Public Document Pack

Date: **16 September 2013**
Our ref: Governance & Audit Supplementary
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thanet district council

GOVERNANCE AND AUDIT COMMITTEE

25 SEPTEMBER 2013

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 25 September 2013** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Worrow (Chairman); Councillors: Binks, Campbell, Day, Lodge-Pritchard (Vice-Chairman), Moore, D Saunders, W Scobie and S Tomlinson

SUPPLEMENTARY AGENDA

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Thanet District Council

Statement of Accounts

2012/13

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Explanatory Foreword

Introduction

The purpose of this foreword is to provide the reader with an understanding of the accounting statements, a review of the Council's financial performance in 2012/13 and an explanation of the overall financial position.

Accounting Statements

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

The statements comprise:

The Core Statements

Movement in Reserves Statement - This Statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable" reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The "Surplus or (Deficit) on provision of services" line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and Housing Revenue Account (HRA) for Council Tax setting and dwellings rent setting purposes. The "Net increase/decrease before transfers to Earmarked Reserves" line shows the statutory General Fund balance and HRA balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

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

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

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

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

The Supplementary Financial Statements

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

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

Context for the 2012/13 Accounts

Current Economic Climate

The current economic climate and that of recent years has had considerable impact on the Council, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. The Bank of England base rate has remained at an historic low of 0.5% which has resulted in reduced investment receipts for the Council. The economic downturn has also resulted in lower income, particularly from planning fees, building control, land charges and car parking.

Local Government in general, and district councils specifically, are facing the toughest financial outlook for many decades. The Council has had cuts in formula grant of 5.3% in 2011/12 and 16.9% in 2012/13. Further cuts of 7.4% for 2013/14 and 16.6% for 2014/15 have been announced as part of the Local Government Finance Report.

A range of saving options has been developed over the medium term to try to mitigate the impact of these cuts and enable the Council to deliver a balanced budget. For 2012/13 these included further savings from staff restructures that were implemented in 2011/12; further savings from working with neighbouring authorities via shared services across a number of service areas to deliver savings through mass economies of scale, whilst enabling best practice to be shared; and service efficiencies and reductions, particularly within non-priority services.

The Council has reviewed its level of reserves, taking account of the financial risks that could pose a threat to the Authority over the medium term and also in light of the cuts in future funding. The Council has set its optimal level of general reserves at 12% of the net revenue budget. The general reserves as at 31 March 2013 are £2.177m (12% of the 2012/13 net revenue budget) and are therefore in line with the Council's optimal reserve level. In addition to the general reserve, a number of earmarked reserves exist. These are sums set aside for specific purposes and essentially allow funds to be saved over a number of years for large and often one-off items of expenditure, thereby smoothing the impact on Council Tax. The need for these reserves is reviewed regularly. The outturn for 2012/13 has enabled a number of contributions to be made to Earmarked Reserves as outlined later in the Explanatory Foreword. However, some monies have also had to be drawn down from these reserves to support the bad debt provision required in respect of the ferry operator debt, which is detailed later in the Explanatory Foreword.

Also severely affected by the current economic climate are asset disposals. Selling assets does not necessarily represent value for money for the taxpayer at this point in time and so the Council's ability to generate funds from releasing capital resources has been severely limited to the detriment of the Council's capital programme. Only the most important capital projects are now selected for inclusion within the programme which means that the programme is now driven predominately in response to health and safety issues and those projects that are key corporate priorities.

Summary of the 2012/13 financial year

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

Revenue Outturn

In February 2012 the Council approved a net revenue budget for 2012/13 of £20.065m. This enabled the Council to implement a council tax freeze in line with Government's recommendations and therefore qualify for Section 31 council tax freeze grant funding.

As highlighted above, the current economic climate has had a considerable impact on the Council's financial position, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. The Council has monitored its budget position very closely during the course of the year and has encouraged managers to make efficiency savings wherever possible. As a result the Council has managed to make the required transfers to Earmarked Reserves as planned in the budget and during in-year budget monitoring.

However, as a result of the ferry provider for the Council's Port of Ramsgate ceasing to trade in April 2013, the Council has been left with outstanding debts of circa £3.3m which have had to be provided for in full within these accounts. A number of draw downs from Earmarked Reserves were agreed with Full Council on 11 July 2013 to cover this bad debt provision. These have been reflected in the outturn position in the following tables.

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

	2012/13 Gross Expenditure £'000s	2012/13 Gross Income £'000s	2012/13 Net Expenditure £'000s	2012/13 Net Original Budget £'000s	2012/13 Variance £'000s
Cost of Services	**142,247**	**126,511**	**15,736**	**18,153**	**(2,417)**
Precepts paid to Parish Councils			812	-	812
Payments to the Housing Capital Receipts Pool			143	143	-
Gains/losses on disposal of fixed assets			823	823	-
Other Operating Expenditure			**1,778**	**966**	**812**
Interest payable and similar charges			1,209	1,111	98
Impairment of Financial Instruments			3,386	3,386	-
Pension interest costs			7,845	7,845	-
Expected return on pension assets			(5,718)	(5,718)	-
Interest receivable & investment income			(222)	(163)	(59)
Gains/losses on trading undertakings			19	19	-
Changes in the fair value of Investment Properties			(223)	(223)	-
Gains/losses on Investment Properties			(219)	(219)	-
Financing & Investment Income & Expenditure			**6,077**	**6,038**	**39**
Income from the Collection Fund			(10,759)	(9,947)	(812)
Distribution from NDR Pool			(9,278)	(9,278)	-
Non-ring fenced government grants			(2,210)	(3,257)	1,047
Capital grants & contributions			(3,659)	(3,659)	-
Taxation & Non-Specific Grant Income			**(25,906)**	**(26,141)**	**235**
(Surplus)/Deficit on Provision of Services			**(2,315)**	**(984)**	**(1,331)**

Cabinet received regular budget monitoring information throughout the year. The last report in March 2013, based on information to the end of January, reflected a breakeven position for the General Fund for the year, this was after Cabinet had agreed reserve movements to contribute towards the Pay and Reward review and work around restructuring the Waste Service. Further savings were identified at year end resulting in net contributions to reserves of £1.331m. This was a direct result of managers trying to find savings in year to help relieve future budget pressures. This was achieved via strict controls over recruitment, encouraging managers to identify efficiency savings and delaying spending where possible.

A number of contributions to and from Earmarked Reserves have been made at 31 March 2013 to bring the impact on the General Fund to a balanced budget position. These are detailed in the following table:

Movement on Reserves	2012/13 £'000s
Insurance Risk Management: Monies have been set aside to meet the cost of expected increased excess payments.	35
General Fund Repairs Reserve: To make provision for necessary essential repairs and maintenance and minor improvements to the Council's assets.	66
IT Reserve: To control and enhance the development of new Information Technology initiatives with the objective of improving efficiency throughout the Council's activities.	101
Decriminalisation Reserve: The Council administers on street parking but has to account for the income and expenditure separately. This reserve holds any unutilised revenues from parking charges. These are used to fund future parking, transport or environmental improvement related schemes.	57
Customer Services Reserve: This reserve is to be used to offset significant variations in benefit subsidy. Due to the volatility of this activity and the tight financial constraints which preclude the budgets being set at a level that would be sufficient for upper activity levels, it is prudent to set aside under spends that arise in this area as a contingency for future years.	584
Council Election Reserve: This is a saving account for the elections which occur every four years.	32
Homelessness Reserve: This represents the roll forward of under spends on the service to be used for future expenditures due to the volatility of this area.	53
Housing Intervention Reserve: Monies have been set aside to fund future housing intervention initiatives.	432
Maritime Reserve: This reserve is to be used to fund potential future works at the Port and Harbour.	13
VAT Reserve: This reserve has been set up to hold funds reimbursed in relation to our Fleming claim and will be used to cover any one off cost deemed appropriate.	19
New Homes Bonus: monies at year end have been put into a new earmarked reserve. These monies have not been reflected in the above outturn position.	348
Pay and Reward Reserve: Cabinet agreed that any under spends arising in-year (other than those allocated as above) would be set aside in this reserve to accommodate the Pay and Reward scheme.	380
Total	**2,120**
Local Plan Reserve: Due to the variable profile of spend on this activity and the variable cost in relation to consultation and inspection, any under spend is set aside in this reserve to be drawn against as and when required.	(11)
Slippage Reserve: To set aside sums at year end to meet ad hoc and specified liabilities on the General Fund which, due to timing difficulties, cannot be spent until after the 31 March.	(482)
Unringfenced Grants Reserve: Any under spend against unringfenced grant funding is set aside in this earmarked reserve to be utilised in future years.	(296)
Total	**(789)**
Total Movement	**1,331**

The outturn position has enabled the Council's general fund balances to be maintained at 12% of its net revenue budget requirement which is in line with its financial risk assessment of reserve levels as approved by Members in February 2013. Earmarked Reserves have been reviewed as part of the year end process and are considered adequate to meet the on-going needs and plans of the authority.

Material or Unusual Charges or Credits to the Accounts

The ferry provider operating from the Port of Ramsgate, terminated business and subsequently filed for insolvency in April 2013. The Council had entered into an agreement with them in March 2011 to try to ensure the ongoing future of the business. The company had been experiencing financial difficulties due to escalating fuel costs and to the price war being waged between the cross channel operators as a result of the French government's deficit funding for Sea France. The Council had agreed to defer fees and also had agreed to a payment plan to 2014 in respect of outstanding debts. However, despite the support from the Council and the Council's counterparts in Ostend and also the promise of funding from an Italian investor, the company still ceased trading. The company now owe the Council circa £3.3m. The debt has been lodged with the company administrators and the Council will be taking whatever legal action it can to try to recover the debt, but in accordance with good accounting practice, the debt has been provided for in full within these accounts

Major Changes to Services

On 26 March 2013, the Council's leisure provider, Thanet Leisure Force Limited, merged with Dover District Council's leisure provider, Vista Leisure, and changed its name to Your Leisure Kent Limited. The merger is expected to improve financial stability; contain and reduce costs over the longer term; expand and grow the current joint business; reduce the reliance on Council funding; improve service quality and provision; meet both Councils' objectives and aspirations for the leisure service.

The Council has continued with its shared service arrangement (EK Services) with Canterbury City Council and Dover District Council across a number of services, namely: Revenues and Benefits, ICT and Customer Services. This council is acting as the host authority, meaning that the transactions in relation to the arrangement are passed through the Council's financial management system.

The Council's housing management function has continued to be delegated to East Kent Housing Limited (an Arms Length Management Organisation). It is considered this arrangement constitutes a Group Accounting arrangement, further details of which can be found in Note 47

Future Service Delivery Plans

The Council faces cuts in government funding of 7.4% in 2013/14 (£1.14m) and 16.6% in 2014/15 (£1.4m), with further cuts expected over the next few years. In order to deliver a balanced budget moving forward, the Council needs to make savings of £1.6m in 2013/14 and identify further savings of circa £2m in 2014/15. The Council is reviewing staff structures; looking to identify further savings from the shared service arrangements; reviewing repaying and rescheduling debt; and reviewing which budgets can be reduced as a result of under-spending in prior years. The Council is also undertaking a service review programme to identify the further savings required in order to be able to continue to deliver key priority services to residents and ensure delivery of the Council's Corporate Plan objectives. This programme will look to see which services can be reduced whilst still meeting customer needs; which can be delivered in a different way to reduce costs; and will look to identify where there are further efficiencies to be made within service areas.

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Housing Revenue Account

The increase in the Housing Revenue Account balance for the year was £535k. The main reasons for the increase are detailed below:

Major Variances on the Housing Revenue Account	2012/13 £'000s
Reduction in day to day repairs expenditure	(156)
Increase in repair contract payments	128
Reduction in painting and decorating works	(94)
Downward revaluation in non-housing assets	200
Reduction in pension costs	(122)
Slippage in the Margate Housing Intervention programme	(28)
Reduction in insurance premiums	(25)
Reduction in external audit fees	(25)
Reduction in Member recharges	(36)
Reduction in bad debt contribution	(46)
Changes in HRA depreciation accounting	(185)
Increase in rental/hire income	(25)
Miscellaneous under-spends	(121)
	(535)

The accumulated HRA reserve balance at 31 March 2013 is £10.245m. The balance provides flexibility for delivery of the Housing Business Plan which has recently been reviewed.

In April 2011 an Arms Length Management Organisation was established to manage the council housing of all of the East Kent Local authorities (Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council). Each council continues to determine its own HRA Business Plan and its stock investment priorities. The annual planned maintenance budgets also continue to be determined by each council as part of its existing constitutional and budget processes. Further details of this arrangement are disclosed in Note 47.

From 1 April 2012 the Council's Housing Revenue Account became self-financing as part of the Localism Act. This means that the Council no longer pays over any notional surplus of income over expenditure to the Treasury but instead retains the rental income within the Housing Revenue Account. As part of these changes, the Council opted to split the one loan pool and move to a two loan pool approach. Loans are now charged to the Housing Revenue Account or General Fund and each fund is charged their costs of borrowing directly determined by their loan portfolio.

Capital Expenditure

The Capital Programme has also been affected by the national economic situation, particularly in regard to the Council's ability to generate capital receipts to fund the programme. Budget monitoring during 2012/13 highlighted a potential shortfall against the budget for capital receipts and consequently a number of capital projects have been re-phased into 2013/14 to ensure the programme can be funded.

Total expenditure on capital items, including grants and loans, amounted to £9.486m, of which £7.372m was met by capital grants and other contributions, £0.472m from revenue resources, £0.744m from capital receipts and £0.898m from internal borrowing.

As at 31 March 2013, general fund capital receipts of £1.323m were carried forward. This will all be required to fund the 2013/14 programme. Unapplied capital grants of £5.671m and a balance

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of £1.278m on the Capital Project Reserve have been carried forward, the balance being fully committed in 2013/14.

The main items of capital expenditure are set out below:

	2012/13 £'000s
Fixed Assets	
Council Dwellings	1,480
Other HRA Assets	691
General Fund assets	5,259
Expenditure not resulting in assets	2,056
Total Capital Expenditure	**9,486**

Expenditure in respect of acquiring new assets totalled £673k (see following paragraph 'Material Acquisitions/New Assets' for further detail), the remaining expenditure related to the improvement of existing assets.

Due to the decline in capital receipts, the Council has had to scale back its capital projects to match its funding envelope. The capital programme is now very much driven by those capital schemes that have a health and safety implication or deliver a revenue saving to the Authority. The major new projects planned over the coming year are as follows:

- Dalby Square Town Heritage Initiative Grant Scheme – a sum of £2m will provide grants for the historic restoration of properties in this designated area. The project will utilise match funding from the New Homes Bonus, Regional Housing Board money and capital receipts.
- North Thanet Coastline Sea Wall Reconstruction Scheme – this is an externally funded project for major works to sea walls in three separate locations on the north Thanet coastline, to offer erosion protection to chalk cliffs and protect amenity value such as the Viking Coastal Trail. The works will cost £560k in 2013/14 with a further £250k in 2014/15.
- Replacement Waste Collection Fleet of Vehicles – the existing waste fleet is reaching the end of its useful life and the Council is committed to deliver the Kent wide model of a broader range of recyclables. The cost of this scheme will be approximately £4m, which will mainly be incurred in 2013/14.
- Ramsgate Harbour Marina Water Supply Upgrade – the water supply system on the floating pontoons for marina users requires upgrading. A budget of £50k is required in 2013/14 with a further £50k in 2014/15. This will be funded from capital receipts and from the Maritime Reserve.
- Grounds Maintenance Replacement Mowers and Vehicles – A number of ride on mowers and vehicles are reaching the end of their useful lives. As a result, funding to replace these of £144k in 2013/14 and £250k in 2015/16 is required. The expenditure in 2013/14 will be covered by capital receipts. The 2015/16 expenditure will be funded from service savings within the Parks DLO which will be set aside in an earmarked reserve specifically for this purpose.
- Ramsgate Harbour Eastern Outer Marina Replacement Floating Pontoons – the current floating pontoons are coming to the end of their useful life. Sums of £125k in 2013/14 and £125k in 2014/15 are required to replace them. This will be funded from capital receipts and the Maritime Reserve.
- Crematorium Car Park – an extension to the existing car park will improve the traffic flows around the crematorium, reduce customer complaints and reduce the damage caused to the grounds from vehicles parking or mounting the grass verges. This work will cost £100k and will be funded from the Crematorium/Cemeteries Reserve.
- Crematorium Residual Works – improvements to the office accommodation associated with the crematorium are required in order to comply with Health and Safety Regulations. This work will cost £40k and will be funded from the Crematorium/Cemeteries Reserve.

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Material Acquisitions/New Assets

The following new assets have been recognised in the Balance Sheet as at 31 March 2013:

- 89 Kennedy House (£50k)
- Hydraulic access platform (£13k)
- 2 refuse freighters/trucks (£32k)
- 144/144a King Street (£70k)
- 59 Grange Road (£190k)
- 26 Ethelbert Crescent (£200k)
- Play equipment at Jackey Bakers (£59k)
- Solar Panels (£40k)
- IT Hardware (£19k)

As part of a national government scheme designed to tackle the problem of empty homes in England, the Council has been awarded £4.131m (£2.065m paid in 12/13, and £2.066m due for payment in 13/14) for a funding bid submitted for parts of Cliftonville West and Central Margate wards, aimed at bringing 160 housing units back into use.

The money will be used to buy empty properties from owners. Depending upon the condition of the property and the circumstances, some will be demolished while others will be redeveloped, refurbished or converted.

Heritage Assets

The Council is required to disclose heritage assets separately. Heritage assets can be defined as tangible or intangible, and are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. The value of heritage assets as at 31 March 2013 is £705k (2011/12 £767k). These relate to war memorials, public statues, artefacts or collections within museums, art collections and civic regalia. For further details see notes 12, 48 and 49.

New Liabilities

In September 2012, the Council imposed a temporary ban on the movement of live animals through the Port of Ramsgate. The Council was subsequently served with a judicial review application in October 2012 seeking to quash the decision on the temporary ban. Having taken advice, the Council agreed to lift the temporary ban in November 2012. The Council agreed to pay the claimant costs and these were subsequently settled in the sum of £80k in March 2013. The claimants have served a schedule of damages for breach of the EU Treaty. The Council will be contesting the claim. The Council's technical defence to the claim will be tried in December 2013. If successful, this will be the end of the matter. If the Council fails, there will be liability for damages subject to proof by the claimants. At this moment in time, the Council expects its technical defence to the claim to be successful, and therefore on this basis, the potential liability has been shown as a contingent liability within the accounts rather than a provision.

On 3 June 2011, a Compulsory Purchase Order (CPO) was served on the land owners of the Dreamland site, pursuant to Section 226 of the Town and Country Planning Act 1990. A public inquiry took place between 10 January 2012 and 26 March 2012 and the CPO was subsequently confirmed on 17 August 2012. The land owners lodged an appeal which was dismissed by the High Court on 2 May 2013, and then a subsequent appeal (hearing date 25th September 2013) . The Council has now completed the process of vesting the site and subject to appeal it is likely that this will result in a claim for compensation being made by the existing land owners. This potential liability has been reflected as a contingent liability within the accounts.

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Treasury Management

During 2012/13, the Council complied with all its legislative and regulatory requirements with regard to its treasury activities. The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through regular reporting to Members and through officer activity detailed in the Council's Treasury Management Practices.

As at 31 March 2013, the Council had £23.603m in investments. As a result of the continuing difficulties in economic conditions, interest rates remained at historic lows. The Council maintained an average balance of £30.985m of internally managed funds which earned an average rate of 0.75%. This compares with a budget assumption of £20m investment balances earning an average rate of 0.90%. However, the performance indicator for investment returns is to achieve returns above the 7 day LIBID rate. This average rate for 2012/13 was 0.39% so this performance indicator has been met.

Concerns over the security of financial institutions continued, resulting in a cautious approach, whereby investments continued to be dominated by low counterparty risk considerations. The treasury strategy has therefore been to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk. No borrowing was undertaken during the year. No rescheduling of debt was done as the average 1% differential between the PWLB new borrowing rates and premature repayment rates made rescheduling unviable. The Council repaid £598k of maturing debt during the year (having a rate of 10.125%) using investment balances, thus reducing the Council's average borrowing rate to 4.55%. The Council's total principal debt outstanding as at 31 March 2013 was £26.122m. The management of the debt portfolio resulted in a fall in the average interest rate of 0.61%, representing a net saving of £160k per annum.

In order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council must not borrow to support revenue expenditure. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the unfinanced capital expenditure for the year and prior years' unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

The Council's unfinanced capital expenditure for 2012/13 is shown in the following table:

2011/12 Actual £'000s		2012/13 Estimate £'000s	2012/13 Actual £'000s
8,760	Non-HRA capital expenditure	8,045	7,315
3,289	HRA capital expenditure	2,740	2,171
12,049	**Total capital expenditure**	**10,785**	**9,486**
	Resourced by:		
596	Capital receipts	1,675	744
10,582	Capital grants	2,809	6,729
429	Capital reserves	2,140	643
442	Revenue	600	472
-	**Unfinanced capital expenditure**	**3,561**	**898**

The Council's CFR for the General Fund as at 31 March 2013 was £19.450m, calculated as follows:

31 March 2012 Actual £'000s	CFR	31 March 2013 Original Indicator £'000s	31 March 2013 Actual £'000s
19,898	**Opening balance**	**19,209**	**19,209**
-	Add unfinanced capital expenditure (as above)	3,561	898
(689)	Less MRP/*	(659)	(657)
-	Less PFI and finance lease payments	-	-
19,209	**Closing balance**	**22,111**	**19,450**

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

The Council's CFR for the Housing Revenue Account as at 31 March 2013 was £22.325m, calculated as follows:

31 March 2012 Actual £'000s	CFR	31 March 2013 Original Indicator £'000s	31 March 2013 Actual £'000s
23,966	**Opening balance**	**23,388**	**23,041**
-	Add unfinanced capital expenditure (as above)	-	-
(925)	HRA loan repayments	-	(516)
-	Less VRP*	-	-
-	Less HRA downward revaluation (revenue contribution)	-	(200)
23,041	**Closing balance**	**23,388**	**22,325**

**Includes voluntary application of capital receipts*

Net borrowing should not, except in the short term, have exceeded the CFR for 2012/13 plus the expected changes to the CFR over 2013/14 and 2014/15. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2012/13. Net borrowing as at 31 March 2013 was £2.519m (principal debt outstanding of £26.122m less total investments of £23.603m) and therefore, the Council has not exceeded its CFR.

Pensions Liability

As part of the Conditions of Employment, the Council offers retirement benefits in accordance with statutory requirements. These payments, investment assets and future liabilities are managed as part of the Kent County Pension Fund on behalf of all contributing member authorities. Local authorities are required to account for their share of the pension deficit, the impact of which can be seen in note 39 to the Core Financial Statements.

Thanet's net liability on the Kent County Council Pension Fund as at 31 March 2013 is £80.8m (£73.4m as at 31 March 2012), giving an increase in liability of £7.4m. The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £80.8m 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

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employees, as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

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

The movement to the Fund is set out in more detail in note 39 to the Core Financial Statements.

Provisions

The Council holds a provision of £417k in respect of asbestos related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants.

The previously outstanding legal case in relation to the administration of the selective licensing scheme was settled during 2012/13 in the Council's favour, so the unused amounts set aside have been returned to revenue.

Material Events after the Reporting Date

New arrangements for the retention of business rates came into effect on 1 April 2013. Business rates are no longer collected on an agency basis for central government but are retained by the billing authority and distributed to major preceptors in accordance with the Non-Domestic Rating Regulations 2013 (SI452). As part of the changes local authorities now assume responsibility for refunding business ratepayers who have successfully appealed against the rateable value of their properties. Although the amounts relate to 2012/13 and prior years the liability does not rest with the Council until 1 April 2013, so has been disclosed as a non-adjusting post balance sheet event until 2013/14 when a provision will be made for the Council's currently estimated share (£3.742m).

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Approval

In accordance with the Accounts and Audit (England) Regulations 2011, the Governance and Audit Committee approved the 2012/13 Statement of Accounts on 25 September 2013.

Signed : Date: 25 September 2013

Chair of the Governance and Audit Committee

For further information on the accounts please contact the Financial Services Manager on 01843 577617 or write to : Financial Services Manager, Thanet District Council, PO Box 9, Cecil Street, Margate, Kent CT9 1XZ

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Statement of Responsibilities for the Statement of Accounts

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

The Authority's Responsibilities

The Authority is required:

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

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

Chief Executive & Section 151 Officer's Responsibilities

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

In preparing this statement of accounts, the 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 2013 and of its income and expenditure for the year ended on that date.

Sue McGonigal CPFA
Chief Executive & Section 151 Officer
Date: 25 September 2013

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Independent Auditors Report to the Members of Thanet District Council

Opinion on the Authority financial statements

We have audited the financial statements of Thanet District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Thanet District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Executive and S151 Officer and auditor

As explained more fully in the Statement of the Chief Executive and S151 Officer's Responsibilities, the Chief Executive and S151 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Executive and S151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thanet District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.
-

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Thanet District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Andy Mack
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

Date:

Movement in Reserves Statement

For the Year Ended 31 March 2012	General Fund Balance £'000s Note 6	Earmarked GF Reserves £'000s Note 7	Housing Revenue Account £'000s Note 6	Capital Receipts Reserve £'000s Note 23A	Major Repairs Reserve £'000s Note 3 to the HRA	Capital Grants Unapplied £'000s Note 23	Total Usable Reserves £'000s Note 23	Unusable Reserves £'000s Note 24	Total Authority Reserves £'000s
Balance at 1 April 2011	**2,177**	**9,381**	**9,022**	**1,924**	**2,402**	**88**	**24,994**	**69,784**	**94,778**
Surplus or (deficit) on provision of services	4,187	-	1,713	-	-	-	5,900	-	**5,900**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(20,117)	**(20,117)**
Total Comprehensive Income and Expenditure	**4,187**	**-**	**1,713**	**-**	**-**	**-**	**5,900**	**(20,117)**	**(14,217)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(2,072)	-	(784)	(182)	(865)	(12)	(3,915)	3,915	**-**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**2,115**	**-**	**929**	**(182)**	**(865)**	**(12)**	**1,985**	**(16,202)**	**(14,217)**
Transfers to/from Earmarked Reserves	(2,115)	2,069	(241)	(144)	-	-	(431)	431	**-**
Increase/ Decrease (movement) in Year	**-**	**2,069**	**688**	**(326)**	**(865)**	**(12)**	**1,554**	**(15,771)**	**(14,217)**
Balance at 31 March 2012 carried forward	**2,177**	**11,450**	**9,710**	**1,598**	**1,537**	**76**	**26,548**	**54,013**	**80,561**

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Movement in Reserves Statement cont'd

For the Year Ended 31 March 2013	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Note 6	Note 7	Note 6	Note 23A	Note 3 to the HRA	Note 23	Note 23	Note 24	
Balance at 1 April 2012	**2,177**	**11,450**	**9,710**	**1,598**	**1,537**	**76**	**26,548**	**54,013**	**80,561**
Surplus or (deficit) on provision of services	(136)	-	2,451	-	-	-	2,315	-	**2,315**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(3,967)	**(3,967)**
Total Comprehensive Income and Expenditure	**(136)**	**-**	**2,451**	**-**	**-**	**-**	**2,315**	**(3,967)**	**(1,652)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	2,179	-	(174)	30	(1,374)	-	661	(661)	**-**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**2,043**	**-**	**2,277**	**30**	**(1,374)**	**-**	**2,976**	**(4,628)**	**(1,652)**
Transfers to/from Earmarked Reserves	(2,043)	1,331	(1,742)	(9)	3,462	150	1,149	(1,149)	**-**
Increase/ Decrease (movement) in Year	**-**	**1,331**	**535**	**21**	**2,088**	**150**	**4,125**	**(5,777)**	**(1,652)**
Balance at 31 March 2013 carried forward	**2,177**	**12,781**	**10,245**	**1,619**	**3,625**	**226**	**30,673**	**48,236**	**78,909**

Comprehensive Income and Expenditure Statement

Restated 31 March 2012 Expenditure £'000s	Income £'000s	Net £'000s		31 March 2013 Expenditure £'000s	Income £'000s	Net £'000s
			Gross expenditure, gross income and net expenditure on continuing operations			
5,575	923	4,652	Cultural and Related Services	5,436	878	4,558
10,887	4,041	6,846	Environment and Regulatory Services	12,351	4,329	8,022
6,478	3,128	3,350	Planning Services	4,850	2,236	2,614
7,226	6,947	279	Highways and Transport Services	8,648	7,538	1,110
76,413	73,889	2,524	Other Housing Services	77,100	76,887	213
9,823	11,877	(2,054)	Local Authority Housing (HRA)	9,027	12,621	(3,594)
23,016	21,543	1,473	Central Services to the Public	22,553	21,319	1,234
3,646	871	2,775	Corporate and Democratic Core	1,973	357	1,616
(82)	331	(413)	Non Distributed Costs	309	346	(37)
142,982	**123,550**	**19,432**	**Cost of Services**	**142,247**	**126,511**	**15,736**
		1,450	Other Operating Expenditure	Note 8		1,778
		2,625	Financing and Investment Income and Expenditure	Note 9		6,077
		(29,407)	Taxation and Non-Specific Grant Income	Note 10		(25,906)
		(5,900)	**(Surplus) or Deficit on Provision of Services**			**(2,315)**
		(1,821)	(Surplus) or Deficit on revaluation of non current assets			(2,198)
		117	Impairment losses on non-current assets charged to the Revaluation Reserve			165
		21,821	Actuarial (gains)/losses on pension assets/liabilities			6,000
		20,117	**Other Comprehensive Income and Expenditure**			**3,967**
		14,217	**Total Comprehensive Income and Expenditure**			**1,652**

The other comprehensive income and expenditure breakdown for 2011/12 has been restated to disclose the total for impairment losses charged to the Revaluation Reserve previously included in the surplus and deficit on revaluation figure.

Balance Sheet as at 31 March 2013

31 March 2012 £'000s			31 March 2013 £'000s	31 March 2013 £'000s
	Property, Plant & Equipment	Note 11		
85,076	Council Dwellings		85,650	
39,330	Other land and buildings		37,450	
2,746	Vehicles, plant, furniture and equipment		2,294	
13,028	Infrastructure		14,896	
3,170	Assets under construction		3,949	
3,312	Surplus assets not held for sale		3,018	
767	**Heritage Assets**	Note 12	705	
22,190	**Investment Property**	Note 13	22,789	
-	**Intangible Assets**	Note 14	-	
49	**Long Term Debtors**	Note 18	65	
169,668	**Long Term Assets**			**170,816**
-	**Short Term Investments**	Note 15	3,300	
238	**Inventories**	Note 16	205	
13,952	**Short Term Debtors**	Note 18	16,155	
(3,957)	**Impairment Provision**	Note 18	(7,528)	
19,586	**Cash and Cash Equivalents**	Note 19	20,697	
179	**Assets Held for Sale (< 1year)**	Note 20	120	
29,998	**Current Assets**			**32,949**
983	**Short Term Borrowing**	Note 15	2,289	
9,332	**Short Term Creditors**	Note 21	9,904	
965	**Provisions**	Note 22	417	
2,760	**Grant Receipts in Advance**	Note 33	4,182	
14,040	**Current Liabilities**			**16,792**
26,122	**Long Term Borrowing**	Note 15	24,202	
76,721	**Other Long Term Liabilities**	Note 39/40	81,422	
2,222	**Grant Receipts in Advance**	Note 33	2,440	
105,065	**Long Term Liabilities**			**108,064**
80,561	**Net Assets**			**78,909**
	Represented By:			
	Usable Reserves			
2,177	General Fund	Note 23	2,177	
11,450	Earmarked Reserves	Note 7	12,781	
9,710	Housing Revenue Account	Note 23	10,245	
1,598	Capital Receipts Reserve	Note 23A	1,619	
1,537	Major Repairs Reserve	Note 23	3,625	
76	Capital Grants Unapplied	Note 23	226	
	Unusable Reserves			
13,933	Revaluation Reserve	Note 24A	15,085	
(170)	Accumulated Absences Reserve	Note 24G	(166)	
(73,454)	Pensions Reserve	Note 24E	(80,780)	
113,615	Capital Adjustment Account	Note 24B	114,011	
25	Deferred Capital Receipts	Note 24D	24	
64	Collection Fund Adjustment Account	Note 24F	62	
80,561	**Total Reserves**			**78,909**

Signed: Sue McGonigal CPFA

Date: 25 September 2013 Section 151 Officer

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Cash Flow Statement

2011/12 £'000s			2012/13 £'000s	2012/13 £'000s
(5,900)	**Net (surplus) or deficit on the provision of services**			**(2,315)**
(11,504)	Adjust net surplus or deficit on the provision of services for non-cash movements	Note 25a		(9,818)
2,964	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			3,077
(14,440)	**Net cash flows from Operating Activities**			**(9,056)**
8,369	Investing Activities	Note 26		7,945
-	Financing Activities	Note 27		-
(6,071)	**Net (increase) or decrease in cash and cash equivalents**	Note 19		**(1,111)**
13,515	Cash and cash equivalents at the beginning of the reporting period			19,586
19,586	**Cash and cash equivalents at the end of the reporting period**			**20,697**

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Notes to the Core Financial Statements

1. Accounting Policies

General

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code) and the Service Reporting Code of Practice 2012/13 (SERCOP), supported by the International Financial Reporting Standards (IFRS).

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

The qualitative characteristics, fundamental accounting principles, concepts and estimation techniques upon which the accounts have been prepared are set out below. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Qualitative Characteristics of Financial Information

Relevance

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

Reliability

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

Comparability

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

Faithful Representation

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

Verifiability

Information represented enables different knowledgeable and independent observers to reach consensus, although not necessarily complete agreement that particular depiction is a faithful representation. Verification can be direct for example by observing the counting of

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cash, or indirect by checking the inputs, formula or other technique and recalculating the results using the same methodology.

Timeliness

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

Understandability

In accordance with IAS 1, the accounts have been prepared in such a way to aid the understanding of the reader. We do, however, recognise the complexities contained within the Statement of Accounts. The Statements are prepared in accordance with accounting concepts, treatments and terminology that require reasonable knowledge of accounting and local government if they are to be properly understood. Technical terms have been avoided where possible, in favour of plain language. There is also a Glossary of Terms included, which can be found on pages 110 - 115.

The Explanatory Foreword on pages 4–15 sets out the local authority financial reporting framework and the key aspects of the Authority's financial performance and standing.

Materiality

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

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

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

- The item's nature, in relation to:

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

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

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Accounting Concepts

Accruals

The accounts, other than cash flow information, have been prepared on an accruals basis. This means that sums due to or from the Council in respect of the year of account are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle are public utility accounts which are charged according to the date of the meter reading and some recurring sundry debtor accounts and annual fees for which the due dates do not coincide with normal quarter or year dates, subject to materiality. This policy is applied consistently each year and does not have a material effect on the year's accounts.

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

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

Going Concern

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

Primacy of Legislation

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

Estimation Techniques

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Exceptional Items

Exceptional items are ones that are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly, and are disclosed separately on the face of the Comprehensive Income and Expenditure Statement and in notes to the accounts.

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Prior Period Adjustments

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

Changes in Accounting Policy

The Code from time to time requires Local Authorities to amend their accounting policies. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and prior period comparative amounts as if the new policy had always been applied.

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable During Employment

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

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

Pensions General

The Accounting Standards, IAS 19 and 26 regarding Employee Benefits and Retirement Benefits, require recognition of pension assets and liabilities in the Balance Sheet and the operating costs of providing retirement benefits together with changes in the value of assets and liabilities to be reflected in the Comprehensive Income and Expenditure Statement. In order that IAS 26 requirements do not impact upon council tax levels, the movement on the net assets and liabilities (net of the employer's contributions and actuarial gains and losses) is reversed out to the Pension Reserve through the Movement in Reserves Statement.

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Termination Benefits

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

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

Post Employment Benefits

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2010 and this has been used to update the service cost figures.

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

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

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

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

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

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

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

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

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

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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 Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

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.

IAS 26 also requires the disclosure of any additional liabilities, for example those in respect of additional pensions paid on retirement under the Discretionary Payment Regulations ("compensatory added years pensions") which are not paid from the Fund itself. This information has been provided by the Fund's actuary and is included within the liabilities figures quoted.

Events After the Balance Sheet Date

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

Events that occur after the Balance Sheet date indicative of conditions arising after the Balance Sheet date will not be adjusted in the Accounting Statements, but will be disclosed in the Notes to the Core Financial Statements, to include:

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

Events after the Balance Sheet date will be reflected up to the date when the Statement of Accounts is authorised for issue.

Financial Instruments - Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the 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. For the Council's borrowings this means that interest charged to the Comprehensive Income and Expenditure Statement represent the amounts payable for the year in accordance with the loan agreements. Under the requirements of IFRS 7 and 9 and IAS 39 interest due (but not yet paid) on outstanding loans is added to the principal amount outstanding and is shown under short term borrowing in the Balance Sheet.

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Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

Loans and receivables are initially measured at fair value and subsequently carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement. 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 (in the case of trade debtors where there is a likelihood the payments due will not be made as a result of past events) the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement under the heading "Interest Payable and Similar Charges".

Any gains and losses that arise on the de-recognition (i.e. cessation or transfer of the loan) of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Government and Non Government Grants and Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Comprehensive Income and Expenditure Statement and then reversed to the Capital Adjustment Account once the Council is satisfied that all grant conditions have been complied with. This ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. If a grant has been received but not applied to fund capital expenditure the grant will be shown on the Balance Sheet within the Grant Receipts in Advance account. If the grant is subsequently assessed to be free of any conditions and remains unapplied the grant will be shown as Capital Grants Unapplied on the Balance Sheet. If a grant is due for repayment due to the Council's failure to meet grant conditions it will be included as a creditor on the Balance Sheet.

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

Any contributions received under S106 agreements where developers are required to pay sums to the Council as a consequence of planning permission being granted are initially included in the Comprehensive Income and Expenditure Statement. Contributions applied to offset service revenue expenditure are credited to the service and contributions for capital works are included in the Taxation and Non-Specific Grant Income line in the

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Comprehensive Income and Expenditure Statement and then taken to the Usable Reserves section of the Balance Sheet.

Heritage Assets

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

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

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

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

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

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

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

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

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Intangible Assets

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

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

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

Group Accounts

The Code's definition of an interest in a company/entity includes "an ability to exert a significant influence". The previous SORP guidance still applies but assessment of any involvement/interest will also consider the above when determining whether or not a group relationship exists. This is considered to apply where,

- The Authority has an interest in another body and that body is delivering a service or carrying on a trade or business of its own;
- The Authority has access to benefits and exposure to risks inherent in realising those benefits;
- The Authority controls the majority of equity capital or equivalent voting rights or appoints the majority of the governing body;
- The Authority exercises or has the right to exercise dominant influence;
- Subject to the assessment as set out above if the Authority's interest is deemed to be a group relationship the Council may still only prepare single entity accounts if the group interest is not material.

During 2011/12 the Council transferred the management of its Housing stock into an Arms Length Management Organisation along with similar arrangements from Canterbury, Dover and Shepway Councils. It is considered that this arrangement constitutes a Group Accounting arrangement as the Council "own" 25% of the new organisation. The ALMO (East Kent Housing Ltd) has prepared its own accounts for the period 1st April 2012 to 31st March 2013.

Apart from this arrangement the Council has determined that it has no other interests in subsidiaries, associates or joint ventures of a material nature.

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 SSAP 9, (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.

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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.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly Controlled Operations are activities undertaken by the Authority in conjunction with other bodies that involve the use of the assets and resources of all of the organisations rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls 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.

Jointly Controlled Assets are items of property, plant and equipment that are jointly controlled by the Authority and other bodies, with the assets being used to obtain benefits for all of the organisations. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture.

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

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earnings. The apportionment basis used ensures that earnings are normally allocated to the lease term to give a constant periodic rate of return to the Council.

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

Embedded Leases: The IFRS reporting arrangements require the Council to determine whether or not it benefits from the exclusive use of tangible assets within any of its contract arrangements with third parties. If the Council decides that this is the case it has to decide whether the arrangement is to be considered a lease in accordance with IFRIC12. The Council has determined that there are no contracts that fall within these criteria.

Overheads

All costs of management and administration have been fully allocated during the year on the following bases:

- Departments - Time spent by staff
- Buildings - Square meterage
- Computing - Hardware by department

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

Property, Plant and Equipment

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. Expenditure on non-current assets is capitalised, provided that the asset yields benefit to the Council and the services it provides, for a period of more than one financial year. Subsequent expenditure on non-current assets is capitalised in accordance with IAS 16. This excludes expenditure on routine repairs and maintenance of non-current assets, which is charged directly to service revenue accounts. The Council has set a de minimus level in respect of the recognition of capital expenditure of £10,000.

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

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

b) Heritage Assets

c) Investment Properties

d) Intangible Assets (see separate Accounting Policy)

Measurement: Non-current assets have been valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes

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issued by the Royal Institution of Chartered Surveyors (RICS). They have been classified in accordance with the IFRS Code and have been valued on the following bases:

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

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

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

Revaluation: Revaluations of non-current assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of the Authority's assets annually. Council Dwellings are re-valued annually using the Beacon principle. Identified material changes to asset valuations will be adjusted in the interim period, as they occur. The Asset Valuations in these accounts have been prepared by the Council's internal Estates Surveyor, Natalie Beldin, Bsc (Hons) MRICS, Chartered Surveyor. The valuations were produced in accordance with guidelines issued by CIPFA, and in accordance with the Royal Institute of Chartered Surveyors current guidance notes for Asset Valuation. The date of valuation for the General Fund is 1 April 2012.

The basis for Council Dwellings valuations is Existing Use Value for Social Housing (EUV-SH). Under this method the vacant possession value of the dwellings is reduced to 32% of the market value, to reflect the occupation by a secure tenant. A full valuation of the Beacon properties is undertaken every five years but an annual adjustment is made to reflect market changes during the year. The date of valuation for the Housing Revenue Account is 31 March 2013.

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

The Council has decided to adopt a phased approach to annual valuation of its Investment Properties due to the size of the portfolio. From April 2010 investment properties with a value in excess of £100,000 will be valued annually with the remaining properties included in the existing 5 yearly rolling programme of revaluation.

Investment Property: Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment

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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 arm's 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. Guidance allows for the ongoing use of the MRA as a proxy for depreciation and if the Council continues this policy it is allowed to defer the application of component accounting to the dwelling stock

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

Where impairment losses are identified, the accounting entries are:

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

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

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

Disposals: Income from the disposal of non-current assets is accounted for on an accruals basis. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet, any receipt from disposal and any costs associated with the disposal are accounted for in the Comprehensive Income and Expenditure Statement so comprising any gains or losses on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The amount payable to the Government can be reduced where the Council elects to invest in certain regeneration projects or affordable housing. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow, (the Capital Financing Requirement). Receipts are appropriated to the reserve through the Movement in Reserves Statement.

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

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

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

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

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).

Prior to HRA self financing the Authority used the Housing Subsidy major repairs allowance as a proxy to depreciation. A review of the depreciation policy in connection with the Council Dwelling stock was carried out in 2012/13 when it became apparent that the Housing Revenue Account self financing settlement major repairs allowance was substantially higher that the previous allowance awarded with housing subsidy and was therefore no longer deemed to be a suitable proxy for depreciation. The Authority now depreciates its housing stock over its useful economic life.

Provisions

Provisions represent sums set aside for liabilities or losses which are likely or certain to be incurred but it is uncertain as to the amounts or dates on which they will arise. Provisions are charged direct to the appropriate service revenue account and when the expenditure is incurred to which the provision relates it is charged direct to the provision.

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

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Reserves

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

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

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

Contingent Gains/Liabilities

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Council policy is to write down this expenditure in the year that it occurs. The full cost is charged to the relevant service in the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement to ensure that there is no effect on the revenue accounts as a whole.

Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. An asset “Held for sale” 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

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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.

Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with IAS 1, i.e. sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

Debts due to the Council are recorded as they become due and the item Debtors shown in the Balance Sheet represents the amounts due during the year which remain unpaid at the year end, from which a sum is deducted as a provision for bad debts.

Interest payable is accrued to 31 March on all loans outstanding at the balance sheet date. Interest on short-term investments due, but not received as at 31 March is also accrued where this is material.

Instalments of interest on Housing Act advances and deferred payments are brought into account on the day they fall due for payment, irrespective of the period to which they relate.
Housing Revenue Account gross rent income is brought into account for the full year irrespective of debit and collection dates.

Provision for Bad and Doubtful Debts (Impairment)

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 ongoing benefit.

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). The Council Tax 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 is collected on an agency basis, so the Balance Sheet reflects debtor/creditor position between the Council and major preceptors, since the cash paid to preceptors in the year is not the share of actual cash collected from council taxpayers.

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Since 1 April 2009 it has been recognised that National Non-Domestic Rates are collected by billing authorities for the Government on an agency basis. The recognition of ratepayers arrears/overpayments and the impairment allowance for doubtful debts are therefore not shown separately in the Authority's Balance Sheet, but are consolidated into a debtor/creditor for amounts due to/from Government departments. This policy will be reviewed for 2013/14 when the new arrangements for the retention of business rates come into effect on 1 April 2013.

Value Added Tax

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

2. Accounting Standards issued, Not Adopted

Financial Instruments

Amendments to IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities) and IAS 12 Deferred Tax :Recovery of Underlying Assets have been issued but not yet adopted by the Code. It is not anticipated that IAS 12 will apply to the Council, but the relevant disclosure changes will be made to the 2013/14 accounts if IFRS 7 is adopted.

IAS19 Employee Benefits

Amendments to IAS 19 Employee Benefits which apply to accounting periods on or after 1 January 2013 have yet to be adopted by the Code. The main changes to the profit and loss charge are the removal of the expected return on assets, some labelling changes and the addition of accounting for administration expenses. The expected impact of the change on the profit and loss statement is as follows:

	Year to 31 March 2013 £000's
Service Cost	3,775
Net interest on the defined liability (asset)	3,275
Administration Expenses	87
Total	**7,137**
Actual return on scheme assets	14,392

3. Critical Judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The Council reflects its share of the transactions of East Kent Shared Services (joint arrangement), but on a gross accounting basis, being the Host Authority (Note 46).

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council is satisfied that its financial management procedures are robust and that it has sufficient reserves to mitigate any adverse economic trends.

- The Council's share of the transactions of the East Kent Housing ALMO classified as a joint venture are not material, and in accordance with it's accounting policy consider that group accounts are not required (Note 47).

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

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

The items in the Authority's Balance Sheet at 31 March 2013 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 assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £25k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £4.13m and an increase of one year to the mortality rate would result in a decreased pension liability of £4.08m. However, the assumptions interact in complex ways.
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors of £4.494m. A review of balances suggested that an impairment of doubtful debts of 100% would be made for those debts over 1 year old, 50% for those debts over 6 months old and full recovery has been assumed for those debts under 6 months old. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an impairment of doubtful debts of 10% for those debts under 6 months old (total £591k) would require an additional £59.1k to be set aside as an allowance.

Dreamland CPO	The development of the Dreamland site began during 2010/11. On 17 August 2012 the Council had the CPO confirmed by the Secretary of State for Communities and Local Government. The site is now vested with the authority, but if the latest appeal is successful, ownership will transfer back. The Authority has three ways in which it currently controls the site on which the assets reside: • The Council has served a number of urgent works notices on the current land owners: • The Council has had the Compulsory Purchase Order pursuant to Section 226 of the Town and Country Planning Act 1990 approved in respect of the site; • Planning policy ensures that the site where the money has been spent can only be used as an amusement park. The works to date have therefore been treated as capital expenditure and are shown in the accounts as 'assets under construction'.	The current land owners appeal to the High Court was dismissed; however the decision is still open to legal challenge, the next hearing date set as 25th September 2013. If successful the capital expenditure to date would need to be written off to Revenue and any grants received may need to be repaid, in addition to any legal costs incurred.
Asset Values	The Council has in excess of 200 investment properties. An annual valuation of all these assets is not practical, therefore only those assets with a value over £100k are valued annually with the remainder valued on a rolling 5 year basis.	Investment assets totaling £6.416m have not been revalued in 2012/13. In general, the asset valuations for investment properties have gone up by 4.85% in 2012/13. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £0.311m to the asset valuation.

5. Post Balance Sheet Events

Dreamland CPO

The current land owner failed to co-operate in transferring the site and a CPO was served in May 2011. As a result a public inquiry took place between January and March 2012. On 17 August 2012 the Council had the CPO confirmed by the Secretary of State for Communities and Local Government, however the land owners challenged this decision at the High Court, on 2 May 2013 this appeal was dismissed. A subsequent appeal has been lodged (hearing date 25th September 2013), although the site is now vested with the authority.

6. Adjustments Between Accounting Basis and Funding Basis under Regulations

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

2011-12	**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						
Charges for depreciation and impairment of non-current assets	2,723	-	-	-	-	(2,723)
Revaluation losses on Property Plant and Equipment	1,284	-	-	-	-	(1,284)
Movements in the market value of investment properties	(366)	(2)	-	-	-	368
Amortisation of intangible assets	55	-	-	-	-	(55)
Capital grants and contributions applied	(5,105)	(1,077)	152	-	-	6,030
Revenue expenditure funded from capital under statute	217	-	-	-	-	(217)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	98	872	-	-	-	(970)
Statutory provision for the financing of capital investment	(689)	-	-	-	-	689
Capital expenditure charged to revenue	-	(34)	-	-	-	34
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the CI&E Statement	-	-	-	-	(12)	12
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	(117)	(572)	689	-	-	-
Contribution to disposal cost of capital sales	2	-	(2)	-	-	-
Use of the CRR to finance new capital expenditure	-	-	(596)	-	-	596
Use of the CRR to finance the payments to the Government capital receipts pool	425	-	(425)	-	-	-
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Depreciation	-	-	-	2,390	-	(2,390)
Use of the MRR to finance new capital expenditure	-	-	-	(3,255)	-	3,255
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	4,224	91	-	-	-	(4,315)
Employer's pension contributions and in year payments direct to pensioners	(4,869)	(62)	-	-	-	4,931
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(27)	-	-	-	-	27
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis differs from that chargeable in the year in accordance with statutory requirements	73	-	-	-	-	(73)
Total Adjustments	**(2,072)**	**(784)**	**(182)**	**(865)**	**(12)**	**3,915**

2012-13	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						
Charges for depreciation and impairment of non-current assets	3,060		-	-	-	(3,060)
Revaluation losses on Property Plant and Equipment	1,320	-	-	-	-	(1,320)
Movements in the market value of investment properties	(223)	-	-	-	-	223
Amortisation of intangible assets	5	-	-	-	-	(5)
Capital grants and contributions applied	(3,292)	(367)	-	-	-	3,659
Revenue expenditure funded from capital under statute	332	-	-	-	-	(332)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	345	478	-	-	-	(823)
Statutory provision for the financing of capital investment	(657)	-	-	-	-	657
Capital expenditure charged to revenue	-	(472)	-	-	-	472
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the CI&E Statement						
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	-	-	926	-	-	(926)
Contribution to disposal cost of capital sales	9	-	(9)	-	-	-
Use of the CRR to finance new capital expenditure	-	-	(744)	-	-	744
Use of the CRR to finance payments to the Government capital receipts pool	143	-	(143)	-	-	-
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Depreciation	-	-	-	-	-	-
Use of the MRR to finance new capital expenditure	-	-	-	(1,374)	-	1,374
Adjustments primarily involving the Pensions Reserve						
Reversal of retirement benefit related items debited/credited to the CI&E Statement	5,501	401	-	-	-	(5,902)
Employer's pension contributions and in year payments direct to pensioners	(4,362)	(214)	-	-	-	4,576
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	2	-	-	-	-	(2)
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	(4)	-	-	-	-	4
Total Adjustments	**2,179**	**(174)**	**30**	**(1,374)**	**-**	**(661)**

7. Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2012/13.

	1 April 2011	Transfers Between Reserves	Revenue Appropriations	1 April 2012	Transfers Between Reserves	Revenue Appropriations	31 March 2013
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Insurance Risk Management	89	-	98	187	-	35	222
Capital Projects	694	(325)	126	495	398	385	1,278
Local Plan	377	-	26	403	-	(11)	392
General Fund Repairs	139	-	163	302	25	41	368
Slippage Fund - GF	728	(47)	785	1,466	(52)	(427)	987
Slippage Fund – HRA	49	-	(40)	9	-	59	68
Information Technology	254	(9)	140	385	-	101	486
Environmental Action Plan	229	-	-	229	-	(17)	212
Office Accommodation	63	-	22	85	-	-	85
Planning Delivery Grant	61	-	(14)	47	-	(46)	1
Cremator and Cemeteries Works	499	23	156	678	(462)	(34)	182
Decriminalisation	111	-	(23)	88	(87)	144	145
Priority Improvement	764	(52)	511	1,223	(5)	(344)	874
Corporate Plan	179	(106)	(73)	-	-	-	-
LABGI	371	(354)	(17)	-	-	-	-
Customer Services	946	9	(529)	426	87	497	1,010
Unringfenced Grants	1,718	-	(945)	773	-	(296)	477
Waste	550	-	-	550	(517)	314	347
Council Election	91	-	(36)	55	-	32	87
Homelessness	99	-	49	148	-	53	201
Renewal	33	-	5	38	-	4	42
Performance Reward Grant	262	-	(7)	255	(150)	(50)	55
Maritime	556	115	39	710	(7)	20	723
VAT	299	-	123	422	-	19	441
Pensions (Earmarked)	220	-	441	661	-	-	661
East Kent Services	-	-	292	292	-	462	754
New Homes Bonus	-	(75)	509	434	-	348	782
Housing Intervention	-	-	250	250	-	432	682
Economic Development & Regeneration	-	339	-	339	-	-	339
Pay and Reward	-	-	-	-	-	380	380
HRA Properties	-	-	500	500	-	-	500
	9,381	**(482)**	**2,551**	**11,450**	**(770)**	**2,101**	**12,781**

Revenue Appropriations	2,101
Funding for Capital Programme	(770)
Contributions from Reserves as per Movement in Reserves Statement	**(1,331)**

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The above reserves have been established under the Local Government and Housing Act 1989 to meet liabilities certain to be incurred but uncertain as to the amount or the date on which they will arise (or both).

Insurance Risk Management - Provision is made to meet potential insurance claims as a result of increasing the Council's excess on employers and third party liability insurance cover as well as increased premiums.

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

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

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

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

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.

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

Environmental Action Plan - The Environmental Action Plan (EAP) is a fundamental part of the Council's Corporate Plan and a key corporate priority. The EAP will be used to finance various environmental improvements throughout the District.

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

Planning Delivery Grant – To set aside money to finance future activities relating to the Housing and Planning Delivery Grant. The last of the Revenue element of this grant was used during 2011/12 so this balance relates to the capital element.

Cremator and Cemeteries Works – The Council has an obligation to be environmentally compliant. Major works to the crematorium facilities are being undertaken in order to meet this requirement and this reserve has been established to ensure that sufficient monies are set aside to fund the required works.

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

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

Corporate Plan – The balance on this reserve was transferred to the Priority Improvement Reserve and has now been closed.

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LABGI – The balance on this reserve was transferred to the Priority Improvement Reserve and has now been closed.

Customer Services – This reserve is to be used to offset significant variations in benefit subsidy. Due to the volatility of this activity and the tight financial constraints which preclude the budgets being set at a level that would be sufficient for upper activity levels, it is prudent to set aside under spends that arise in this area as a contingency for future years.

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

Waste – This reserve has been set up to hold contributions towards the Waste service for expenditure such as the refurbishment of vehicles and service enhancements.

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

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

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

Performance Reward Grant – The Council has unspent Performance Reward Grant monies of £55k. It is proposed to use these monies on future East Kent working and empty properties. The monies held in this reserve will therefore be used to minimise the demands on the General Fund, while remaining in line with the original aims of the grant.

Maritime – This reserve is to be used to fund potential future works at the Port and Harbour.

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

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

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

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

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

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

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

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

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8. Other Operating Expenditure

2011/12 £'000s		2012/13 £'000s
744	Parish Council Precepts	812
425	Payments to the Housing Capital Receipts Pool	143
281	(Gains)/losses on the disposal of non-current assets	823
1,450	**Total**	**1,778**

9. Financing and Investment Income and Expenditure

2011/12 £'000s		2012/13 £'000s
1,601	Interest Payable and Similar Charges	1,209
117	Impairment of Financial Instruments	3,386
1,494	Pensions interest cost and expected return on pensions assets	2,127
(185)	Interest Receivable and similar income	(222)
(50)	(Gain)/Loss on Trading Operations (see below)	19
16	Income and Expenditure on investment properties	(219)
(368)	Changes in fair value of investment properties	(223)
2,625	**Total**	**6,077**

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:

2011/12 (Surplus)/Deficit £'000s	Trading Service	2012/13 Expenditure £'000s	2012/13 Income £'000s	2012/13 (Surplus)/ Deficit £'000s
(50)	**Building Control**	**298**	**(279)**	**19**

Building Control	2010/11 (Surplus)/ Deficit £'000s	2011/12 (Surplus)/ Deficit £'000s	2012/13 (Surplus)/ Deficit £'000s
Turnover	(296)	(326)	(279)
Expenditure	372	276	298
Total	**76**	**(50)**	**19**

10. Taxation and Non-Specific Grant Income

2011/12 £'000s		2012/13 £'000s
10,651	Council Tax Income	10,759
8,058	Non Domestic Rates	9,278
4,515	Non Ring Fenced Government Grants	2,210
6,183	Capital Grants and Contributions (see note 33)	3,659
29,407	**Total**	**25,906**

11. Property, Plant and Equipment

	Council Dwellings	Other Land and Buildings	Heritage Assets	Vehicles, Plant and Equip	Infra-structure Assets	Community Assets	Assets Under Construc-tion	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2011	**84,499**	**42,374**	**209**	**7,939**	**16,502**	**-**	**1,148**	**3,174**	**155,845**
Additions	3,289	920	620	191	2,011	-	2,022	182	**9,235**
Disposals	(575)	(75)	-	-	-	-	-	-	**(650)**
Reclassifications	137	371	-	4	-	117	-	-	**629**
Revaluation and Restatements	1,175	871	-	-	-	-	-	37	**2,083**
Downward Revaluation and Impairment charged to CI&E	-	(1,286)	(62)	-	-	-	-	(5)	**(1,353)**
Downward Revaluation & Impairment charged to the Revaluation Reserve	(3,449)	(7)	-	-	-	(117)	-	-	**(3,573)**
Gross Asset Valuation	**85,076**	**43,168**	**767**	**8,134**	**18,513**	**-**	**3,170**	**3,388**	**162,216**
Depreciation b/fwd	-	2,771	-	4,506	5,021	-	-	53	12,351
Depreciation 2011/12	2,389	1,903	-	882	464	-	-	27	5,665
Write out Accumulated Depreciation on Revaluation	(2,389)	-	-	-	-	-	-	-	(2,389)
Write out acc dep charged to Revaluation Reserve	-	(778)	-	-	-	-	-	(4)	(782)
Other depreciation adj	-	(58)	-	-	-	-	-	-	(58)
Gross Depreciation c/fwd	**-**	**3,838**	**-**	**5,388**	**5,485**	**-**	**-**	**76**	**14,787**
Net Book Value:									
as at 31 March 2012	**85,076**	**39,330**	**767**	**2,746**	**13,028**	**-**	**3,170**	**3,312**	**147,429**
as at 31 March 2011	**84,499**	**39,603**	**209**	**3,433**	**11,481**	**-**	**1,148**	**3,121**	**143,494**

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	Council Dwellings	Other Land and Buildings	Heritage Assets	Vehicles, Plant and Equip	Infra-structure Assets	Community Assets	Assets Under Construc-tion	Surplus Property	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 April 2012	**85,076**	**43,168**	**767**	**8,134**	**18,513**	**-**	**3,170**	**3,388**	**162,216**
Additions	1,481	1,724	-	225	2,391	-	972	-	**6,793**
Disposals	(812)	(467)	-	(39)	-	-	-	(245)	**(1,563)**
Reclassifications	(122)	(4)	-	-	-	-	(193)	156	**(163)**
Revaluation and Restatements	642	199	-	-	-	-	-	13	**854**
Recognition		15	-	11	-	-	-	-	**26**
Downward Revaluation and Impairment charged to CI&E	-	(1,305)	(62)	-	-	-	-	(15)	**(1,382)**
Downward Revaluation & Impairment charged to the Revaluation Reserve	(615)	(788)	-	-	-	-	-	(188)	**(1,591)**
Gross Asset Valuation	**85,650**	**42,542**	**705**	**8,331**	**20,904**	**-**	**3,949**	**3,109**	**165,190**
Depreciation b/fwd	-	3,838	-	5,388	5,485	-	-	76	14,787
Depreciation 2012/13	2,204	1,841	-	688	523	-	-	27	5,283
Write out Accumulated Depreciation on Revaluation	(2,204)	-	-	-	-	-	-	(9)	(2,213)
Write out acc dep charged to Revaluation Reserve	-	(508)	-	-	-	-	-	-	(508)
Other depreciation adjustments	-	(79)	-	(39)	-	-	-	(3)	(121)
Gross Depreciation c/fwd	**-**	**5,092**	**-**	**6,037**	**6,008**	**-**	**-**	**91**	**17,228**
Net Book Value:									
as at 31 March 2013	**85,650**	**37,450**	**705**	**2,294**	**14,896**	**-**	**3,949**	**3,018**	**147,962**
as at 31 March 2012	**85,076**	**39,330**	**767**	**2,746**	**13,028**	**-**	**3,170**	**3,312**	**147,429**

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.

Capital Commitments

As at 31 March 2013, the Council had entered into a contract for coast protection infrastructure works for £3.6m (works are due to be completed during 2012/13 with final payments being made in 2013/14). The Council also entered into contracts for works to properties at Military Road arches (£0.376m), Dreamland (£1.5m) the Margate Housing Intervention Programme (£0.329m). Further details are available in note 17.

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.

Valuations of Non-Current Assets Carried at Current Value

	Council Dwellings £'000	Land, Buildings £'000	Heritage £'000	Surplus £'000	Investment Properties £'000	Total £'000
Carried at Current Value						
Pre 2008					80	**80**
2008/09		2,949		1,596	830	**5,375**
2009/10		6,420		660	1,089	**8,169**
2010/11		23,071		598	1,649	**25,318**
2011/12		5,652	705	106	2,768	**9,231**
2012/13	85,650	4,450		149	16,373	**106,622**
Total Value	**85,650**	**42,542**	**705**	**3,109**	**22,789**	**154,795**

Vehicles, plant and equipment and infrastructure assets are carried at historical cost.

12. Heritage Assets

A reconciliation of the carrying amount of heritage assets at the beginning of the financial period and at the Balance Sheet date is shown in Note 11.

	War Memorials Public Statues £,000s	Museum Artefacts £,000s	Art Collection £,000s	Civic Regalia £,000s	Dreamland £,000s	Total £,000s
1 April 2012	**82**	**30**	**86**	**11**	**558**	**767**
Devaluation/Impairment to C I & E	-	-	-	-	(62)	(62)
31 March 2013	**82**	**30**	**86**	**11**	**496**	**705**

The Authority's heritage assets are mainly held in the Authority's museums but also include public statues and the civic regalia.

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

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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 mayors 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. The main expenditure incurred to date on the site is shown on the Balance Sheet as an asset under construction. The Heritage asset disclosure relates to the acquisition during 2011/12 of several historic amusement park rides which will be used on the site once it has been vested to the Authority.

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.

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13. 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 realise 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.

2011/12 £'000s		2012/13 £'000s
(1,263)	Rental Income from Investment property	(1,269)
1,279	Direct operating expenses arising from investment property	1,050
16	**Net (Gain)/Loss**	**(219)**

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

2011/12 £'000s		2012/13 £'000s
21,822	**Balance at start of the year**	**22,190**
-	Purchases	90
-	Subsequent Expenditure	547
-	Disposals	(184)
368	Net gains/losses from fair value adjustments	(68)
-	Reclassifications	122
-	Recognitions	92
22,190	**Balance at end of the year**	**22,789**

The circumstances in which property is classified and accounted for as investment property can be found in the accounting policy for Non-Current Assets in Note 1.

14. Intangible Assets

The Authority upgraded software in 2012/13 resulting in £5k being written down to the relevant service revenue account. The Council's policy is to write down intangible assets to the relevant service revenue account in the year that they occur and hence the opening and closing balances for intangible assets are both nil despite any expenditure on intangible assets during the financial year.

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15. Financial Instruments Balances

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

	Long-Term		Current	
	31 March 2012 £'000s	31 March 2013 £'000s	31 March 2012 £'000s	31 March 2013 £'000s
Borrowings	26,122	24,202	598	1,920
Trade creditors	-	-	6,633	4,849
Deferred liabilities	3,267	642	-	2,698
+ Accrued interest	-	-	385	369
Financial liabilities at amortised cost	29,389	24,844	7,616	9,836
Total financial liabilities	**29,389**	**24,844**	**7,616**	**9,836**
Short term investments	-	-	-	3,300
Cash and Cash Equivalents	-	-	19,586	20,697
Trade debtors	-	-	5,476	4,828
Car Loans	5	13	-	-
Mortgages	28	25	-	-
Charitable Loans	2	13	-	-
Home Safety Loans	14	14	-	-
+ Accrued interest on investments	-	-	19	40
Loans and receivables at amortised cost	49	65	25,081	28,865
Total financial assets	**49**	**65**	**25,081**	**28,865**

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

Note 2 – Fair value has been measured by:
- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

Note 3 – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided a financial guarantee in respect of the refurbishment of Hartsdown Leisure Centre that was undertaken by Thanet Leisure Force (now Your Leisure Kent Limited). A similar arrangement has been entered into for the new Ramsgate Swimming Pool. Further details of these contingent liabilities can be found in note 41. 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 two small soft loans to individuals as part of a mortgage protection scheme at less than market rates (soft loans). For further details on these loans please see Note 24C.

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

Financial Instruments Gains/Losses

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

2011/12			2012/13	
Financial Liabilities Amortised cost £'000s	**Financial Assets Loans and receivables £'000s**		**Financial Liabilities Amortised cost £'000s**	**Financial Assets Loans and receivables £'000s**
1,601	-	Interest expense	1,209	-
-	117	Impairment losses	-	3,386
1,601	**117**	**Interest payable and similar charges**	**1,209**	**3,386**
-	(185)	Interest income	-	(222)
-	-	Gains on de-recognition	-	-
-	**(185)**	**Interest and investment income**	**-**	**(222)**
1,533		**Net (gain)/loss for the year**	**4,373**	

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, using the following assumptions:

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

The fair values are calculated as follows:

31 March 2012			31 March 2013	
Carrying Amount £'000s	**Fair Value £'000s**		**Carrying Amount £'000s**	**Fair Value £'000s**
22,547	26,260	PWLB debt	21,933	26,108
4,558	4,528	Other debt	4,558	4,666
27,105	**30,788**	**Total debt**	**26,491**	**30,774**
3,267	3,267	Deferred liabilities	3,340	3,340
6,633	6,633	Trade creditors	4,849	4,849
37,005	**40,688**	**Total Financial Liabilities**	**34,680**	**38,963**

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

31 March 2012 Carrying Amount £'000s	31 March 2012 Fair Value £'000s		31 March 2013 Carrying Amount £'000s	31 March 2013 Fair Value £'000s
14	14	Home Safety Loans	14	14
2	2	Charitable Loans	13	13
5	5	Employee Car Loans	13	13
19,605	19,605	Money market loans < 1 year	24,037	24,037
28	28	Mortgages	25	25
5,476	5,476	Trade debtors	4,828	4,828
25,130	**25,130**	**Total Loans and Receivables**	**28,930**	**28,930**

Any differences are attributable to fixed interest instruments receivable being held by the Authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2013. This increases the fair value of financial liabilities and raises the value of loans and receivables.

For any bond holding, the differences are attributable to fixed interest loans receivable being held by the Authority whose interest rate is lower than the prevailing rate estimated to be available at 31 March 2013. This depresses the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The fair value for Trade Creditors and Trade Debtors are both taken to be the invoiced or billed amount.

16. Inventories

		Balance at start of year £'000s	Purchases £'000s	Recognised as an expense in the year £'000s	Balance at year end £'000s
Museum Stock	**2012/13**	2	5	5	2
	2011/12	2	3	3	2
Dane Park Stores	**2012/13**	9	83	82	10
	2011/12	9	24	24	9
Stationery Stores	**2012/13**	3	16	17	2
	2011/12	3	-	-	3
Waste Stock	**2012/13**	217	462	494	185
	2011/12	190	427	400	217
VIC Stock	**2012/13**	7	6	7	6
	2011/12	7	7	7	7
Total	**2012/13**	**238**	**572**	**605**	**205**
	2011/12	**211**	**461**	**434**	**238**

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17. Construction Contracts

As at 31 March 2013 the Authority had four construction contracts in progress: The construction of Margate Coast Protection scheme with J Breheny Contractors Ltd, works to the Dreamland Cinema by Coombs (Canterbury) Ltd, works to the Embassy Hotel development by R & R Richardson and works to Military Road arches by F M Conway Ltd. The value of work completed at 31 March 2013 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:

	Margate Coast Protection £'000s	Military Road Arches £'000s	Dreamland £'000s	Margate Housing Intervention £'000s
Costs incurred to date				
Revenue recognised:				
Prior to 1 April 2012	1,747	-	-	-
During 2012/13	1,833	367	1,500	105
Advances received	(3,304)	(293)	(1,444)	(78)
Gross amount due	**276**	**74**	**56**	**27**
Comprising:				
Amounts not billed	166	68	19	22
Retentions	110	6	37	5

18. Debtors

2011/12 £'000s	Amounts falling due in one year	2012/13 £'000s
1,301	Council Tax	1,652
1,290	Central Government bodies	722
908	Other Local Authorities	651
-	NHS	1
10,453	Other Entities and Individuals	13,129
(3,957)	Less Impairment Provision	(7,528)
9,995	**Total Short Term Debtors**	**8,627**

The increase in other entities and individuals is mainly due to an increase in income accruals associated with the recovery from ongoing housing benefit payments of prior overpayments (£1.9m) as well as an increase in Maritime debtors. The increase in impairment provision (£3.24m) relates to the debt associated with the main ferry operator going into administration.

Long Term Debtors

2011/12 £'000s	Amounts falling due after one year	2012/13 £'000s
28	Mortgages	25
2	Charitable Loans	13
14	Home Safety Loans	14
5	Car Loans	13
49	**Total Long Term Debtors**	**65**

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19. Cash and Cash Equivalents

31 March 2012 £'000s		31 March 2013 £'000s	Movement 2012-13 £'000s
310	Cash held by the Authority	395	85
4,681	Bank current accounts	3,957	(724)
14,595	Short Term deposits	16,345	1,750
19,586	**Total Cash and Cash Equivalents**	**20,697**	**1,111**

20. Current Assets Held for Sale

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

31 March 2012 £'000s		31 March 2013 £'000s
605	**Balance Outstanding at start of year**	**179**
98	Assets newly classified as held for sale	55
(235)	Assets declassified as held for sale	-
31	Revaluation gains	9
(320)	Disposals	(123)
179	**Balance Outstanding at year end**	**120**

21. Creditors

2011/12 £'000s	**Amounts falling due in one year**	2012/13 £'000s
309	Council Tax	320
941	Central Government bodies	1,223
161	Public Corporations and trading funds	3
2,405	Other Local Authorities	3,941
5,516	Other Entities and Individuals	4,417
9,332	**Total Short Term Creditors**	**9,904**

The increase in Central Government bodies relates mainly to a payment due in respect of the National Domestic Rate pool. (£298k).

The increase in Other Local Authority creditors relates to the liability owed to Kent County Council for the Authority's share of the cost of construction of the Spine Road at Westwood (£2.698m) previously shown as a long term liability which is due for repayment by March 2014.

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22. Provisions

	Outstanding Legal Cases £'000s	Compensation Claims £'000s	Total £'000s
Balance as at 1 April 2012	**369**	**596**	**965**
Additional provisions made in 2012/13	-	-	-
Amounts used in 2012/13	-	(179)	(179)
Unused amounts reversed in 2012/13	(369)	-	(369)
Balance at 31 March 2013	**-**	**417**	**417**

The previously outstanding legal case in relation to the administration of the selective licensing scheme was settled during 2012/13 in the Council's favour, so the unused amounts set aside have been returned to revenue.

The compensation claim provision relates to the settlement of claims against Municipal Mutual Insurers (MMI) the Council's insurers up until 1992, in respect of asbestos related cases. Based on the outcome of a Supreme Court Judgement (28 March 2012) the transfer of economic benefits has become probable and ongoing amounts due for payment can be reliably identified and set aside.

23. Usable Reserves

	1 April 2011 £'000s	Transfers Between Reserves £'000s	Revenue Move-ments £'000s	1 April 2012 £'000s	Transfers Between Reserves £'000s	Revenue Move-ments £'000s	31 March 2013 £'000s
Capital Receipts	1,924	(144)	(182)	1,598	(9)	30	1,619
Major Repairs	2,402	-	(865)	1,537	3,462	(1,374)	3,625
General Fund Balance	2,177	(2,711)	2,711	2,177	(2,043)	2,043	2,177
HRA Balance	9,022	(241)	929	9,710	(1,742)	2,277	10,245
Capital Grants Unapplied	88	-	(12)	76	150	-	226
Earmarked Reserves	9,381	(482)	2,551	11,450	(770)	2,101	12,781
Total	**24,994**	**(3,578)**	**5,132**	**26,548**	**(952)**	**5,077**	**30,673**

Capital Receipts Reserve – see Note 23A below**.**

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

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

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

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

Earmarked Reserves - see Note 7.

23A. Usable Capital Receipts Reserve

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

The Local Authorities (Capital Finance) (Amendment No.3) Regulations 1998 allows for 100% of all General Fund receipts to be used for capital purposes, from which up to 4% of the capital receipt can be used to fund the cost of sales.

2011/12 £'000s		2012/13 £'000s
1,924	**Balance at 1 April**	**1,598**
702	Capital Receipts in year	927
(596)	Capital Receipts applied during the year	(744)
(425)	Housing Pooled Capital Receipts	(143)
(7)	Cost of sales/Right to buy admin costs	(19)
1,598	**Balance at 31 March**	**1,619**

24. Unusable Reserves

2011/12 £'000s		2012/13 £'000s
13,933	Revaluation Reserve	15,085
113,615	Capital Adjustment Account	114,011
25	Deferred Capital Receipts Reserve	24
(73,454)	Pensions Reserve	(80,780)
64	Collection Fund Adjustment Account	62
(170)	Accumulated Absences Account	(166)
54,013	**Total Unusable Reserves**	**48,236**

24A. Revaluation Reserve

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

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

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

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2011/12 £'000s		2012/13 £'000s
12,958	**Balance as at 1 April**	**13,933**
1,336	Upward revaluation of assets	3,289
(124)	Downward revaluation of assets and impairment losses charged to the reserve	(1,296)
492	Gains through acquisition/recognition of non-current assets in the year	40
14,662	Surplus or deficit arising on revaluation of non-current assets	15,966
(290)	Difference between fair value depreciation and historical cost depreciation	(233)
(439)	Accumulated gains on assets disposed of	(648)
(729)	Amount written off to the Capital Adjustment Account	(881)
13,933	**Balance as at 31 March**	**15,085**

24B. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/12 £'000s		2012/13 £'000s
109,097	**Balance at 1 April**	**113,615**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(7,563)	Charges for depreciation and impairment of non-current assets	(5,345)
(1,284)	Revaluation losses on Property, Plant and Equipment	(1,320)
(55)	Amortisation of intangible assets	(5)
(230)	Revenue expenditure funded from capital under statute	(2,051)
(970)	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	(1,749)
98,995		**103,145**
2,390	Write out of accumulated depreciation	-
729	Adjusting amounts written out of the Revaluation Reserve	881
102,114	Net written out amount of the cost of non-current assets consumed in the year	**104,026**

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	Capital Financing applied in the year:	
596	Use of the Capital Receipts Reserve to finance new capital expenditure	744
442	Use of the Capital Projects Reserve	644
3,255	Use of the Major Repairs Reserve to finance new capital expenditure	1,374
5,192	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,355
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
1,614	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	657
	HRA Loan repayment from the Major Repairs Reserve	516
34	Capital Expenditure charged against the General Fund and HRA balances	472
368	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	223
113,615	**Balance at 31 March**	**114,011**

24C. Financial Instrument Adjustment Account

The Authority has 5 soft loans and as the total impaired cost for these small loans is only £13k over the next 5 years these charges have been deemed below the de minimus levels and therefore immaterial. No accounting entries have been undertaken to reflect the impairment although the Authority has still undertaken an evaluation to ascertain the amount of subsidisation that has taken place.

24D. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	1 April 2011 £'000s	Income £'000s	1 April 2012 £'000s	Income £'000s	31 March 2013 £'000s
Mortgages	38	13	25	1	24
Total	**38**	**13**	**25**	**1**	**24**

24E. Pensions Reserve

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

2011/12 £'000s		2012/13 £'000s
52,249	**Balance as at 1 April**	**73,454**
21,821	Actuarial (gains) or losses on pension assets and liabilities	6,000
(4,931)	Employers contributions payable in the year	(4,576)
4,315	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	5,902
73,454	**Balance as at 31 March**	**80,780**

24F. Collection Fund Adjustment Account

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

2011/12 £'000s		2012/13 £'000s
37	**Balance at 1 April**	**64**
27	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2)
64	**Balance at 31 March**	**62**

24G. Accumulated Absences Account

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

2011/12 £'000s		2012/13 £'000s
97	**Balance at 1 April**	**170**
(97)	Settlement or cancellation of accrual made at the end of the preceding year	(170)
170	Amounts accrued at the end of the current year	166
73	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)
170	**Balance at 31 March**	**166**

25. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2011/12 £'000s		2012/13 £'000s
(111)	Interest Received	(214)
1,518	Interest Paid	1,225
-	Dividends Received	-

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

2011/12 £'000s		2012/13 £'000s
(5,668)	Depreciation	(5,545)
(729)	Impairment and downward valuations	(1,320)
(55)	Amortisation	(5)
(91)	Increase in impairment provision for bad debts	(210)
332	Movement in Creditors	10
(3,915)	Movement in Debtors	(775)
27	Movement in Inventories	(33)
616	Pension Liability	(1,326)
(970)	Carrying amount of non-current assets sold	(823)
(1,051)	Other non-cash items charged to the net surplus or deficit on the provision of services	209
(11,504)		**(9,818)**

26. Cash Flow Statement - Investing Activities

2011/12 £'000s	**Investing Activities**	2012/13 £'000s
9,082	Purchase of Property, plant and equipment, investment property and intangible assets	7,241
1,518	Purchase of short term and long term investments	4,525
-	Other Payments for investing activities	-
(660)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(918)
(111)	Proceeds from short term and long term investments	(214)
(1,460)	Other receipts from investing activities	(2,689)
8,369	**Net cash flows from Investing activities**	**7,945**

27. Cash Flow Statement - Financing Activities

2011/12 £'000s	**Financing Activities**	2012/13 £'000s
(4,000)	Cash Receipts of short and long term borrowing	-
-	Repayments of short and long term borrowing	-
4,000	Other payments for financing activities	-
-	**Net cash flows from Financing activities**	**-**

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28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. The 2011/12 comparative data has been restated to reflect the directorate restructure carried out during 2012/13.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the 2011/12 is as follows:

Restated 2011/12 Service Information	**Chief Executive & S151**	**Director of Corporate Services & Transformation**	**Director of Community Services**	**Director of Operational Services**	**East Kent Shared Services**	**East Kent Housing**	**Total of General Fund Services**	**HRA**	**Comprehensive Income and Expenditure Statement**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Fees, Charges and Other Income	-	(3,911)	(2,476)	(10,415)	(8,077)	(848)	**(25,727)**	(11,876)	**(37,603)**
Interest and Investment Income	-	(94)	-	(1)	-	-	**(95)**	(90)	**(185)**
Government Grants	(2)	(82,771)	(484)	(186)	(15)	-	**(83,458)**	(1)	**(83,459)**
Recharges	(22)	(511)	(66)	(100)	-	-	**(699)**	-	**(699)**
Total Income	**(24)**	**(87,287)**	**(3,026)**	**(10,702)**	**(8,092)**	**(848)**	**(109,979)**	**(11,967)**	**(121,946)**
Employee expenses	274	3,916	4,115	7,618	9,854	708	**26,485**	367	**26,852**
Other Operating expenses	627	88,808	4,045	8,016	2,502	158	**104,156**	6,350	**110,506**
Total Expenditure	**901**	**92,724**	**8,160**	**15,634**	**12,356**	**866**	**130,641**	**6,717**	**137,358**
Cost of Services	**877**	**5,437**	**5,134**	**4,932**	**4,264**	**18**	**20,662**	**(5,250)**	**15,412**

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

Restated Reconciliation to Cost of Services in Comprehensive Income & Expenditure Statement	**2011/12**
	£'000s
Cost of Services Analysis	15,412
Amounts not reported to Management (incl. in cost of services)	6,559
Amounts reported to Management not in cost of services	(2,539)
Cost of Services in Comprehensive Income & Expenditure Statement	**19,432**

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Restated Reconciliation to Subjective Analysis 2011/12

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

	Service Analysis by Directorate	Amounts not reported to Management	Amounts not included in the cost of services	Allocation of recharges to HRA	Cost of Services	Corporate Amounts	Total Comprehensive Income and Expenditure
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees Charges and Other Service Income	(37,603)	-	1,576	-	**(36,027)**	-	**(36,027)**
Interest and Investment Income	(185)	-	185	-	**-**	(185)	**(185)**
Income from Council Tax	-	-	-	-	**-**	(10,651)	**(10,651)**
Government Grants	(83,459)	(2,531)	46	-	**(85,944)**	(18,756)	**(104,700)**
Recharges to HRA	(699)	-	-	699	**-**	-	**-**
Recharges to Balance Sheet	-	(56)	-	-	**(56)**	-	**(56)**
Other Income	-	-	-	-	**-**	(6,621)	**(6,621)**
Total Income	**(121,946)**	**(2,587)**	**1,807**	**699**	**(122,027)**	**(36,213)**	**(158,240)**
Employee Expenses	26,852	-	-	(331)	**26,521**	-	**26,521**
Other Operating Expenses	110,506	9,658	(3,481)	(256)	**116,427**	-	**116,427**
Removal of recharged amounts in Other Operating Expenses	-	(7,365)	(790)	-	**(8,155)**	1,061	**(7,094)**
Support Services	-	112	-	(112)	**-**	-	**-**
Capital and Financing charges	-	6,741	(75)	-	**6,666**	(1,346)	**5,320**
Interest Payments	-	-	-	-	**-**	1,601	**1,601**
Precepts and Levies	-	-	-	-	**-**	744	**744**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	425	**425**
Gain or Loss on the Disposal of Non-current assets	-	-	-	-	**-**	281	**281**
Other Expenditure	-	-	-	-	**-**	8,115	**8,115**
Total Expenditure	**137,358**	**9,146**	**(4,346)**	**(699)**	**141,459**	**10,881**	**152,340**
Surplus or deficit on the provision of services	**15,412**	**6,559**	**(2,539)**	**-**	**19,432**	**(25,332)**	**(5,900)**

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the 2012/13 is as follows:

2012/13 Service Information	Chief Executive & S151	Director of Corporate Services & Transformation	Director of Community Services	Director of Operational Services	East Kent Shared Services	East Kent Housing	Total of General Fund Services	HRA	Comprehensive Income and Expenditure Statement
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees, Charges and Other Income	-	(5,791)	(2,124)	(10,986)	(7,919)	(135)	**(26,955)**	(12,609)	**(39,564)**
Interest and Investment Income	-	(122)	-	(1)	-	-	**(123)**	(99)	**(222)**
Government Grants	-	(84,865)	(406)	(228)	(13)	-	**(85,512)**	(12)	**(85,524)**
Recharges	(21)	(487)	(58)	(94)	-	-	**(660)**	-	**(660)**
Total Income	**(21)**	**(91,265)**	**(2,588)**	**(11,309)**	**(7,932)**	**(135)**	**(113,250)**	**(12,720)**	**(125,970)**
Employee expenses	259	4,539	4,026	7,751	9,557	-	**26,132**	387	**26,519**
Other Operating expenses	17	91,855	2,804	8,684	2,828	125	**106,313**	8,616	**114,929**
Total Expenditure	**276**	**96,394**	**6,830**	**16,435**	**12,385**	**125**	**132,445**	**9,003**	**141,448**
Cost of Services	**255**	**5,129**	**4,242**	**5,126**	**4,453**	**(10)**	**19,195**	**(3,717)**	**15,478**

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

Reconciliation to Cost of Services in Comprehensive Income & Expenditure Statement	**2012/13**
	£'000s
Cost of Services Analysis	15,478
Amounts not reported to Management (incl. in cost of services)	7,004
Amounts reported to Management not in cost of services	(6,746)
Cost of Services in Comprehensive Income & Expenditure Statement	**15,736**

Reconciliation to Subjective Analysis 2012/13

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

	Service Analysis by Directorate	**Amounts not reported to Management**	**Amounts not included in the cost of services**	**Allocation of recharges to HRA**	**Cost of Services**	**Corporate Amounts**	**Total Comprehensive Income and Expenditure**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Fees Charges and Other Service Income	(39,564)	-	1,696	121	(37,747)	(1,696)	(39,443)
Interest and Investment Income	(222)	-	222	-	-	(222)	(222)
Income from Council Tax	-	-	-	-	-	(10,759)	(10,759)
Government Grants	(85,524)	(1,696)	-	-	(87,220)	(14,999)	(102,219)
Recharges to the HRA	(660)	-	-	660	-	-	-
Recharges to Balance Sheet	-	(44)	-	-	(44)	-	(44)
Other Income	-	-	-	-	-	(5,718)	(5,718)
Total Income	**(125,970)**	**(1,740)**	**1,918**	**781**	**(125,011)**	**(33,394)**	**(158,405)**
Employee Expenses	26,519	-	-	(345)	26,174	-	26,174
Other Operating Expenses	114,929	1,416	(8,562)	(332)	107,451	4,631	112,082
Support Services (HRA)	-	104	-	(104)	-	-	-
Capital and Financing charges	-	7,224	(102)	-	7,122	(120)	7,002
Interest Payments	-	-	-	-	-	1,209	1,209
Precepts and Levies	-	-	-	-	-	812	812
Payments to Housing Capital Receipts Pool	-	-	-	-	-	143	143
Gain or Loss on the Disposal of Non-current assets	-	-	-	-	-	823	823
Other Expenditure	-	-	-	-	-	7,845	7,845
Total Expenditure	**141,448**	**8,744**	**(8,664)**	**(781)**	**140,747**	**15,343**	**156,090**
Surplus or deficit on the provision of services	**15,478**	**7,004**	**(6,746)**	**-**	**15,736**	**(18,051)**	**(2,315)**

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29. On Street Parking Services

The Council administers and controls the on-street parking services on behalf of Kent County Council. Any surpluses on the account are used by the Council for future investment in the local transport infrastructure within the area.

2011/12 £'000s		2012/13 £'000s
	Net Cost of Service	
(111)	**Brought Forward**	**(88)**
925	Gross Expenditure	981
29	Movement in Provision for unpaid fines	26
(931)	Gross Income	(1,064)
(88)	**Balance Carried Forward**	**(145)**

30. Members' Allowances

2011/12 £'000s		2012/13 £'000s
345	Allowances	360
1	Expenses	1
346	**Total**	**361**

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

31. Remuneration of Employees

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

2011/12 Number of Staff		Remuneration Band	2012/13 Number of Staff	
Total	**Left during year**	**£**	**Total**	**Left during year**
5	-	50,000 – 55,000	6	-
3	1	55,001 – 60,000	1	-
8	-	60,001 – 65,000	6	-
2	2	65,001 – 70,000	1	-
3	-	70,001 – 75,000	1	-
1	-	75,001 – 80,000	-	-
1	1	80,001 – 85,000	1	-
2	1	85,001 – 90,000	1	-
1	-	90,001 – 95,000	1	-
1	-	95,001 – 100,000	-	-
-	-	100,001 – 105,000	1	-
-	-	105,001 – 110,000	-	-
1	-	110,001 – 115,000	1	-
1	1	115,001 – 120,000	-	-

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 2011-12.

Post Holder	Salary (incl. fees & allowances)	Other Cash Benefits	Comp. for loss of office	Total Remun. Excl. pension conts	Pension contribs	Added Pension Benefits upon Loss of Office	Total Incl. pension conts
	£	£	£	£	£	£	£
Chief Executive (1)	28,983	833	97,566	127,382	4,081	72,500	**203,963**
Chief Executive and S151 Officer	107,399	5,015	-	112,414	14,487	-	**126,901**
Shared Services Director (4)	94,131	4,500	-	98,631	12,708	-	**111,339**
Chief Executive EKH (2)	58,246	2,667	-	60,913	9,086	-	**69,999**
Commercial Services Manager	86,453	4,000	-	90,453	11,648	-	**102,101**
Director of Regeneration and Economic Development (3)	14,447	667	68,981	84,095	1,927	72,900	**158,922**
Community Services Manager	84,158	4,000	-	88,158	11,341	-	**99,499**
Corporate and Regulatory Services Manager	77,446	3,500	-	80,946	10,301	-	**91,247**
Assistant Director Corporate services (4)	68,524	3,500	-	72,024	8,976	-	**81,000**
Assistant Director Customer Delivery (4)	68,524	3,500	-	72,024	8,977	-	**81,001**
Business Services Manager	60,527	3,000	-	63,527	8,163	-	**71,690**
Financial Services Manager	60,108	3,000	-	63,108	8,096	-	**71,204**
Total	**808,946**	**38,182**	**166,547**	**1,013,675**	**109,791**	**145,400**	**1,268,866**

Note 1: The Chief Executive left the Council in May 2011. His Annualised salary was £114,477.

Note 2: The East Kent Housing Chief Executive is East Kent Housing Staff. He was on the Council's payroll until the end of November 2011

Note 3: The Director of Regeneration and Economic Development left the Council in May 2011. His annualised salary was £85,080.

Note 4: The Shared Services Director, Assistant Director - Corporate Services and the Assistant Director - Customer Delivery are all East Kent Services staff.

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 2012-13.

Post Holder	Salary (incl. fees & allowances)	Other Cash Benefits	Comp. for loss of office	Total Remun. Excl. pension conts	Pension contribs	Added Pension Benefits upon Loss of Office	Total Incl. pension conts
	£	£	£	£	£	£	£
Chief Executive & S151 Officer	112,081	5,000	-	117,081	14,713	-	**131,794**
Shared Services Director (4)	96,158	4,500	-	100,658	12,962	-	**113,620**
Director of Operational Services	88,338	4,000	-	92,338	11,881	-	**104,219**
Director of Community Services	86,246	4,000	-	90,246	11,569	-	**101,815**
Corporate & Regulatory Services Manager	76,705	3,500	-	80,205	10,329	-	**90,534**
Assistant Director Corporate Services (1) and (4)	35,449	1,750	-	37,199	4,644	-	**41,843**
Head of ICT (2) and (4)	44,002	2,358	-	46,360	5,764	-	**52,124**
Assistant Directory Customer Delivery (4)	70,500	3,500	-	74,000	9,156	-	**83,156**
Financial Services Manager & Deputy S151	61,310	3,000	-	64,310	8,258	-	**72,568**
Strategic Organisational Development Manager	61,396	3,000	-	64,396	8,258	-	**72,654**
Director of Corporate Services & Transformation (3)	36,611	1,688	9,105	47,404	4,875	-	**52,279**
Total	**768,796**	**36,296**	**9,105**	**814,197**	**102,409**	**-**	**916,606**

Note 1: The Assistant Director of Corporate Services left the Council in September 2012. The annualised salary was £73,395

Note 2: The Head of ICT joined the Council in May 2012. The annualised salary was £58,974

Note 3: The Director of Corporate Services and Transformation joined the Council in July 2012 and left in December 2012. The annualised salary was £89,563

Note 4: The Shared Services Director, Assistant Director - Corporate Services and the Assistant Director - Customer Delivery and the head of ICT are all East Kent Services staff.

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The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies 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	
	11/12	12/13	11/12	12/13	11/12	12/13	11/12 £'000	12/13 £'000
0 - 20,000	12	3	-	4	12	7	115	48
20,001 - 40,000	8	1	-	-	8	1	223	29
40,001 - 60,000	-	-	-	1	-	1	-	46
60,001 - 80,000	-	-	-	-	-	-	-	-
80,001 - 100,000	4	-	1	-	5	-	638	-
Total Cost Included in Bandings							**976**	**123**

32. External Audit Costs

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

2011/12 £'000s	Fees payable to the Audit Commission	2012/13 £'000s
134	External audit services carried out by the appointed auditor	63
-	Statutory Inspection	-
45	Certification of grant claims and returns	41
2	Other Services	1
181	**Total**	**105**

33. Grant Income

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

Credited to Taxation and Non Specific Grant Income

2011/12 £'000s	Grant	2012/13 £'000s
(2,004)	Environment Agency – Margate Coast Protection	(2,154)
-	Environment Agency – Pegwell Bay	(164)
(8)	Feagans-Coleman Crescent	-
(325)	HCA – Housing Intervention	-
-	HCA – Empty Properties	(107)
-	HCA – Cluster Bid	(79)
(2,532)	Historic Grants	(559)
-	Interreg – Yacht Valley	(288)
(92)	Interreg – PATCH	-
-	KCC – Margate Coast Protection Resurface	(74)
(16)	KCC – DCMS – Playbuilder	-
(2)	Private Sector – Secret Garden	-
(32)	Second Homes – Electric Suction Cleaners	-
(88)	Section 106	(234)
(7)	Vattenfall	-
(1,077)	HRA Debt Settlement	-
(6,183)	**Total**	**(3,659)**

Credited to Services

2011/12 £'000s	Grant	2012/13 £'000s
(6)	Arts Council England	(20)
(20)	Big Lottery Fund	(30)
(13)	Canterbury City Council	-
(1,321)	DCLG	(1,364)
(1)	DCMS - Free Swimming	-
-	DEFRA	(9)
(28)	Dover District Council	-
(82,436)	DWP	(84,570)
(14)	East Kent Local Strategic Partnership	(13)
(3)	English Heritage	(45)
-	Environment Agency	(54)
(14)	FSA	(7)
(10)	GOSE	(18)
(148)	Heritage Lottery Fund	(377)
(10)	Home Office	-
(221)	Interreg	(204)
(531)	KCC	(268)
(35)	KCC-Second Homes	(53)
-	Kent Fire	(1)
-	Kent Police	(11)
(192)	NNDR	(191)
-	Orbit	(16)
(82)	Pipeline	(41)
(481)	Section 106	(103)
(704)	SEEDA	-
(22)	Technology Strategy Board	(61)
(25)	Volleyball England	-
(1,440)	Other Contributions	(1,617)
(87,757)	**Total**	**(89,073)**

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

Capital Grants Receipts In Advance

2011/12 £'000s	Grant	2012/13 £'000s
(8)	Private Sector – Secret Garden	(8)
(31)	DCLG - Housing Planning Delivery Grant	(30)
-	DCLG – Council Tax Bills	(5)
(434)	Environment Agency –Coast Protection	-
(69)	ERDF	(69)
(237)	GOSE – Regional Housing Board	-
-	HCA – Cluster Bid	(1,987)
(459)	Historic Grants	-
(128)	Second Homes	(130)
(1,311)	Section 106	(1,783)

2011/12 £'000s	Grant	2012/13 £'000s
-	Regional Housing Board	(319)
(1,012)	SFP Bond	(1,021)
(92)	Vattenfall – Pegwell Walkway	(93)
(3,781)	**Total**	**(5,445)**

Revenue Grants Receipts in Advance

2011/12 £'000s	Grant	2012/13 £'000s
(21)	Arts Council England – MACH Phase 1	(1)
-	Arts Council England – MACH Phase 2	(125)
-	Arts Council England – Portas Pilot Project	(9)
-	Big Lottery Fund – Footprints in the Sand	(16)
(23)	East Kent Local Strategic Partnership	(10)
(53)	Thanet Coast Project	(66)
(14)	Thanet Coast Project – Education	-
(25)	Thanet Sports Network	(15)
(28)	DCLG-Support Town Centres	(19)
(1)	DCLG-Anti Social Behaviour	-
(17)	DCLG-Habitats Grant	(17)
(63)	DCLG-Mortgage Rescue Programme	(63)
(119)	DCLG-Seaside Fund	(114)
(7)	DCLG – Council Tax Bills	(2)
(34)	DCLG – Land Charges	(32)
(46)	DCLG – Mobility Demonstrations Project	-
(43)	DCLG – Preventing Repossessions	(41)
-	DCLG – Portas Pilots	(110)
(2)	DEFRA – Air Quality Monitoring Station	-
(12)	DEFRA – Lower Proms	(5)
(6)	DEFRA – Water Bathing Safety	(6)
(76)	DWP-Housing Benefit Reform	(122)
-	DWP-Future Jobs Fund	-
-	Environment Agency	(12)
(8)	GOSE-Migration Impact Fund	(8)
(17)	HLF – Dalby Square	-
(47)	Migration Impact Fund-Customer Services	(27)
-	KCC – Building Safer Communities	(2)
(87)	KCC – Margate Task Force	(49)
(239)	KCC – MTF Housing	(108)
(76)	KCC – Margate Intervention	(52)
(8)	KCC – Margate Beach Court	(2)
(10)	Pipeline – Sport 4 NRG	(30)
(2)	Meanwhile – Phase 1A	(2)
(28)	HCA – Single Conversation	(27)
(16)	DCMS – Free Swimming Initiative	(16)
(2)	FSA – The Fighting Fund	
(40)	Kent Police – Margate Task Force	(29)
-	Kent Fire – Margate Task Force	(9)
-	Windows of Opportunity	(3)
-	Sports Funding	(6)
-	Interreg – Tudor House	(8)
(3)	Second Homes – Olympics	-
(28)	Section 106	(14)
(1,201)	**Total**	**(1,177)**

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:

2011/12	Grant	2012/13
£'000s		£'000s
(1,201)	Revenue – Short Term	(1,177)
(1,559)	Capital – Short Term	(3,005)
(2,222)	Capital – Long Term	(2,440)
(4,982)	**Total**	**(6,622)**

34. Related Party Transactions

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

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

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

Members and Senior Officers - Members of the Council and certain senior officers have direct control over the financial and operating policies of the Authority and are therefore in a position of influence. The total of members' allowances paid in 2012/13 is shown in Note 30. During 2012/13 a questionnaire was distributed to the 56 Current Members and 7 relevant officers.

Three Members declared an interest relating to grants paid to voluntary and other organisations totalling £93k, the majority of this was a payment to Thanet CAB, the balance being a contribution to the Margate Carnival.

At the time of preparing this statement returns had not been received from 3 of the 56 Members and 1 senior officer. Their previous declarations have been reviewed and none of the Members who have yet to return their forms had previously made any disclosures. In addition one Member's interests relating to prior years have been subject to legal challenge during the year.

Government Departments – Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 28 Amounts Reported for Resource Allocation Decisions. Grant receipts and amounts outstanding at 31 March 2013 are shown in Note 33.

East Kent Housing Ltd. - Note 47 Interests in Companies and other Entities gives details of the Related Party Transactions that the Council has entered into with East Kent Housing Ltd as part of its operations.

35. Capital Expenditure and Capital Financing

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

2011/12 £'000s		**2012/13 £'000s**	**2012/13 £'000s**
43,864	**Opening Capital Financing Requirement**		**42,250**
	Capital Investment		
9,247	Property, Plant and Equipment	6,793	
-	Investment Properties	637	
55	Intangible assets	5	
2,747	Revenue Expenditure Funded from Capital under statute	2,051	
12,049			9,486
	Sources of finance		
(596)	Capital Receipts	(744)	
(11,011)	Government Grants and other contributions	(7,372)	
(442)	Direct revenue contributions	(472)	
-	HRA downward revaluations (revenue contribution)	(200)	
(689)	MRP	(657)	
(925)	Repayment of HRA Loan Principal	(516)	
(13,663)			(9,961)
42,250	**Closing Capital Financing Requirement**		**41,775**
	Explanation of movements in year		
(925)	Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)	(516)	
-	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	898	
-	HRA downward revaluation (revenue contribution)	(200)	
(689)	MRP	(657)	
(1,614)	**Increase/(decrease) in Capital Financing Requirement**		**(475)**

Capital Expenditure and Financing

The total capital expenditure relating to Property, Plant and Equipment in 2012/13 amounted to £6.793m. This included £1.480m in relation to Council Dwellings and Estates which was funded through the Major Repairs Allowance £1.374m and the balance from a revenue contribution £0.018m and capital grants and contributions £0.088m.

There was expenditure on Other Land and Buildings (£1.724m) and Assets under Construction (£0.972m). This capital expenditure was funded from capital grants and contributions (£0.777m), use of capital reserves (£0.468m), a revenue contribution (£0.383m), internal borrowing (£0.702m) and through use of capital receipts (£0.366m). The expenditure again related mostly to works to enhance assets or prolong their economic useful life.

A total of £2.413m of capital expenditure was incurred on Infrastructure assets. The expenditure was funded from capital grants (£2.391m) and capital reserves (£0.022m). This expenditure was incurred in replacing coastal defences in Margate.

The capital expenditure for Vehicles, Plant and Equipment related to the purchase of new assets, such as new playground equipment and solar panels. The total capital expenditure was £0.225m, funded from capital reserves (£0.172m) and capital grants and contributions (£0.053m).

Capital expenditure on Investment Properties (£0.638m) mainly for the refurbishment of Military Road Arches at Ramsgate Harbour was funded from capital grants and contributions (£0.379m), capital receipts (£0.063m) and internal borrowing (£0.196m).

The amount of £0.200m represents downward revaluations to HRA non-current assets which have been charged to the Comprehensive Income and Expenditure Statement and not then transferred to the Capital Adjustment Account. The treatment of this £0.200m shown in the Capital Financial Requirement calculation is under review by the Department of Communites and Local Government (requiring both Ministerial and Treasury approval) and accordingly is subject to change.

36. Finance and Operating Leases

Finance Leases

The Council has two car park leases which are 125 years long. These leases have been reviewed and substantially all the risks and rewards of the lease lie with the Council. Therefore, to reflect this, a long term obligation exists for the remaining years of the lease.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet. The car park leases were re-valued during 2009/10 and have been assessed as having a nil value due to the significant ongoing 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:

	2011/12 £'000s	**2012/13 £'000s**
Finance lease liabilities (net present value of minimum lease payments)		
Non-current	570	570
Finance costs payable in future years	72	72
Minimum lease payments	**642**	**642**

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

	2011/12 £'000s	2012/13 £'000s
Less than 1 year	-	-
More than 1 year less than 5 years	1	1
More than 5 years	641	641
	642	**642**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £375k contingent rents were payable by the Authority (2011/12 £371k).

Operating Leases: Council as Lessee

The Council lease a number of photocopiers. The original leases for high specification printers have expired and been replaced with cancellable leases which are no longer included in the figures below.

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

2011/12 £'000s		2012/13 £'000s
57	Not later than one year	20
61	Later than one year and not later than five years	48
-	Later than five years	-
118	**Total**	**68**

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 (£1.269m 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 Commercial and Investment Properties. The asset valuations are apportioned as follows:

Asset Valuations

2011/12 £'000s		2012/13 £'000s
653	Investment Properties HRA	665
21,537	Investment Properties General Fund	22,124
22,190	**Total**	**22,789**

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37. Impairment Losses on Property Plant and Equipment

The Code requires disclosure by class of assets of the amounts charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement for impairment losses and impairment reversals.

Council Dwellings

The Authority's Council Dwelling stock is valued annually on an Existing Use Value – Social Housing basis. The effective valuation date is 31 March each year and so the Balance Sheet will show the valuation irrespective of any expenditure or depreciation charged to the assets in the year. The value of impairment shown for 2011/12 (£3.215m) was in respect of the expenditure on maintenance and improvement to the dwelling stock in the year which was deemed not to add any value to the asset at the balance sheet date. There are no impairments for 2012/13.

Other Land and Buildings

The value of impairments for other land and buildings is as a result of capital expenditure the Authority incurred to enhance its assets and extend their economic useful life but which does not increase the asset's value. The total impairment for 2012/13 was £0.165m (2011/12 £0.007m)

Community Assets

The impairments recognised for Community Assets for 2011/12 (£0.117m) was in respect of the recognition of the Ellington Park bandstand as an asset separate from the park in which it stands. The valuation of the asset was reduced as Community Assets are held at the net book value of £1 as they have no marketable value to the Authority. As such, any capital expenditure incurred against them is impaired as it will not change the value of the asset. There were no impairments for 2012/13.

38. Termination Benefits

The Authority terminated the contracts of 9 employees in 2012/13, incurring liabilities of £123k. Payments were made in relation to 7 TDC officers from various services who were made redundant as well as 2 East Kent Services officers who were made redundant.

The Authority will be undergoing a major restructure in 2013/14.

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39. Pension Costs

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

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

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

The cost of retirement benefits are recognised in the 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:

2011/12 £'000s		2012/13 £'000s
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
3,055	Current Service costs	3,723
-	Past Service Costs (see CI&E)	-
(234)	Settlement and Curtailments	52
	Financing and Investment Income and Expenditure	
8,115	Interest costs	7,845
(6,621)	Expected Return on Assets	(5,718)
4,315	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	5,902
	Movement in Reserves Statement	
(4,315)	Reversal of net charges made for retirement benefits in accordance with IAS19	(5,902)
	Actual Amount Charged against Council Tax for pensions in the year	
4,931	Employer's contributions payable to scheme	4,576

Actuarial gains of £6m have also been recognised in the Comprehensive Income and Expenditure Statement for 2012/13. The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 are £53.245m.

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Assets and Liabilities in relation to Retirement Benefits

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

2011/12 £'000s		2012/13 £'000s
152,387	Balance as at 1 April	173,164
3,055	Current service cost	3,723
8,115	Interest cost	7,845
1,077	Contributions by scheme participants	1,010
19,047	Actuarial gains and losses	14,587
(6,813)	Benefits paid	(5,705)
(616)	Unfunded benefits paid	(637)
168	Curtailments	52
(3,256)	Liabilities extinguished on settlements	-
-	Past service costs	-
173,164	**Closing Defined Benefit Obligation**	**194,039**

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

2011/12 £'000s		2012/13 £'000s
100,138	Balance as at 1 April	99,710
6,621	Return on scheme assets	5,718
(2,774)	Actuarial gains and losses	8,587
4,315	Employer contributions	3,939
616	Contributions in respect of unfunded benefits	637
1,077	Contributions by scheme participants	1,010
(6,813)	Benefits paid	(5,705)
(616)	Unfunded benefits paid	(637)
(2,854)	Receipt/(payment) of bulk transfer value(s)	-
99,710	**Closing Fair Value of Employer Assets**	**113,259**

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

In relation to the previous year and as a result of moving a proportion of the Authority's business into Shared Service there were substantial movements in liabilities assumed in a business combination, past service costs and receipts/payments of bulk transfer values and these have been reflected in the above tables.

The actual gain on scheme assets in the year was £14.305m, (2011/12 £3.849m gain). The International Accounting Standards Board have published a final version of the revised IAS 19 standard, had this applied for the 2012/13 accounting period then the actuarial gain on scheme assets in the year would have been recognised as £14.392m.

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Scheme History

	2008/09 £'000s	2009/10 £'000s	2010/11 £'000s	2011/12 £'000s	2012/13 £'000s
Present value of liabilities	(112,948)	(160,485)	(152,387)	(173,164)	(194,039)
Fair value of assets	59,270	77,320	100,138	99,710	113,259
Surplus/(deficit) in the scheme	**(53,678)**	**(83,165)**	**(52,249)**	**(73,454)**	**(80,780)**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £80.8m 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 2014 is £3.991m.

Balance Sheet Disclosure as at 31 March 2013

Net Pension assets as at	**31 March 2011 £'000s**	**31 March 2012 £'000s**	**31 March 2013 £'000s**
Present value of funded obligation	144,347	164,878	185,406
Fair value of scheme assets (bid value)	(100,138)	(99,710)	(113,259)
Net Liability	**44,209**	**65,168**	**72,147**
Present value of unfunded obligation	8,040	8,286	8,633
Net Liability in Balance Sheet	**52,249**	**73,454**	**80,780**

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 Waddington, an independent firm of actuaries. Estimates have been based on the latest full valuation of the scheme as at 31 March 2010.

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The principal assumptions used by the actuary have been:

31 March 2012		31 March 2013
5.8%	Long term expected rate of return on assets in the scheme	5.8%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
20.0 yrs	Men	20.1 yrs
24.0 yrs	Women	24.1 yrs
	Longevity at 65 for future pensioners:	
22.0 yrs	Men	22.1 yrs
25.9 yrs	Women	26.0 yrs
3.3%	Rate of inflation (RPI)	3.3%
4.7%	Rate of increase in salaries	4.7%
2.5%	Rate of increase in pensions	2.5%
4.6%	Rate for discounting scheme liabilities	4.2%
	Expected return on assets	
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%
	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 2012 £'000s	31 March 2012 %		31 March 2013 £'000s	31 March 2013 %
73,786	74	Equity investments	80,414	71
997	1	Gilts	-	-
9,971	10	Bonds	14,724	13
8,974	9	Property	9,061	8
3,988	4	Cash	4,530	4
1,994	2	Target Return Portfolio	4,530	4
99,710		**Total**	**113,259**	

History of Experience of Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	**(32.91)**	**21.35**	**4.99**	**(2.78)**	**7.58**
Experience gains and losses on liabilities	**0.06**	**0.80**	**(0.11)**	**(0.22)**	**(0.20)**

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40. Other Long Term Liabilities

Other long term liabilities on the Balance Sheet include the multi storey car parks finance lease obligation £0.642m (see note 36 for further detail) and the pension liability £80.780m (see previous note).

41. Contingent Liabilities

Dreamland

At Cabinet on 29 April 2010, Members approved that if the current land owner of the Dreamland site is unable or unwilling to transfer the site, then a Compulsory Purchase Order (CPO) pursuant to Section 226 of the Town and Country Planning Act 1990 would be made. This was duly served on the land owners on 3rd June 2011. As a result a public inquiry took place between 10 January 2012 and 26 March 2012. On 17 August 2012 the CPO was confirmed, however the land owners lodged an appeal which was subsequently dismissed by the High Court on 2 May 2013.The Council has now vested the site, but a further appeal has been lodged (hearing date 25th September 2013) subject to the results of this latest challenge, it is likely that a compensation claim will be made by the existing land owners. The Council have taken valuation advice, but in order not to prejudice its case in respect of the claim, the Council are unable to disclose this figure.

Thanet Leisure Force (TLF)

It was agreed at Cabinet on 6 August 2009 that Thanet Leisure Force, the company engaged to run the Authority's leisure facilities would borrow money through a range of loans varying from 5 to 15 years, facilitated by Alliance Leisure for £1.62m, to invest in the authority's asset Hartsdown Leisure Centre. To facilitate the loan arrangement, Alliance Leisure acting on behalf of the lender required the Council to act as Guarantor should Thanet Leisure Force default on the loan payments or cease trading and the outstanding loan obligation transfers to the Council. As at 31 March 2013 payments totalling £580k have been made by Thanet Leisure Force (now Your Leisure Kent Limited).

In February 2012 Thanet Leisure Force (TLF) 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 estimated capital costs of the development are £3.9m. The Council is acting as guarantor, however, the agreement includes an additional clause which states that were Alliance Leisure to intend to terminate the agreement, the Council would be given a period of 30 days to agree a new party to take over all TLF's rights and obligations under the agreement. In reality, therefore, in the event of a default under the agreement by TLF, the Council would either find another party to work with or take over the running of this facility itself. A full financial assessment of the agreement 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.

East Kent Housing (EKH)

Note 47 Interests in Companies and other Entities gives details of the guarantee the Council has entered into with East Kent Housing Ltd over certain pension obligations.

Animal Export Ban

In September 2012, the Council imposed a temporary ban on the movement of live animals through the Port of Ramsgate. The Council was subsequently served with a judicial review application in October 2012 seeking to quash the decision, and a schedule of damages for breach of the EU Treaty. The Council will be contesting the damages claim. The Council's technical defence to the claim will be tried in December 2013. If successful, this will be the end of the matter. If the Council fails, there will be a liability for damages subject to proof by the claimants. In order not to prejudice its case in respect of the claim the Council is unable to disclose the amount.

42. Contingent Assets

Fleming Claims

The Council made protective claims for overpaid VAT in 2009 for amounts due to be refunded by HM Revenues and Customs (HMRC). These claims were for periods between 1973 and 1997. The final amounts relating to the Trade Waste claim (£84k) were paid by HMRC during 2012/13 including statutory interest (£67k) including additional amounts previously rejected (£57k).

Off street car parking claims of £3.857m have previously been rejected by HMRC pending the final litigation on the Isle of Wight case. Following the recent decision of the First Tier (Tax) Tribunal which found in favour of HMRC the Isle of Wight Council has submitted an appeal against the decision, and the case will now go to the Upper Tribunal (Tax and Chancery), so all pending claims and appeals remain subject to the outcome of the case.

Where interest has been paid on claims that have been settled, this has been statutory interest only. However, the Council has also requested compound interest on all claims. The claims for compound interest have currently been rejected following the taxpayer loss in the F J Chalke Limited & Anor case (better known as the VIC GLO) regarding compound interest. These decisions were appealed in February 2013.

Pleasurama Site

The Council has entered into a development agreement with SFP Ventures (UK) Limited (SFP) for the Pleasurama site. The Council is the freehold owner of the site. The developer has agreed to carry out development works on the site in accordance with the agreement. The Council have granted leases to SFP and will transfer the freehold interest when the works have been completed. As the leases are long term (199 years) and the intention is to transfer the freehold assets, any sales will be treated as a disposal. An overage payment will be due from the developer on the sale of each unit developed on the site. These payments will be treated as capital receipts. However, due to the economic downturn in the property market, it is not possible to foresee when the overage payments may materialize.

New Swimming Pool

It was agreed at Cabinet on 2 December 2010 that Thanet Leisure Force (now Your Leisure Kent Limited), the company engaged to run the Authority's leisure facilities would borrow money (approximately £3.48m) through a range of loans facilitated by Alliance Leisure, to fund the construction of a new swimming pool and spa for the Council. Thanet Leisure Force would then lease the pool from the Council for the remaining years of the current lease agreement for the Ramsgate Leisure Centre site. Works have commenced on the new asset with an anticipated completion date of July 2013. Once works are complete the final value of the asset can be determined and will be recognised in the 2013/14 Statement of Accounts.

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43. Nature and Extent of Risk arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 19 January 2012 (available on the Council's website). The key issues within the strategy were:

- The Authorised Limit for the 2012/13 was set at £50m. This is the maximum limit of external borrowings or other long term liabilities
- The Operational Boundary was expected to be £43m. This is the expected level of debt and other long term liabilities during the year

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- The maximum amounts of fixed and variable interest rate exposure were set at principal amounts of £50m and £50m based on the Council's debt; £35m and £35m for the Council's investments
- The maximum and minimum exposures to the maturity structure of debt are shown below

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

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 in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy can be found on the Council's website at www.thanet.gov.uk. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support 3 and Individual C (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 Sector. 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
- 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 2012/13 was approved by Full Council on 19 January 2012 (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 in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks, building societies and money market funds of £23.603m as at 31st March 2013 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 2013 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:

2011/12	**Amount at 31 March 2012 £'000s (a)**	**Historical experience of default % (b)**	**Adjustment for market conditions at 31 March 2012 % (c)**	**Estimated maximum exposure to default £'000s (a * c)**
Deposits with banks and financial institutions				
Trade Debtors	8,724	37.23	37.23	3,248
Mortgages	28	-	-	-
Car Loans (Employee)	5	-	-	-
Home Safety Loans	14	-	-	-
Charitable Loans	2	-	-	-
Total	**8,773**			**3,248**

2012/13	**Amount at 31 March 2013 £'000s (a)**	**Historical experience of default % (b)**	**Adjustment for market conditions at 31 March 2013 % (c)**	**Estimated maximum exposure to default £'000s (a * c)**
Deposits with banks and financial institutions				
Trade Debtors	12,076	54.93	54.93	6,633
Mortgages	25	-	-	-
Car Loans (Employee)	13	-	-	-
Home Safety Loans	14	-	-	-
Charitable Loans	13	-	-	-
Total	**12,141**			**6,633**

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

No breaches of the Council's counterparty criteria occurred during the reporting period apart from amending the criterion that a negative rating watch applying to a counterparty at the minimum Council criteria 'will be' removed from the counterparty list to 'may be' removed from the list (in line with advice from the Sector). The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £8.356m of the £12.076m balance is past its due date for payment. Employee car loans are repaid by salary deduction so there is no risk of default. The past due amount of trade debtors can be analysed by age as follows:

31 March 2012 £'000s		**31 March 2013 £'000s**
1,511	Less than three months	1,471
780	Three to six months	831
1,307	Six months to one year	1,314
3,378	More than one year	4,560
6,976	**Total**	**8,176**

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 2012 £'000s		31 March 2013 £'000s
159	**Debt brought forward from previous year (more than 1 year old)**	**194**
35	Costs incurred in financial year (less than 1 year old)	(14)
-	Debtor invoices raised in year	0
194	**Total debt outstanding at year end**	**180**

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, whilst the PWLB provides 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 2012 £'000s		31 March 2013 £'000s
19,586	Less than one year	23,603
19,586	**Total**	**23,603**

The cash and cash equivalents held at the 31 March 2013 are all financial instruments that are either instant access accounts or mature within 3 months.

Refinancing and Maturity Risk

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

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

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

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- 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) is as follows, together with the maximum limits for amounts maturing in each period (approved by Council in the Treasury Management Strategy):

Restated 31 March 2012 £'000s		Approved Maximum Limits 2012/13 £'000s	31 March 2013 £'000s
983	Less than one year	5,498	2,289
1,920	Maturing in 1 - 2 years	6,597	-
960	Maturing in 2 - 5 years	8,796	960
8,640	Maturing in 5 - 10 years	10,995	8,640
4,320	Maturing in 10 - 20 years	9,896	4,320
3,862	Maturing in 20 - 30 years	9,896	3,862
1,920	Maturing in 30 - 40 years	10,995	1,920
-	Maturing in 40 - 50 years	10,995	-
-	Maturing in 50 years and above	10,995	-
22,605	**Total**		**21,991**

Not shown in the table above are:

Trade and other payables (£9.904m) which are due to be paid in less than one year, and a Dexia loan (£4.5m) that matures in over 50 years (see Market Risk section below).

Market Risk

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

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). 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.

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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 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.

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

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

2011/12 £'000s		2012/13 £'000s
45	Increase in interest payable on variable rate borrowings	45
(257)	Increase in interest receivable on variable rate investments	(247)
(212)	**Impact on Comprehensive Income and Expenditure Statement**	**(202)**
(2,364)	Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure)	(2,300)

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.

44. Trust Funds

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

	Expenditure 2012/13 £	Income 2012/13 £
Kenrick Trust	2.50	2.50
Farrar Award	26.32	26.32
Simpson Bequest	4.55	4.55
Woodward Trust	111.89	111.89

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

45. 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.

2011/12 (Surplus)/ Deficit £'000s		2012/13 Expenditure £'000s	2012/13 Income £'000s	2012/13 (Surplus)/ Deficit £'000s
866	Port of Ramsgate	4,219	(2,359)	1,860
(812)	Ramsgate Royal Harbour	1,938	(2,493)	(555)
(44)	Broadstairs Harbour	(19)	(59)	(78)
3	Margate Harbour	17	(4)	13
13	**Total**	**6,155**	**(4,915)**	**1,240**

46. Jointly Controlled Operations and Jointly Controlled Assets.

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 joint arrangement 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 arrangement. Both parties contributed 38 acres of land each to EKO LLP. For the purposes of the Accounts the partnership has been treated as a Joint Arrangement, Not an Entity (JANE).

In accordance with IAS 28 the Council has accounted for its share of the assets, liabilities, and income and expenditure within its own single entity accounts, but consider that including the Council's share of the liability owed to Kent County Council for the cost of construction of the Spine road as a deferred liability instead of imputed cash provides more transparency. In addition the Council's share of EKO's landholdings are included in these accounts at the Council's own land valuation as this is considered more appropriate.

The Council also is a partner in a number of "Shared Service" arrangements principally with other East Kent Local authorities In 2009/10 the HR Partnership was formed incorporating Thanet, Canterbury, Dover and Shepway District Councils and in February 2011 the East 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 the Council's financial statements include the costs and liabilities relating to its share of the jointly controlled operations on a gross accounting basis across the relevant service headings.

47. Interests in Companies and Other Entities

The Council, together with Canterbury City Council, Dover District Council and Shepway District Council jointly owns 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 being a joint venture under joint control and each authority holds an equal 25% share in the Company.

Under the Code authorities with interests in joint ventures shall prepare Group Accounts, in addition to their single entity accounts, unless their interest is considered not material. This council in accordance with its Accounting Policies considers that its interest in the Company is not material and that Group Accounts do not need to be prepared.

The 2012/13 draft financial results of the Company and the Council's share are as follows:

	2011/12 East Kent Housing £'000s	2011/12 TDC Share (25%) £'000s	2012/13 East Kent Housing £'000s	2012/13 TDC Share (25%) £'000s
Turnover	8,625	2,156	8,173	2,043
Expenses	(8,341)	(2,085)	(8,479)	(2,120)
Operational profit	**284**	**71**	**(306)**	**(77)**
Profit/(loss) after taxation	(1,350)	(338)	(363)	(91)
Other comprehensive income and (expenditure)	(3,277)	(819)	1,160	290
Total comprehensive income and (expenditure)	**(4,627)**	**(1,157)**	**797**	**199**
Non-current assets	-	-	25	6
Current assets	1,518	380	920	230
Current liabilities	(1,079)	(270)	(402)	(101)
Non-current liabilities	(5,066)	(1,267)	(4,373)	(1,093)
Profit and loss reserve	(439)	(110)	(543)	(135)
Pensions reserve	**5,066**	**1,267**	**4,373**	**1,093**

IAS 19 – Retirement Benefits and the Management Agreement

On the basis of IAS 19 East Kent Housing Limited has an anticipated net pension liability of £4.4m, which it has insufficient other net assets to meet. The Council has a legal obligation to guarantee this liability under the terms of the Management Agreement. This has been determined to be a contingent liability because;

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

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 2013 payable by Thanet District Council amounted to £1.369m. This fee is based on the number of housing dwellings and the initial management expenditure relating to them at the commencement of the arrangement. Detail of this is included in the management agreement between the Council and East Kent Housing Limited.

Amounts Due to/from Thanet District Council

The balances owed by and to Thanet District Council as at the year end are £0.4k and £3.2k respectively (excluding VAT). These Debtors and Creditors are included in note 18 (Debtors) and note 21 (Creditors)

48. 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 each of the previous four accounting periods where it is practicable to do so:

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 summary below shows separately the assets that are reported in the Balance Sheet and those that are not. The Council carried out a review of its assets in 2011/12 and identified a relatively small amount of Heritage Assets, mainly the artefacts held at the Council's museums. The information available to the Council enabled a recognition of these assets in the restated 2010-11 Balance Sheet but it is not practicable to identify movements prior to that financial year. The table below therefore only reflects the summary of transactions for the two financial years:

	2011/12 £'000s	2012/13 £'000s
Cost of Recognition/acquisition of Heritage assets		
Art		
- Items with value > £10,000	86	86
- balance of collection	122	122
Furniture/Dolls etc		
- Items with value > £10,000	30	30
- balance of collection	14	14
Civic Statues		
- Items with value > £10,000	82	82
Posters		
- balance of collection	16	16
Civic Regalia		

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- Items with value > £10,000	11	11
- balance of collection	1	10
Miscellaneous		
- balance of collection	52	52
Dreamland		
- Items with value > £10,000	558	496
Total Value of Assets	**972**	**919**
Total Value shown on Balance Sheet (net of impairment/devaluation)	**767**	**705**

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

War Memorials and Public Statues

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

Museum Artefacts and Art Collection

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

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

The artefact collection is supported by a large fine art collection including some oils on canvas by notable artists, with the bulk of this collection made up of several hundred engravings of local scenes and seascapes, again, with some works by notable artists. Of particular note and financial value is the Rowe Bequest of engravings including many produced by Phillipe Loutherberg; the large oil on canvas by James Webb currently on loan to Turner Contemporary 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 2005.

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 has been closed for a number of years and the Council is involved in a CPO to acquire the site with the intention of reopening the facilities including the traditional fairground. It is intended that the management of the site, once successfully acquired, will be undertaken by an independent trust but the assets will be retained in Council ownership. During 2011/12 the Council acquired five rides that it would use in the restored park. The rides are being refurbished and will be stored off site until they can be securely sited in the park.

Preservation and Management

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 (including furniture and paintings etc.) is periodically undertaken and these are the valuations used in the Balance Sheet.

50. Accounts Authorised for Issue

The date that the accounts were authorised for issue was the date that the Chief Executive and Section 151, Sue McGonigal, signed the Statement of Responsibilities for the Statement of Accounts on page 17.

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Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2013

2011/12 £'000s		2012/13 £'000s
	INCOME	
11,026	Dwelling rents (gross)	11,758
248	Non-dwelling rents (gross)	238
314	Charges for services and facilities	323
289	Contributions towards expenditure	291
-	Housing Revenue Account subsidy receivable	11
11,877	Sub-Total Income	12,621
	EXPENDITURE	
2,964	Repairs and maintenance	2,989
2,714	Supervision and management – General	2,742
452	Supervision and management – Special	484
146	Rents, rates, taxes and other charges	193
901	Negative Housing Revenue Account subsidy payable to the Secretary of State (including MRA element)	-
189	Increased provision for bad or doubtful debts	124
2,451	Depreciation and impairments of fixed assets	2,485
6	Debt management costs	10
9,823	Sub-Total Expenditure	9,027
(2,054)	**Net Cost of HRA Services per Authority Comprehensive Income and Expenditure Statement**	**(3,594)**
113	HRA Services share of Corporate and Democratic Core	88
		(3,506)
(1,941)	**Net Cost of HRA Services**	
300	(Gain) or loss on sale of HRA non current assets	478
(2)	Changes in the fair value of Investment properties	-
1,097	Interest payable and similar charges	1,043
(90)	Interest and investment income	(99)
(1,077)	Capital grants and contributions received	(367)
(1,713)	**(Surplus)/Deficit for the year on HRA services**	**(2,451)**

Movement on the Housing Revenue Account Statement

2011/12 £'000s		2012/13 £'000s
(9,022)	Balance on the HRA at the end of the previous year	**(9,710)**
(1,713)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(2,451)
784	Adjustments between accounting basis and funding basis under regulations	174
(929)	(Increase) or decrease in the Housing Revenue Account Balance before transfers to/(from) reserves	(2,277)
241	Transfer to/(from) Earmarked Reserves	1,742
(688)	(Increase)/decrease in the year on the Housing Revenue Account	**(535)**
(9,710)	Balance on the HRA at the end of the current year	**(10,245)**
	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	
-	Depreciation/impairment of non current HRA assets	-
1,077	Capital grants and contributions received (Note 11)	367
-	Changes in fair value of Investment Properties	-
(298)	Gain or loss on sale of HRA non current assets	(478)
(91)	Net charges made for retirement benefits in accordance with IAS 19	214
688		**103**
	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	
62	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	(401)
34	HRA contribution to finance capital expenditure	472
96		**71**
784	**Net additional amount required by statute to be debited/(credited) to the HRA balance for the year**	**174**

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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 3,071 dwellings during 2012/13 including the Authority's share of shared ownership dwellings.

The stock as at 31 March 2013 is comprised of the following types of dwellings:

Stock as at 31 March 2012		Stock as at 31 March 2013
1,615	Houses	1,609
190	Low Rise Flats (1 to 2 Storey)	189
876	Medium-Rise Flats (3 to 5 Storey)	852
405	High-Rise Flats (6 Storeys or more)	406
3,086	**Total**	**3,056**

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

31 March 2012 £'000s		31 March 2013 £'000s
85,076	Council Dwellings	85,650
1,669	Operational Land & Buildings	2,197
653	Investment	665
98	Assets Held for Sale	-
87,496	**Total**	**88,512**

The vacant possession value of dwellings within the Authority's Housing Revenue Account as at 1 April 2013 was £268m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

3. Major Repairs Reserve

The Major Repairs Allowance was an element of Housing Revenue Account Subsidy. A transitional transfer to the Major Repairs Reserve equal to the self financing settlement figure can continue to be transferred for a 5 year period. The movement on the Major Repairs Reserve during the year ended 31 March 2013 is summarised below:

2011/12 £'000s		2012/13 £'000s
(2,402)	**Balance on Major Repairs Reserve at 1 April**	**(1,537)**
(2,390)	Amount transferred to the Major Repairs Reserve	(3,978)
-	Repayment of principal debt borrowed	516
3,255	Amount transferred from the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property	1,374
(1,537)	**Balance on Major Repairs Reserve at 31 March**	**(3,625)**

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4. Housing Revenue Account Capital Expenditure

2011/12 £'000s		2012/13 £'000s
34	Revenue Contribution to Capital	472
3,255	Financed from Major Repairs Reserve	1,374
-	Funded by grants and external contributions	325
3,289	**Total Housing Revenue Account Capital Expenditure**	**2,171**

2011/12 £'000s		2012/13 £'000s
3,289	Houses (dwellings and other land & buildings)	2,081
-	Investment properties	90
3,289	**Total**	**2,171**

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

2011/12 Total £'000s		2012/13 Usable £'000s	2012/13 Contribution to Gov't Pool £'000s	2012/13 Total £'000s
572	Sale of Dwellings	289	140	429
(1)	Repayment of Discount	1	2	3
5	Mortgage Repayments	-	1	1
576	**Total**	**290**	**143**	**433**

6. Housing Revenue Account Subsidy

On 31 March 2012 the Housing Subsidy system was discontinued under the Localism Act and from 1 April 2012 the Council's Housing Revenue Account became self-financing. At the end of the last financial year an estimate was made in the accounts with regard to the final Housing Subsidy payment due to Central Government of £51k (the estimated payment figure during 2011/12 was £863k, however the final agreed figure settled in 2012/13 was £903k). The final repayment figure was £40k, resulting in an adjustment of £11k to Housing Subsidy receivable.

7. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2013 amounted to £709k. This figure includes the full week rent charge but only payments up to and including 31 March 2013.

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At the end of the rent week ended 2 April 2013 the arrears had reduced to £695k.

RENT ARREARS

2011/12 £'000s		2012/13 £'000s
255	Current	247
477	Former	448
732	**Total**	**695**

8. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £582k as at 31 March 2013. The provision in 2011/12 was £599k.

9. Depreciation and Impairment of Fixed Assets

2011/12 Depreciation £'000s	2011/12 Impairment £'000s		2012/13 Depreciation £'000s	2012/13 Impairment £'000s
2,390	3,289	Houses	2,204	-
61	-	Other Property - Operational Assets	81	23
		Investment Properties	-	200
2,451	**3,289**	**Total**	**2,285**	**223**

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 (see Note 37).

This loss is reversed out in the Statement of Movement on the HRA Balance when debited to the Income and Expenditure Statement so that the losses do not impact on rent levels, representing enhancement work that has resulted in a pound for pound increase in asset value.

10. Pension Costs

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

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

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

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2011/12 IAS19 Adjustments £'000s		2012/13 IAS19 Adjustments £'000s
(153)	Current Service Costs	(187)
91	Movement on Pension Reserve	(214)
62	HRA contributions payable to scheme	401
-	**Net Impact**	-

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

11. Exceptional Item

On 1 February 2012 the Secretary of State issued the Housing Revenue Self-financing determination under the powers conferred by sections 168 to 175 of the Localism Act 2011. As a result of this the Council received a one off payment of debt of £0.925m during 2011/12. This was paid by top slicing the Council's existing loan portfolio held by the Public Works Loans Board (PWLB). The Department of Communities and Local Government funded all premium and discount costs in relation to the early redemption of the debt.

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Collection Fund Statement for the year ended 31 March 2013

2011/12 £'000s	2011/12 £'000s			Note	2012/13 £'000s	2012/13 £'000s
		INCOME				
55,845			Council Tax (net of Benefits and Transitional Relief)	Note 2	56,271	
15,474			Transfers from General Fund - Council Tax Benefits	Note 3	15,501	
30,163			Income from Business Ratepayers	Note 4	31,657	
	101,482		**Total Income**			**103,429**
		EXPENDITURE				
69,578			Precepts and Demands from County, District, Kent Police and Kent Fire and Rescue	Note 6	69,923	
			Business Rates			
29,971			- Payment to the Pool		31,466	
192			- Cost of Collection Allowance		191	
			Bad and doubtful debts/appeals			
459			- Amounts Written Off in year		282	
1,020			- Provision for Bad and Doubtful Debts		1,308	
			Contributions			
77			- Towards previous years Council Tax surplus		274	
	101,297		**Total Expenditure**			**103,444**
	(185)		**(Surplus)/Deficit for Year**			**15**
	(259)		**Balance at Beginning of Year**			**(444)**
	(444)		**Balance at End of Year**			**(429)**

Notes to the Collection Fund Statement

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions of the billing authority in relation to business rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund, in accordance with the relevant sections of the Local Government Act 1988 (as amended by the Local Government Finance Act 1992). The Collection Fund is consolidated with other accounts of the billing authority, and to comply with the Code of Practice on Local Authority Accounting (Code) 2012 these accounts only reflect the effects of timing differences between the collection of council tax attributable to the major precepting authorities, and paying it across to those authorities on an agency basis.

2. Council Tax

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

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

The charge for each property is calculated by estimating the income required for Kent County Council, Kent Police Authority, Kent Fire and Rescue and Thanet District Council to provide services to the District, then dividing this by the 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	12,568	6/9	8,379
B	16,521	7/9	12,850
C	15,039	8/9	13,368
D	6,764	1	6,764
E	3,500	11/9	4,278
F	1,324	13/9	1,912
G	622	15/9	1,037
H	21	2	42
TOTAL	**56,359**		**48,630**
Add Band D equivalent military dwellings			24
Adjustment for Non-collection (3%)			(1,459)
COUNCIL TAX BASE			**47,195**

Estimated income for 2012/13 was £69.923m, actual income was £71.498m. After set aside and write off of bad debt (£1.590m) the deficit for the year (£0.015m) has resulted in a reduced surplus on the fund of £0.429m.

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3. Transfers from the General Fund

Individual entitlements to Council Tax Benefit reduce the amount of Council Tax payable in the year, the total amount being charged to the General Fund.

4. Income from Business Rates

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the Non Domestic Rate pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local population. Under these arrangements, the amounts included in these accounts can be analysed as follows:

2011/12 £'000s		2012/13 £'000s
	Non-domestic Rateable Value £87,540,480	
37,586	Multiplied by the Uniform Business Rate (45.8p for 2012/13)	40,093
(7,191)	Less allowances and other adjustments	(8,088)
(232)	Less bad debt provision	(348)
30,163	**Net collectable Business Rates**	**31,657**
(192)	Less cost of collection allowance	(191)
29,971	**Net contribution to NDR national pool**	**31,466**

The Non-domestic rate multiplier for 2012/13 was 45.0p for qualifying properties of less than £15,000 rateable value and 45.8p for all others (2011/12 42.6p and 43.3p respectively.)

5. (Surplus)/Deficit of the Revenue Account

The introduction of Council Tax brought with it the requirement to share any surplus or deficit (in proportion to precepts) as estimated at 15 January between the major precepting authorities. In accordance with this the estimated surplus accounted for in the 2012/13 Council Tax calculation was £274k.

The actual surplus on the Collection Fund at year end (£429k) represents partly an increase in the resources attributable to the Authority, and partly amounts due to precepting authorities. In order to comply with the Code of Practice on Local Authority Accounting (Code) 2012 this has been split between Thanet District Council fund balances (£61k) and precepting authority creditors (£368k) within the Balance Sheet.

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6. Precepts and Demands on the Collection Fund

2011/12 £			2012/13 £
49,251,580	Kent County Council		49,449,705
6,518,744	Kent Police Authority		6,544,967
3,194,034	Kent Fire and Rescue		3,206,883
9,869,715	Thanet District Council		9,909,476
68,834,073	**Total**		**69,111,031**
	Parishes and Charter Trustees		
4,452	-	Acol	4,410
30,925	-	Birchington	32,320
218,143	-	Broadstairs	218,630
11,930	-	Cliffsend	-
14,180	-	Manston	14,520
112,497	-	Margate	111,551
46,598	-	Minster	51,516
7,257	-	Monkton	7,263
284,128	-	Ramsgate	358,200
13,640	-	St Nicholas at Wade	13,646
743,750	**Total**		**812,056**

Annually the precepts from major precepting authorities are affected by prior year surpluses or deficits. The figures for 2011/12 and 2012/13 reflect the total amount raised to pay for goods and services within each authority, and to clear any deficit or utilise any surplus from prior years.

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Glossary of Terms

Accruals

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

Actuarial Gains & Losses

Changes in actuarial deficits or surpluses that arise because:

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

b) the actuarial assumptions have changed.

Asset

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

Balance Sheet

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

Budget

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipts

Proceeds from the sale of capital assets.

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Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Creditor

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

Current Service Cost

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

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Debtor

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

Depreciation

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

Direct Labour Organisation (DLO)

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

Expected Rate of Return on Assets

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

Finance Lease

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

Financial Instrument

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

Government Grants

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

Heritage Asset

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

Housing Benefits

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

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Housing Revenue Account

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

Impairments

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

Income

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

Comprehensive Income and Expenditure Statement

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

Infrastructure Assets

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

Intangible Assets

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

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

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

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

a) in respect of which construction work and development have been completed; and,

b) that is held for its investment potential, any rental income being negotiated at arm's 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 Police Authority levies a precept on Thanet District Council.

Projected Unit Method

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

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

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

Provision

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

Reserves

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

Revenue Account

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

Revenue Expenditure

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

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