675)	(241)	(692)	(211)	(13,915)
Gross amount due	20	280	97	155	-	-	552
Comprising:							
Amounts not billed	-	161	34	143	-	-	338
Retentions	20	119	63	12	-	-	214

25. Debtors

2016-17	Amounts falling due in one year
£'000s	
3,952	Council Tax and Non Domestic Rates
401	Central Government Bodies
303	Other Local Authorities
2	NHS Bodies
10,793	Other Entities and Individuals
(5,416)	Less Impairment Provision
10,035	Total Short Term Debtors

2017-18
£'000s
4,051
388
721
1
12,613
(6,260)
11,514

2016-17	Amounts falling due after one year
£'000s	
4	Mortgages
20	Charitable Loans
182	Leisure Services Loans
186	East Kent Housing
392	Total Long Term Debtors

2017-18
£'000s
3
26
159
186
374

26. Cash and Cash Equivalents

31 March 2017 £'000s		31 March 2018 £'000s	Movement 2017-18 £'000s
4,030	Cash held by the Authority	481	(3,549)
3	Bank current accounts	3	-
20,747	Short Term deposits	23,671	2,924
24,780	Total Cash and Cash Equivalents	24,155	(625)

27. Current Assets Held for Sale

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

2016-17 £'000s		2017-18 £'000s
296	Balance as at 1 April	74
1,270	Assets newly classified as held for sale	1,440
-	Assets declassified as held for sale	-
2,454	Revaluation gains	2,399
(3,946)	Disposals	(3,839)
74	Balance as at 31 March	74

28. Creditors

2016-17 £'000s		2017-18 £'000s
	Amounts falling due in one year	
1,038	Council Tax & Non Domestic Rates	725
5,921	Central Government bodies	6,252
186	Public Corporations and trading funds	17
6,354	Other Local Authorities	2,177
6,325	Other Entities and Individuals	5,599
19,824	Total Short Term Creditors	14,770

The decrease in other local authority creditors relates mainly to the repayment of the spine road liability (£2.963m) as a result of the sale of land by East Kent Opportunities.

29. Provisions

	Compensation Claims £'000s	NNDR Appeals £'000s	Other Provisions £'000s	Total £'000s
Balance as at 1 April 2017	431	2,105	-	2,536
Additional provisions made in year	2	734	500	1,236
Amounts used during the year	(1)	(343)	-	(344)
Unused amounts reversed in year	-	-	-	-
Balance as at 31 March 2018	432	2,496	500	3,428

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The Council holds a provision of £432k in respect of asbestos related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants, and a business rates appeal provision of £2.496m for past and future appeals against the Valuation Office Agency (VOA) rateable valuation list.

30. Usable Reserves

2016-17		2017-18
£'000s		£'000s
9,720	Capital Receipts Reserve	9,221
8,359	Major Repairs Reserve	10,019
2,011	General Fund Balance	2,011
6,714	HRA Balance	7,753
80	Capital Grants Unapplied	43
11,706	Earmarked Reserves	13,021
38,590	Total Usable Reserves	42,068

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

Capital Receipts Reserve – see Note 30a below.

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

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

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

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

Earmarked Reserves – see Note 17.

30a. Usable Capital Receipts Reserve

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

2016-17		2017-18
£'000s		£'000s
3,923	Balance as at 1 April	9,720
8,773	Capital Receipts in year	4,605
(2,682)	Capital Receipts applied during the year	(4,850)
(198)	Housing Pooled Capital Receipts	(196)
(96)	Cost of sales/Right to Buy admin costs	(58)
9,720	Balance as at 31 March	9,221

31. Unusable Reserves

2016-17 £'000s		2017-18 £'000s
79,833	Revaluation Reserve	96,779
120,373	Capital Adjustment Account	120,244
4	Deferred Capital Receipts Reserve	3
(110,534)	Pensions Reserve	(94,194)
1,614	Collection Fund Adjustment Account	288
(235)	Accumulated Absences Account	(187)
91,055	Total Unusable Reserves	122,933

31a. Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016-17 £'000s		2017-18 £'000s
61,480	Balance as at 1 April	79,833
25,228	Upward revaluation of assets	21,225
(3,640)	Downward revaluation of assets and impairment losses charged to the reserve	(571)
334	Gains through acquisition/recognition of non-current assets in the year	60
21,922	Surplus or deficit arising on revaluation of non-current assets	20,714
(745)	Difference between fair value depreciation and historical cost depreciation	(581)
(2,824)	Accumulated gains on assets disposed of	(3,187)
(3,569)	Amount written off to the Capital Adjustment Account	(3,768)
79,833	Balance as at 31 March	96,779

31b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains

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recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 16 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016-17 £'000s		2017-18 £'000s
125,996	Balance as at 1 April	120,373
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	Charges for depreciation and impairment of non-current assets	
(7,924)		(8,445)
(2,746)	Revaluation losses on Property, Plant and Equipment	(1,891)
(39)	Amortisation of intangible assets	(51)
(70)	Revenue expenditure funded from capital under statute	(2,894)
(9,764)	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	(4,364)
105,453		102,728
3,569	Adjusting amounts written out of the Revaluation Reserve	3,768
109,022	Net written out amount of the cost of non-current assets consumed in the year	106,496
	Capital Financing applied in the year:	
	Use of the Capital Receipts Reserve to finance new capital expenditure	
2,682		2,250
-	Use of Capital Receipts Reserve to repay debt	2,600
	Use of the Major Repairs Reserve to finance new capital expenditure	
2,444		2,094
	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
3,309		3,922
917	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	931
(37)	HRA Loan repayment from the Major Repairs Reserve	-
	Capital Expenditure charged against the General Fund and HRA balances	
1,219		1,391
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	
817		560
120,373	Balance as at 31 March	120,244

31c. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it

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is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016-17 £'000s		2017-18 £'000s
(99,458)	Balance as at 1 April	(110,534)
(8,198)	Re-measurement of the net defined benefit liability	5,629
5,121	Employers contributions payable in the year	5,137
(7,999)	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	5,574
<u>(110,534)</u>	Balance as at 31 March	<u>(94,194)</u>

31d. Collection Fund Adjustment Account

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

2016-17 £'000s		2017-18 £'000s
(1,048)	Balance as at 1 April	1,614
25	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	(122)
2,637	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	(1,204)
<u>1,614</u>	Balance as at 31 March	<u>288</u>

31e. 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.

2016-17 £'000s		2017-18 £'000s
(223)	Balance as at 1 April	(235)
223	Settlement or cancellation of accrual made at the end of the preceding year	235
(235)	Amounts accrued at the end of the current year	(187)
(12)	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	48
<u>(235)</u>	Balance as at 31 March	<u>(187)</u>

32. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2016-17 £'000s		2017-18 £'000s
(211)	Interest Received	(170)
1,359	Interest Paid	1,152

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

2016-17 £'000s		2017-18 £'000s
(7,935)	Depreciation	(8,445)
(5,178)	Impairment and downward valuations	(1,891)
(39)	Amortisation	(51)
854	Movement in Creditors	1,586
(139)	Movement in Debtors	1,544
60	Movement in Inventories	39
(6,543)	Pension Liability	10,711
(7,195)	Carrying amount of non-current assets sold	(4,364)
817	Movement in Investment Property Values	560
2,034	Contribution (to)/from Provisions	(892)
(68)	Other non-cash items	280
(23,332)		(923)

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

2016-17 £'000s		2017-18 £'000s
7,497	Capital Grants credited	1,047
6,039	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,550
13,536		5,597

33. Cash Flow Statement - Investing Activities

2016-17 £'000s	Investing Activities	2017-18 £'000s
12,717	Purchase of Property, plant and equipment, investment property and intangible assets	11,968
4,475	Purchase of short term and long term investments	4
2	Other Payments for investing activities	20
(9,176)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,550)
(2,734)	Other receipts from investing activities	(4,166)
5,284	Net cash flows from Investing activities	3,276

34. Cash Flow Statement - Financing Activities

2016-17 £'000s	Financing Activities	2017-18 £'000s
(3,000)	Cash Receipts of short and long term borrowing	(43)
550	Repayments of short and long term borrowing	626
(1,727)	Other payments for financing activities	1,105
(4,177)	Net cash flows from Financing activities	1,688

35. Related Party Transactions

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

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

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

Members and Senior Officers – Members of the Council and certain senior officers have direct control over the financial and operating policies of the Authority and are therefore in a position of influence. The total of members' allowances paid in 2017-18 is shown in Note 11. During 2017-18 a questionnaire was distributed to the 56 Current Members and 6 relevant officers, no declarations were made.

At the time of preparing this statement returns had not been received from 4 of the 56 Members. Previous declarations have been reviewed and none of the Members who have yet to return their forms had previously made any material disclosures.

Government Departments – Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 6 Expenditure and Income Analysed by Nature. Grant receipts and amounts outstanding at 31 March 2018 are shown in Note 15.

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 as it is not a joint venture or a joint operation because the day to day operations are managed by the Board and, of the 12 members of the Board, there is only one representative from each of the member councils. The councils

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therefore do not have either sole or joint control, so it is therefore not included any further within the Statement of Accounts.

Management Fee - The ALMO costs apportioned to the Council equate to a simple 25% of their total expenditure. Whereas the management fee for the period ended 31 March 2018 payable by Thanet District Council amounted to £1.324m. This fee is based on the number of housing dwellings and the initial management expenditure relating to them at the commencement of the arrangement. Detail of this is included in the management agreement between the Council and East Kent Housing Limited The balance owed to East Kent Housing at the year end was £10k, and is included within note 28 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 up until the transfer of the main elements (Revenue and Benefits and Customer Services) to Civica UK Limited in February 2018.

36. Capital Expenditure and Capital Financing

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

2016-17 £'000s		2017-18 £'000s	2017-18 £'000s
47,307	Opening Capital Financing Requirement		47,083
	Capital Investment		
9,899	Property, Plant and Equipment	7,760	
-	Investment Properties	1	
-	Capital loan granted (debtor)	20	
39	Intangible assets	51	
3,305	Revenue expenditure funded from capital under statute (including external funding)	2,894	
13,243			10,726
	Sources of finance		
-	Repayment of liability	(2,964)	
(2,682)	Capital Receipts	(2,250)	
(8,649)	Government Grants and other contributions	(5,675)	
(1,219)	Direct revenue contributions	(1,391)	
(917)	MRP	(931)	
(13,467)			(13,211)
47,083	Closing Capital Financing Requirement		44,598

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	Explanation of movements in year	
693	Increase/(decrease in underlying need to borrowing (unsupported by government financial assistance))	1,410
(917)	MRP	(931)
-	Repayment of liability	(2,964)
(224)	Increase/(decrease) in CFR	(2,485)

Capital Expenditure and Financing

The total capital expenditure in 2017-18 amounted to £10.726m (including revenue expenditure funded from capital). This included £4.492m in relation to HRA which was funded through the Major Repairs Allowance £2.093m, grants £0.376m, Capital receipts £0.434m and revenue/reserves £1.179m. The balance of £0.410m was unfinanced.

General fund capital expenditure was £6.234m, funded from grants £3.206m, capital receipts £1.816m, and revenue/reserves £0.212m. The balance of £1.000m was unfunded.

Included in the capital expenditure of £10.726m is £2.161m for the acquisition of new General Fund assets (as set out in the Capital Expenditure section of the Narrative Report). Other significant expenditure includes £1.966m for disabled facility grants, and £3.622m on enhancements to HRA dwellings.

37. 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 2017-18 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:

	2016-17 £'000s	2017-18 £'000s
Finance lease liabilities (net present value of minimum lease payments)		
Non-current	569	569
Finance costs payable in future years	72	72
Minimum lease payments	641	641

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

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	2016-17 £'000s	2017-18 £'000s
More than 1 year less than 5 years	1	2
More than 5 years	640	639
	641	641

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 2017-18 £445k contingent rents were payable by the Authority (2016-17 £412k).

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:

2016-17 £'000s		2017-18 £'000s
36	Not later than one year	38
37	Later than one year and not later than five years	19
73	Total	57

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 (£1.242m 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

2016-17 £'000s		2017-18 £'000s
53	Investment Properties HRA	55
22,497	Investment Properties General Fund	22,810
22,550	Total	22,865

38. Defined Benefit Pension Scheme

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

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

The administering authority for the Fund is Kent County Council. The Pension Fund Committee oversees the management of the Fund, whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisors.

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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:

2016-17 £'000s	Amounts recognised in the Comprehensive Income and Expenditure Statement	2017-18 £'000s
	Cost of Services	
4,246	Current service cost	6,302
88	Past Service costs, curtailments and settlements*	(14,800)
3,586	Net Interest on the defined liability	2,852
79	Administration expenses	72
7,999	Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services	(5,574)
	<small>* Settlement of £14.8m in 2017/18 arising from the transfer of East Kent Services employees to Civica in February 2018.</small>	
2016-17 £'000s	Re-measurement of Net Defined Benefit	2017-18 £'000s
(21,090)	Return on plan assets in excess of interest	(1,691)
1,017	Other actuarial gains/(losses) on assets	-
45,590	Changes in financial assumptions	(3,938)
(4,457)	Changes in demographic assumptions	-
(12,862)	Experience (gain)/loss on defined benefit obligation	-
8,198	Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure	(5,629)

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2016-17 £'000s	Amounts recognised in the Movement in Reserves Statement	2017-18 £'000s
(7,999)	Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	5,574
5,121	Actual amount charged against the general fund balance for pensioners: Employers' contributions payable to the scheme	5,137

Assets and Liabilities in relation to Retirement Benefits

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

2016-17 £'000s		2017-18 £'000s
222,564	Balance as at 1 April	257,136
4,246	Current service cost	6,302
8,122	Interest cost	6,707
45,590	Change in financial assumption	(3,938)
(4,457)	Change in demographic assumption	-
(12,862)	Experience loss/(gain) on defined benefit obligation	-
1,054	Contributions by scheme participants	1,062
(6,613)	Benefits paid	(8,307)
(596)	Unfunded pension payments	(590)
88	Past service costs including curtailments/settlements	(30,657)
257,136	Closing Defined Benefit Obligation	227,715

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

2016-17 £'000s		2017-18 £'000s
123,106	Balance as at 1 April	146,602
4,536	Interest on assets	3,855
21,090	Return on assets less interest	1,691
(1,017)	Other actuarial gains/(losses)	-
(79)	Administration expenses	(72)
5,121	Employer contributions including unfunded	5,137
1,054	Contributions by scheme participants	1,062
-	Settlement prices paid	(15,857)
(7,209)	Benefits paid including unfunded	(8,897)
146,602	Closing Fair Value of Employer Assets	133,521

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

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

The actual gain on scheme assets in the year was £5.546m (2016-17 £25.626m).

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The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £94.2m 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 2019 is £4.8m.

Balance Sheet Disclosure as at 31 March 2018

Net Pension assets as at	31 March 2016 £'000s	31 March 2017 £'000s	31 March 2018 £'000s
Present value of funded obligation	214,043	248,234	219,257
Fair value of scheme assets (bid value)	(123,106)	(146,602)	(133,520)
Net Liability	90,937	101,632	85,737
Present value of unfunded obligation	8,521	8,902	8,457
Net Liability in Balance Sheet	99,458	110,534	94,194

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

31 March 2017		31 March 2018
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23 yrs	Men	23.1yrs
25 yrs	Women	25.2yrs
	Longevity at 65 for future pensioners:	
25.1 yrs	Men	25.3yrs
27.4 yrs	Women	27.5yrs
2.6%	Rate of inflation (CPI)	2.4%
4.1%	Rate of increase in salaries	3.9%
2.6%	Rate of increase in pensions	2.4%
2.7%	Rate for discounting scheme liabilities	2.6%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

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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 2017			31 March 2018	
£'000s	%		£'000s	%
103,463	70	Equity investments	89,098	66
1,094	1	Gilts	1,021	1
14,281	10	Bonds	12,766	10
18,268	12	Property	16,788	13
3,745	3	Cash	4,425	3
5,750	4	Target Return Portfolio	9,422	7
146,601		Total	133,520	

The following provides detail of these assets as at 31 March 2018, representing the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not.

Employer asset share – bid value			31 March 2018	
			% Quoted	% Unquoted
Fixed Interest				
Government Securities	UK		-	-
	Overseas		0.8%	-
Corporate Bonds	UK		4.7%	-
	Overseas		4.9%	-
Equities	UK		27.4%	-
	Overseas		37.2%	-
Property	All		-	12.6%
Others	Absolute return portfolio		7.0%	-
	Private equity		-	1.5%
	Infrastructure		-	0.6%
	Cash/temporary investments		-	2.9%
Net Current Assets	Debtors		-	0.6%
	Creditors		-	(0.2%)
Total			82.0%	18.0%

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

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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	224,076	227,715	231,416
Projected Service Cost	5,959	6,112	6,269
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present value of total obligation	228,026	227,715	227,406
Projected Service Cost	6,112	6,112	6,112
Adjustment to Pension Increases & Deferred Revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	231,109	227,715	224,374
Projected Service Cost	6,269	6,112	5,959
Adjustment to Mortality age rating assumption	+1 year	None	-1 Year
Present value of total obligation	236,693	227,715	219,087
Projected Service Cost	6,307	6,112	5,923

These assumptions are set with reference to market conditions at 31 March 2018.

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

An estimate of the Council's future cashflows is made using notional cashflows based on 17 years estimated duration. These cashflows are then used to derive a Single Equivalent Discount Rate. This derived rate equates to the net present value of the cashflows, discounted using annualized Merrill Lynch AA rated corporate bond yield curve. This is a change in estimation compared to the previous year.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made an assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.4% 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 a slightly higher deduction than the previous year. Salaries are assumed to increase at 1.50% p.a. above CPI in addition to the promotional scale. However, we have allowed for a short-term overlay from 31st March 2016 to 31st March 2020 for salaries to rise in line with CPI. This is consistent with the previous year's assumption.

Projected Pension Expense for the year to 31 March 2019

	£'000s
Current service Cost	6,112
Net Interest on the Defined Liability (asset)	2,333
Administration Expenses	66
Total	8,511
Employer Contributions	4,788

39. 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 37 for further detail), the pension liability £94.194m (see previous note), and a deferred credit of £1.898m which relates to capital expenditure incurred on one of the Council's leisure facilities by the entity that operates it under a lease arrangement, where expenditure is released to the Comprehensive Income and Expenditure Statement over the remaining term of the lease. In addition £0.372m relates to projects still to be delivered by East Kent Services on behalf of the other partners in the shared service arrangement (see Note 35 for further detail of the arrangement).

40. 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 2018 payments totalling £1,508k 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 2018 payments totalling £2,095k 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 £10.081m, 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;

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- it is unlikely that there will be an outflow of resources to settle the pension obligation and

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.

41. Trust Funds

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

	Expenditure 2017-18 £	Income 2017-18 £
Kenrick Trust	2.50	2.50
Farrar Award	26.32	26.32
Simpson Bequest	3.15	3.15
Woodward Trust	122.33	122.33

Kenrick Trust (Capital Value £100)

To the Magistrates Court Poor Box for distribution amongst the poor of Margate

Farrar Award (Capital Value £234)

To provide a prize to a nominated senior student at King Ethelbert School for Craft, Design & Technology

Simpson Bequest (Capital Value £100)

To the trustees of Ramsgate Charities for distribution amongst the poor of Ramsgate

Woodward Trust (Capital Value £253)

For the maintenance of graves in perpetuity – in the closed churchyard St John the Baptist Zion Emmanuel Cemetery

42. 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.

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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. On 31 March 2017 a substantial parcel of land was sold. The council's share of the proceeds (£2.9m) have been used to repay the liability in relation to construction of the spine road on the site.

43. 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 the Dreamland amusement park, cinema complex and vintage rides, has identified a relatively small amount of Heritage Assets, mainly the artefacts held at the Council's museums.

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

	2016-17 £'000s	2017-18 £'000s
Cost of Recognition/acquisition of Heritage assets		
Art		
- Items with value > £10,000	85	85
- balance of collection	121	121
Furniture/Dolls etc		
- Items with value > £10,000	30	30
- balance of collection	14	14
Civic Statues		
- Items with value > £10,000	113	113
Posters		
- balance of collection	16	16
Civic Regalia		
- Items with value > £10,000	18	18
- balance of collection	11	9
Miscellaneous		
- balance of collection	52	52
Dreamland		
- Items with value > £10,000	9,627	20,344
Total Value of Assets	10,087	20,802
Total Value shown on Balance Sheet (net of impairment/devaluation)	9,873	20,590

44. 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 2015-16.

Dreamland

The Dreamland amusement park was a fundamental element of the Margate seafront and comprised a cinema, amusement arcades, cafes and a traditional collection of fairground rides. Unfortunately the site was closed for a number of years and the Council has been successful in a CPO to acquire the site and reopen the facilities including the traditional fairground. Following restoration, the amusement park reopened during 2015-16 and the attractions include vintage rides acquired by the Council. Management of the park is undertaken by a third party but the assets are retained in Council ownership. The cinema complex has now undergone restoration by the Council and was reclassified from an Asset Under Construction to a Heritage Asset during the year.

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.

45. Accounts Authorised for Issue

The date that the accounts were authorised for issue was the date that the Deputy Chief Executive and s151 Officer, Tim Willis, signed the Statement of Responsibilities for the Statement of Accounts on page 15.

Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2018

2016-17 £'000s		2017-18 £'000s
INCOME		
12,877	Dwelling rents (gross)	12,754
244	Non-dwelling rents (gross)	252
363	Charges for services and facilities	427
442	Contributions towards expenditure	395
<u>13,926</u>	Sub-Total Income	<u>13,828</u>
EXPENDITURE		
3,294	Repairs and maintenance	3,017
3,069	Supervision and management – General	2,996
635	Supervision and management – Special	670
175	Rents, rates, taxes and other charges	230
137	Movement in the Allowance for Bad Debts	373
6,301	Depreciation, impairments and revaluation losses of non current assets	5,730
8	Debt management costs	8
<u>13,619</u>	Sub-Total Expenditure	<u>13,024</u>
	Net Expenditure and Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(804)
(307)		
296	HRA Services share of Corporate and Democratic Core	141
<u>(11)</u>	Net Cost of HRA Services	(663)
1,381	(Gain) or loss on HRA non-current assets	1,207
809	Interest payable and similar charges	808
(89)	Interest and investment income	(76)
(1,370)	Capital Grants and Contributions Receivable	(353)
<u>720</u>	(Surplus)/Deficit for the year on HRA services	<u>923</u>

Movement on the Housing Revenue Account Statement

2016-17 £'000s		2017-18 £'000s
(5,296)	Balance on the HRA at the end of the previous year	(6,714)
720	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	923
763	Adjustments between accounting basis and funding basis under regulations (note 9)	(177)
1,483	(Increase) or decrease in the Housing Revenue Account Balance before transfers to/(from) reserves	746
(2,901)	Transfer to/(from) Earmarked & Other Reserves	(1,785)
(1,418)	(Increase)/decrease in the year on the Housing Revenue Account	(1,039)
(6,714)	Balance on the HRA at the end of the current year	(7,753)

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 3,015 dwellings during 2017-18 including the Authority’s share of shared ownership dwellings.

The stock as at 31 March 2018 is comprised of the following types of dwellings:

Stock as at 31 March 2017		Stock as at 31 March 2018
1,557	Houses	1,547
191	Low Rise Flats (1 to 2 Storey)	185
872	Medium-Rise Flats (3 to 5 Storey)	877
406	High-Rise Flats (6 Storeys or more)	406
3,026	Total	3,015

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

31 March 2017 £'000s		31 March 2018 £'000s
133,534	Council Dwellings	142,159
4,420	Operational Land & Buildings	3,376
53	Investment	54
1,396	Assets Under Construction	1,399
139,403	Total	146,988

The vacant possession value of dwellings within the Authority’s Housing Revenue Account as at 1 April 2017 was £430m. 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

2016-17 £'000s		2017-18 £'000s
137	Borrowing	410
845	Revenue Contribution to Capital	1,179
2,444	Financed from Major Repairs Reserve	2,093
1,394	Funded from Capital Receipts	376
336	Funded by grants and external contributions	434
5,156	Total Housing Revenue Account Capital Expenditure	4,492

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2016-17			2017-18	
£'000s			£'000s	
3,691		Houses (dwellings and other land & buildings)	3,622	
1,465		OLB & AUC	869	
-		Loan	1	
5,156		Total	4,492	

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

2016-17			2017-18	2017-18	2017-18
Total			Usable	Contribution to Gov't Pool	Total
£'000s			£'000s	£'000s	£'000s
1,424		Sale of Dwellings	1,602	196	1,406
664		Sale of Other Land and Buildings	986	-	986
2,088		Total	2,588	196	2,392

5. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2018 amounted to £706k. This figure includes the full week rent charge but only payments up to and including 31 March 2018.

2016-17			2017-18	
£'000s			£'000s	
207		Current Tenant Rent Arrears	303	
341		Former Tenant Rent Arrears	403	
548		Total	706	

6. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £844k as at 31 March 2018. The provision in 2016-17 was £543k.

7. Depreciation and Impairment of Fixed Assets

2016-17	2016-17		2017-18	2017-18
Depreciation	Impairment		Depreciation	Impairment
£'000s	£'000s		£'000s	£'000s
3,632	-	Houses	3,643	-
139	-	Other Operational Property	111	90
3,771	-	Total	3,754	90

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

8. Pension Costs

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

2016-17 IAS19 Adjustments £'000s		2017-18 IAS19 Adjustments £'000s
141	Current Service Costs in I&E	235
(70)	Movement on Pension Reserve	(86)
<u>71</u>		<u>149</u>
<u>71</u>	HRA contributions payable to scheme	<u>149</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.

9. Adjustments between Accounting and Funding Basis

2016-17 £'000s	Reversal of items debited/(credited) to the HRA Income and Expenditure Statement to be removed for determining the movement on the HRA balance for the year	2017-18 £'000s
1,370	Capital Grants and Contributions Receivable	-
(1,381)	Gain or loss on HRA non-current assets	(1,207)
70	Net charges made for retirement benefits in accordance with IAS 19	(235)
<u>59</u>		<u>(1,442)</u>
	Addition of items not debited/(credited) to the Comprehensive Income & Expenditure Statement to be included for determining the movement on the HRA balance for the year	
(141)	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	86
845	HRA contribution to finance capital expenditure	1,179
<u>704</u>		<u>1,265</u>
<u>763</u>	Net additional amount required by statute to be debited/(credited) to the HRA balance for the year	<u>(177)</u>

Collection Fund Statement for the year ended 31 March 2018

2016-17			2017-18	
Council Tax £'000s	Non- Domestic Rates £'000s		Council Tax £'000s	Non- Domestic Rates £'000s
INCOME				
67,323		Council Tax (net of Benefits and Transitional Relief)	71,971	
	36,171	Non-Domestic Rates Income		34,025
	-	Transitional Protection Payment		-
	3,006	Contribution towards previous years estimated deficit		-
67,323	39,177	Total Income	71,971	34,025
EXPENDITURE				
65,137		Precepts and Demands from County Council, Police and Crime Commissioner, Fire and Rescue and the Billing Authority	69,921	
		Note 5		
	15,044	Non-Domestic Rates		
	2,708	- Payment to Central Government		15,636
	301	- Payment to County Council		2,814
	12,035	- Payment to Fire and Rescue		313
		- Payment to Billing Authority		12,509
	192	- Cost of Collection Allowance		192
	44	Transitional Protection Payment		361
		Bad and doubtful debts/ appeals		
424	291	- Amounts Written Off in year	742	56
310	(106)	- Provision for Bad and Doubtful Debts	221	202
-	2,075	- Provision for Appeals		1,834
1,218	-	Contributions towards previous years estimated surplus	1,964	3,118
67,089	32,584	Total Expenditure	72,848	37,035
(234)	(6,593)	(Surplus)/Deficit for Year	877	3,010
(1,561)	3,172	Balance at Beginning of Year	(1,795)	(3,421)
(1,795)	(3,421)	Balance at End of Year	(918)	(411)

Notes to the Collection Fund Statement

1. General

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

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

2. Council Tax

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

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

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

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

Band	Estimated Number of Taxable Properties after Discount	Ratio	Band D Equivalent
A	9,043	6/9	6,029
B	13,878	7/9	10,794
C	13,946	8/9	12,396
D	6,601	1	6,601
E	3,530	11/9	4,315
F	1,366	13/9	1,973
G	654	15/9	1,090
H	18	2	36
TOTAL	49,036		43,234
Add Band D equivalent military dwellings			24
Adjustment for Non-collection (2.75%)			(1,189)
COUNCIL TAX BASE			42,069

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Estimated income for 2017-18 was £69.921m, actual income was £71.971m. After set aside and write off of bad debt (£0.963m) and redistribution of estimated prior year surpluses to major preceptors (£1.964m) the deficit for the year (£0.877m) has resulted in a decrease to the overall surplus on the fund (£0.918m).

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:

2016-17 £'000s		2017-18 £'000s
	Non-Domestic Rateable Value £96,098,828	
44,819	Multiplied by the Uniform Business Rate (47.9p for 2017-18)	46,031
(8,648)	Allowances and other adjustments	(12,006)
36,171	Net collectable Non-Domestic Rates 17-18	34,025

The Non-Domestic Rate multiplier for 2017-18 was 46.6p for qualifying properties of less than £18,000 rateable value and 47.9p for all others (2016-17 48.4p and 49.7p respectively).

Under the business rate retention scheme local authorities are able to come together on a voluntary basis to pool their business rate income in order to benefit from additional business rate growth through collaborative working and improve the business rate income retained within the district. The Kent Business Rate Pool came into effect on 1 April 2015. The other pool members include Kent County Council (KCC), Kent Fire and Rescue (KFR) and 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 2017-18 was £200k and has been credited to the Comprehensive Income and Expenditure Statement, and the growth fund share was £199k which has been transferred to the Local Taxation Funding earmarked reserve to finance future projects.

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 2016-17 to be distributed during 2017-18 was £1.964m. The actual surplus on the Council Tax Collection Fund for the year 2017-18 (£0.918m) 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) 2017-18 this has been split between Thanet District Council fund balances (£0.124m) and other local authority creditors (£0.794m) within the Balance Sheet.

Thanet District Council – Statement of Accounts 2017-18

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 surplus was estimated for 2016-17 (£3.118m) to be distributed during 2017-18 as a result of additional mandatory reliefs not being awarded in the prior year. The actual surplus on the Non Domestic Rates Collection Fund for the year 2017-18 (£0.411m) has been split between Thanet District Council (£0.164m) and other local authorities and central government (£0.247m).

5. Precepts and Demands on the Collection Fund

2016-17 £		2017-18 £
46,124,796	Kent County Council	49,591,283
6,191,070	Kent Police and Crime Commissioner	6,611,077
2,929,721	Kent Fire and Rescue	3,085,730
8,745,220	Thanet District Council	9,249,620
63,990,807	Total	68,537,710
	Parishes and Charter Trustees	
3,970	- Acol	4,376
50,660	- Birchington	54,970
364,295	- Broadstairs	463,352
14,072	- Cliffsend	14,876
16,210	- Manston	16,645
139,250	- Margate	72,552
53,411	- Minster	55,568
8,133	- Monkton	8,311
413,904	- Ramsgate	578,526
15,579	- St Nicholas at Wade	15,974
66,810	- Westgate on Sea	98,040
1,146,294	Total	1,383,190

Glossary of Terms

Accruals

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

Actuarial Gains & Losses

Changes in actuarial deficits or surpluses that arise because:

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

Asset

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

Balance Sheet

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

Budget

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

Business Rate Tariff

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipts

Proceeds from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

Comprehensive Income and Expenditure Statement

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

Contingent Asset

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

Contingent Liability

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

Creditor

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

Current Service Cost

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

Debtor

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

Depreciation

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

Direct Labour Organisation (DLO)

The term DLO is used to describe an organisation directly employed by the Council that has been exposed to competition and has been established under the Local Government Act 1988.

Fair Value

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

Finance Lease

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

Financial Instrument

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

Government Grants

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

Heritage Asset

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

Housing Revenue Account

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

Impairments

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

Income

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

Infrastructure Assets

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

Intangible Assets

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

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

In order for Financial Statements to make sense to users who rely on them for decision making purposes, there has to be consistency in the way items are treated in those statements. IFRSs and IASs give us this consistency by ensuring that all preparers of accounts follow these standards so that the accounts give a true and fair view of the state of affairs at the end of the financial year.

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

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

Liability

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

Non-Current Assets

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

Non-Domestic Rate

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

Non-Operational Assets

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

Operating Lease

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

Operational Assets

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

Past Service Cost

Discretionary benefits awarded on early retirement are treated as past service costs.

Precept

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

Projected Unit Method

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

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

Provision

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

Reserves

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

Revenue Account

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

Revenue Expenditure

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

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Grant Thornton UK LLP
2nd Floor
St John's House
Haslett Avenue West
Crawley
RH10 1HS

25 July 2018

Dear Sirs

Thanet District Council
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Thanet District Council for the year ended 31 March 2018 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 2017/18 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 2017/18 ("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.

- 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.

- 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 25 July 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

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