



Date: 18 July 2023  
Our Ref: Governance & Audit Committee/Agenda  
Ask For: Steven Matthews  
Direct Dial: (01843) 577207  
Email: steven.matthews@thanet.gov.uk

## GOVERNANCE & AUDIT COMMITTEE

26 JULY 2023

A meeting of the Governance & Audit Committee will be held at **7.00 pm on Wednesday, 26 July 2023** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

### Membership:

Councillor W Scobie (Chair); Councillors: Bright (Vice-Chair), Barlow, Braidwood, d'Abbro, Donaldson, Duckworth, Farooki, Garner, Manners, Munns, Nichols, Packman, Pope and Towing

## AGENDA

Item  
No

Subject

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** (Pages 3 - 4)  
To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest advice attached to this Agenda. If a Member declares an interest, they should complete the [Declaration of Interest Form](#).
3. **MINUTES OF PREVIOUS MEETING** (Pages 5 - 10)  
To approve the Minutes of the Governance and Audit Committee meeting held on 8<sup>th</sup> March 2023, copy attached.
4. **EXTERNAL AUDITOR'S AUDIT FINDINGS REPORT** (Pages 11 - 52)
5. **STATEMENT OF ACCOUNTS** (Pages 53 - 238)
6. **CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE** (Pages 239 - 260)
7. **CONTRACT STANDING ORDER WAIVERS** (Pages 261 - 294)
8. **ANNUAL GOVERNANCE STATEMENT 2022-23** (Pages 295 - 310)
9. **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 311 - 340)
10. **INTERNAL AUDIT ANNUAL REPORT 2022-23** (Pages 341 - 362)

Item  
No

Subject

11. **UPDATED RIPA POLICY 2023** (Pages 363 - 426)
12. **ANNUAL TREASURY MANAGEMENT REVIEW 2022/23** (Pages 427 - 456)



Please scan this barcode for an electronic copy of this agenda.



## **Do I have a Disclosable Pecuniary Interest and if so what action should I take?**

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

## **Do I have a significant interest and if so what action should I take?**

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
  - exercises functions of a public nature; or
  - is directed to charitable purposes; or
  - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -

- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must:-**

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

## **Gifts, Benefits and Hospitality**

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £25 or more. You **must**, at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

## **What if I am unsure?**

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Committee Services Manager well in advance of the meeting.

If you need to declare an interest then please complete the declaration of [interest form](#).



## GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 8 March 2023 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor Kerry Boyd (Chair); Councillors Dexter, Austin, Duckworth, Garner, Leys, Shrubbs and Towing

**In Attendance:**

### 1. APOLOGIES FOR ABSENCE

Apologies received from Councillor Whitehead.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 3. MINUTES OF PREVIOUS MEETING

Councillor Garner proposed, Councillor Shrubbs seconded and members AGREED to approve the minutes of the meeting held on 30 November 2022.

### 4. QUARTERLY INTERNAL AUDIT UPDATE REPORT

Simon Webb, Deputy-Head of Internal Audit of East Kent Audit Partnership provided his report with the following key points:

- Six new audits were completed this period, with a “Substantial” grade being awarded as the assurance level for three of the areas, including: “Business Rates”, “Discretionary Housing Payments” and “Officer Code of Conduct, Register of Interests & Gifts & Hospitality”
- “Reasonable” assurance levels have been given to “Safeguarding” and “Dog Warden and Fly Tipping”
- “Litter Enforcement” had no assurance level, this was due to the Council not undertaking any little enforcement activity at the current time
- “Complaints Monitoring” also received a no assurance level, however the Council has updated its complaints procedures
- Under the period of review, five follow-ups were carried out for “CCTV”, “Recruitment”, “Climate Change”, “Tenancy & Estates Management” and “ICT Procurement & Disposal”. None of them were given a limited or no assurance level
- Progress to Date Against the Agreed Thanet District Council 2022-23 Audit Plan, shows that as of the 28th February 2023, these were up to 95% complete
- Services given limited or no assurance level had been detailed which included “Complaints Monitoring” and these would be followed up in July
- In regards to the Balanced Scorecard which is the KPIs for East Kent Audit Partnership, progress against the plan was at 75% as of the 31st December 2022

Following the report, members engaged in discussion and the following points were made:

- Members expressed disappointment in regards to the “Dog Warden, Fly Tipping and Litter Enforcement” assurances. It was explained that finding individuals to fill

these roles could be difficult through reasons of confrontation. However part of the budget had gone towards coastal enforcement, where officers could enforce litter activity during the quieter months

- Interest was expressed by Members regarding the topics of “Corporate Leak Investigation”, “PIR – Berth 2-5” and “Staff Matter” under the Responsive Assurance section of the Audit Progress table. “PIR – Berth 2-5” was said to be in the stages of being finalised and would be brought back to the committee at a later date
- Members also commented on the section of the report regarding consideration of training and program routes for staff development to ask if it came under Civica or TDC staff. Civica would be providing some training and would also be implementing recommendations from TDC

Councillor Leys proposed, Councillor Dexter seconded and Members AGREED:

1. That the report be received by Members;
2. That any changes to the agreed 2022-23 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved;
3. That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance after follow-up;
4. That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after the completion of internal audit follow-up reviews and update presentations from the relevant Director.

**5. INTERNAL AUDIT CHARTER & DRAFT INTERNAL AUDIT PLAN 2023-24**

Simon Webb, Deputy-Head of Internal Audit of East Kent Audit Partnership provided his report with the following key points:

- East Kent Audit Partnership were seeking approval for the Audit Charter for the next three years as well as the 23-24 internal audit plan. The plan was laid out until 2026-27, however committee members were asked only to approve the 2023-24 audit plan for the time being
- The plan had been broken down into several categories that include: Financial Governance, Housing Systems, Human Resources, Corporate Governance, Performance Management, Fraud Risk, Procurement & Contract Management; ICT and Service Level Audits
- ICT services were coming back inhouse in April 2023
- It was explained that the Audit Charter detailed what the East Kent Audit Partnership does for Thanet District Council and why that is
- High up on the risk register was Cyber Security, which had been highlighted due to the increase of cyber attacks following the conflict in Ukraine. This had been prioritised for the first quarter of 2023-24

Councillor Leys proposed, Councillor Shrubbs seconded and members AGREED:

1. That the report be received by Members;
2. That the Audit Charter and draft 22-23 Internal Audit Plan be approved.

**6. QUARTER 3 REVIEW 2022-23: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY**

Chris Blundell, Deputy Chief Executive Officer and Section 151 Officer provided his report with the following key points:

- In the 2022-23 third quarter, capital expenditure on long term assets were £10.5 million against a full year budget of £49.8 million, that's due to the profiling of the budget and the way it's been set out as funds will carry over into the future
- The position of debt remains relatively unchanged at £19.9 million as compared to £20.2 million following the end of 2021
- The financing of the capital program was coming out of internal resources rather than going external
- TDC had £55 million in balances which were currently invested mainly in money market funds, which were considered as low risk investments. The average rate of return on these investments was 1.74%
- It was budgeted that Thanet District Council expected £167,000 in return for these investments, performance for the first 9 months of the year had returned £739,000

Following the report, members engaged in discussion and the following points were made:

- Members wanted to know, relating to the £2 million in a deposit fund being sustained, where the rest of the funds were going, e.g. fossil fuels. It was explained that factors taken into account for these funds are security, liquidity of investments and yield
- Members asked if the framework of the treasury management was a legislative one. Officers responded that there's certain rules to be complied with, including some statutory guidance that needs to be followed
- Members brought up external auditors as the officer explained that the 2021-22 account was still to be published. This was due to mitigating factors such as staff turnover, recruitment and previous mistakes that needed to be fixed. However, the completion of draft accounts was expected around April time. Outstanding as well, was the audit of the 2021 account, which was due to resourcing issues, but this was expected to be published by the end of March or beginning of April. Both of these were expected to come back to Governance & Audit in July
- Members were concerned about possible penalties being made and not following statutory requirements. It was explained that Thanet District Council was not the only council having these issues and that the repercussions were minimal. Reassurances were made as the interim account currently being used by Thanet District Council has proven to be a reliable person

Councillor Towing proposed, Councillor Dexter seconded and members AGREED that the Governance & Audit Committee notes, the report.

## 7. **PROCUREMENT WAIVERS 2022-23**

Chris Blundell, Deputy Chief Executive Officer and Section 151 Officer provided the report with the following key points:

- This was the second time this had been brought to the committee with the first time being last year
- The report showed instances of TDC not following out the guidelines of the constitution, but also acting transparently with suppliers. It also showed the different limits and rules to follow for contracts of different values
- There was one instance of a waiver being presented to the council and although the contract went ahead, it was not compliant
- Changes were looking to be made regarding the rules in place in regards to contract values, moving the bottom limit from £10,000 to £25,000. This would

reduce administration for officers and also fit in with the posts on the council website that details the contracts above £25,000

Following the report, members engaged in discussion and the following points were made:

- Members asked how TDC compared to other councils, an example being how there was an urgency to buy rubbish collection vehicles. It was explained that comparisons are hard to make between different council authorities, however whenever a waiver is presented as urgent, the council will question its validity. It was expected that once a full senior management team had been established, the Council should have a reduction of urgent waivers coming in
- Officers said that an Internal Contracts Register was currently being developed, which would be a tool for officers to manage waivers through the current procurement process in one centralised place
- The Council was also offering refresher training for officers regarding roles and responsibilities
- The issue regarding agency staff was brought up and the question of their contracts and how they're formed. The current framework in place, applied to the whole council's agency workers, however TDC was looking into more specialised contracts, depending on the type of work being taken up
- Questions were asked about compliance officers who work in the council and was explained that it would depend on the contract with more areas being focused on than others, such as Housing which requires a higher level of scrutiny. Members were also assured any terms and conditions that come in via the waivers are looked at by the Legal team who go through them carefully

Councillor Leys proposed, Councillor Towing seconded and members AGREED to note the report.

## **8. CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE**

Chris Blundell, Deputy Chief Executive Officer and Section 151 Officer, introduced Aimee Munden-Jackson, Insurance Officer who provided the report with the following key points:

- The scoring system of the risk register had changed, this was to remain agile with the way risks were managed. Officers and managers had been asked to move their information into Risk Management. Responses for this was around 40-50% last year, but this year, that had gone up to 96%
- Corporate Risks had now been presented as "Current, Emerging and Future" risks
- The scores of the current corporate risks had mainly remained the same in March 2023 as they were in November 2022. The only exceptions were the Environmental Act 2021 which had gone from a score of 12 to 16 and Manston Road Depot Building which had dropped from 16 to 12
- There were no new risks, but some were removed, including Old Workshop - Jackie Bakers and Inappropriate Watercraft Use

Following the report, members engaged in discussion and the following points were made:

- Further clarification was asked about the cyber market which was no longer conducive of our security profile. It was explained that the cyber market had gone into a "hard cycle" which meant that the restrictions and contingencies that insurers were expecting the council to have was prohibitive and expensive
- Members asked about voter ID and the upcoming elections as well as the struggles of finding staff and training those staff to work on those elections.

Assurances were made that the numbers of staff had been gradually climbing to a level the council was happy with, but the possibility of hiring externally was still available

Councillor Duckworth proposed, Councillor Leys seconded and members AGREED to approve the review of corporate risks and discuss annexed risks.

**9. HOMES ENGLAND AUDIT - NEW BUILD**

Chris Blundell, Deputy Chief Executive Officer and Section 151 Officer introduced the report on behalf of Bob Porter, Director of Place with the following key point:

- Grant Thornton had provided the compliance audit grade and summary, which showed as “Green” with no issues

Councillor Shrubbs proposed, Councillor Towning seconded and Members AGREED to note the final grade award of Green, no breaches identified.

**10. EXCLUSION OF PUBLIC AND PRESS**

Councillor Shrubbs proposed, Councillor Leys seconded and members AGREED:

That the public and press be excluded from the meeting for agenda item 11 as it contains exempt information as defined in Paragraph 7 of Schedule 12A Part 1 of the Local Government Act 1972:

Paragraph 7: Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

**11. ICT SECURITY UPDATE**

Dan Evans, Head of ICT provided his report.

Following the report, members engaged in discussion.

Councillor Leys proposed, Councillor Austin seconded and members AGREED to note the report.

Meeting concluded: 8.34 pm

This page is intentionally left blank

## External Auditor's Audit Findings Report

**Governance and Audit Committee** 26 July 2023

<b>Report Author</b>	Chris Blundell, Director of Corporate Services and Section 151 Officer
<b>Portfolio Holder</b>	Cllr Rob Yates, Portfolio Holder for Corporate Services
<b>Status</b>	For Decision
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No
<b>Ward:</b>	All wards

### Executive Summary:

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

### Recommendation(s):

The Audit Findings Report for 2020-21 be considered as set out in Annex 1.

### Corporate Implications

#### Financial and Value for Money

There are no financial implications arising directly from this report, the audit fee is disclosed within the Audit Findings Report.

#### Legal

This is a statutory requirement in accordance with the Local Audit and Accountability Act 2014 and, Accounts and Audit Regulations 2015 and The Code of Audit Practice

#### Corporate

This is part of the external audit process.

#### Risk Management

No action on this item would result in non delivery of the statutory requirement pertaining to the accounts, this could result in:

- Loss of confidence
- Reputational damage

## **Equality Act 2010 & Public Sector Equality Duty**

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

## **Corporate Priorities**

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

### **1. Introduction and Background**

1.1. The draft Statement of Accounts for 2019-20 have been audited and the audit findings are set out in detail in Grant Thornton's Audit Findings Report (AFR), shown in Annex 1.

1.2. The Committee is asked to consider the audit findings and to note the report.

### **2. Audit Findings Report**

2.1 A representative from Grant Thornton will attend the committee meeting and present the key findings arising from the audit of the 2019-20 accounts.

Contact Officer: Chris Blundell Director of Corporate Resource and Section 151 Officer

### **Annex List**

Annex 1 Audit Findings Report

### **Background Papers**

None

### **Corporate Consultation**

**Finance:** N/A

**Legal:** N/A



# The Audit Findings for Thanet DC

**Year ended 31 March 2021**

Thanet DC  
July 2023



# Contents



**Your key Grant Thornton team members are:**

**Sarah Ironmonger**

Key Audit Partner

E sarah.i.ironmonger@uk.gt.com

**Nick Halliwell**

Manager

E nick.j.halliwell@uk.gt.com

**Tafadzwa Nembaware**

Assistant Manager

E Tafadzwa.Nembaware@uk.gt.com

## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Other statutory powers and duties
5. Independence and ethics

## Appendices

- A. Action Plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit letter in respect of delayed VFM work

## Page

- 03  
05  
24  
26  
27  
  
30  
31  
33  
38  
39

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

**Sarah Ironmonger  
For Grant Thornton UK LLP  
July 2023**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

**Annex 1  
Agenda Item 4**

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Thanet District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and income and expenditure for the; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely with the significant elements undertaken between November 2021 and February 2022. On October 12th, 2021, we issued statutory recommendations, which were presented to Council on the 2nd November 2021. We needed additional time to conclude our audit opinion and to gain sufficient audit assurance over whether the underlying governance issues reported in statutory recommendations were pervasive and to consider the impact on the Council's accounts. In addition, we received a total of 6 objections from local electors relating to the 2020/21 financial statements. Each of these objections required additional work to be able to consider the extent to which the objections impacted on the financial statements. The objection with the most potential significant impact on the financial statements related to the arrangements at Ramsgate Port for Berth 4-5.

Following our statutory recommendations, the Independent Monitoring Officer reported in May 2022 and East Kent Audit Partnership reviewed the Berth 4-5 project. The reports and additional audit input has enabled us to conclude our opinion audit. The governance issues and the objections will impact on our value for money report which is reported in the separate Annual Audit Report which is expected to be issued in Autumn 2023.

Our findings are summarised on pages 5 to 24. Audit adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete in terms of the main elements of the audit.

Subject to the satisfactory resolution of the issues on provisions, we are not aware of any other matters that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter
- final quality checks of the audit file.
- consideration of subsequent events after the reporting date and whether they impact the financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our value for money work is nearing completion as we resolve the matters relating to the outstanding objections. An audit letter explaining the reasons for the delay is attached in Appendix E to this report. The National Audit Office requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion of the financial statements. And our plan is to provide our report at the September audit committee which is in line with this requirement.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified in our planning work two areas of risks of significant weakness in relation to your value for money arrangements, the medium-term financial sustainability and the Governance arrangements in relation to grievances and whistleblowing concerns. We have undertaken work in both areas including issuing statutory written recommendations to the Council on 12 October 2021 which were subsequently considered and accepted by Full Council on 3 November 2021.

Our findings to date are set out in the value for money arrangements section of this report.

We received a number of objections to the 2020/21 statement of accounts which require satisfactory resolution prior to completing our final Annual Auditors Report, with a total of 6 relating to the 2020-21 financial year.

The value for money conclusion for 2018/19 and 2019/20 remains outstanding due to the resolution of objections relating to the relevant financial year. The 2018/19 objection has now been resolved and the 2019/20 objection enquiries are nearing conclusion. We will aim to resolve the remaining issues and provide an update to the September 2023 Governance and Audit Committee.

We are currently undertaking our value for money reviews for 2021/22- and 2022/23- and will aim to bring this report to Members in Autumn 2023 ahead of the financial statement audit work for those years being complete. This will enable us to update members on the Council's response to our statutory recommendations and the recommendations from the Independent Monitoring officer set out in May 2022.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We issued statutory recommendations on the 12 October 2021, which were presented to Council on the 2 November 2021. These recommendations centred around Governance issues and the impact on the Council's financial sustainability. We are pleased to note all our statutory recommendations were accepted at this meeting by the Council.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report. In relation to completing our work we still have a number of objections we are working through; in this year we received a total of 6 objections to the Council's financial statements.

# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

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

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

## Conclusion

We have substantially completed our audit of your financial statements; we anticipate issuing an unqualified audit opinion. These outstanding items include:

- receipt of management representation letter
- final quality checks of the audit file.
- consideration of subsequent events after the reporting date and whether they impact the financial statements.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. Due to the need to consider the impact of governance issues on the account's there has been significant delays in the audit process. We appreciate the support of the finance team during this period, whilst we have worked through these matters.



# 2. Financial Statements



## Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan but have revised the performance materiality percentage to reflect the increased risk due to concerns around the council's governance arrangements. We detail in the table to the right our determination of materiality for Thanet District Council Council.

	Materiality Amount Final(£)	Planning Amount(£)	Qualitative factors considered
Materiality for the financial statements	2,600,000	2,600,000	2% of Gross expenditure.
Performance materiality	1,690,000	1,800,000	At planning we set performance materiality at 70% of materiality, however this was reduced to 65%. This reduction was due to issues raised around the Council's Governance arrangements.
Trivial matters	130,000	130,000	This is set at 5% of materiality.



Annex 1  
Agenda Item 4

## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Improper revenue recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>In the Audit Plan, we reported that having considered the risk factors set out in ISA240 and the nature of the Council and Pension Fund revenue streams, we had determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition.</li> <li>• Opportunities to manipulate revenue recognition are very limited.</li> <li>• The culture and ethical frameworks of local authorities, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we did not consider this to be a significant risk for Thanet District Council.</p> <p>There have been no changes to our assessment as reported in the Audit Plan.</p>
Improper Expenditure recognition	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>Our assessment of the Council's expenditure streams identified that around 75% of the Councils expenditure relates to employee costs, depreciation and Housing Benefit payments. Based on our risk assessment we do not consider there to be significant risk of fraud or management manipulation of such balances. We did identify the completeness of other expenditure as an Other risk, but given its value and the nature of the stream we did not determine this to be a significant risk in our audit strategy.</p> <p>There have been no changes to our assessment as reported in our audit plan.</p> <p>In our testing we did not identify any issues around improper expenditure recognition.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness
- considered the impact of the Council's Governance arrangements on the risk of management override of controls.
- made additional inquiries of officers in relation to whether they had come under pressure to post Journals or manipulate year end accruals from senior management.
- Reviewed a number of reports concerning the Council's Governance arrangements and considered their potential impact around this area of our audit.

Our work on this area is substantially complete.



# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of land and buildings including Council Dwellings and Investment Properties

The Council revalues its land and buildings on a rolling five-yearly basis. Investment properties are required by the Code to be revalued each year. These valuations represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings and Investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.
- Evaluated the competence, capabilities and objectivity of the valuation expert.
- Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.
- Tested revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements.
- Assessed the value of a sample of assets in relation to market rates for comparable properties.
- Reviewed and audited the yields used in the valuation of EUV and Investment property valuations.
- Reviewed all relevant information up to the current date in reviewing the Council's valuation of Property assets. This includes rental reviews and the valuations of the Council's assets at the 31/03/2022.

The council employed Wilks Head and Eve to value General fund assets and Saville's to value HRA assets. Both valuers in their valuation reports included a material valuation uncertainty in relation to specific asset types:

- Retail, specific trading assets/sectors including car parks within the Other Land and Buildings- £2m.
- Retail and specific trading assets/sectors including car parks – Investment properties with the value of £1m.
- Council High rise properties – Council Dwellings with the value of £8m.

Following discussions with Saville's, the council's valuation expert, and reviewing the latest valuation report produced due to greater clarity being obtained regarding RICS updated guidance published on the 5 April 2021, it was determined this uncertainty could be removed from Council High rise properties valuations. Based on the audit team's discussions with their expert, Wilks Head & Eve, the level of uncertainty identified by the Council's expert is not at the level we deem material to the Council's financial statements in relation to the valuation of the high rise properties. Therefore, we do not consider that there is a need for an Emphasis of Matter in relation to the uncertainties identified by the Council's valuers. In the prior year, 2019/20 due to the timing of the pandemic this level of uncertainty was noted in our audit opinion.

We identified a large number of low value Investment properties totalling £6,261k had not been revalued as is required by the Code. This was also a finding in our prior year audit and remains in our action plan for the Council. We have gained sufficient assurance to consider there to be a low risk of material misstatement and our indices review identifies the assets value would be overstated by £0.7m, which we consider to not be material.

No other issues have been identified from our work performed.

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved £102,686k in the Authority's balance sheet and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.8% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls.
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work.
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.
- Assessed the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud and Guaranteed Minimum Pension cases.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.

In our review of the accounts, we identified that a material movement in the Liability had taken place resulting from the transfer of East Kent Housing (EKH) members back to the council on the 30th September. This resulted in the transfer of £10,565k of pension liabilities to the council and £6,937k of Pension assets to the accounts with a net impact of £3,628k. We have confirmed the accuracy of this with the Council's actuary.

To date no further issues are required to be reported to TCWG and our work is substantially complete.

# 2. Financial Statements - key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

## Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Net pension liability – £102.7m

The Council's [total] net pension liability at 31 March 2021 is £102.7m (PY £86.3m) comprising the Local Government pension scheme as administered by Kent County Council. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from the scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

- We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective.
- We have performed additional tests in relation to the accuracy of the contribution figures, benefits paid and asset returns, to gain assurance over the 19/20 roll forward calculation carried out by the actuary.
- We have used PwC as our auditors expert to assess the actuary and their assumptions – see table below for our comparison of actuarial assumptions.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.0%	1.95-2.05%	●
Pension increase rate	2.80%	2.80-2.85%	●
Salary growth	3.8%	3.80-3.85%	●
Life expectancy – Males currently aged 45 / 65	Pensioners 21.6 Future Pensioners future 22.9	Pensioners 20.5-23.1 Future Pensioners future 21.9-24.4	●
Life expectancy – Females currently aged 45 / 65	Pensioners 23.6 Future Pensioners future 25.1	Pensioners 23.3-25.0 Future Pensioners future 24.8-26.4	●

Actuary used a CMI 2020 model with LT improvement rate of 1.25%

**Light purple- see key below**

Annex 1  
Agenda Item 4

## Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £67.7m and Investment Properties/Current Assets Held for Sale (Note 20) – £29,262k</p>	<p>For Other Land and buildings under the council's 5 year rolling revaluation programme the council revalued £52,386k of the £67,693k balance. Of the balance revalued it comprises of £35,396k of specialised assets such as leisure, Marina assets and Theatres, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings revalued £16,990k are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31/12/2020 on a five yearly cyclical basis. 77% of total assets were revalued during 2020/21. Wilks Head and Eve also provided the Council assurance that no material movements have occurred to the assets valuation between the valuation date and the financial year end.</p> <p>The Council's Investment properties are required by the Code to be revalued every year. The balance comprises of Industrial, office sites, retail and Cafes. However the council has not revalued £6,261k of Investment Properties, we have reported this matter in the prior year and note our recommendation has not been followed in this year. The Council has used Wilks Head and Eve to value investment properties who value them on a fair value basis at the 31/12/2020 and provide management assurance they have not changed materially between this date and the financial year end.</p> <p>Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31/12/20 and those assets not revalued. In doing so they have gained assurance from their valuer Wilks Head and Eve in relation to this matter.</p>	<p>We note for Investment properties the Council has not followed the Code requirements to revalue all assets. Although using indices provided by our auditors expert we are satisfied the difference is not material the difference is £705k which we are taking as a potential uncertainty in the accounts and reporting as an unadjusted misstatement. We note a number of OLB assets were also not revalued and when indices were applied to these assets an uncertainty of £388k was identified.</p> <p>We note both balances are below materiality and are below are materiality levels.</p> <p>Our work is not complete on this area.</p>	<p><b>Grey- see key below</b></p>

## Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £166.29m	<p>The Council owns 3,061 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Saville's to complete the valuation of these properties. This year this involved a full Beacon revaluation of all Council dwellings.</p> <p>In the year there were additions and reclassifications increasing the balance of Council dwellings by £13.92m and there were overall downward revaluations of £0.59m. This meant the value of Thanet's housing stock at the 31/03/21 is £166.29m, a net increase of £13.23m from £152.96m in 2019/20.</p>	<ul style="list-style-type: none"> <li>From the work performed, no material issues have arisen in relation to the valuation of the Council's housing stock included within the accounts.</li> <li>The valuer has correctly prepared the valuation using the stock valuation guidance issued by MHCLG and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH).</li> <li>From discussions with the Council's valuer they have determined to remove from their assessment uncertainty associated with the Council's high rise flats that was previously reported following updated RICS guidance on this matter. Based on our review we deem this appropriate.</li> </ul> <p>Our work at the date of writing is substantially complete.</p>	<p><b>Light purple</b> <b>See key below</b></p>
Provisions for NNDR appeals - £3.31m total provisions balance is £4,98m. There are two other provisions we have discussed in the tab key matters discussed with management. These items relate to contractual liabilities and legal matters.	<p>The Council is responsible for repaying a proportion of successful rateable value appeals. Management splits the NNDR appeals provision in those under the 2010 Rateable values and those under the 2017 rateable values. For those under the 2010 rateable values due to their historic nature management has records of appeals and the past likelihood of success and calculates the provision based on this past experience. For the 2017 rateable values management follows CIPFA guidance applying a percentage to the rateable value in producing the provision. The data used by management in relation to outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. This has led to an increase in the provision by £124k.</p>	<ul style="list-style-type: none"> <li>We have reviewed the underlying information behind the provision and are satisfied in the accuracy of the data used.</li> <li>The method used is consistent with others in the sector and follows CIPFA guidance on the matter.</li> <li>We identified that the increase in the provision was appropriate.</li> <li>We identified areas where the disclosures in relation to the provision in the Key estimates note could be enhanced. This is to make it clear what element of the provision relates to the collection fund as a whole and the council specifically, in addition based on the Councils assessment it was agreed this did not meet the definitions set out in IAS 1.22 of being a key estimate.</li> </ul>	<p><b>Light purple-see key below</b></p>

#### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

	Summary of management's approach	Audit Comments	Assessment
<p><b>Provisions – Legal – £612k</b></p>	<p>The Council made provisions in year in relation to ongoing disciplinary and grievance proceedings. This estimate was formed based on discussions with legal around the costs regarding the following:</p> <p>Costs of defending disciplinary and grievance cases taken out against the council.</p> <p>Legal costs of various investigations and costs associated with ISDC committee investigations into these matters.</p> <p>Management in setting the overall provision did not consider potential costs associated in relation to settlement payments or the potential loss of such cases.</p>	<ul style="list-style-type: none"> <li>From the work performed no material issues have been identified in relation to the provisions value.</li> <li>We note the Council's cost in relation to employment matters at the end of the 2022-23 financial year were £1,076k and exceeded this provision. We reviewed the timing of decisions to determine the extent that the costs related to decisions taken by 31 March 2021. Additional costs have been incurred relating to decisions taken after 31 March 2021 and do not therefore meet the definition for recognition. Based on our review though the provision was based on external legal advice at the yearend we deem it reasonable and not indicative of any bias.</li> <li>We note that it is unusual for provisions to be required in relation to employment matters involving officers involved in approving the financial statements at the time the draft financial statements were prepared. This increased the level of sensitivity we applied to our audit work in this area and was a key cause of the delays in completing the audit whilst the matters were ongoing.</li> </ul> <p>Our work at the date of writing is substantially complete.</p>	<p><b>Light purple-see key below</b></p>
<p><b>Provisions – Port – Restated to £563k in final accounts</b></p>	<p>Management have provided for revenue costs associated with the Berth 4/5 capital scheme. This relates to £383k of payments to the main contractor due to delays in the project, which do not meet the IAS 16 requirements of being capital spend. And £180k of costs associated to the Port operator for the costs of the port not being operational. Both figures were estimates.</p>	<ul style="list-style-type: none"> <li>We have reviewed the underlying information behind the provision and are satisfied in the accuracy of the data used.</li> <li>Gained an understanding of the Council's basis for considering these costs as a Provision, which were linked to an obligation to provide a usable Berth at the site.</li> <li>We reviewed East Kent Audit Partnership's independent review of the project and considered if any of these matters impacted the provision.</li> <li>Discussed the provision with key officers including the Council's Director of Environment.</li> <li>Considered other potential risks associated with the project such as there being a potential onerous contract.</li> </ul> <p>Based on our assessment the provision put forward by management was appropriate. We understand the Harbour project will be completed in July 2023, with only the finalisation of the electronic work still ongoing. From our review of the matter the updated provision of £563k reflects an appropriate provision which is in line with the current expected revenue outturn. Based on discussions with the Council the remaining element to make the site operational are electrical mechanical works, which are expected to be completed in August. Based on this we are satisfied there is no risk of material misstatement in relation to this provision.</p>	<p><b>Light purple-see key below</b></p>

## Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious



# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.3m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £1.3m, a net increase/decrease of £0.13m increase from 2019/20.</p>	<ul style="list-style-type: none"> <li>The MRP charge for the year has been calculated in accordance with the methodologies permitted in the statutory guidance</li> <li>The Council's MRP policy complies with statutory guidance.</li> <li>We have performed a benchmarking exercise which indicates that the Council's MRP provision is in line with expectation.</li> <li>There have been no changes to the Council's MRP policy since 2019/20</li> <li>We identified the Council's disclosure of its MRP policy within its accounts was inconsistent with the method applied and that approved at council. Management has agreed to enhancements to the disclosure to ensure its consistency with their policy.</li> </ul>	<b>Light purple</b>

## Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - matters discussed with management and ongoing objections

This section provides commentary on the significant matters we discussed with management. We have also received 7 objections relating to the 2020/21 statement of accounts and have set out below the latest position.

## Significant matter

As has been well publicised, the Council has had several internal challenges in relation to Governance and Grievance issues. The severity of these issues came to the auditor's attention during the 2020-21 year and the following matters took place:

- In July 2021, the external auditor wrote to members of the Audit and Governance Committee setting out the need to urgently accelerate the Council's internal process of dealing with these matters. Setting an expectation that they should be sufficiently progressed by October 2021, or we would have to consider the use of wider audit powers available under the Local Authority and Accountability Act 2014.
- In September 2021, the Leader of the Council wrote to the Secretary of State Michael Gove to formally invite the MHCLG to provide the necessary intervention to rectify the situation having described the "governance of the local authority as not acceptable in its current form".
- We issued statutory recommendations on October 12 2021, regarding the Governance issues and recommending an Independent Monitoring Officer (IMO) be appointed to review the situation.
- In May 2022 the IMO completed a report on the governance issues within the Council.
- All four of the key CMT officers at the Council have since left the Council's employment: The then s151 officer left with a severance package and an apology by the Leader of the Council, regarding their treatment. The then Monitoring Officer was dismissed and this is subject to appeal. The then Chief Executive left with a severance package as did the then Director of Communities/Operational Services.

The reports identified concerns around the Council's whistleblowing policies, intimidating behaviour by senior officers and a lack of sufficient HR support on offer to staff during this period.

Although the above matters largely have a limited impact on specific line items in the financial statements. They do create risks in relation to our audit in relation to the extent to which the issues were pervasive. In particularly it creates risks around:

- Are officers free from the risk of undue pressure in setting budgets and posting Journals in the financial statements?
- Have we as auditors been made aware of all potential provisions in the accounts?
- Does the Council have an environment in which staff can freely raise concerns or issues as they come to light?
- Do the Narrative report and Annual Governance statement adequately reflect the above matters?

## Commentary

The factors mentioned have all impacted the time taken to resolve the audit both from an officer capacity and additional audit work perspective. During the extended period of the audit:

- All 4 senior officers in the CMT left the Council by November 2022. This has enabled new leadership of the Council to take action and has brought greater clarity to judgemental matters relating to the 2020-21 financial statements.
- We have been able to review the IMO report regarding the Council's arrangements and Internal Audit's review of the Berth 4-5 project. Although instances of poor governance were identified there were no new matters of which we were unaware of that would impact the Council's financial statements.
- We have made further inquiries across the entity including HR, Head of services and the finance team regarding these matters and their potential impact on the financial statements.
- Reviewed latest Internal audit reports and latest budget positions to ensure no new matters had been identified that should have been reported in the 2020-21 financial statements.
- Considered the impact on the subsequent events note within the Council's financial statements.
- Reviewed provisions related to various grievances taken against the Council resulting from these issues. We note that the actual costs have exceeded the provision in the Councils accounts and reported this in our unadjusted misstatements log.

From the work undertaken we are satisfied that we have sufficient comfort that the above matters have not had a material impact on the Council's financial statements.



# 2. Financial Statements - matters discussed with management and ongoing objections

## Significant matter

Across the sector concerns have been raised regarding the accounting treatment of Infrastructure assets. This resulted in CIPFA launching consultations to identify a sector wide resolution around the following concerns:

- There is a risk that authorities are not disposing of infrastructure assets when these assets are damaged, or stop being used. This creates a risk that the Gross book value of the assets could be materially misstated.
- Authorities not setting appropriate useful lives for infrastructure spend due to not properly componentising the capital spend and reviewing when it is written off. This creates the risk of misstatement in the Net Book value of the assets.

Thanet District Council has £23,112k Gross book value of cost for Infrastructure assets with an associated net Book value of £14,215k, both values are significantly material. The majority of this balance relates to coastal protection assets.

Following CIPFA's consultation on the matter they released the CIPFA Bulletin 12, which enables authorities from the 1<sup>st</sup> April 2021 to the 31<sup>st</sup> March 2025 a temporary relief not to report on gross cost and accumulated depreciation for infrastructure assets.

## Commentary

In relation to this matter we have performed the following procedures:

- Reviewed capital projects spend on Coastal assets to determine if this relates to repairs of existing assets that should have been derecognised.
- Inspected bid documents for significant Coastal projects in recent years.
- Made inquiries of management regarding their process for derecognising Infrastructure assets and setting appropriate useful lives.
- Reviewed the Useful lives set of Coastal assets within other Local Authorities.

We identified that the oldest assets held on the asset register dated back to 1997 for Coastal assets. Based on our review we did not identify assets previously capitalised that had required replacement work performed in recent capital projects, instead these new projects were either new pieces of work or work that replaced older coastal defences that does not sit on the Council's Fixed Asset Register.

From our review we identified that management have set a useful life for Coastal assets of 40 years. Based on our work which involved reviewing other coastal authorities' useful lives set, inquiries of Estates and review of recent Coastal capital projects we deem this to be appropriate.

The Council has also updated the disclosure of Infrastructure assets following the CIPFA bulletin.

Objection - The Ramsgate Port Berth replacement has become known as Berth 4/5.

In relation to this project to replace the Port's Beth we have received correspondence from several members of the Council regarding concerns of the project's governance. This requested the matter to be audited in one instance and a formal objection being raised regarding the matter.

This led to one member raising an objection in relation to the matter. In which concerns around the procurement of the Berth and the process for undertaking an Environmental Impact assessment were raised as key areas of concern.

Our review of this objection is still ongoing. We note this matter does have an impact on the Council's provisions and we also considered the possibility the Council may have entered into an onerous contract.

We note East Kent Audit Partnership in March 2023 issued an independent report into Berth 4-5. Based on our review of this report and discussions with the Council's Harbour team as well as review of the projects stage of completion we are satisfied this matter does not materially impact the Council's accounts.

We are satisfied the matters relating to the objection that are ongoing do not materially impact the Council's financial statements. With the remaining matters relating to the Council's Value for money arrangements.

Objection – purchase of diesel refuse collection vehicles

The objection relates to how the purchase relates to the Council's declaration of a climate change emergency.

Our review of this objection is still ongoing. Based on our review we consider the matters raised in the objection to relate to the value for money arrangements.

## 2. Financial Statements - matters discussed with management and Objections

This section provides commentary on the significant matters we discussed with management, as well as Objections received during the course of the audit and their impact on the financial statements audit.

Significant matter	Commentary
<p>Objection – disposal of the Dreamlands site</p> <p>The objection relates to whether the Council received commercial value on the sale of the Dreamlands site.</p>	<p>Our work on this objection remains in progress. We have undertaken sufficient work on the disposal price and treatment of the asset from a financial statements perspective. The remaining aspects relate to the value for money arrangements.</p>
<p>Objections – Lottery and DPO licences</p> <p>The objections relate to the named accountable officer on both the Lottery and the Data Protection Officer licenses.</p>	<p>Our review of this objection is still ongoing. Based on our review we consider the matters raised in the objection to relate to the value for money arrangements.</p>
<p>Objection – Margate Town Deal Board</p> <p>The objection relates to the Council’s governance arrangements for the Margate Town Deal Board.</p>	<p>Our review of this objection is still ongoing. Based on our review we consider the matters raised in the objection to relate to the value for money arrangements.</p>
<p>2019/20 Objection – use of Non-Disclosure Agreements</p> <p>The objection relates to the use of Non Disclosure agreements.</p>	<p>We identified that an element of the objection related to the governance matters that were the subject of our written statutory recommendations and further work was delayed whilst those matters were progressed.</p> <p>Our review of this objection is still ongoing. Based on our review we consider the matters raised in the objection to relate to the value for money arrangements.</p>

## 2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work, subject to the resolution of outstanding objections.
Written representations	A letter of representation will be requested from the Council once we have completed the matters noted on page 3.

## 2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and investment counterparties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review identified some disclosures that were not consistent with the Code, these findings are detailed in Appendix B. No material omissions were identified in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

# 2. Financial Statements - other communication requirements



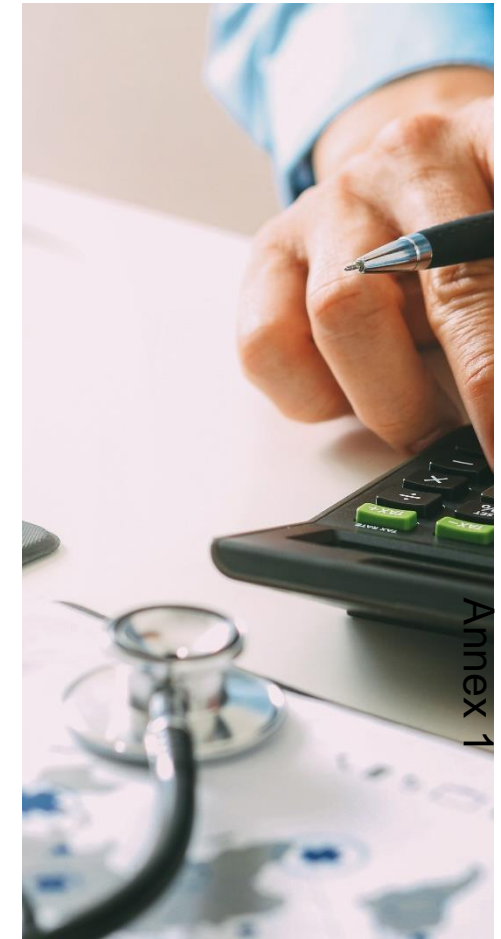
## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We have discussed with management how matters which lead to the statutory recommendations are reflected in these disclosures. We also note the report has had to be updated in relation to this matter and others following the passage of time and events that have taken place since its initial publication. We are satisfied that in its current form it sufficiently complies with the Code requirements and is consistent with the Council's financial statements.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement <b>does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</b></li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness</li> </ul> <p>We were required to raise statutory recommendations which were presented to Full Council on the 02/11/21. These recommendations centred around Governance issues and the impact these are having on the council's financial sustainability.</p> <p>We are pleased to note all our statutory recommendations were accepted at this meeting by the Council. As our statutory recommendations directly impact the Governance of the council a significant weakness will be raised in relation to these arrangements. Note our VFM work is still ongoing in this area.</p>



## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required on the council as it does not exceed the threshold requirements.</p>
<b>Certification of the closure of the audit</b>	<p>We intend to delay the certification for the closure of the 2020/21 audit of Thanet District Council in the audit report, as detailed in Appendix E, due to the following reasons:</p> <ul style="list-style-type: none"> <li>• the work necessary to respond to 7 objections from local government electors, 1 being from 2019/20.</li> <li>• the fact prior year certificates are yet to be issued and remain outstanding due to outstanding objections in those periods.</li> <li>• Further work being required in relation to our value for money review of a number of matters in relation to the council's value for money arrangements.</li> </ul>



# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



# 3. VFM - Update

Due to receiving a number of objections we have not been able to provide our Value for Money opinion since 2018/19. Below an update on each year's Value for Money opinion can be found. Please note that for 2018/19 and 2019/20 the requirement is to provide a value for money conclusion. For 2020/21 the requirement changed to provide a commentary on the value for money arrangements and identify any significant weaknesses in those arrangements.

## 2018/19

The 2018/19 value for money conclusion remained outstanding whilst four objections were considered. Our work in this area is substantially complete with three objections resolved. The objection in respect of a contract for the provision of central heating, gas and hot water repairs to council houses will impact on the VFM conclusion. East Kent Housing was responsible for managing contracts in respect of the housing stock on behalf of the Council. The Council identified weaknesses in the management of the P&R contract and as part of a wider review identified weaknesses in the delivery of the service provided by East Kent Housing to the Council and as a result the Council has changed its arrangements. We expect the identified weaknesses to impact on the 2018/19 value for money conclusion and will report this in our final 2020/21 Annual Auditor report at the September 2023 committee.

## 2019/20

Our 2019/20 value for money conclusion work has focused on two areas: ongoing financial sustainability; and governance arrangements in relation to responding to grievances concerns.

We completed our work on ongoing financial sustainability and reported this in our 2019/20 audit findings report in March 2021. On 12 October 2021 we issued statutory recommendations in relation to the Council's arrangements to respond to grievances. We expect the identified weaknesses to impact on the 2019/20 value for money conclusion and will report our final conclusion in the final 2020/21 Audit Findings Report.

The value for money conclusion is nearing completion with the outstanding item relating to the resolution of the 2019/20 objection received on the use of non disclosure agreements in resolving grievances. Further enquiries are required before we can conclude on the 2019/20 VFM arrangements, the pace we are able to close some of these points is impacted by the objections involving some employees who have subsequently left the Council.

## 2020/21

Our 2020/21 value for money conclusion work is in progress and focusses on the Council's medium term financial sustainability and Governance arrangements in relation to grievances and concerns. Following the submission of the accounts we have received a number of objections to the accounts and we have set out an update on pages 16 to 18.

In undertaking our Value for money work and fulfilling our responsibilities as your external auditors as set out in the Local Audit and Accountability Act 2014, we issued statutory recommendations on October 12 2021, which the Council considered in its public meeting on 2 November 2021. These recommendations related to governance issues and the impact these are having on the Council's financial sustainability.

Due to the above factors we have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by the 30 September 2023.

# 4. Other statutory powers and duties

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

Issue	Commentary
Statutory recommendations	We issued statutory recommendations on the 12 October 2021. The Council held its meeting in public to consider the statutory recommendations on 2 November 2021. The recommendations related to the Governance issues relating to grievances and the impact of dealing with the issues on the Council's financial sustainability. All our statutory recommendations were accepted by the Council. Progress against the recommendations will be included within our Auditors Annual Report later this year.

# 5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 5. Independence and ethics

## Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £81,548 (per audit plan) and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	40,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £40,000 in comparison to the total fee for the audit of £81,548 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

# Appendices

# A. Action Plan

We set out here our recommendations for the Trust which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. Delete slide of not relevant.

Assessment	Issue and risk	Recommendations
<p><b>Medium</b></p>	<p>Manual adjustments to the Trial Balance made in producing the Financial statements</p> <p>We note the Council in part due to adjustments required to the accounts resulting from statutory adjustments, Collection Fund adjustments and other factors posts manual adjustments to the Trial balance in producing the accounts. This is not considered best practise</p> <p><b>Risk</b></p> <p>By making the process manual this may not lead to appropriate levels of review of the postings and increases the risk of human error.</p>	<p>The Council should look to post all Journals that are used to create the accounts through the General ledger and use appropriate coding to capture any required reporting adjustments.</p>

## Key

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

# B. Follow up of prior year recommendations

We identified the following issues in the audit of Thanet District Council's 2019/20 financial statements, which resulted in 3 recommendations being reported in our 2019/20 Audit Findings report relating to the financial statements. We have followed up on the implementation of our recommendations and note 1 is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Accounting for complex transactions</b></p> <p>The financial statements audit in 2019/20 was significantly delayed to due to challenges relating to the Dreamlands site. Our initial audit procedures in this area identified concerns around the disclosures made however management were unable to provide audit evidence to support the proposed treatment in a timely manner and corroborating evidence sought from outside of the finance team contradicted the position. The contradictory evidence was available and should have been considered in both preparing the financial statements and responding to auditor queries. There were a number of adjustments required in relation to the valuation of the Dreamlands asset and the potential liability of the CPO. It was a complex issue and significant additional work was undertaken by both management and the audit team to reach an agreed position.</p> <p><b>Recommendations.</b></p> <p>For complex transactions management should consider all available corroborating evidence and document the judgements with reference to accounting standards to enable the Council to include a robust review process.</p>	<p>Management have engaged with the audit team promptly regarding key transactions in the 2020/21 financial statements. We are therefore satisfied that management have implemented the recommendations identified in the previous year's audit.</p> <p>However, we did identify that in complex legal matters the Council could provide a clearer audit trail to support judgements reached at the year end.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Investment Property Valuations</b></p> <p>We identified £3,472K of Investment properties had not been revalued as of the 31st March 2020. This is not compliant with the code which requires all Investment property to be revalued on an annual basis.</p> <p><b>Recommendations.</b></p> <p>The council should ensure all Investment Properties are revalued on an annual basis.</p>	<p>We identified a large number of low value Investment properties totalling £6,261k had not been revalued in this year. However we are satisfied using indices that this does not create a risk of material misstatement as this has identified that the assets value would be overstated by £291k.</p> <p><b>Management response</b></p> <p>Management recognises this is not strictly code compliant, but the accounting policy was selected to ensure cost effectiveness in accounting for investment properties. A review will be undertaken for the 2020-21 accounts to ensure this policy is still appropriate.</p>
✓	<p><b>Council dwelling valuations</b></p> <p>The Council's valuer compared indices movements for dwellings from 31 January 2019 to 31 January 2020 rather than 31 March 2019 to 31 March 2020. The impact of not using the correct date is immaterial to the financial statements but there is a risk using older indices in the future could lead to the Council not identifying a material movement in the valuation of its assets at balance sheet date. If the wrong indices are applied going forwards this could create the risk of compounding errors, when indices are used to uplift council dwelling valuations in between the full Beacon reviews</p> <p><b>Recommendations.</b></p> <p>The Council should ensure it uses the correct indices to inform its year end valuation process in years when a full valuation does not take place.</p>	<p>A full Beacon revaluation of all council dwellings was performed by the council's external valuer in this financial year. Therefore an indices approach was not performed. Therefore this recommendation was not relevant to this financial year's audit.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed



# B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<b>Income and expenditure overstated</b> The Council overstated income and expenditure by £1,339k in relation to the Covid hardship funding. This was due to an error in the posting of a Journal that lead to this overstatement. This had no impact on the bottom line but led to income and expenditure in the cost of services to be overstated by this value.	Income and expenditure overstated 1,339, (1,339)	Nil	Nil
<b>Debtors and Creditors overstated</b> The Council understated its debtors and creditors by £146k. This was due to a local authority debtor being included in creditors in error. This error has no bottom line impact.	Nil	Debtors and creditors understated 146, (146)	Nil
<b>Provisions understated</b> In relation to the Berth 4-5 Provision the Council has restated the value of the provision by £118k based on further information becoming available about the impact of delays to the project had on the revenue liabilities associated with the project.	118	Provisions (118)	(118)
<b>Overall impact</b>	(118)	118	Nil

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of unadjusted misstatements

All unadjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The Council as set out in their accounts chose not to revalue all Investment Property assets, which is contrary to the CIPFA Code. From our indices review we identified that this indicated that Investment Property may be understated by £705k.	Revaluations(705)	Investment Property £705	705
For Other land and Building assets not formally revalued by the Valuer we used indices to determine if this created a risk of material misstatement. Based on this review the projected misstatement was £388k. This would increase the value of Property Plant and Equipment assets.	Revaluations (388)	Property Plant and Equipment 388	388
<b>Overall impact</b>	(1,083)	1,083	1,083

# C. Audit Adjustments – Council

## Misclassification and disclosure changes

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

### Disclosure amendment

Adjustment  
agreed?

#### Comprehensive Income and Expenditure Statement

✓

The Council in year decided to change the presentation of this note along with all other expenditure notes. This was to show the GF and HRA service lines separately to provide greater transparency to the reader of the accounts. IAS 8 states that all such changes should clearly state which lines have been changed from the prior year and the reason for this. The statement has been updated to reflect the requirements in IAS 8.

The changes in the CIES have also resulted in note 5, and note 5a- Expenditure Funding Analysis, note 6 and note 6a- Segmental analysis and note 21 Investment Properties. We are satisfied in the updated financial statements the Council has complied with the requirements set out in IAS8.

#### Cash Flow Statement

✓

The Cash flow statement has been updated to reflect changes noted on the previous slides resulting from changes to the Debtors, Creditors and Provisions balances.

#### Accounting Policies

✓

Updates to the Councils policies have been made regarding the following areas:

- To reflect the latest position on IFRS 16's implementation.
- Include the Councils Minimum Reserve Provision policy.
- Note the changes made to the Councils accounts following the updated CIPFA Bulletin in relation to Infrastructure Assets.

#### Enhancements to the Key Estimates and Critical judgements notes

✓

Per IAS8 requirements not all disclosures within the draft financial statements met the requirements of being key estimates and critical judgements. In addition the disclosure did not contain sufficient disclosure regarding the level of estimation uncertainty within these balances. We note the Council should of considered adding more detail about the fact a full Beacon revaluation was carried out in year and updates made in the Valuers consideration of RICS guidance regarding the valuation of high rise flats.

#### Prior Period Adjustments

Not adjusted

We identified for several notes the Council made prior period adjustments. Although primarily the cause of this was a change of the way service lines were being reported there were one instance in exit packages that these changes were made due to updated information that should have been included in the 2019-20 accounts. We note as this was not material this amendment should not have been made. Our review identified that the changes made to other notes, and this were appropriate, however, additional disclosures as is required by IAS 1 in relation to this matter were required to meet the relevant reporting requirements for such amendments.

#### Note 5a Expenditure and Funding Analysis

✓

It was identified that more detail could be added relating to the differences between management reporting of the accounts shown in the EFA note and the CIES, particularly regarding capital movements which are not shown in management reporting.

# C. Audit Adjustments – Council

## Misclassification and disclosure changes

### Disclosure amendment

	Adjustment agreed?
<p><b>Note 12 Remuneration of Employees</b></p> <p>A number of adjustments to this note were identified:</p> <ul style="list-style-type: none"> <li>• Within the Exit packages testing two errors totalling 30k were identified with an extrapolated impact on the note being below are triviality threshold.</li> <li>• Disclosure inconsistencies were identified that have been subsequently amended in the exit packages note regarding the number of staff who received compulsory redundancies.</li> <li>• We identified a number of disclosure changes in the staff banding note which discloses officers earning &gt;£50k.</li> <li>• The Council also made changes to the note regarding a prior period adjustment. We note this did not meet the requirement of being a prior period adjustment as it was not material but the Council restated the figures in spite of this. The Council has since updated the disclosure to make clear the restatement from the prior year and the reason for it.</li> <li>• Insufficient disclosures relating to exit packages being restated in the prior year figures. We also note in our view these prior period adjustments should not of been made as they are not material, however, the council have chosen to do this as they deem this to be appropriate in providing a better year on year comparison.</li> </ul>	<p>The 30k difference resulting in an overstatement was not adjusted for. All other points have been addressed.</p>
<p><b>Note 13 External Audit Fees</b></p> <p>There are discrepancies to the audit fees set out in the note and that set out in our Audit plan, with the fees reflecting the values invoiced for rather than the cost of the 2020/21 audit fees. The Council has since updated this note and we deem this updated note consistent with the information provided to management at the year end in relation to audit fees.</p>	<p>✓</p>
<p><b>Note 14 Port and Harbours</b></p> <p>The note has been adjusted to take into account adjustments made of revenue liabilities attached to the Berth 4-5 project identified by management after the publication of the draft accounts.</p>	<p>✓</p>
<p><b>Note 15 Grant Income, Note 16 Reserves and Note 17 Earmarked Reserves</b></p> <p>Both notes has been produced to a greater level of detail in this year meaning the prior period figures have been split out at a more detailed level so they can be compared to one another. We have discussed with management the requirements set out in IAS8 regarding such changes and they have accordingly added the additional disclosure requirements required per the standards.</p>	<p>✓</p>
<p><b>Note 18 Property Plant and Equipment- Infrastructure Assets</b></p> <p>This note has been updated to remove Infrastructure assets from the main Property Plant and equipment table and to report them on a net basis within the note.</p>	<p>✓</p>
<p><b>Note 22 Financial Instruments</b></p> <p>We identified a transposition error that lead to the maturity analysis of liabilities being stated at £10,805k when the value should have been £10,085k. In addition the note was updated for errors found in the classification of Creditors and Debtors.</p>	<p>✓</p>

Annex 1  
Agenda Item 4

Page 48

# C. Audit Adjustments – Council

Disclosure amendment	Adjustment agreed?
<p><b>Note 30 Usable Capital receipts Reserve, HRA Income and expenditure note, HRA MIRS note and HRA Note 9</b></p> <p>These notes have been updated for minor changes that are not material relating to the prior period. Although the Council has updated the disclosure to show what the changes have been the changes are low in value and should not be made to the prior year signed financial statements as they are not material.</p>	Not agreed
<p><b>Note 36 Capital Expenditure and Capital Financing</b></p> <p>Several amendments were made to the disclosure note to ensure that it complied with the requirements of the Code of Practice on Local Authority Accounting:</p> <ul style="list-style-type: none"> <li>The Council has not disclosed its Minimum Revenue Provision policy accurately in the draft financial statements.</li> <li>The line titled Voluntary Revenue Provision for the HRA incorrectly included £2,249k of the repayment of Dreamlands debt which should be shown separately and does not relate to Voluntary Revenue Provision and therefore this wording should not be used to describe the balance.</li> </ul>	✓
<p><b>Note 37 Finance Leases and Operating Leases</b></p> <p>Finance lease note understated the finance lease liabilities associated with one specific asset that were understated by £1.6m.</p>	To be confirmed not material
<p><b>Note 38 Defined Benefit Scheme</b></p> <p>This has been updated to note the significant impact bringing back East Kent Housing has had on the Council's Pension Fund liability, which increased liabilities by £10.6m and assets by £6.9m.</p>	✓
<p><b>HRA Note 3</b></p> <p>This has been updated to reflect the incorrect figures and split being shown in the capital spend on other land and buildings under construction and Council Dwellings.</p>	✓
<p><b>Minor presentational and disclosure amendments</b></p> <p>A number of minor disclosure enhancements and presentational adjustments were identified and amended within the financial statements.</p>	✓

# D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services/ confirm there were no fees for the provision of non-audit services.

Note all additional audit fees are subject to PSAA approval, the below is our proposed final fee.

	Fee
Fee communicated in Audit plan	£81,548
Additional vfm work agreed in relation to governance issues	£25,000
Statutory recs resulting from additional vfm work	£15,000
External Legal costs associated with management challenge re statutory recs	4,487
Additional work on provisions for berth 4/5 and employment matters	£5,000
Additional work on Infrastructure assets (national issue and fee applies across all impacted local authorities)	£5,000
Collection Fund reliefs testing- additional work required as a result of significant changes to Business rate and Council tax income as a result of Covid-19 reliefs	£750
Payroll Change of circumstances – additional scope to work following regulator reviews	£500
Additional HRA procedures – additional scope to work following national concerns around this matter	£500
External Legal costs associated with Objections	3,294
Costs relating to 2020-21 Objections	35,000
Costs associated with objections relating to 2019/20	7,500
Final Audit fee	183,579

## Non-audit fees for other services

	Proposed fee	Final fee
Audit Related Services Housing Benefit grant claim	40,000	40,000
Audit Related Services Pooled Housing receipts claim	5,000	5,000
<b>Total non-audit fees (excluding VAT)</b>	<b>£45,000</b>	<b>£45,000</b>

Note the above fees were those charged for the 2020-21 Council grant reviews. The fees for the 2021-22 and future grant audits are likely to increase significantly due to reflect the updated market rates.

# E. Audit letter in respect of delayed VFM work

Chair of Audit and Governance Committee

Thanet District Council

Cecil Street,

Margate

Thanet

CT9 1AY

July 2022

Dear Cllr Kerry Boyd, Chair of Audit and Governance Committee, as TCWG

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the pandemic, and the impact it has had on both preparers and auditors of accounts for 2020/21 to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

Our initial work relating to grievance procedures led to us issuing written recommendations (under section 24 of the Local Audit and Accountability Act 2014) in October 2021. Our work in this area is ongoing.

The need to consider the Councils response to these recommendations and those raised in the IMO report in May 2022 has along with a number of objections we have received delayed our ability to complete our Value for Money work.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money.

We now expect to publish our report no later than 28 September 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Sarah Ironmonger

Key Audit Partner

© 2021 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.





## Statement of Accounts

**Governance and Audit Committee** 26 July 2023

<b>Report Author</b>	Chris Blundell, Director of Corporate Services and Section 151 Officer
<b>Portfolio Holder</b>	Cllr Rob Yates, Portfolio Holder for Corporate Services
<b>Status</b>	For Decision
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No
<b>Ward:</b>	All wards

### Executive Summary:

In accordance with the Accounts and Audit Regulations 2015 and the Council's constitution the Committee is required to approve the Statement of Accounts for 2020-21

### Recommendation(s):

1. That the Committee approves the Statement of Accounts for 2020-21.
2. That the Committee notes the Letter of Representation to Grant Thornton issued by the Director of Corporate Services and Section 151 Officer.

### Corporate Implications

#### Financial and Value for Money

There are no financial implications arising directly from this report.

#### Legal

This is a statutory requirement in accordance with the Local Audit and Accountability Act 2014 and, Accounts and Audit Regulations 2015 and The Code of Audit Practice

#### Corporate

This is part of the external audit process.

#### Risk Management

No action on this item would result in non delivery of the statutory requirement pertaining to the accounts, this could result in:

- Loss of confidence
- Reputational damage

## **Equality Act 2010 & Public Sector Equality Duty**

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

## **Corporate Priorities**

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

### **1. Introduction and Background**

- 1.1. The Accounts and Audit (England) Regulations 2015 require the council (through this Committee) to approve and publish its annual statement of accounts by 31 July. Furthermore, local authorities are required to approve their draft accounts by 31st May, with draft accounts being made available for public inspection for 30 working days, inclusive of the first 10 working days of June.
- 1.2. However, in response to the coronavirus pandemic these requirements were eased under the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020, in recognition of the impact of COVID-19 on councils' ability to meet this statutory deadline.
- 1.3. The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 enacted the following changes to the statutory deadlines:
  - The publication date for final, audited, accounts will move from 31 July to 30 November 2020 for all local authority bodies.
  - To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June was removed.
  - Instead local authorities were expected to commence the public inspection period on or before the first working day of September 2020.

- 1.4. In accordance with the extended deadlines the draft 2020-21 accounts were signed by the Deputy Chief Executive and Chief Financial Officer on 30 July 2021 and published on the Council's website.
- 1.5. Grant Thornton then commenced their audit of the accounts and an External Auditors progress report was presented to G&A in December 2021, this highlighted the ongoing issues as described elsewhere in this report.

## **2. Progress with and Delays to the Audit of the Accounts**

- 2.1. Clearly the Council has not met its requirement to publish its 2020/21 annual accounts by 30 November 2021 and there have been various factors that underpin the delays in the completion of the audit.
- 2.2. On 12 October 2021 Grant Thornton issued [statutory recommendations](#) in relation to the Council's governance arrangements and this subsequently impacted upon the audit of the accounts, in part was due to the perceived implications on the Council's financial sustainability.
- 2.3. Throughout 2022 further discussions were held between officers and the auditors around Berth 4&5 and an adjusting provision amount was agreed on and reflected in the draft accounts, however, Grant Thornton were unable to conclude their audit and issue their opinion due to their own resourcing constraints.
- 2.4. During the spring of 2023 the audit process re-commenced, however in the period in between this and their last visit Grant Thornton's audit of TDC had been subjected to a case review by the Financial Reporting Council. This review highlighted gaps in due diligence and they were asked to revisit these areas with their clients.
- 2.5. It should be noted that a large proportion of the audit fieldwork has needed to be undertaken remotely, due to social distancing restrictions that were in place throughout 2021 and 2022. This has understandably had some impact on the timeliness of the audit.

## **3. Audit Opinion on the Statements of Accounts**

- 3.1. Grant Thornton is required to report to those charged with governance whether the council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared.
- 3.2. Grant Thornton's Audit Findings Report is included elsewhere on this agenda as a separate report to this Committee, setting out their audit findings. The auditors have concluded that, subject to the completion of a few final tasks, they anticipate providing an unqualified opinion of the accounts.

3.3 An unqualified opinion is expressed when the auditor is able to conclude that the financial statements give a true and fair view and comply in all material respects with the relevant financial reporting framework (including applicable law).

## **4. The 2020/21 Accounts**

4.1 The committee are recommended to approve the Council's 2020/21 accounts, which are included at Annex 1 to this report.

## **5. Value for Money Assessment**

5.1. The auditors are also required to reach a formal conclusion on whether the council has put in place proper arrangements to secure value for money.

5.2. The council received a number of objections to the accounts on the grounds of the council's arrangements to secure value for money. The auditors are examining the issues that have been raised, but in some instances, these issues span multiple years.

5.3. There are a number of objections to the Accounts that remain outstanding for prior years, a separate report will be brought to this committee in September covering the 21/22 and 22/23 financial years as well as a look back at 18/19, 19/20 and 20/21 closing off any outstanding issues.

## **6. Publication of Statement of Accounts**

6.1 The legal deadline for publishing the 2020-21 accounts was the end of November 2021. Once Grant Thornton have completed their work, a Letter of Representation (Annex 2) needs to be signed by the Chief Finance Officer prior to Grant Thornton issuing an unqualified opinion. This will enable the 2020-21 Statement of Accounts to be published on the Council's website, which fulfils the legal requirement.

Contact Officer: Chris Blundell, Director of Corporate Resource and Section 151 Officer  
Report to: Colin Carmichael, Interim Chief Executive Officer

### **Annex List**

Annex 1 Statement of Accounts  
Annex 2 Letter of Representation

### **Background Papers**

None

### **Corporate Consultation**

**Finance:** N/A  
**Legal:** N/A



# Thanet District Council Statement of Accounts 2020-21

Agenda Item 5  
Annex 1

# Contents

Page

<a href="#"><u>Narrative Report</u></a>	4
<a href="#"><u>Statement of Responsibilities for the Statement of Accounts</u></a>	46
<a href="#"><u>Independent Auditors Report to the Members of Thanet District Council</u></a>	47
<a href="#"><u>Comprehensive Income and Expenditure Statement</u></a>	56
<a href="#"><u>Movement in Reserves Statement</u></a>	57
<a href="#"><u>Movement in Reserves Statement cont'd</u></a>	58
<a href="#"><u>Balance Sheet as at 31 March 2021</u></a>	59
<a href="#"><u>Cash Flow Statement</u></a>	60
<a href="#"><u>Notes to the Core Financial Statements</u></a>	61
<a href="#"><u>Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2021</u></a>	161
<a href="#"><u>Movement on the Housing Revenue Account Statement</u></a>	162
<a href="#"><u>Notes to the Housing Revenue Account</u></a>	163
<a href="#"><u>Collection Fund Statement for the year ended 31 March 2021</u></a>	167
<a href="#"><u>Notes to the Collection Fund Statement</u></a>	168
<a href="#"><u>Glossary of Terms</u></a>	173

Annex 1  
Agenda Item 5



# Narrative Report

## Narrative Report of the Director of Corporate Services & Section 151 Officer

### Financial Year ended 31 March 2021

Dear Reader,

I am pleased to present the Thanet District Council Statement of Accounts (the Accounts) for the financial year 2020-21 and I hope you will find them of interest.

#### The Accounts

The purpose of the Accounts is to present the financial performance for the year 2020-21 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, Council members and other interested parties.

The Accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA), and in conjunction with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2020-21 (The Code). The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board.

#### Overview

Perhaps the most common phrase of the last year has been that we have been living in unprecedented times. The Covid pandemic has had a global impact on the way that we live our lives, with restrictions placed on how society acts and the economy functions.

Local Government has played a crucial role in responding to the pandemic and supporting local communities. The Council deployed a wide raft of measures and initiatives to keep services functioning and support and protect vulnerable individuals and communities. This included a range of financial support that the Council deployed to support the businesses and individuals across the district. Further details are provided at Section 3.

Covid had a dramatic financial effect on all of local government, and Thanet's finances in 2020-21. We recorded a £3.7m revenue overspend this year. Some of the overspend is due to the impact of Covid, as a range of additional expenditure was incurred, and income had fallen. Almost all income streams were affected, especially off-street car parking, council tax and business rates.



But there were also non-Covid-19 factors that gave rise to the overspend.

The two largest were the legal costs associated with matters being considered by the Investigations and Disciplinary Sub Committee, estimated at 31 March 2021 at £733,000 and the revenue costs of the replacement of berth 4/5 at the Port of Ramsgate, estimated at £563,000.

### **Other Local Government Funding Issues**

The government announced that the Fair Funding Review (FFR) and revisions to the Business Rates Retention (BRR) scheme would not be implemented in April 2021 as originally planned and will be delayed until after 2025. The overall lack of information available on local government finance challenges long-term and sustainable financial decision making.

### **The Narrative Report**

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

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

1. Introduction to Thanet
2. Key Information About the Council
3. Responding to the Pandemic
4. Financial Performance 2020-21
5. Financial Overview
6. 2021-22 Budget and Future Financial Outlook
7. Our Priorities and Objectives
8. How the Council is performing
9. Risk Management
10. Governance
11. Accounting Statements

**Chris Blundell**

**Director of Corporate Services & Section 151 Officer**

**26 July 2023**

# 1. Introduction to Thanet

Thanet includes the towns of Margate, Broadstairs and Ramsgate as well as a number of villages. It is situated on the most north-easterly edge of Kent with coast on three sides, covering around 40 square miles. Thanet enjoys an attractive combination of coast and countryside making it a popular holiday, short-break and day-trip destination.

The Isle of Thanet was formed over 7,000 years ago, it was once separated from the mainland by the Wantsum Channel. The district is a unique coastal area, with 19 miles of nationally and internationally recognised coastline. Boasting Blue Flag and Seaside award winning beaches and bays.





The district is easily accessible with excellent road links to the national motorway network. It takes just 75 minutes by train from London's St Pancras International aboard HS1, which also links to mainland Europe (Eurostar). Cross-Channel services are available from the Port of Dover and Eurotunnel in Folkestone.

Thanet has a resident population of 141,900 (Mid 2019 estimate<sup>1</sup>), which is growing at approximately 1% per annum, with the majority of residents in the resorts of Margate, Broadstairs and Ramsgate. Birchington and Westgate are the other two main postal towns within the district.

































Successful regeneration such as the reimagined Dreamland amusement park and the ongoing success of Turner Contemporary, continue to enhance the district's visitor economy, which was worth an estimated £320 million to the local economy, pre-Covid-19. The Council will continue to use all tools available to it to generate growth and regeneration in the district and the Margate Town Deal and Ramsgate Levelling Up bid provide exciting opportunities to facilitate this.

<sup>1</sup> Source of Data <https://www.nomisweb.co.uk/reports/lmp/la/1946157320/report.aspx?town=thanet#tabrespop>

## Mosaic Profile for Thanet and Kent

Mosaic is a classification system designed by Experian to profile the characteristics of the UK population. Each household in the UK is classified as belonging to one of 15 groups and 66 types. They describe the residents of a postcode in terms of their typical demographics, their behaviours, their lifestyle characteristics and their attitudes. This helps to ensure that the right services are provided to the areas that need them.

		% of population			
Experian Group		Thanet		Kent	
Senior Security	Elderly people with assets who are enjoying a comfortable retirement	17.10%		11.00%	
Transient Renters	Single people privately renting low cost homes for the short term	15.70%		5.80%	
Family Basics	Families with limited resources who have to budget to make ends meet	10.80%		8.80%	
Aspiring Homemakers	Younger households settling down in housing priced within their means	10.50%		12.70%	
Vintage Value	Elderly people reliant on support to meet financial or practical needs	9.70%		5.20%	
Suburban Stability	Mature suburban owners living in settled lives in midrange housing	8.00%		7.00%	
Rental Hubs	Educated young people privately renting in urban neighbourhoods	6.90%		7.00%	
Modest Traditions	Mature homeowners of value homes enjoying stable lifestyles	6.20%		3.30%	
Domestic Success	Thriving families who are busy bringing up children and following careers	3.80%		10.10%	
Prestige Positions	Established families in large detached homes Living upmarket lifestyles	3.50%		9.00%	
Rural Reality	Householders living in inexpensive homes in village communities	2.90%		7.20%	
Municipal Challenge	Urban renters of social housing facing an array of challenges	2.20%		1.40%	
Urban Cohesion	Residents of settled urban communities with a strong sense of identity	1.10%		1.60%	
Country Living	Well off owners in rural locations enjoying the benefits of Country life	0.80%		8.50%	
City Prosperity	High status city dwellers living in central locations and pursuing careers with high rewards	0.00%		0.40%	

Source of data: <https://www.kent.gov.uk/about-the-council/information-and-data/facts-and-figures-about-Kent/area-profiles> (district profiles)

The mosaic analysis shows that there is a broad range of demography across the district, but that Thanet's population has a significant proportion of elderly residents and also those with relatively low or modest incomes and resources. Partnership working through initiatives such as the Multi-agency Task Force (MTF) are being driven by the Council to help address some of the key socio-economic issues within its most deprived wards.

## 2. Key Information About the Council

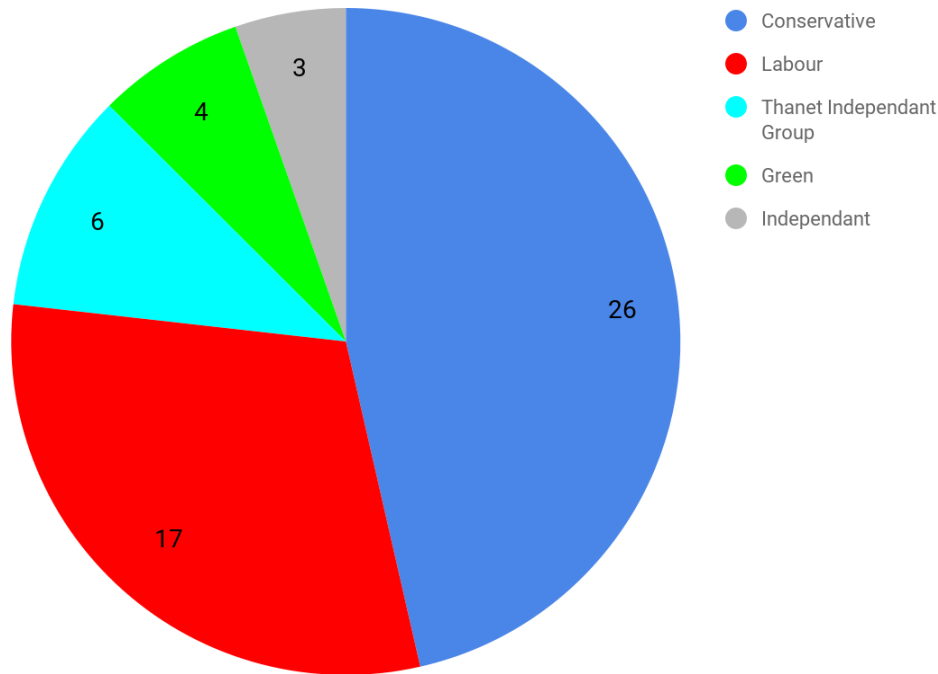
### Council Services

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

Local government can be complex. Here's some of the things that Thanet District Council does and what the County Council and Town and Parish Councils do.

Thanet District Council	Kent County Council	Town and Parish Councils
<ul style="list-style-type: none"> <li>● Building Control</li> <li>● Car parks</li> <li>● Collection of Council Tax and Business Rates</li> <li>● Elections</li> <li>● Environmental Protection</li> <li>● Grounds Maintenance</li> <li>● Housing Benefit and Council Tax support</li> <li>● Housing</li> <li>● Licensing</li> <li>● Local Plans &amp; Planning Applications</li> <li>● Maritime &amp; Harbour Operations</li> <li>● Parks and Playgrounds</li> <li>● Public Conveniences</li> <li>● Street cleansing</li> <li>● Tourism</li> <li>● Waste and Recycling</li> </ul>	<ul style="list-style-type: none"> <li>● Arts and Museums</li> <li>● Education</li> <li>● Footpaths</li> <li>● Highways</li> <li>● Libraries</li> <li>● Recreation</li> <li>● Social Services</li> <li>● Strategic Planning</li> <li>● Street Lighting</li> <li>● Trading Standards</li> <li>● Transport</li> <li>● Waste Disposal</li> <li>● Youth Services</li> </ul>	<ul style="list-style-type: none"> <li>● Allotments</li> <li>● Market Stalls</li> <li>● Local Events and Programmes</li> <li>● Civic Events</li> <li>● Christmas Lights and Trees</li> <li>● Additional Grass Cutting</li> <li>● Town and Parish Flower Beds</li> <li>● Britain in Bloom</li> <li>● Neighbourhood Plans</li> </ul>

**Political Structure during 2020-21**



During the financial year 1 April 2020 to 31 March 2021, Thanet had 23 Wards and 56 Councillors that served the district and its residents.

Local Councillors are elected by the community to decide how the Council should carry out various activities as well as to represent local interests. District elections take place every four years, when all of the Ward Councillors are elected.

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

Throughout 2020-21 the Council was led by Cllr Rick Everitt and the Labour group had minority control. In June 2021 leadership changed to minority Conservative control and was led by Cllr Ash Ashbee and the Deputy Leader Cllr Reece Pugh. Following the May 2023 local elections, the leadership of the Council returned to the Labour Group and is now led by Cllr Rick Everitt and Deputy Leader Cllr Helen Whitehead.

Information on Members Allowances is presented in Note 11 to the accounts.

Cabinet members are held to account by a system of scrutiny which is set out in the constitution. Committees carrying out this function in 2020-21 were the Overview & Scrutiny Panel and Governance & Audit Committee

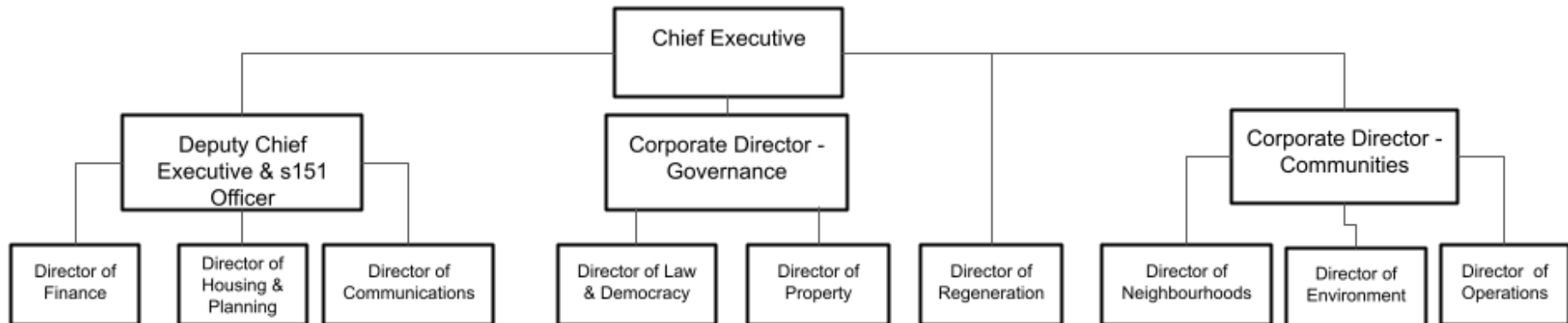
In addition the task groups, advisory groups and scrutiny reviews that took place during 2020-21 included:

- Local Plan Cabinet Advisory Group
- Housing Cabinet Advisory Group
- Memorials Working Party
- Health and Wellbeing Cabinet Advisory Group

The Council moved quickly through the coronavirus pandemic to implement a virtual meeting solution and is an example of best practice for the running of virtual meetings via Google for the Association of Democratic Services Officers.

### Management Structure as at 31 March 2021

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

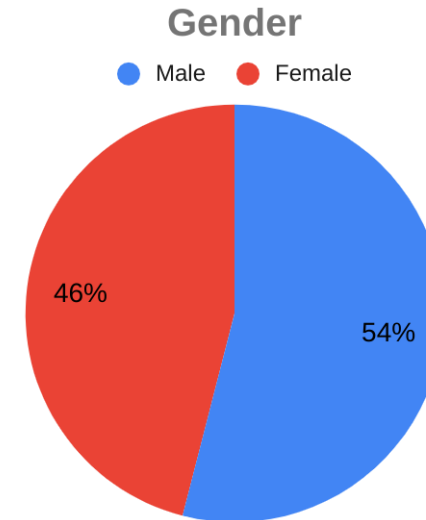
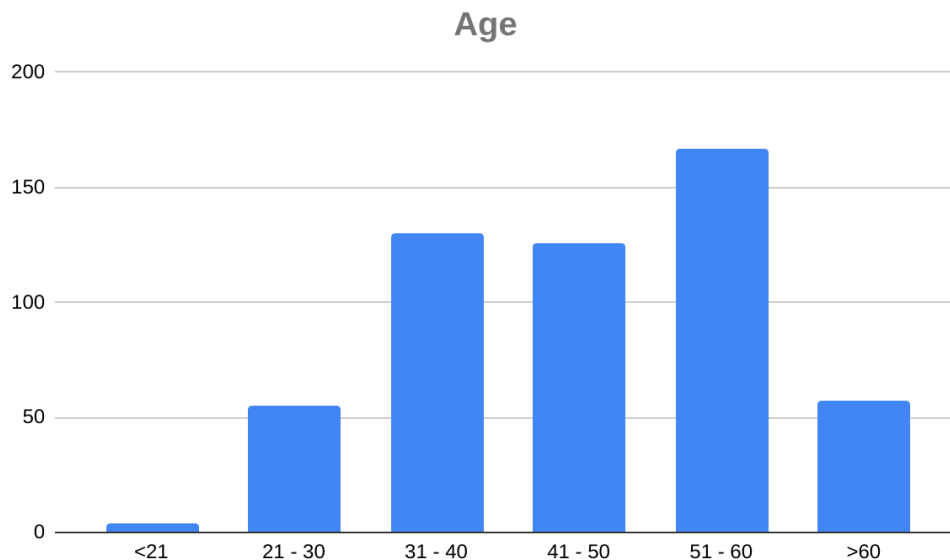


Information on Senior Officer remuneration can be found in Note 12 to the accounts.

## People

The Council employed 539 staff in 2020-21, compared with 478 in 2019-20. The increase is mainly due to the in-sourcing of the Tenant and Leaseholder service following the dissolution of East Kent Housing. Staff across the Council are employed in full and part time positions and the gender and age profiles are shown on the following charts.

The Council's staff are essential in enabling the achievement of the Corporate Statement. At the end of 2019-20, it was anticipated that the continued refresh of the People Strategy would be the focus for 2020-21, however this shifted early in the year to prioritise employee health and wellbeing as we reacted to the Covid-19 pandemic. Measures and policies were put in place to ensure that staff were able to continue to do their roles remotely whilst balancing other commitments and to ensure that steps were taken to protect frontline staff who were most at risk from the virus.



Once these initial reactive pieces of work were underway, we were able to revert back to the People Strategy. Although we would have planned it differently, the pandemic has enabled us to bring forward the implementation of some elements of the People Strategy by several years, most notably the approach to flexible working.



### 3. Responding to the Pandemic

The Covid-19 crisis had a significant financial impact on individuals and businesses across the district and the Council's own finances too, as the pandemic impacted on our ability to collect income, both from taxpayers and service users such as car parking. There were additional cost pressures as the Council responded to the pandemic and provided support to our most vulnerable residents. The Council's focus was on the coordinated response to support local business and our residents during the lockdown periods.

Financial support was provided directly to the local community during 2021, with business rates relief totalling £22.241m administered and provided to retail, hospitality & leisure businesses, and a further £7.573m was awarded for 2021-22. Covid-19 grants exceeding £55m were also provided to support local businesses and individuals in need across the district in 2020-21. This support is on-going in 2021-22, and to date these programmes have helped more than 3,000 businesses and 10,000 households in the district. The following table details the business grants that have been administered by the Council throughout the pandemic.

	2020-21 £'000	2021-22 to date £'000	Total £'000	Description
Restart Grant	0	7,297	7,297	<p>The Grant is part of the wider set of measures to support the nation's economy and its businesses in response to Coronavirus (Covid-19) and specifically for businesses that have been affected by national restrictions and need support to reopen and start trading safely as the restrictions ease.</p> <p>Under the Restart Grant scheme, Local Authorities received funding to allocate as one-off grants to businesses. It covers eligible expenditure for the period 1 April to 31 July 2021.</p>
Local Restrictions Support Grants (LRSB)	16,413	1,655	18,068	<p>These grants were made to local authorities to support businesses impacted by the national lockdowns and local restrictions imposed by the Government. There were several lockdown and LRSB schemes, with the first one commencing on 1 August 2020. Amounts paid to each business varied according to the scheme, local authority Tier level, rateable value, industry sector, and whether they remained open or had to close. Thanet was initially in Tier 3, then Tier 4 before the last national lockdown commenced on 5 January 2021. All of the schemes were closed on 30 June 2021 with all grants processed by that date.</p>

Additional Restrictions Grant (ARG)	4,032	779	4,811	The Additional Restrictions Grant (ARG) provided additional funding for local authorities subject to national lockdown or Tier 3 restrictions, to support businesses whose trade had been severely affected by the restrictions. Each local authority had the discretion to establish business grant schemes or other business support as best fitted to their area. It covers the period 14 October 2020 - 30 July 2021.
Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Business Grants Fund (RHLGF)	33,175	0	33,175	Both of these coronavirus grant schemes provided local authorities with funding to support small and medium sized business enterprises, from the start of the pandemic and national lockdown in March 2020 up to August 2020 when the lockdown was eased. Amounts paid to businesses depended on rateable values and financial impact of lockdown restrictions.
Local Authority Discretionary Grant Funds (LADGF)	1,665	0	1,665	This was a discretionary fund provided to local authorities to support small and medium sized business enterprises which did not qualify for other coronavirus grant relief or which were inadequate, and ran from the start of the pandemic and national lockdown in March 2020 up to August 2020 when the lockdown was eased.
Christmas Support Payments for Wet-led Pubs Grant	127	0	127	This grant was used to make one-off payments to support wet-led pubs over the Christmas 2020 holiday period.
<b>Total</b>	<b>55,412</b>	<b>9,731</b>	<b>65,143</b>	

All of these grant support streams were administered within the Council's existing resources, by staff across the organisation and our partners at Civica. This placed an additional burden on the Council's staff and operations, the ARG scheme alone was enormously demanding, for example it generated in excess of 5,500 emails for officers to handle over a three month period.

In addition to administering these crucial grant schemes, the Council took swift action and implemented a number of measures and programmes to support our communities through the pandemic. Even before the first national lockdown we:

- Reviewed and refreshed our business continuity plans in light of coronavirus;
- Provided capacity for home working including training sessions and crib sheets for access;
- Provided staff with regular updates on the situation and included access to frequently asked questions;
- Established an officer group including all senior management who met regularly to review the situation and what may be required by us.

Within the first week of the national lockdown the Council had:

- Reduced access to the offices, increased cleaning regimes and introduced hand sanitisers;
- Closed off public spaces such as playgrounds;
- Maintained refuse collection services;
- Allowed residents with parking permits to park in Council car parks free of charge and suspended parking charges for all NHS and social care workers;
- Set up and staffed a dedicated 7 day a week phone line to support our vulnerable residents to access supplies;
- Contributed to a Kent wide dedicated business support line; and
- Provided temporary housing for all those who were sleeping rough.

This set the pattern for how the Council would respond to the pandemic as we carried out the following activities:

- Telephoned or visited over 6,000 extremely vulnerable residents;
- Distributed £92k worth of support for the extremely vulnerable through food provision;
- Distributed £95k in support for those in fuel poverty;
- Set up an enforcement team specifically for pandemic business enforcement and advice;
- Issued warnings and prohibition notices to businesses who flouted the restrictions;
- Increased toilet cleaning regime;
- First council in Kent to hold an online licensing sub-committee;
- Used innovative antibacterial coatings on high touch points such as parking machines;
- Temporarily closed roads to support the reopening of high streets in July;
- Distributed discretionary test and trace support funding;
- Provided a door knocking service for track and trace;
- Introduced Covid wardens for the high street;
- Created a beach management plan to respond to higher than usual visitor numbers;
- Provided sites for two drive in testing facilities and Kent's first walk in testing site;
- Worked with partners to ensure our homeless population had access to vaccines as a vulnerable group;
- Worked with local GPs on how to get vaccinations to the populations where take up was low; and
- Worked in partnership with the voluntary sector to provide targeted Covid-19 safety communications to the Roma community.

Many of the above initiatives were backed by additional Covid-19 grant funding, over and above the Business Grants shown above, either directly from a Government department or allocations from Kent County Council in order to achieve stated objectives set out in the grant conditions. The main funding streams and related expenditure are summarised in the following table.

Grant Programme	Grant Allocation £'000	2020/21 Expenditure £'000	Description
Contain Outbreak Management Fund (COMF)	748	207	The main purpose of this grant was to support proactive containment and intervention measures in relation to Covid-19. Initiatives deployed by the Council included: <ul style="list-style-type: none"> <li>• Funding for Street Wardens and Seasonal Enforcement Officers</li> <li>• Additional public toilet facilities and deep cleaning of public toilet facilities</li> <li>• Additional Covid-safe cleansing for beaches and open spaces</li> <li>• Temporary accommodation support for homelessness</li> </ul>
Local Authority Test & Trace Support Payment Scheme	773	324	This grant allowed us to deliver the Test and Trace Support Payment scheme. The scheme supported people on low incomes who had been told to self-isolate who were unable to work from home and would lose income as a result.
Council Tax Hardship Support	1,645	1,339	This grant was for local authorities in England to provide support to economically vulnerable people and households in their local area. The hardship fund was used to provide council tax relief to vulnerable, working-age adults, alongside existing local council tax support schemes.
Re-opening High Streets Safely Fund	126	116	This fund was created for councils across England to prepare for the safe reopening of high streets and other retail spaces. It also supported the introduction of a range of practical safety measures so that businesses could reopen quickly when allowed to, staff could get back to work and customers could return to the shops confident it was safe. A permanent member of staff was seconded to manage this project which involved the: <ul style="list-style-type: none"> <li>• Design of public and business messaging content,</li> <li>• Installation of additional signage at suitable locations,</li> <li>• Increased town and toilet cleaning,</li> <li>• Enforcement of anti-social behaviour,</li> <li>• Mitigation of the impact as a result of a large volume of visitors.</li> </ul>
Next Steps Accommodation Funding	96	96	This fund prevented rough sleepers and those in unsafe communal settings from returning to the streets by placing them in emergency accommodation during the Covid-19 pandemic.

Emergency Assistance Grant	93	86	This grant enabled the Council and our partners to provide food and essential supplies to residents in food poverty due to the pandemic.
Support to Clinically Extremely Vulnerable	156	24	This grant enabled us to contact all Clinically Extremely Vulnerable via our community hub, and help them to access food and basic support needs.
Local Authority Compliance and Enforcement Grant	92	43	This revenue grant was paid to us in November 2020 and covered the period up to 31 March 2021. Any expenditure using this grant had to be spent on activities which supported compliance and enforcement of measures to control the spread of Covid-19, across individuals, businesses and in the public realm.  We set up a new team for Covid enforcement and education. The team targeted our 1,400 food and licensed premises for compliance checks, education and to distribute guidance, gov.uk posters and handouts to the businesses. At the same time, the covid ambassadors carried out street audits of main, local and village streets to ensure compliance and deliver guidance in the form of information leaflets.
Covid Winter Grant Scheme	113	96	The Covid Winter Grant Scheme supported those most in need with the cost of food, energy, water bills and other essentials. The grant covered the period 1 December 2020 - 31 March 2021, subsequently extended to 16 April 2021.
<b>Total</b>	<b>3,842</b>	<b>2,331</b>	

In addition to these specific grants, TDC also received £2.889m of emergency grant funding from the Ministry of Homes Communities and Local Government (MHCLG). This is explained further in Section 4.

It can be seen from the preceding table that approximately £1.6m of these specific grant funding streams remained to be utilised in 2021-22, with the most significant streams being the Contain Outbreak Management Funding (COMF), Local Authority Test and Trace Support Payment Scheme and Council Tax Hardship Support Grant. On-going spend in 2021-22 to prevent and/or mitigate the spread of the Covid included:

- Additional seasonal enforcement officers to oversee compliance with and enforcement of restrictions and guidance locally,
- Support recovering coastal and tourism businesses suffering from high levels of visitors,
- Additional toilet facilities in strategic positions across the district in public spaces,
- Additional Covid-safe beach/open spaces cleaning to mitigate and manage against local outbreaks of Covid-19.

The Council continued making payments to residents who had to isolate under the Local Authority Test & Trace Support Payment Scheme, and the Council Tax Hardship Support continued but also ended in 2021-22.

## 4. Financial Performance 2020-21

### General Fund Revenue

The General Fund covers all income and expenditure included in the day-to-day running of the Council and key services that we provide. This includes:

- Waste collection and recycling
- Street cleansing
- Port and Harbour
- Housing advice
- Planning & building control
- Environmental protection
- Parks and open spaces
- Community development

A net budget of £17.068m for 2020-21 was agreed by Cabinet and Council in February 2020. The setting of a balanced budget was largely underpinned by the delivery of a number of savings, efficiencies and increases to fees and charges. Budget changes exceeding £730k were approved by members, including:

- Property Maintenance - £100k
- Treasury Management: increased internal borrowing - £155k
- Planning Fee Income Growth - £40k
- Deletion of Open Spaces Supervisor Post - £31k
- Fees and Charges Review - £208k
- Deletion of Waste & Recycling Education Officer Post - £36k

Members also agreed to a £4.95 increase in Band D council tax to balance the 2020-21 budget.

However, the 2020-21 budget was set in February 2020, before we were aware of the impact that Covid-19 pandemic would have. As such, the original approved budget and financial plans for the year varied significantly to our outturn position. Accordingly, on 10 September 2020 Council approved the allocation of £3m of our earmarked reserves to address Covid-19.

The outturn position on General Fund revenue was a £3.733m overspend. Some of the overspend was due to the impact of Covid-19, as a range of additional expenditure was incurred, and income had fallen. Almost all income streams were affected, especially off-street car parking, council tax and business rates.

But there were also non-Covid-19 factors that gave rise to an overspend. The two largest were the legal costs associated with matters being considered by the Investigations and Disciplinary Committee, estimated at 31 March 2021 at £733,000; and the revenue costs of the replacement of berth 4/5, estimated at £563,000.

The provisional outturn position (subject to audit) was presented to Cabinet for approval on 29 July 2021. It can be found on TDC website <https://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=151&MId=5866> and is summarised in the following table.

Service Area	2020-21 Budget £'000s	2020-21 Actual £'000s	2020-21 Variance £'000s
Chief Executive	399	399	-
Deputy Chief Executive & S151 Officer	7,664	8,607	+943
Corporate Director - Governance	1,315	2,756	+1,441
Corporate Director - Communities	5,140	6,834	+1,694
<b>Total Service Expenditure</b>	<b>14,518</b>	<b>18,596</b>	<b>+4,078</b>
Corporate Budgets	2,550	2,205	-345
<b>Total Net Expenditure</b>	<b>17,068</b>	<b>20,801</b>	<b>+3,733</b>

Positive variances (+): *overspends or underachievement of income*  
 Negative variances(-): *underspends or surplus income*

The reasons for the budget variances were predominantly Covid-19 related and are detailed in the cabinet outturn report which can be found on TDC website <https://democracy.thanet.gov.uk/documents/s73444/2020-21%20Outturn%20-%20Google%20Docs.pdf> . A summary of the key variances are detailed below:

#### Deputy Chief Executive & S151 Officer

- **Homelessness** - Higher homelessness costs resulted in a net +£252k overspend, offset by -£185k of additional Housing Benefit Subsidy that can be claimed against these costs.
- **Housing Benefit** - Additional Housing Benefit payments of +£250k.
- **Planning** - As a result of additional major applications a surplus of -£43k was realised.
- **Council Tax Recovery** - A +£747k loss of income from cost recovery from court summonses. Due to the pandemic there was no enforcement activity and therefore this income was not realised.

#### Corporate Director - Governance

- **Property** - Covid-19 contributed to fewer disposals, slower review of rentals and less new take-up. As a result, there was a loss of income of +£228k against the budget.
- **Building Control** - Income below budget by +£191k, primarily as a result of the impact of Covid-19 on delivering planned service changes.

- **External Legal Costs** - Costs relating to external legal advice incurred on grievance and disciplinary matters is +£121k. It was necessary to create a provision in the 2020-21 accounts of +£612k to reflect the estimated probable costs to conclude these matters.
- **Your Leisure** - The Council's leisure trust, Your Leisure, faced a substantial shortfall in its income as a result of Covid-19. The Council paid its management fee for the year up-front, and paid an additional +£160k to the trust.

### Corporate Director - Communities

- **Enforcement** - Parking income was significantly affected as a result of the social and economic restrictions implemented to address the Covid-19 pandemic, consequently there was a +£636k shortfall from off-street car park income.
- **Domestic Waste** - A +£218k overspend to ensure service delivery throughout the Covid-19 pandemic. This includes an increased need for agency staff to cover staff sickness and self isolation, additional rounds to collect food waste to help mitigate social distancing, as well as additional daily deep cleans at Manston Road.
- **Port and Harbours** - A +£150k income shortfall within Port operations resulting from Covid-19, as well as +£182k within the Harbours. Also, the requirement to create a +£563k provision for the revenue impact of increased project costs on the berth 4/5 capital scheme.

### General Fund Income and Reserve Transfers

Financing of the net service expenditure and other corporate expenses comes from local taxation and government grants. Budget performance is summarised as follows:

	2020-21 Budget £'000s	2020-21 Actual £'000s	2020-21 Variance £'000s
Net Revenue Expenditure	17,068	20,801	+3,733
<b>Corporate Income</b>			
Retained Business Rates	-5,910	-16,577	-10,667
Council Tax	-10,610	-10,610 *	-
Collection Fund Surplus	-120	-60	+60
Covid Grants	-	-3,496	-3,496
RSG, NHB and other grants	-428	-996	-568
<b>Sub-total</b>	<b>-17,068</b>	<b>-31,739</b>	<b>-14,671</b>
Unplanned Reserve Movements	-	10,938	+10,938
<b>Sub-total</b>	<b>-17,068</b>	<b>-20,801</b>	<b>-3,733</b>
<b>Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>



\* The Council Tax Actual balance reported above is the original budgeted collection amount, before taking into account the actual deficit on collection in 2020-21 or the corresponding £1.339m Hardship Relief. More information on actual council tax collection is provided in the following text.

### **Business Rates**

The table shows that a significant surplus on business rates was realised against the 2020-21 budget. However, this is counter to the actual performance on the collection of business rates and is a perverse consequence of the complex accounting arrangements for business rates and council tax.

Local authorities have to account for the collection of council tax and business rates in a separate fund, this is called the Collection Fund (CF). The CF includes all council tax and business rate receipts and also the related payments to relevant bodies (e.g. KCC, KFR, TDC, Police and Crime Commissioner and Central Gov). The transactions recognised in the CF are those permitted by statute and reflect the full surplus or deficit on the fund at the end of the year. These surpluses and deficits are then credited or charged to our General Fund budget in later years, this is done to protect councils from volatility in collection from one year to the next and also to require that councils budget for the recovery of any prior year deficits as part of the budget setting process in later years.

2020-21 was a challenging year for the collection of business rates. When the 2020-21 budget was prepared, it was estimated that £34.115m in business rates would be collected. However, to support businesses through the pandemic the government mandated business rate relief of £22.241m to retail, leisure and hospitality business and nurseries, which dramatically reduced the amount of collectable business rates for the year. Adding in further collection issues due to non-payment, it meant that we only collected £10.233m of rates last year, resulting in a total deficit of £23.882m. Our share of this deficit was **£9.553m**, with the rest shared with central gov (£11.941m) and KCC and KFR (£2.388m).

To help us meet these losses the government provided us with **£8.642m** in section 31 grants to fund our deficit resulting from the mandatory business rate relief. We were also able to claim **£338k** from the government Tax Income Guarantee (TIG) scheme for non-payment and defaults. This left a net **£573k** deficit to be financed by TDC and can be considered our actual net shortfall on business rate collection for the year. However, unlike the actual collection of business rates income, these grants are not recorded in the Collection Fund, but in-year against our General Fund revenue budgets. As such, we had the peculiar situation where we were recognising the significant grant income provided to meet the BR deficits in 2020-21, but not actual deficits themselves. As such, our reserve position was artificially inflated at the year end because we credited the surplus section 31 and other grants received in 2020-21 to earmarked reserves, so that we could release the money from the reserves across the medium term in order to meet the pressures. This was a common position for all district councils.

### **Council Tax**

For council tax a deficit of £2.486m was recorded in the 2020-21 Collection Fund due to lower collection of council tax, of which Thanet's share was **£371k**. We were awarded a TIG payment of £219k for council tax, leaving a net pressure of **£152k**.

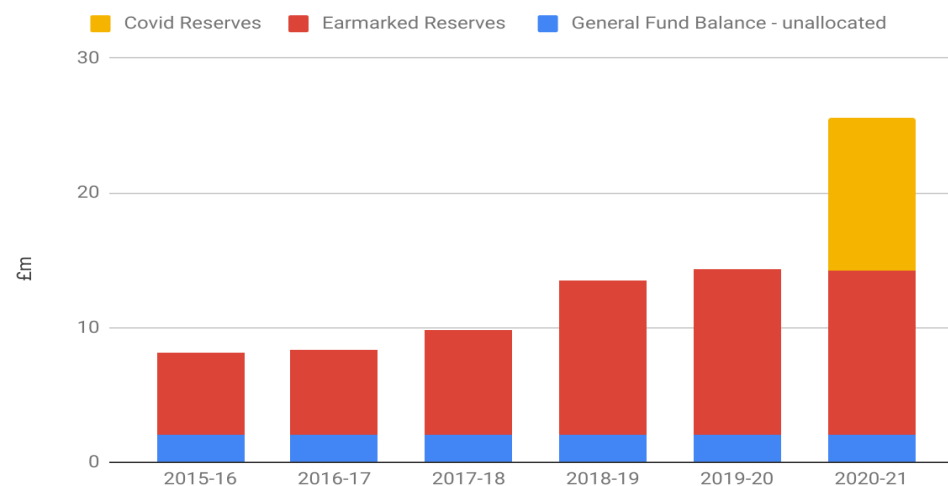
However, for the same reasons explained above relating to business rates, because these losses were recorded in the Collection Fund in 2020-21 they will be charged to General Fund Revenue in later years. The TIG money received in 2020-21 was allocated to a Covid reserve to fund this pressure as it arises.

### Covid Grants

The Council was allocated £2.889m Emergency Covid funding in 2020-21, in addition to a further £1.016m for 2021-22. The Council has also been allocated £483k from the Sales Fees and Charges scheme, to compensate us for losses in income from these sources. Note 15 details all the Covid and other grants that were allocated and recognised in 2020-21.

### Reserves

2020-21 was a peculiar or exceptional year for reserves, with our General Fund reserves and balance levels rising to £25.595m at the end of 2020-21, an £11.314m increase compared to the previous year. However, it can be seen in the chart that this is solely due to monies held in reserves relating to future expenses or the mitigation of risk associated Covid-19 (as shown on the yellow bar in the chart) These reserves mainly hold S31 grant payments made to us from government in order to compensate us for lost business rate income due to pandemic related business rate reliefs. All districts will have a similarly inflated reserves position at 31 March 2021, which should not be considered to be available to spend on anything other than council tax and business rates.



After accounting for and excluding all Covid-19 related reserve movements, the Council's other earmarked reserves total £12.270m (see red bar in the chart), representing only a £94k decrease compared to 2019-20.

This represents a relatively strong financial management performance for the year, considering the pressures we face relating to the pandemic, in addition to the requirement to finance the additional costs associated with on-going disciplinary and grievance matters of £612k as well as for project overrun costs associated with the Port of £563k.

## Housing Revenue Account (HRA)

The HRA is a ring-fenced account for the costs and income of the Council's tenant and leasehold service in respect of Council housing.

After discovering problems with some health and safety procedures, Thanet District Council, along with the other three Council owners (Canterbury City Council, Dover District Council, and Folkestone & Hythe District Council) decided to close EKH and deliver housing services themselves. The service transferred back in-house on 1 October 2020. A comprehensive annual review of the 30 year Business Plan will be undertaken to ensure on-going affordability of the new in-house service.

The service had a £624k deficit in the year although this was £724k less than budgeted, full details of the variances are explained in the report presented to Cabinet on 29 July 2021. The deficit was taken from the working balance on the account which is now £7.749m (£8.645m in 2019-20).

## Financial Management - Capital

Programme performance and cost profile are included in this section.

General Fund Capital Programme	2020-21 Budget £'000s	2020-21 Actual £'000s	2020-21 Variance £'000s
Deputy Chief Executive (incl East Kent Services)	5,823	3,240	(2,583)
Corporate Governance	11,380	4,642	(6,738)
Operational Services	9,483	4,288	(5,195)
<b>Total Expenditure</b>	<b>26,686</b>	<b>12,170</b>	<b>(14,516)</b>

46% of the revised budget was spent during the year and this performance reflects the slippage of several projects and as a consequence schemes were re-profiled to match revised delivery dates. In particular, £1.382m of the carry-over was for the Housing Assistance Policy, £991k was for Homelessness Accommodation, £2.000m was for Parkway Railway Station, £3.000m was for Office Accommodation, £985k was for Ellington Park and £1.220m was for Ramsgate Port Berth 4/5 Replacement.

The following 2020-21 expenditure on new General Fund assets has been recognised in the Balance Sheet as at 31 March 2021:

- **Operational Services Vehicles, Plant & Equipment** - £2.730m, including £2.570m vehicles and equipment for Recycling & Refuse
- **Ramsgate Port & Harbour** - £469k, including £277k on berth 4/5, £141k on the West Breakwater, and £51k on plant and equipment.
- **Broadstairs Playground Equipment** - £163k for Memorial, Vincent Close, Pierremont and St Peters recreation grounds.

HRA Capital Programme	2020-21 Budget £'000s	2020-21 Actual £'000s	2020-21 Variance £'000s
Major Works	11,859	4,437	(7,422)
Margate Housing Intervention	2,275	490	(1,785)
New Build Programme	7,446	6,181	(1,265)
Acquisition Programmes	728	-	(728)
St Johns Crescent	-	10	10
<b>Total Expenditure</b>	<b>22,308</b>	<b>11,118</b>	<b>(11,190)</b>

49.84% of the HRA capital programme was expended in the year. The major works programmes consist of continued refurbishment of the Council's housing stock to ensure that they continue to conform to decent homes standards. Key areas of spend were on re-roofing, kitchen & bathroom replacements, fire precaution works and structural repairs. Across the other programmes the Council renovated 35 units and acquired 13 new units of accommodation, which have been added to its housing stock in 2020-21.

A full review of the HRA Capital Programme was undertaken in order to re-profile the budgets now that the in-house team has become established. This was reported to Cabinet on 29 July 2021 as part of the 2021-22 Quarter 1 Budget Monitoring report.

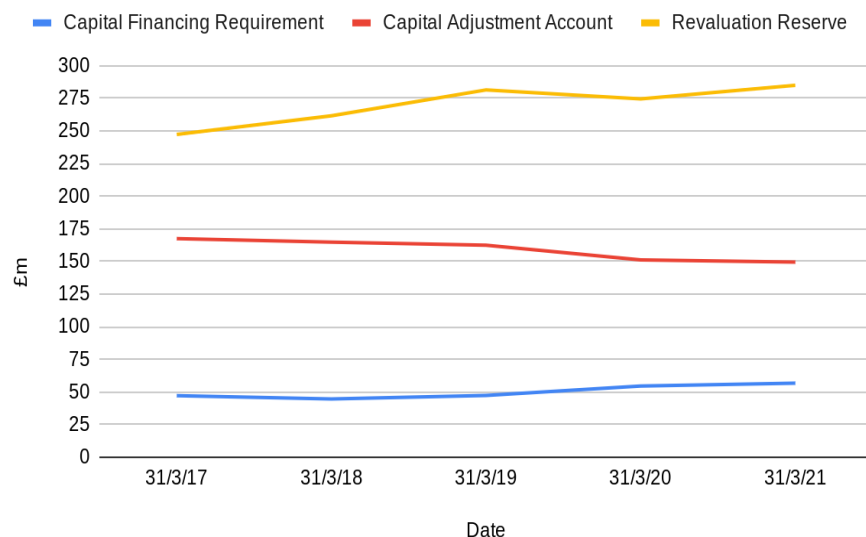
### Prudential Borrowing

The Council's Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. As at 31 March 2021 our CFR was £56.685m (Note 36) and its external borrowings were £24.394m (Note 22).

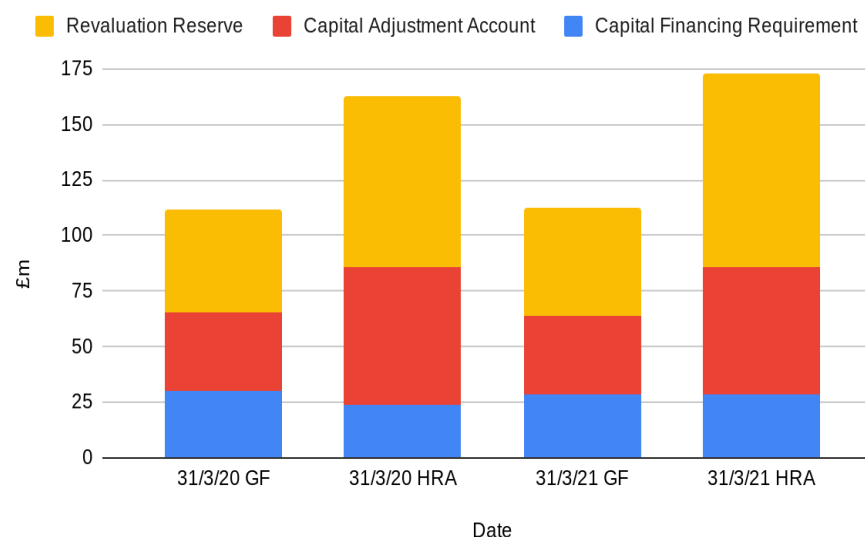
The following charts show the proportion of the Council's capital/long-term assets that:

- (a) had yet to be funded (CFR) - shown as a blue line or shading
- (b) had effectively been paid off or funded (Capital Adjustment Account) - shown as the red line or shading
- (c) represent the aggregate increase in value of these assets since acquisition by the Council (Revaluation Reserve) - shown in yellow

### Capital Asset Financing - Total (5 Year Summary)



### Capital Asset Financing - GF/HRA (Current and Prior Year)



The charts show that our long-term assets were worth £283.479m at 31 March 2021, of which £56.685m still needed to be paid for. Therefore, if we were to compare our position to that of a residential mortgage the Council would only need a 20% loan compared to value (LTV).

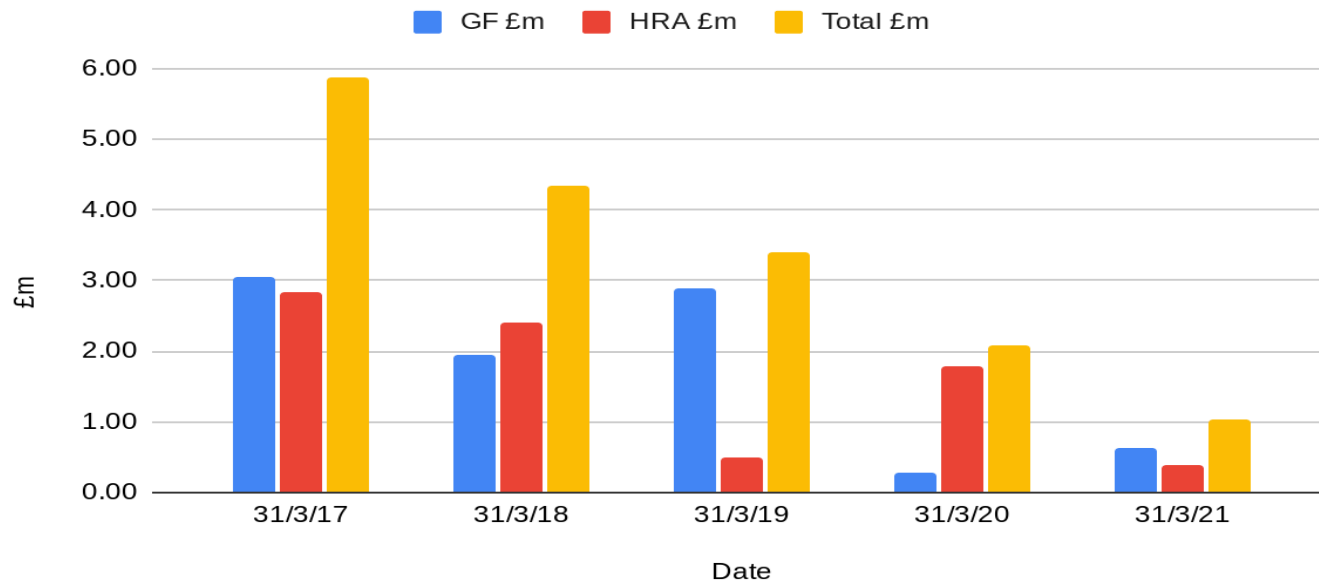
### Capital Receipts

At 31 March 2021 total capital receipts held by the Council were £6.316m, a £2.228m reduction from the previous year-end. Of the £6.316m balance at 31 March 2021 £1.600m is attributable to the GF and £4.716m for the HRA.

During the year the Council added £3.537m from asset disposals, but we utilised £3.259m of our capital receipts to part-fund the capital programme (Note 30), and also £2.249m for repayment of debt.

This included HRA disposal proceeds of £600k from right-to-buy sales. Of the remaining £2.937m, the main disposals were £2.300m for Dreamland (with further proceeds in 2021-22) and £600k from East Kent Opportunities LLP relating to its land disposals.

## Net Capital Receipts - GF/HRA (5 Year Summary)



The chart to the left shows net capital receipts achieved by the Council over the last five years. It excludes the £2.300m Dreamland disposal as this was used to repay debt (reduce the CFR) rather than fund the future capital programme.

### Net Worth

The net worth of the Council has decreased by £7.113m, from £178.293m to £171.180m. This is mainly as a result of a £18.322m increase in our current liabilities (amounts payable in less than one year) and a £11.856m increase in the value of the pension liability, offset by a £14.389m general increase to the value of our long-term assets (e.g. offices, housing stock etc).

The Council's usable reserves increased by £7.937m, however as previously mentioned this is primarily due to the allocation of Covid-19 related grants that will be spent in full over the next couple of years. Excluding Covid related grants, the Council's GF usable reserves remained stable compared to the previous year at £14.464m.

The following table summarises the Council's net worth at the balance sheet date.

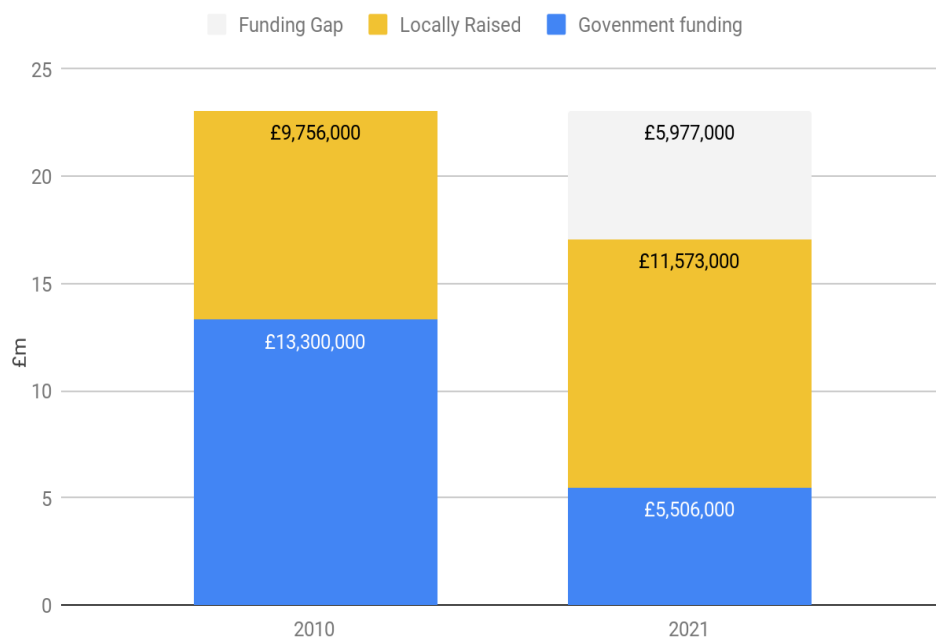
	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£'000s</b>	<b>£'000s</b>
Long term assets	269,090	283,479
Net current assets (current assets less current liabilities)	26,213	12,473
Long term liabilities (including pension liabilities)	<u>(117,010)</u>	<u>(124,772)</u>
<b>Net Assets</b>	<b><u>178,293</u></b>	<b><u>171,180</u></b>
Represented by:		
Usable reserves	48,240	56,177
Unusable reserves	<u>130,053</u>	<u>115,003</u>
<b>Total Reserves</b>	<b><u>178,293</u></b>	<b><u>171,180</u></b>

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

A £12.251m increase in the net pension liability to £102.686m (£90.435m as at 31 March 2020) is included in the statements as calculated by the actuary to the Kent County Council Pension Fund. This represents an assessment of the Council's proportion of the net assets and liabilities within the fund that is matched by a pension reserve in the balance sheet and therefore has no immediate effect on the financial position of the Council as at 31 March 2021. 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).

## 5. Financial Overview

### Context and Financial Environment



Thanet District Council (TDC) has had the largest fall in spending power over the last 10 years compared with every Council in Kent. Our funding and spending budgets have reduced from £23m in 2010-11 to £17m in 2020-21, a £6m or 26% cash reduction, but after considering the impact of inflation over the period we now have less than half (45%) of the spending power that we had in 2010.

<sup>2</sup> As per the [2021-25 Medium Term Financial Strategy](https://democracy.thanet.gov.uk/documents/s71007/MTFS%202021-25%20-%20Google%20Docs.pdf) which can be found on the TDC website <https://democracy.thanet.gov.uk/documents/s71007/MTFS%202021-25%20-%20Google%20Docs.pdf>

The Council was in a financially challenging position. Overall level of reserves were comparatively low when compared to other district councils, coupled with what was a forecast budget gap of £1.7m for 2022-23, growing to £2.5m by 2024-25.<sup>2</sup>

The 2020-21 financial settlement for local government was heralded by Government as the “biggest year-on-year real terms increase in funding for almost a decade.” However, nearly half the proposed additional funding was for social care, a quarter for schools and colleges, and more for public health, none of which is paid to TDC. Whilst funding for children and adult social care and schools will be important to Thanet’s residents, along with the rest of the country, it is irrelevant in terms of TDC’s own budget.

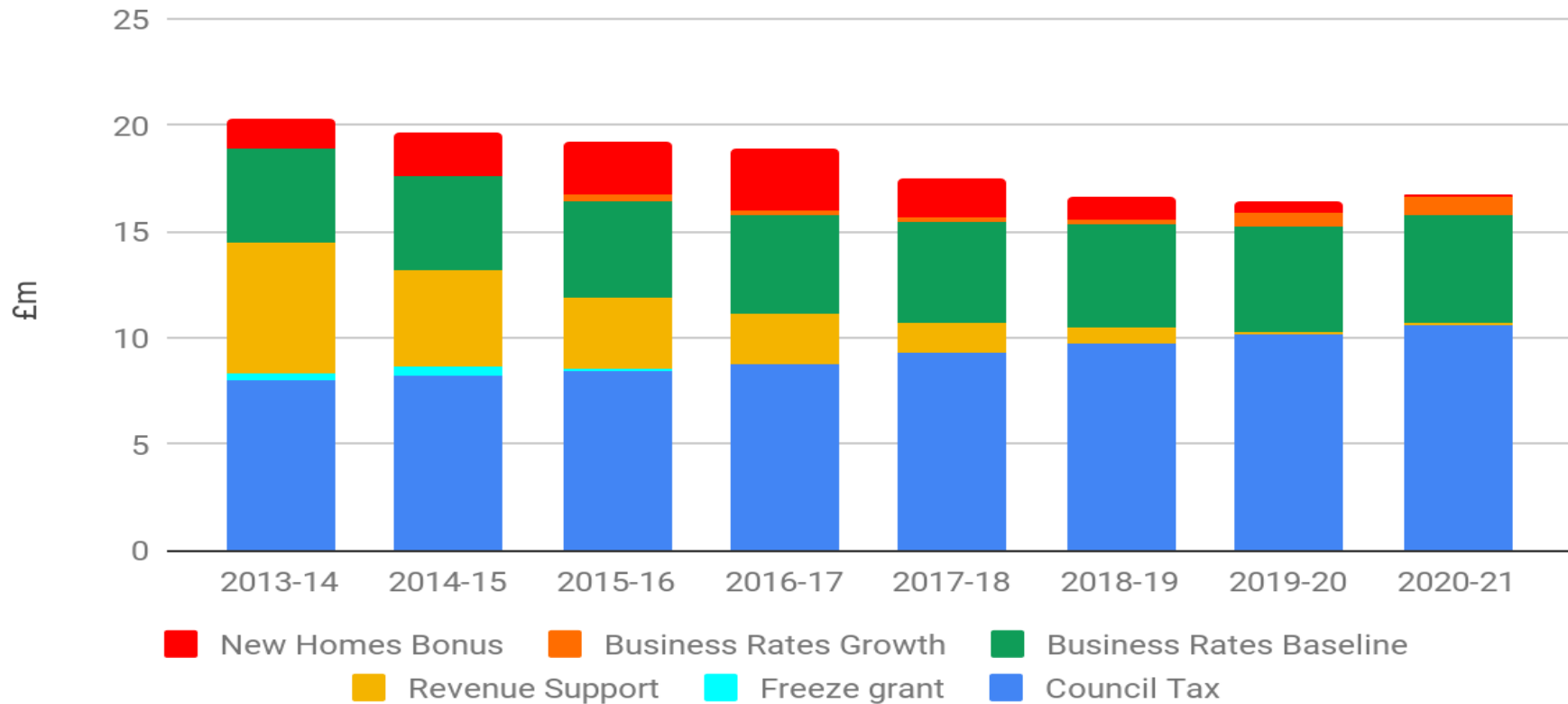
For Thanet, our external funding allocation for 2020-21 remained flat compared to the previous year and all additional funding was raised locally either through council tax increases or growth in our business rates base. After over a decade of austerity, this left us receiving £8.0m less in government funding than we received in 2010, this equates to a 60% cut in funding.





The following chart shows how our core funding has reduced in recent years, and also how its makeup has changed over this time. In 2013-14 the Council was receiving more than £6m of Revenue Support Grant (shown in yellow), a general grant to support councils' operations, however this has reduced to almost nothing by 2020-21. Also, the Council's New Homes Bonus allocation (shown in red), a grant intended to provide financial incentives and reward for housing growth, has reduced from £1.9m in 2017-18 to only £118k in 2020-21.

### TDC Core Funding

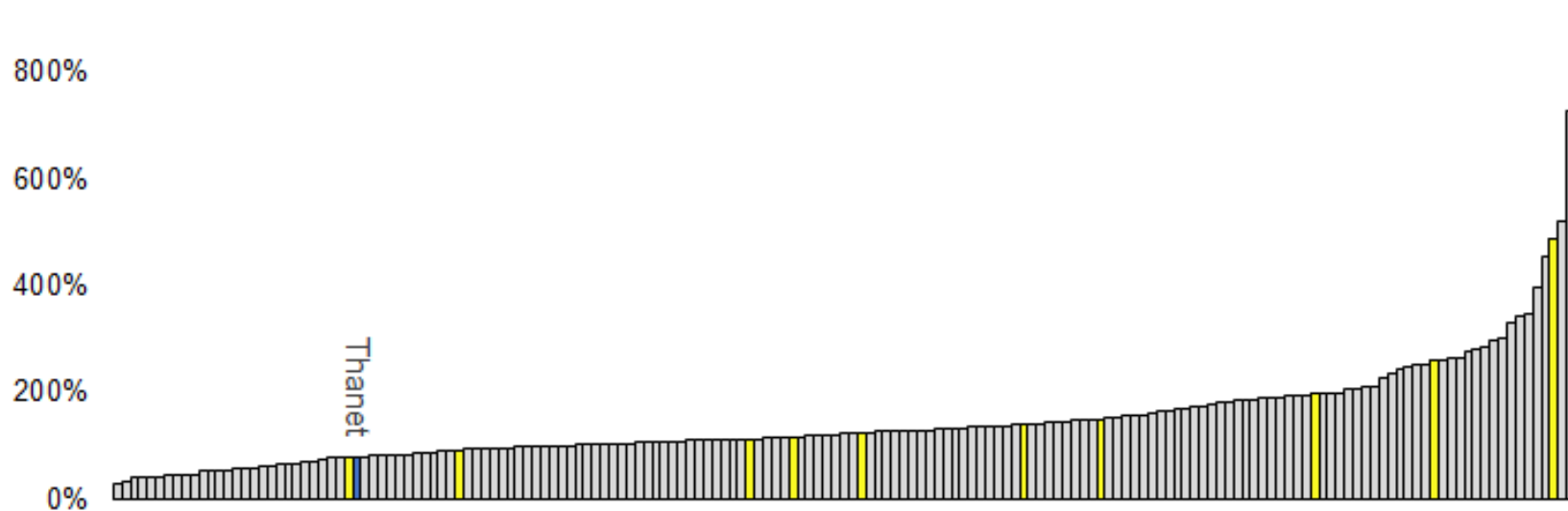


The previous chart also shows the increasing importance of council tax funding (shown in blue), as our reliance has grown on it for an increasing proportion of our funding, with it now accounting for 62% percent of our total funding, compared to only 39% in 2013-14. TDC, like many other councils, has had to increase the rate of council tax charged to residents in order to mitigate central government funding cuts. This pattern reflects a significant shift in government policy on council tax. In the first half of the previous decade the coalition government strongly encouraged council tax freezes and incentivized this policy via the award of Council Tax Freeze Grant (shown in light blue), however in recent years the government has moved away from this policy and now even includes assumed maximum council tax increases when announcing local government funding allocations.

**Relative Reserve Holdings**

At 31 March 2020-21, the Council’s reserves still remain low compared to our historical levels, other district councils and the risks we face. Our position has improved in recent years, but our position remains relatively low. This is supported by analysis undertaken within the Chartered Institute of Public Finance and Accountancy’s financial resilience index, as shown in the two following charts.

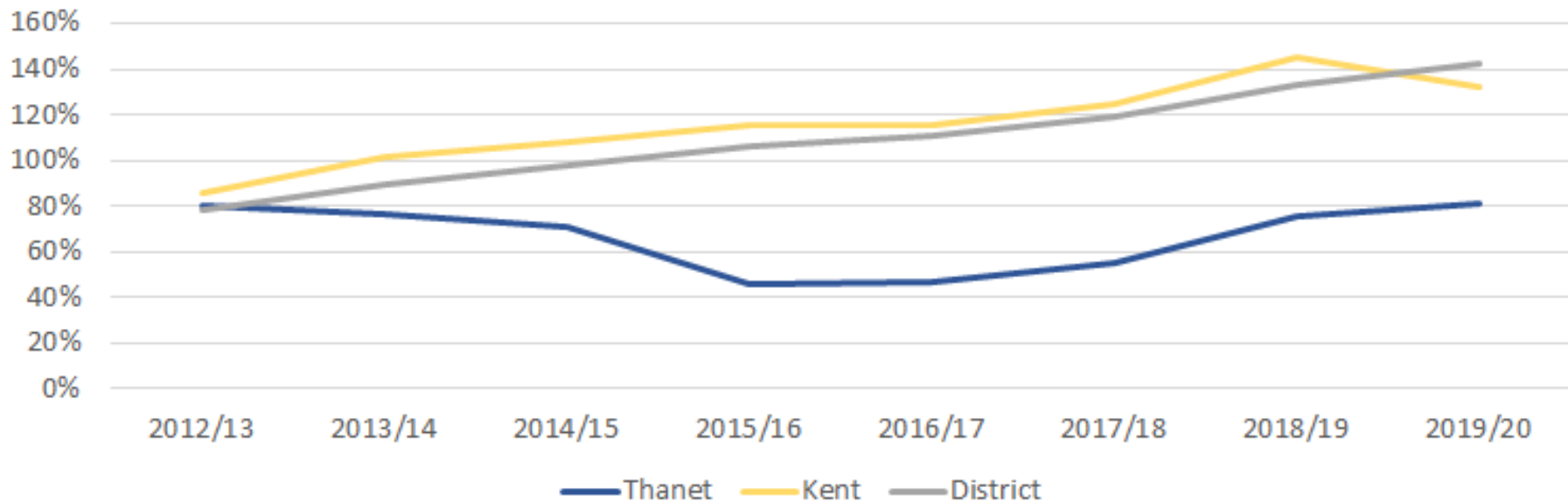
Usable Revenue Reserves as at 31 March 2020 as proportion of 2019-20 Budgeted Net Revenue Expenditure



The blue bar on the preceding chart represents TDC's relative reserve holdings at the end of 2019-20 in comparison to other shire districts. Other Kent districts are highlighted in yellow. We were the 29th lowest out of the districts in England and the second lowest in Kent, in that our total General Fund reserves of £14.5m, at that time, represented 81% of our net revenue budget.

In comparison, the average for a district council is almost double Thanet's, at 152%. Therefore if Thanet's reserves were at the average level for districts, our reserves would be more than £27m.

Usable Revenue Reserves as % of Net Revenue Expenditure: 31 March 2013 to 31 March 20 compared with County and all districts average



The chart above shows that our relative reserve position (as shown in the blue line) was close to the all district (grey line) and Kent district (yellow line) averages at approximately 80% of net revenue spending at the end of 2012-13, but that our relative reserves position deteriorated over a three year period to a low point of only 46% in 2015-16. Since then our reserve position has improved, as we have repaired the damage done over that three year period and by the end of 2019-20 we were approximately back to a position comparable to 2012-13. However, we are now positioned significantly below the Kent and all district averages.

## 6. 2021-22 Budget and Future Financial Outlook

### General

The 2021-22 budget strategy was to treat the cost of Covid as largely a one-off financial pressure for 2020-21 and the 2021-22 budget was prepared on this basis.

The 2021-22 General Fund budget of £17.2m was agreed at the Council meeting on 11 February 2021. It incorporated £840k of income generation and efficiency proposals to bridge the funding gap. After agreeing these savings and growth items, the Council agreed an increase of £4.99 in the Band D equivalent for Thanet District Council's element of council tax in order to balance the 2021-22 budget.

### Budget Monitoring 2021-22

The Quarter 1 Budget Monitoring report for 2020-21 was presented to Cabinet on 29 July 2021 and forecasted a £2.1m overspend for the year. Some of this will be directly related to Covid-19, for example, the need to hold Council meetings at Ramsgate Sports Centre, rather than the Council Chamber. Other overspends are not especially related to Covid-19, for example, income losses in property, building control and clinical waste. These areas have under-achieved against the budget before Covid-19, and will need to be addressed in the 2022-23 budget. Finally, some overspends will be due to a mix of Covid and non-Covid factors, such as Homelessness. This is an early forecast for the year, and hopefully the picture will improve. If not, we do have enough Covid grants that could cover the overspend.

From a positive perspective, all of the savings initiatives that were agreed when setting the 2021-22 budget are on-course to deliver the required £840k of savings.

### Medium Term Financial Position

Beyond 2021-22, the future for local government funding remains very uncertain, with no information available on funding from April 2022 onwards. The current four year Comprehensive Spending Review (CSR) period came to an end in 2019-20, with the CSR 2020 delayed until the autumn of 2021 because of Covid-19. In addition, the Government have announced the:

- National move to 75% business rates retention,
- Fair Funding Review to examine the relative needs and allocation of resources between Authorities
- Resetting of baselines from which business rates funding allocations will be determined

A delay in the Fair Funding Review and the baseline reset now looks almost certain. There was insufficient time to implement far-reaching changes in local government funding in time for 2022-23. The most recent consultation paper on the Fair Funding Review was in December 2018, and the working group has not met since June 2019. Resurrecting these proposals in the next couple of months seems very unlikely.

Changes in local government funding are made even more difficult because they will now have to take account of other high-profile policy developments, including levelling-up, social care and business rates.

A delay in the funding reforms means that we will most likely have to make assumptions about yet another “rollover”, one-year settlement for 2022-23.

The 2021-25 Medium Term Financial Strategy approved by Cabinet in January 2021, included the following projected budget gaps across the medium term.

	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000
Budget Deficit	-	1,773	2,431	2,511

Work will now commence on addressing the deficit for 2022-23 onwards and if permanent deliverable savings can be realised in 2021-22 it will make a significant contribution to reducing the deficit thereafter. However, due to the uncertainty around the future of local government funding and the potential of ongoing financial implications of Covid-19, at this point, budget estimates for future years could significantly change.

The items set out below are considered the main issues that will have an impact on the Council’s budget strategy and financial planning in the medium term.

**Covid**

The budget strategy for 2021-22 was to treat the cost of Covid-19 as largely one-off in 2020-21 and the 2021-22 budget has been prepared on this basis.

Assuming that the financial effects of Covid-19 on the Council are largely contained within 2020-21, with any longer term impact in 2021-22 mitigated via the use of reserves and additional Government funding, the primary implication of Covid-19 for the Medium Term Financial Strategy is that from 2022-23 onwards the Council will need to begin to replenish its reserve holdings.

**Central Government Policy**

Alongside the upheaval caused by the pandemic, the government also has to make some fundamental decisions about the future of business rates and how to deliver “levelling-up”. The levelling-up agenda has to date been facilitated by a series of funding streams that authorities have had to bid for, however the Secretary of State for MHCLG recently announced that the government would reduce the amount of funding allocation on a competitive bidding basis and provide “more consolidated opportunities to access government funding”. The preparation of bids for funding is highly resource intensive, and as such the Council would welcome such a move to alternative means of funding allocation.

## Climate Change

The Council passed a motion to declare a Climate Emergency on 11 July 2019. This Council has resolved to:

- Declare a climate emergency;
- Pledge to do what is within our powers and resources to make Thanet District Council carbon neutral by 2030, taking into account both production and consumption emissions;
- Call on Westminster to provide the powers and resources to make the 2030 target possible;
- Continue to work with partners across the County and region to deliver this new goal through all relevant strategies;
- Investigate all possible sources of external funding and match funding to support this commitment.

Going forwards the Council has a role as:

- **A service provider** by delivering services that are resource efficient, less carbon intensive, resilient and that protect those who are most vulnerable to climate impacts;
- **An estate manager** by ensuring that our own buildings and operations are resource efficient, use clean energy, and prepared for the impacts of a changing climate.
- **A community leader** by helping local people and businesses to be smarter about their energy use and to prepare for climate impacts.

Our action plan sets out that we will continue to address the three main identified focus areas as follows:

- Reducing emissions and improving energy efficiency through the Council's operations, and supporting the community to do this, within the powers of the Council
- Supporting and protecting the District's nature and biodiversity
- Improving the management of waste and resources across the District

It is inevitable that further resources will need to be prioritised to deliver the Council's climate change objectives. The Council calls on Westminster to provide the powers and resources to make the 2030 target possible.

## 7. Our Priorities and Objectives



The Council's Core Business Objectives set out the direction of travel for the Council for the next four years laying the strong foundations that will benefit, shape and grow the district. In 2021, residents told us that feeling safe, the quality of our beaches, thriving towns and clean streets were the top four in making Thanet a good place to live. Clean streets, Thriving Towns and job prospects were identified as the top three things that need to be improved in Thanet. The Core Business Objectives address each of these top topics.

### Growth

We will continue to ensure we work to consider new ways to generate income and invest our current resources. Delivering a Council that is financially strong to discharge its services and invest in the growth of the District.

What we plan to do:

- Through partnership working promote Thanet's unique selling points to encourage local enterprise and inward investment.
- Be a strong voice for Thanet at the Kent and Medway Economic Partnership.
- Constructively explore approaches for Community Wealth Building - such as the Preston Model.



- Contribute to the creation of a Coastal Prospectus which will inform the South East Local Enterprise Partnerships's Local Industrial Strategy.
- Refresh the Council's Economic Growth Strategy.



- Lobby for infrastructure improvements including the Parkway Station, to support inward investment, local enterprise and housing growth.
- Continue to look for a viable future for the Port of Ramsgate and Royal Harbour for the benefit of the town and the wider district.
- Engage with businesses in the creative industries to identify opportunities for growth in the district and promote Thanet through the Thames Estuary Production Corridor ambitious industrial vision.

- Encourage the rejuvenation of our high streets by supporting the growth of our creative industries.
- We will further support the regeneration of our High Streets by working with partners.
- Continue to promote tourism in Thanet and the increase in jobs that this will bring to the District.
- Maximise the return on our assets and services.

### Environment

Having a clean and well-maintained environment remains important to us. We will be clear with our residents on what we will do and what our asks of residents are - cultivating a shared responsibility approach. Delivering a clean and accessible living environment, maintaining an emphasis on prevention but where necessary we will use an enforcement approach.

What we plan to do:

- Undertake a full and thorough review of our public toilet facilities including providing incentives for businesses to make good quality facilities available to the public.
- Improve collaboration with KCC around relevant services and explore opportunities for introducing a park and ride scheme in Thanet.
- Maintain strong enforcement action in the areas of planning, building control and parking. Strengthening our already tough response to flytipping and maintaining the zero tolerance policy towards littering.





- Continue the education programmes in schools and the wider public areas to cultivate a shared responsibility approach to waste and littering.
- We will review the recycling service and continue engaging with the community to increase the district's recycling rates.
- Improve the efficiency of emptying schedules - including maximising the use of smart bins.
- Extend the use of mechanical street sweeping equipment.

- Protect and enhance where possible our parks, beaches and open spaces for the benefit of current and future residents.
- Continue to progress the Local Plan to adoption.
- Having agreed on a climate emergency we will work to be carbon neutral by 2030 and promote awareness of our local wildlife, habitats and the wider environment.

## Communities

Through effective partnership working with both the public sector agencies and the community, we will provide leadership and direction across the District and the region to ensure everyone is working to the same goal. Delivering high-quality housing, safer communities and enhancing the health and wellbeing of our residents.

What we plan to do:

- Plan to set up a housing development company, to work towards building the necessary high quality and energy-efficient housing to meet the needs of existing and future communities.
- Improve standards and safety in homes across all tenures.
- Work to prevent homelessness and increase housing options including additional social housing.
- Aim to reduce the number of rough sleepers on our streets.
- Work with our partners to deliver a range of community safety initiatives across the District, taking tough action to tackle anti-social behaviour.
- Work in partnership with the community and Public Sector Agencies to seek new ways of working to improve or jointly deliver services.
- Work with the Boundary Commission to ensure that the number of Councillors is appropriate to the district size and needs.
- Promote the formation of a Margate Town Council to devolve decision making to a local level.
- Work with Town and Parish Councils, exploring the potential for devolving services where possible.
- We will work with our communities to foster a shared responsibility and increase our community engagement

## 8. How the Council is Performing

In 2019 a new Corporate Statement (2019-2023) was adopted by the Council. It sets out new corporate objectives for the Council to focus on; Environment, Communities and Growth. To support this new Corporate Statement, new performance measures were due to be implemented from 1 April 2020. This business as usual activity was delayed due to the redeployment of Council resources to support the response to the global Covid-19 pandemic. As an interim measure for April 2020 - March 2021, corporate performance continued to be monitored against the previous corporate priorities.

A refresh of corporate performance reporting was then presented to and endorsed by Cabinet on 29 April 2021. This report incorporated a new approach to performance measurement alongside a suite of updated performance measures, and can be found on TDC website. <https://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=151&MId=5635>.

Following the May 2023 local elections a new corporate statement covering 2023-27 will be published.

In addition to all the new activities, initiatives and measures the Council undertook in response to Covid-19, as set out in Section 3, we also made progress against our objectives.

### Growth

The Margate Town Deal was awarded up to £22.2m as part of the Chancellor's Budget announcement on Wednesday 3 March 2021. Heads of Terms have been signed on the basis of the Margate Town Investment Plan and the project business cases for delivery are being developed.

The Town Investment Plan directs funding towards projects located largely within Margate town centre and the coast between Margate and Cliftonville. These are areas with a significant number of spaces and assets which, once funded, can relatively quickly produce outputs, with strong local support for transformation. There are four overarching interventions:

- Intervention 1: Scaling Margate's Creative Production and Skills
- Intervention 2: Coastal Wellbeing
- Intervention 3: Active Movement and Connections
- Intervention 4: Diversifying Heritage Assets

This is an opportunity to drive long-term economic and productivity growth in Margate, particularly in light of the challenges presented by Covid-19.

In 2021 Thanet District Council launched the Ramsgate Future initiative, which includes the development of an evidence-based Town Investment Plan for Ramsgate, to support a thriving town centre and the needs of local people. Having secured funding from the Future High Street Fund of £2.7m and High Street Action Zone funding of £600k, there is a great opportunity to build on this through project ideas to:

- Create new and better employment;
- Develop new skills for the economy of the future;
- Support local businesses to grow;
- Improve connections and make it easier to get around;
- Celebrate and invest in our seafront, history and heritage

The Future Ramsgate Investment Plan will make the most of the town’s assets and deliver a shared vision to transform and regenerate the town. Part of developing the Investment Plan included a £19m submission to the government’s Levelling Up Fund in June of this year. Investment from the Levelling Up Fund, if successful, will drive job creation and opportunities for young people in three key areas of delivery.

The Council also rolled out a free 30 minute parking trial scheme in Birchington during September 2020 and offered free parking in Margate, Ramsgate and Broadstairs for the two Saturdays leading up to Christmas 2020.

£12m was allocated from the Government to support the new Parkway high-speed railway in Thanet which will improve infrastructure, supporting inward investment, local enterprise and housing growth. The Council has committed to contribute up to £2m towards this project.

A crucial achievement was the transfer of ownership of freehold Dreamland to Sands Heritage Ltd. Cabinet members agreed in August 2019 to sell the freehold of the site in order to secure a long-term, viable future for Dreamland which was completed in December 2020. This reduced the risk on the Council’s balance sheet and will give this iconic Margate attraction the best chance of success. The Council has achieved further growth by exceeding the benchmark yield on treasury deposits.

## Environment

The 2020 summer season saw an influx of tourists after the initial Covid-19 lockdown restrictions began to ease, attracting visitors from far and wide to enjoy our stunning Blue Flag awarded beaches. Whilst this instilled civic pride and boosted the local economy, it did create challenges for protecting our environment. A multi agency Beach Management Plan was devised and put into action to aid managing the crowds, maintaining enforcement and dealing with the waste left behind. The Council installed 80 x 1,100 litre bins, normally reserved for the summer months but brought forward for Easter, added an extra 300 bins, and extended the working hours of the cleansing teams. We also worked with local groups such as Rise Up Clean Up Margate, together providing 12 tidy pac stations with free litter bags along Margate Main Sands to encourage and normalise litter collection.

The Council is committed to tackling the climate emergency and in the past two years the Council has:

- Employed a full-time Climate Change Officer who has initiated a number of schemes to reduce TDC’s carbon footprint and increase biodiversity
- Facilitated the planting of trees on TDC land
- Trialled “No Mow May” in a large number of green spaces for the benefit of pollinators
- Been awarded over a £1m in grant funding to decarbonise our Kent Innovation Centre building

- Requested new cycle paths across Thanet - currently in planning
- Introduced pedestrianisation schemes in Margate & Ramsgate
- Reduced taxi licence charges for Electric/Hybrid vehicles
- Employed a Home Energy Officer who has helped low income households pay energy bills and provided grants to improve their insulation
- Employed a Biodiversity and Horticultural officer who has introduced wildflower meadows in a number of parks

- Employed a Strategic Access Management and Monitoring (SAMM) Officer whose role includes educating the community about protected coastal birds.
- Employed a litter education and enforcement officer.
- Started a flexible working trial that incorporates increased home-working for staff and as such reduces emissions from commuting

### **Communities**

The Thanet RISE (Rough sleeper Intervention, Support and Empowerment) Team were recognised at the UK Housing Awards 2020 winning the category 'Homelessness Project of the Year' for their work in addressing issues facing rough sleepers such as health and wellbeing needs, which can often be barriers to accessing and keeping accommodation. £96k funding was secured from Next Steps to ensure the Council could deliver the 24 hour Winter Shelter provision, and £10k was allocated to the Council from the Cold Weather Fund to enable the safe accommodation of as many rough sleepers during the coldest periods. Homelessness prevention is still a key priority, with discretionary housing payments ringfenced during lockdown to prevent 602 households from becoming homeless.

The Cabinet decided in February 2020 to bring the management of the Council's social housing stock back in-house, which came into effect in October 2020. The new team have already achieved a marked improvement in the service. The Empty Homes Plan 2020 - 2023 was approved in December 2020, setting out how the Council can bring empty homes back into use economically and effectively.

The Council's housing acquisition and development programs have so far delivered 144 homes for affordable rent. Our most ambitious project to date, 18 homes in King Street Ramsgate, is due for completion in April 2021 and funding is already in place for a further 28 homes.

The Council has worked hard to foster a shared responsibility and increase community engagement through various means, such as the Annual Residents Survey, the Annual Community Safety Plan and a live public online briefing was held by the Leader in March 2021 where coastal and beach plans were discussed. The aforementioned new Coastal and Beach PSPO and extending the Dog PSPO were results of public consultation exercises, the latter receiving 256 responses.

## 9. Risk Management

There is an embedded process within the Council which examines operational and strategic risks. The corporate risk register is a vital component of this process as it supports and informs the production of the corporate plan and is reviewed by the Governance and Audit Committee on a quarterly basis. The key corporate risks reported to the Governance and Audit Committee on 28 July 2021 are set out in the following table.

	Impact	Probability	Jul 21 Score	High-level Description
Political Stewardship	4	4	16	The Council has recently changed from a Labour administration back to Conservative, due to continued leadership changes political stewardship remains a risk to the council. The Council continues to pursue opportunities to support cross-party working and induction training for new members took place post election.
Covid-19	4	4	16	The Recovery from the Covid-19 Pandemic will be unlike any other in our lifetimes. The crisis has gone on for longer, been more extreme and will have more profound consequences than anything we have prepared for before.
Cyber Attack	4	4	16	The Council is becoming more and more aware of cyber attacks across the local government sector.
Governance	4	4	16	The Council's General Purpose Committee (GPC) and its Investigatory and Disciplinary Sub Committee (IDSC) are considering on-going disciplinary and grievance matters.
Limited Resources	4	3	12	The high score for Limited Resources reflects the fact that it is one of the few risks that in extremis could result in the Council losing control of its own destiny.
Homelessness	3	4	12	Homelessness has grown as a challenge for many local authorities over the last year, Thanet included. There are additional pressures on Housing as the gap between supply and demand increases and previously plans have been developed to ensure that this pressure is minimised.
Brexit	3	4	12	The UK left the European Union on 31 January 2020. The UK Government has now agreed a deal with the European Union.

More detail on these risks and the plans to mitigate them are set out in the 28 July 2021 Governance and Audit Committee report, which can be found on TDC website <https://democracy.thanet.gov.uk/documents/s73377/Corporate%20Risk%20Review.pdf>.

The latest corporate risk report was presented to the 8 March 2023 Governance and Audit Committee, which can be found on TDC website <https://democracy.thanet.gov.uk/documents/s80393/GA%20Corporate%20Risk%20Management%20-%20Quarterly%20Update%20March%202023%20-%20Google%20Docs.pdf>

## 10. Governance

The Annual Governance Statement sets out the governance framework and an assessment of our effectiveness. An update on the progress of preparing the 2020-21 statement was provided to the Governance and Audit Committee on 28 July 2021, which can be found on TDC website <https://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=114&MId=5868>.

The Internal Audit Annual Assurance report was also presented to the same meeting. This was based on the internal audit work completed and reported to the Governance and Audit committee throughout the year.

A review of corporate governance is also being undertaken by Grant Thornton as part of their 2019-20 value for money assessment.

Governance has also been considered a high corporate risk, due to disciplinary and grievance matters that were on-going during 2020-21.

## 11. Accounting Statements

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

The statements are as detailed below:

## **The Core Statements**

### ***Comprehensive Income and Expenditure Statement***

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

### ***Movement in Reserves Statement***

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

### ***Balance Sheet***

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

### ***Cash Flow Statement***

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

### ***Notes to the Core Financial Statements***

These are set out after the above core statements. They provide further information and interpretation of the content of the individual statements.

### **The Supplementary Financial Statements**

#### ***Housing Revenue Account Income and Expenditure Statement***

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

#### ***Collection Fund Statement***

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



# Approval

In accordance with the Accounts and Audit (England) Regulations 2015, the Governance and Audit Committee approved the 2020-21 Statement of Accounts on 26 July 2023.

Signed :

Date: 26 July 2023

Cllr William Scobie, Chair of the Governance and Audit Committee

*For further information on the accounts please contact the **Director of Corporate Services & Section 151 Officer** on 01843 577722 or write to: **Director of Corporate Services & Section 151 Officer** Thanet District Council, PO Box 9, Cecil Street, Margate, Kent CT9 1XZ*

# Statement of Responsibilities for the Statement of Accounts

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

## The Council's Responsibilities

The Council is required:

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

In this Council, the Responsible Officer is the **Director of Corporate Services & Section 151 Officer**

## Director of Corporate Services & Section 151 Officer Responsibilities

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

In preparing this Statement of Accounts, the **Director of Corporate Services & 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 2021 and of its income and expenditure for the year ended on that date.**

Chris Blundell CPFA

**Director of Corporate Services & Section 151 Officer**

Date: 26 July 2023

# Independent Auditors Report to the Members of Thanet District Council

To be added on completion of the external audit

Intentionally left blank - do not delete

Intentionally left blank - do not delete

Intentionally left blank - do not delete

Intentionally left blank - do not delete

Intentionally left blank - do not delete



Intentionally left blank - do not delete

Intentionally left blank - do not delete

Intentionally left blank - do not delete

## Comprehensive Income and Expenditure Statement

For increased transparency, the (GF) and (HRA) balances within the \*Deputy Chief Executive & Section 151 Officer directorate are now reported separately. The 2019-20 balances have been restated as shown below £54.754m, £(51.599)m & £3.155m, and £15.083m, £(13.823)m & £1.260m respectively, whereas the 2019-20 audited statement of accounts reported the balances combined as follows; Expenditure £69.837m, Income £(65.422)m, and Net £4.415m.

Restated 31 March 2020				31 March 2021		
Expenditure £'000s	Income £'000s	Net £'000s	Gross expenditure, gross income and net expenditure on continuing operations	Expenditure £'000s	Income £'000s	Net £'000s
503	(18)	485	Chief Executive	1,385	(298)	1,087
54,754	(51,599)	3,155	* Deputy Chief Executive & Section 151 Officer - General Fund (GF)	64,729	(55,215)	9,514
15,083	(13,823)	1,260	* Deputy Chief Executive & Section 151 Officer - Housing Revenue Account (HRA)	20,823	(14,447)	6,376
23,218	(13,279)	9,939	Corporate Director - Communities	24,780	(12,369)	12,411
6,446	(2,420)	4,026	Corporate Director - Governance	5,161	(1,777)	3,384
19,497	-	19,497	Corporate Director - Governance - Dreamland Revaluation	-	-	-
11,228	(7,500)	3,728	East Kent Shared Services	11,197	(7,669)	3,528
<b>130,729</b>	<b>(88,639)</b>	<b>42,090</b>	<b>Cost of Services</b>	<b>128,075</b>	<b>(91,775)</b>	<b>36,300</b>
		3,698	Other Operating Expenditure	Note 7		2,703
		2,004	Financing and Investment Income and Expenditure	Note 8		2,346
		(22,524)	Taxation and Non-Specific Grant Income and Expenditure	Note 9		(26,602)
		<b>25,268</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,747</b>
		(8,137)	(Surplus) or Deficit on revaluation of non-current assets	Note 31a		(13,628)
		700	Re-measurements of the net defined benefit liability	Note 31c/38		5,994
		<b>(7,437)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,634)</b>
		<b>17,831</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>7,113</b>

Annex 1  
Agenda Item 5

## Movement in Reserves Statement

For the Year Ended 31 March 2020	General Fund Balances £'000 Note 29	Housing Revenue Account £'000s Note 29	Major Repairs Reserve £'000s Note 29	Capital Receipts Reserve £'000s Note 30	Capital Grants Unapplied £'000s Note 29	Total Usable Reserves £'000s Note 29	Unusable Reserves £'000s Note 31	Total Authority Reserves £'000s
<b>Balance at 1 April 2019</b>	<b>(13,483)</b>	<b>(11,834)</b>	<b>(12,765)</b>	<b>(9,437)</b>	<b>(43)</b>	<b>(47,562)</b>	<b>(148,562)</b>	<b>(196,124)</b>
<b>Movement in Reserves during 2019-20:</b>								
Total Comprehensive Income and Expenditure	22,713	2,555	-	-	-	<b>25,268</b>	<b>(7,437)</b>	<b>17,831</b>
Adjustments between accounting & funding basis under regulations (Note 16)	(23,694)	(441)	(2,704)	893	-	<b>(25,946)</b>	<b>25,946</b>	-
<b>(Increase)/ Decrease movement in 2019-20</b>	<b>(981)</b>	<b>2,114</b>	<b>(2,704)</b>	<b>893</b>	<b>-</b>	<b>(678)</b>	<b>18,509</b>	<b>17,831</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(14,464)</b>	<b>(9,720)</b>	<b>(15,469)</b>	<b>(8,544)</b>	<b>(43)</b>	<b>(48,240)</b>	<b>(130,053)</b>	<b>(178,293)</b>

## Movement in Reserves Statement cont'd

<b>For the Year Ended 31 March 2021</b>	<b>General Fund Balances £'000s</b>	<b>Housing Revenue Account £'000s</b>	<b>Major Repairs Reserve £'000s</b>	<b>Capital Receipts Reserve £'000s</b>	<b>Capital Grants Unapplied £'000s</b>	<b>Total Usable Reserves £'000s</b>	<b>Total Unusable Reserves £'000s</b>	<b>Total Authority Reserves £'000s</b>
	Note 29	Note 29	Note 29	Note 30	Note 29	Note 29	Note 31	
<b>Balance at 1 April 2020</b>	<b>(14,464)</b>	<b>(9,720)</b>	<b>(15,469)</b>	<b>(8,544)</b>	<b>(43)</b>	<b>(48,240)</b>	<b>(130,053)</b>	<b>(178,293)</b>
<b>Movement in reserves during 2020-21:</b>								
Total Comprehensive Income and Expenditure	7,428	7,319	-	-	-	<b>14,747</b>	(7,634)	<b>7,113</b>
Adjustments between accounting & funding basis under regulations (Note 16)	(18,559)	(6,397)	44	2,228	-	<b>(22,684)</b>	22,684	-
<b>(Increase)/ Decrease (movement) in 2020-21</b>	<b>(11,131)</b>	<b>922</b>	<b>44</b>	<b>2,228</b>	<b>-</b>	<b>(7,937)</b>	15,050	<b>7,113</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(25,595)</b>	<b>(8,798)</b>	<b>(15,425)</b>	<b>(6,316)</b>	<b>(43)</b>	<b>(56,177)</b>	<b>(115,003)</b>	<b>(171,180)</b>

The General Fund Balances have increased by £11.131m during 2020-21, however the vast majority of this relates to Covid related grants such as the NNDR S31 Grant. The Council has allocated £11.225m into Covid related earmarked reserves (see Note 17) during 2020-21, of which £10.310m is fully committed to liabilities arising from the pandemic and will be expended in future years. As such, if Covid related reserves are discounted the Council's General Fund balances have remained stable during 2020-21 at £2.011m and other Earmarked Reserves at approximately £12.270m.

## Balance Sheet as at 31 March 2021

<b>31 March 2020</b>			<b>31 March 2021</b>	
<b>£'000s</b>			<b>£'000s</b>	<b>£'000s</b>
245,464	Property, Plant & Equipment	Note 18/18b	257,625	
358	Heritage Assets	Note 19	364	
22,965	Investment Property	Note 21	23,292	
303	Long Term Debtors	Note 24	2,198	
<b>269,090</b>	<b>Long Term Assets</b>		<b>283,479</b>	
17,995	Short Term Investments	Note 22	10,758	
275	Inventories		262	
14,437	Short Term Debtors	Note 24	24,166	
16,776	Cash and Cash Equivalents	Note 25	21,395	
7,276	Assets Held for Sale (< 1year)	Note 26	4,760	
<b>56,759</b>	<b>Current Assets</b>		<b>61,341</b>	
(912)	Short Term Borrowing	Note 22/23/34a	(4,455)	
(15,448)	Short Term Creditors	Note 27	(22,635)	
(8,251)	Provisions	Note 28	(5,099)	
(5,935)	Grant Receipts in Advance	Note 15	(16,679)	
<b>(30,546)</b>	<b>Current Liabilities</b>		<b>(48,868)</b>	
(24,394)	Long Term Borrowing	Note 22/34a	(20,215)	
(92,339)	Pension & Other Long Term Liabilit	Note 38/39	(104,195)	
(277)	Grant Receipts in Advance	Note 15	(362)	
<b>(117,010)</b>	<b>Long Term Liabilities</b>		<b>(124,772)</b>	
<b>178,293</b>	<b>Net Assets</b>		<b>171,180</b>	
	<b>Represented By:</b>			
(48,240)	Usable Reserves	Note 29	(56,177)	
(130,053)	Unusable Reserves	Note 31	(115,003)	
<b>(178,293)</b>	<b>Total Reserves</b>		<b>(171,180)</b>	

Signed: **Director of Corporate Services & Section 151 Officer**

Date: 26 July 2023

## Cash Flow Statement

2019-20 £'000s			2020-21 £'000s
25,268	<b>Net (surplus) or deficit on the provision of services</b>		14,747
(34,344)	Adjust net surplus or deficit on the provision of services for non-cash movements	Note 32a	(24,145)
2,450	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 32b	(11,839)
<b>(6,626)</b>	<b>Net cash flows from Operating Activities</b>		<b>(21,237)</b>
11,019	Investing Activities	Note 33	11,883
3,573	Financing Activities	Note 34	4,735
<b>7,966</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	Note 25	<b>(4,619)</b>
(24,742)	Cash and cash equivalents at the beginning of the reporting period		(16,776)
<b>(16,776)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(21,395)</b>



# Notes to the Core Financial Statements

## 1. Accounting Policies

### General

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts in accordance with the statutory framework established in England by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practice. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code) supported by the International Financial Reporting Standards (IFRS).

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

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

### Going Concern

There is a high degree of uncertainty about future levels of funding for local government, however the Council has robust financial management procedures in place and maintains sufficient reserves to mitigate adverse economic trends. Furthermore, as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for local authority financial

statements to be prepared on anything other than a going concern basis.

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

### Accruals of Income and Expenditure

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

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

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

## Cash and Cash Equivalents

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

## Material Items of Income and Expenditure

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

## Prior Period Adjustments

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

Material errors in prior period figures are also corrected retrospectively in the same way.

## Employee Benefits

### Pensions General

The Accounting Standards, IAS 19 and 26 regarding Employee Benefits and Retirement Benefits, require recognition of pension assets and liabilities in the Balance Sheet and the operating costs of providing retirement benefits together with changes in the value of assets and liabilities to be reflected in the Comprehensive Income and Expenditure Statement.

In order that IAS 26 requirements do not impact upon council tax levels, the movement on the net assets and liabilities (net of the employer's contributions and actuarial gains and losses) is reversed out to the Pension Reserve through the Movement in Reserves Statement.

### Benefits Payable During Employment

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

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

## Termination Benefits

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

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

## Post Employment Benefits

The Local Government Pension Scheme administered by Kent County Council (KCC) is a defined benefit scheme. Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The formal valuation of the Fund for the purpose of setting employers' actual contributions disclosed in these accounts was as at 31 March 2019 and this has been used to update the service cost figures.

Liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method.

This requires an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 2.4% based on the indicative rate of return on high quality corporate bonds.

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

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

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

### Service Costs comprising;

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

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

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

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

### **Remeasurements**

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as the benefits are earned by employees.

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

### **Events after the Reporting Period**

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

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

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

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

### **Financial Instruments – Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in accordance with the loan agreements.

## Financial Instruments – Financial Assets

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to

the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. A small element of the loans are classified as soft loans (made at less than market rate) so there is a requirement to record any loss in the Comprehensive Income and Expenditure Statement to represent interest forgone over the life of the loan if material.

## Expected Credit Loss

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

Due to the unprecedented circumstances arising from the Covid-19 pandemic, an assessment of future losses based on historic trends may not fully capture the full scale of expected credit losses that the Council is exposed to. Therefore the Council also holds a general provision, over and above its usual assessment, to allow for a prudent estimate for the potential increase in default due to the economic conditions resulting from the pandemic.

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

**Loans** - the impairment loss is measured as the difference between the carrying amount and present value of the revised future cash flows discounted at the assets original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## Fair Value Measurement

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

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

The Council measures the fair value of an asset or liability using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial

statements are categorised within the fair value hierarchy as follows:

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

## Government and Non-Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

## Heritage Assets

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

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

- Public statues
- Artefacts and/or collections within museums
- Art collections

- Civic regalia

Heritage assets (other than operational heritage assets) shall normally be measured at cost in accordance with FRS102 since it is deemed to be more appropriate and relevant than applying any valuation model, therefore there is no requirement for verification by an external valuer or any prescribed periods between valuations.

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

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

## Intangible Assets

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

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

## Interests in Companies and Other Entities

The Code’s definition of an interest in another entity includes ‘the means by which an entity has control or joint control of, or significant influence over, another entity’.

In accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, assessment of any involvement/interest for the purposes of group accounts will consider the above when determining whether or not a group relationship exists. This is considered to apply where the Council has all of the following:

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

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

## Inventories, Rechargeable Works and Long Term Contracts

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

The Code and IAS 2 (Inventories), require stocks to be shown at the lower of actual cost or net realisable value. The stock at the printing unit is measured at an average cost of stock held as it is considered that the financial effect of the different treatment is not material. Any work in progress is subject to an interim valuation at year end. Rechargeable Works are included at cost.

Long Term contracts are defined as “contracts entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods.”

The Council makes a disclosure in the notes to the Core Financial Statements in respect of any capital contracts meeting this definition. Long term contracts are accounted for by charging the (Surplus) or Deficit on the Provision of Services with the consideration allocated to the performance obligations of the contract that have been satisfied, based on the goods or services that have been transferred to the service recipient during the financial year.

## Joint Operations

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

## Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.



The accounting treatment for leases depends on whether the Council is a lessee; is paying a third party rental payments for the right to use an asset, or a lessor where it is granting the right to use an asset to an external third party. The accounting treatment for each is given below:

### **Where the Council is a Lessee**

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

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

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

### **Where the Council is a Lessor**

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

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

### **Minimum Revenue Provision**

The council is required to pay off an element of the accumulated unfunded General Fund capital spend each year through a revenue charge (the minimum revenue provision - MRP). For capital expenditure incurred before 1 April 2008 the council's policy is to provide for an approximate 4% reduction in the borrowing need each year. For capital expenditure incurred from 1 April 2008 the provision is based on the estimated life of the assets. The council's full MRP policy is contained in its annual Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy, which can be found on TDC website.

<https://democracy.thanet.gov.uk/documents/s67348/TMSS%202020-21.pdf>.

### **Overheads and Support Services**

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

### **Property, Plant and Equipment and Investment Property**

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

**Recognition:** Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis at cost with subsequent measurement as explained below. Expenditure on non-current assets is capitalised, provided that the asset yields benefit to the Council and the services it provides, for a period of more than one financial year. Subsequent expenditure on non-current assets is capitalised in accordance with IAS 16. This excludes expenditure on routine repairs and maintenance of non-current assets, which is charged directly to service revenue accounts. The Council has set a de minimis level in respect of the recognition of capital expenditure of £15k.

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

- a) Property, Plant and Equipment (PP&E)\*, analysed further as
  - Land and Operational Buildings
  - Council Dwellings
  - Vehicles Plant and Equipment
  - Community Assets
  - Assets under Construction
- b) Heritage Assets
- c) Investment Properties
- d) Intangible Assets (see separate accounting policy)
- e) Infrastructure Assets\*

\*With reference to the CIPFA Bulletin 12 - Accounting for Infrastructure Assets - Temporary Solution, issued January 2023, the Council has adopted the suggested temporary solution not to disclose gross historic cost and depreciation up to and including 2024/25 financial year until the longer term solution is provided. As a result, Infrastructure Assets are now reported Net in a new Note 18b and are not included within the PP&E Note 18.

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

- a) **Land and Operational Buildings** – the lower of net current replacement cost or net realisable value (as certified by the Estates Surveyor)
- b) **Council Dwellings** – existing use value for social housing, including regional adjustment factors as amended from time to time
- c) **Heritage Assets** – (see separate accounting policy)
- d) **Infrastructure Assets** – historical cost net of depreciation
- e) **Vehicles, Plant and Equipment** – the lower of net current replacement cost or net realisable value
- f) **Community Assets** – historical 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 an annual basis for Council Dwellings using the Beacon principle, investment properties with a value over £100k, and General Fund Operational Land and Buildings with a value over £800k. Revaluations of other non-current assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of these Council's assets annually. Identified material changes to asset valuations will be adjusted in the interim period, as they occur.

The Asset Valuations in these accounts have been prepared using the services of external valuers. The valuations were produced in accordance with guidelines issued by CIPFA, and in accordance with the Royal Institute of Chartered Surveyors current guidance notes for Asset Valuation. The date of valuation for the General Fund is 31 December 2020.

The basis for Council Dwellings valuations is Existing Use Value for Social Housing (EUV-SH). Under this method the vacant possession value of the dwellings is reduced to 33% of the market value, to reflect the occupation by a secure tenant. A full valuation of the Beacon properties is undertaken every five years but an annual adjustment is made to reflect market changes during the year. The date of valuation for the Housing Revenue Account is 31 March 2021.

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.

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

**Components:** The Code requires local authorities to identify elements of major assets that have either a capital cost that is significant in relation to the total cost of the asset and/or has a different useful life or depreciation method. The Council accounts for components for assets with a gross book value in excess of £1m and where any individual component has a value in excess of £100k.

The component proposals for the HRA dwelling stock differ from that above. The Council componentises its Council dwelling stock on a dwelling basis and proportions the overall valuation into four key components. Those components that are depreciable are depreciated over the remaining useful life of the Council dwelling, resulting in an overall stock depreciation figure.

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

Where impairment losses are identified, the accounting entries are:

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

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

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

**Disposals:** Income from the disposal of non-current assets is accounted for on an accruals basis. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet, any receipt from disposal and any costs associated with the disposal are accounted for in the Comprehensive Income and Expenditure Statement so comprising any gains or losses on disposal.

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

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

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

<b>Council Dwellings</b>	Up to 60 years
<b>Infrastructure</b>	Up to 40 years
<b>Heritage Assets</b>	Varies on asset type, see separate accounting policy
<b>Other Buildings</b>	Specifically determined by Estates Officer
<b>Vehicles</b>	Up to 12 years
<b>Plant</b>	Up to 10 years
<b>Surplus Assets</b>	Up to 40 years, or as specifically determined by Estates Officer

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

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

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately (see Component section above). The Council componentises its housing stock and then depreciates the depreciable components over the useful economic life of each Council dwelling.

## Provisions

Provisions represent sums set aside for liabilities or losses which are likely or certain to be incurred where an event has taken place

that gives the Council a legal obligation that probably requires settlement and a reliable estimate can be made of the amount of that obligation. Provisions are charged directly to the appropriate service line in the Comprehensive Income and Expenditure Statement when the obligation arises and when the expenditure is actually incurred it is charged directly to the provision.

New arrangements for the retention of business rates came into effect on 1 April 2013 along with the requirement for an additional provision to be set aside for potential changes to rateable values as a result of appeals. The Council's share of this provision is disclosed in Note 28 and is calculated using Valuation Office (VO) data on successful and outstanding appeals.

As there is potential for such appeals to be backdated to previous as well as current VO rating lists, the amount set aside includes an element for backdating. An estimate is also made for appeals that may yet be lodged under the new Check, Challenge and Appeal process, based on a percentage of the likelihood of appeal for those properties that are not currently in receipt of mandatory or discretionary relief. HRA Leasehold Service Charge accounts are raised after the accounts have closed as they are based on actual cost in order to comply with Leasehold conditions. A provision is made on the Leasehold Maintenance Holding Account for the estimated cost of services, day to day repairs, recurring maintenance and major works incurred during the financial year.

## Reserves

Amounts set aside for purposes falling outside of the definition of provisions are considered as reserves. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line within the Cost of Services in the Comprehensive Income and Expenditure Statement and an equal amount is appropriated back to the General Fund from the relevant reserve so that there is no impact on the council taxpayer.

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

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

## Contingent Assets and Liabilities

Contingent Liabilities are defined as possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent liabilities can also arise where a provision would have been made but it is either not probable that an outflow of resources will be required or the amount cannot be measured reliably. Contingent liabilities are not recognised on the Balance Sheet but are disclosed in a note to the accounts.

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

## Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

## Current Assets Held for Sale

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

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

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

## Impairment of Non-Contractual Debts

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

The requirement is to set aside a provision where there is evidence of non-recoverable losses, so the impact of the Coronavirus Pandemic may have a material impact on the level of provision (funded from the Equalisation Earmarked Reserve which is maintained to set aside for the uncertain volatility of council tax and business rate revenue).

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

## Collection Fund

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Statute determines the amount required to be transferred from the Collection Fund to the General Fund (an authority's precept for the year (plus)/minus its share of the (surplus)/deficit on the Collection Fund for the previous year estimated on 15 January for Council Tax and 31 January for Business Rates). The Council Tax and Business Rate income

included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between this amount and the amount required by regulation is taken to the Collection Fund Adjustment Account, and is included as a reconciling item in the Movement in Reserves Statement to negate the effect on the taxpayer. Council Tax and Business Rates are collected on an agency basis, so the Balance Sheet reflects the debtor/creditor position between the Council, Central Government and major preceptors, since the cash paid to preceptors in the year is not the share of actual cash collected from council tax and business rate payers.

## Business Rate Pool

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

## Value Added Tax

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

## 1a. Accounting Standards Issued, not yet Adopted

The accounting standards that have been issued but not yet adopted under the 2021-22 Code, that may require disclosure in the 2020-21 accounts if applied retrospectively are as follows:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16.

It is not anticipated that any of the new standards will have a material impact on the accounts. The planned adoption of IFRS 16 Leases under the 2020-21 Code has now been deferred to 2024-25, with an implementation date of April 2024.

## 2. Critical Judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

### **Non-Current Assets**

The Council annually revalues its Investment Properties with a value of over £100k, and its General Fund Operational Land and Buildings with a value of over £800k. It is not considered feasible or financially viable to value all assets annually and the Council revalues all its other Investment Properties and General Fund Operational Land and Buildings on a five yearly rolling cycle. The Council has also implemented a desktop review process to assess whether or not the valuation held on the balance sheet is materially different from that if an actual year-end valuation had taken place.

HRA Council dwellings are revalued by external valuers using a Beacon principle every 5 years, with desktop reviews annually by a RICS qualified surveyor, in line with recognised indices. Through the use of these indices the annual revaluation of housing stock is unlikely to be significantly different to market conditions and therefore the 5 yearly exercise to reconsider the stock as a whole is considered to be the most pragmatic approach to valuation.

This assessment has identified an estimated increase of £862k (1.32%) against the General Fund operational asset base of £65.252m, and an estimated decrease of £7k (-0.03%) against the investment property asset base of £23.292m.



This is considered to be immaterial and no adjustment has been made to the balance sheet. The current revaluation policy (including frequency, methodology and classifications) states that any material changes to asset valuations will be adjusted in the interim period as they occur. All valuations are performed in accordance with RICS and CIPFA guidance.

Details of uncertainties, and the effects if actual results differ from assumptions, concerning non-current asset revaluations are given in Note 3.

### **Your Leisure**

**Hartsdown Leisure Centre** – It was agreed at Cabinet on August 2009 that Thanet Leisure Force (now Your Leisure Kent Limited), the company engaged to run the Council's leisure facilities, would borrow money (£1.62m) through a range of loans varying from 5 to 15 years, facilitated by Alliance Leisure, to invest in the authority's asset Hartsdown Leisure Centre. To facilitate the loan arrangement, Alliance Leisure acting on behalf of the lender requires the Council to act as guarantor should Your Leisure Kent Ltd default on the loan payments or cease trading and the outstanding loan obligation transfers to the Council. As at 31 March 2021 payments totalling £1.92m including interest have been made by Your Leisure Kent Ltd. The anticipated outstanding balance now sits at £798k.

The Council is continuing to work with Your Leisure Kent Ltd (YL) to avoid any default on the loan obligations, this includes a review of Pension liabilities, lease arrangements, loan obligations and management agreements and was further supported by YL's bank through the use of payment holidays. As a result, the probability of default is judged to be unlikely and therefore a provision for any related future obligations arising due to a potential default has not been recognised in the accounts. Over and above this, TDC would not look to run these services themselves and therefore in the unlikely event of default, TDC would look to pass these arrangements on to a new provider.

It is worth noting that as a result of storm Eunice in February 2022, there was significant damage to the roof at Hartsdown, resulting in an insurance claim. This has been treated as an insurable issue and as a result has been progressed as such via TDC who provide Buildings cover for Your Leisure. Business interruption cover is contracted separately by Your Leisure and they have claimed accordingly in order to help manage the impact of the closure.

**Ramsgate Leisure Centre** – In February 2012 Thanet Leisure Force (now Your Leisure Kent Ltd) entered into an agreement with Alliance Leisure to secure funding for the provision of a new swimming pool in Ramsgate, together with a spa facility and café. The capital costs of the development were £3.8m. The Council is acting as guarantor however, the agreement includes an additional clause which states that were Alliance Leisure to terminate the agreement, the Council would be given a period of 30 days to agree a new party to take over all Your Leisure's rights and obligations under the agreement. Therefore, in the event of default by Your Leisure Kent Ltd, the Council would either need to find another party to work with, or take over the running of this facility itself.

As at 31 March 2021 payments totalling £3.106m including interest had been made by Your Leisure Kent Ltd and the anticipated outstanding balance sat at £5.87m. In the event that Your Leisure were to cease trading, both the liabilities and the associated assets would transfer back to the Council.

The Council is continuing to work with Your Leisure Kent Ltd (YL) to avoid any default on the loan obligations, this includes a review of Pension liabilities, lease arrangements and loan obligations and management agreements and was further supported by YL's bank through the use of payment holidays. As a result, the probability of default is judged to be unlikely and therefore a provision for any related future obligations arising due to a potential default has not been recognised in the accounts. Over and above this, TDC would not look to run these services themselves and therefore in the unlikely event of default, TDC would look to pass these arrangements on to a new provider.

### **Civica**

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

### **Other Non-Critical Judgements**

**Port** - A provision of £563k has been created to recognise anticipated revenue costs associated with the berth 4/5 capital scheme. It has been judged that the expected costs associated with this matter meet the criteria for the recognition of a provision. This is considered to be a significant judgement as these costs have been judged not to meet the criteria for capitalisation, so should be recognised as a revenue expense.

**Legal** - A revenue provision of £612k has been created to recognise in the 2020-21 accounts the future costs anticipated at the balance sheet date in relation to legal costs associated with on-going disciplinary and grievance proceedings. These are complex legal matters and judgement has been applied to consider the likelihood of these costs being incurred and the consequent need to recognise a provision. This is in addition to revenue expenses accounted for in the 2020-21 accounts in relation to these matters of £121k.

Compensation and/or settlement payments in relation to these matters have been judged to be 'possible' and not 'probable' at this stage. A provision is only recognised if costs are considered to be probable and as such possible future compensation/settlement costs have not been recognised in the accounts and a contingent liability has been disclosed instead.

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

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>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 £4.863m and an increase of one year to the mortality rate would result in an increased pension liability of £13.485m. However, the assumptions interact in complex ways.</p> <p>The current response to Covid-19 means pooled property valuations are reported on the basis of 'material valuation uncertainty' as set out in Valuation Practice Guidance Application 10 (VPGA10) of the Royal Institution of Chartered Surveyors (RICS) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would otherwise be the case. The value of assets impacted, and a sensitivity analysis based on the principal actuarial assumptions can be seen on Note 38.</p>
<b>Investment Property Asset Values</b>	The Council has approximately 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 £6.261m have not been revalued in 2020-21. In general, the asset valuations for investment properties have gone up by 0.04% in 2020-21. If the same increase were to be applied to those investment properties not revalued, then this would require an adjustment of £3k to the asset valuation.

<p><b>Revaluation of Non-Current Assets and Investment Properties</b></p>	<p>Revaluations of non-current assets and investment properties as part of the annual process for 2019-20 were provided by the external valuer on the basis of ‘material valuation uncertainty’ in accordance with Valuation Technical and Performance Standard 3 (VPS 3) and Valuation Practice Guidance Application 10 (VPGA10) of the Royal Institution of Chartered Surveyors (RICS) Red Book Global. This uncertainty was caused by factors including the Covid-19 outbreak, which was declared a global pandemic on 11 March 2020, and Brexit, and means that less certainty and a higher degree of caution should be placed on the 2019-20 valuation of these assets than would otherwise be the case.</p> <p>The UK has now left the EU, with the Brexit transition period ending on 31 December 2020. While this provides more certainty for the future UK-EU relationship, the full implications will take time to realise. Covid-19 continued to have a global economic impact although, as at the 2020-21 valuation date, UK property markets were mostly functioning again. Accordingly the ‘material valuation uncertainty’, as defined by VPS 3 and VPGA 10 of the RICS Red Book Global, for revaluations of non-current assets and investment properties provided by the external valuer as part of the annual process for 2020-21, was limited to retail and specific trading related assets/sectors such as car parks. Less certainty and a higher degree of caution should be placed on the 2020-21 valuation of retail and specific trading related assets/sectors than would otherwise be the case. The aggregate 2020-21 revaluation subject to the ‘material valuation uncertainty’ was £2.058m for Other land and Buildings and £788k for Investment Properties, the Council do not deem the value of the uncertainty in these assets given their value material.</p>	<p>The future economic impact of a 1% change in valuation, crystallising after 31 March 2021 balance sheet date, would alter the General Fund operational asset base of £65.252m by £653k, and the investment property asset base of £23.292m by £233k.</p>
---	---	---

<p><b>Non-Key Estimates - Provision for Business Rate Appeals</b></p>	<p>Local authorities have to create provisions for possible losses arising from appeals to business rate valuations. The size of refund from a business rate varies depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.</p> <p>The council's share of the provision for business rate appeals is 40% of the total.</p>	<p>Following a comprehensive assessment of the outstanding business rates appeals at 31 March 2021, a total provision of £8.268m was made for potential future appeal refunds.</p> <p>The effect of a change in the provision is as follows:</p> <p>25% higher/lower: £2.067m 50% higher/lower: £4.134m</p> <p>Although provisions for business rates are immediately accounted for in the Collection Fund, a variation to these estimates would ultimately have a consequent impact on the value of the Council's General Fund balances.</p> <p>Thanet District Council's 40% share of this provision is £3.307m. The effect of a change in the provision is as follows:</p> <p>25% higher/lower: £827k 50% higher/lower: £1.654m</p>
---	--	--

#### 4. Events After The Reporting Period

The audited Statement of Accounts was authorised for issue by the **Director of Corporate Services & Section 151 Officer** on 26 July 2023. Where events taking place before this date provided information about conditions existing at 31 March 2021, figures and disclosures in the accounts require adjustment if they are material. The following represent the non adjusting events:

Identified in Note 2 of the core statements, is the need for a provision associated with the future costs anticipated at the balance sheet date. This relates to legal costs estimated for the ongoing disciplinary and grievance proceedings. Since 31 March 2021, a number of changes have taken place resulting in the replacement of the Senior Management Team. The timeline for these are as follows, Deputy Chief Executive & Section 151 Officer left in 2021-22, Chief Executive, Corporate Director of Governance and Monitoring Officer and finally the Director of Communities left in 2022-23.

Following on from these changes an interim Chief Executive was appointed July 2022 with the remit of moving forward with the Independent Monitoring Officer recommendations and this included, but was not limited to, delivering a restructure of the Senior Management Team. This restructure has now been delivered with appointments being made to the new Director of Corporate Services & Section 151 Officer, Director of Environment and the Director of Place.

# Notes Supporting the Comprehensive Income & Expenditure Statement

## 5. Expenditure and Funding Analysis

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

The 2019-20 figures have been restated to include detail of the net expenditure reported to management (Col. 1), and the adjustments required to arrive at the amount chargeable to the General Fund and HRA balances (Col. 2). Columns 3, 4 and 5 remain unchanged and are shown as they were reported in the audited 2019-20 statement of accounts.

### Restated for year ended 31 March 2020

	Reported for Resource Management	Adj's to arrive at The Net Expenditure chargeable to GF & HRA Balances	Net Expenditure chargeable to GF & HRA Balances	Adjustment between Funding & Accounting Basis	Net Expenditure in the CIES
	£'000s	£'000s	£'000s	£'000s	£'000s
Chief Executive	486	(1)	485	-	485
Deputy Chief Executive & Section 151 Officer	739	52	791	3,624	4,415
- Dreamland revaluation accounting adjustment	-	(19,497)	(19,497)	19,497	-
Director of Operations & Commercial Services	6,416	3,523	9,939	-	9,939
Director of Corporate Governance	3,633	393	4,026	-	4,026
- Dreamland revaluation	-	19,497	19,497	-	19,497
East Kent Shared Services	3,724	4	3,728	-	3,728
<b>Cost of Services</b>	<b>14,998</b>	<b>3,971</b>	<b>18,969</b>	<b>23,121</b>	<b>42,090</b>
Other Income and Expenditure	2,259	(20,095)	(17,836)	1,014	(16,822)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>17,257</b>	<b>(16,124)</b>	<b>1,133</b>	<b>24,135</b>	<b>25,268</b>
<b>Opening GF &amp; HRA balance as at 31 March</b>			<b>(25,317)</b>		
Surplus on General Fund & HRA balance in year			1,133		
<b>Closing GF &amp; HRA balance as at 31 March</b>			<b>(24,184)</b>		

For year ended 31 March 2021

	Reported for Resource Management	Adj's to arrive at The Net Expenditure chargeable to GF & HRA Balances	Net Expenditure chargeable to GF & HRA Balances	Adjustment between Funding & Accounting Basis	Net Expenditure in the CIES
	£'000s	£'000s	£'000s	£'000s	£'000s
Chief Executive	1,089	(3)	1,086	1	1,087
Deputy Chief Executive & Section 151 Officer GF & HRA	2,965	(1,538)	1,427	14,463	15,890
Corporate Director - Communities	8,254	4,157	12,411	-	12,411
Corporate Director - Governance	3,731	(347)	3,384	-	3,384
East Kent Shared Services	3,534	(6)	3,528	-	3,528
<b>Cost of Services</b>	<b>19,573</b>	<b>2,263</b>	<b>21,836</b>	<b>14,464</b>	<b>36,300</b>
Other Income and Expenditure	(4,012)	(28,033)	(32,045)	10,492	(21,553)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>15,561</b>	<b>(25,770)</b>	<b>(10,209)</b>	<b>24,956</b>	<b>14,747</b>
<b>Opening GF &amp; HRA balance as at 31 March</b>			<b>(24,184)</b>		
Surplus on General Fund & HRA balance in year			(10,209)		
<b>Closing GF &amp; HRA balance as at 31 March</b>			<b>(34,393)</b>		

The adjustments to arrive at the net expenditure chargeable to the General Fund and HRA balances in the table above relate to items of expenditure not directly incurred in the cost of providing day to day services. The £4.157m under the Corporate Director - Communities for example includes charges for depreciation and the downward revaluation of assets, which are not required to be reported to management for budget monitoring purposes during the year.

The £28.033m under other income and expenditure relates mainly to the transfer of Council Tax and Business Rates income from the billing authorities Collection Fund to the General Fund at the year end in accordance with statute, but also includes an additional £9.553m of S31 grants received from Central Government to finance the payment of Covid19 reliefs awarded to business ratepayers during the pandemic.

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

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

31 March 2020				31 March 2021				
Capital Purposes	Net Change for Pensions	Other Statutory Differences	Total	Adjustments from General Fund & HRA to arrive at the Comprehensive Income & Expenditure Statement amounts	Capital Purposes	Net Change for Pensions	Other Statutory Differences	Total
£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s
328	3,461	(165)	<b>3,624</b>	Deputy Chief Executive & Section 151 Officer	7,592	6,257	615	<b>14,464</b>
19,497	-	-	<b>19,497</b>	- Dreamland revaluation adjustment	-	-	-	-
<b>19,825</b>	<b>3,461</b>	<b>(165)</b>	<b>23,121</b>	<b>Cost of Services</b>	<b>7,592</b>	<b>6,257</b>	<b>615</b>	<b>14,464</b>
1,851	-	-	<b>1,851</b>	Other Operating Expenditure	536	-	-	<b>536</b>
(1,126)	-	-	<b>(1,126)*</b>	Financing and Investment Income and Expenditure (GF)	(512)	-	-	<b>(512)</b>
20	-	-	<b>20*</b>	Financing and Investment Income and Expenditure (HRA)	-	-	-	-
-	-	270	<b>270</b>	Taxation and Non-Specific Grant Income and Expenditure	-	-	10,468	<b>10,468</b>
<b>745</b>	-	<b>270</b>	<b>1,015</b>		<b>24</b>	-	<b>10,468</b>	<b>10,492</b>
<b>20,570</b>	<b>3,461</b>	<b>105</b>	<b>24,136</b>	<b>Difference between General Fund &amp; HRA (Surplus)/Deficit and Comprehensive Income &amp; Expenditure Statement (Surplus)/Deficit on the Provision of Services</b>	<b>7,616</b>	<b>6,257</b>	<b>11,083</b>	<b>24,956</b>

\*Financing and Investment Income and Expenditure was not split out by GF and HRA in 2019-20 audited statements. For comparative purposes the balances above have been restated to show their separate components..



## 6. Expenditure and Income Analysed by Nature

The 2019-20 figures have been restated to disclose the Housing Revenue Account and General Fund, and the Council Tax and National Non-Domestic Rates separately. Col. 1 in the table below shows the balances as reported in the audited statement of accounts, the following three columns show the restated balances. The Deficit on Provision of Services Total of £25.268m remains unchanged, however due to the increased analysis, the restated values in the rows marked with an \* have changed.

The Investment Properties value decrease in the Expenditure section in 2019-20 was zero, and is now £20k, changing the Expenditure Total from £138.943m to £138.963m. The Council Tax and National Non-Domestic Rates in the Income section were reported together in 2019-20 £(18.856)m and are now reported separately as £(12.075)m and £(6.781)m. The Investment Properties value increase in the Income section in 2019-20 was £(1.106)m, and is now £(1.126)m, changing the Income Total from £(113.675)m to £(113.695)m.

<sup>1</sup> Other services expenses include contractual payments to suppliers for the delivery of services such as our Revenues and Benefits service and Repairs and Maintenance for our housing stock.

Original 2019-20 Total £'000s	Restated 2019-20			Expenditure	2020-21		
	G Fund £'000s	HRA £'000s	Total £'000s		G Fund £'000s	HRA £'000s	Total £'000s
23,892	23,270	622	23,892	Employee benefits expenses	27,523	1,882	29,405
41,914	41,914	-	41,914	Housing benefit expenditure	41,086	-	41,086
33,996	25,880	8,116	33,996	Other service expenses	33,563	8,016	41,579
356	356	-	356	Expenditure on investment properties	265	-	265
232	232	-	232	Payments to the housing capital receipts pool	196	-	196
218	218	-	218	Loss on trading undertakings	233	-	233
807	807	-	807	Impairment of financial instruments	491	-	491
2,101	2,101	-	2,101	Net Interest on the Net Defined Benefit Liability	2,169	-	2,169
30,927	24,469	6,458	30,927	Depreciation, amortisation, impairment and revaluation	4,962	11,042	16,004
-	-	20	20	* Decrease in the value of Investment Property	-	-	-
1,619	112	1,507	1,619	Loss on disposal of non-current assets	-	464	464
1,034	316	718	1,034	Interest payments	294	659	953
1,847	1,847	-	1,847	Parish and Town Council Precepts	2,168	-	2,168
<b>138,943</b>	<b>121,522</b>	<b>17,441</b>	<b>138,963</b>	*	<b>112,950</b>	<b>22,063</b>	<b>135,013</b>
(26,491)	(26,491)	-	(26,491)	<b>Income</b>	(25,358)	-	(25,358)
(13,823)	-	(13,823)	(13,823)	Fees and charges and other service income <sup>1</sup>	-	(14,447)	(14,447)
	(12,075)	-	(12,075)	Rent and other income associated with the HRA			
(18,856)	(6,781)	-	(6,781)	* Council Tax	(12,432)	-	(12,432)
(10,039)	(9,163)	(876)	(10,039)	* National Non-Domestic Rates	(6,598)	-	(6,598)
				Government grants and contributions - Note 15	(19,301)	(240)	(19,541)
(41,954)	(41,954)	-	(41,954)	Housing Benefit subsidy (inc. CT Hardship Relief)	(40,001)	-	(40,001)
-	-	-	-	(Gain) on disposal of non-current assets	(123)	-	(123)
(1,106)	(1,126)	-	(1,126)	* Increase in the value of Investment Property	(512)	-	(512)
(1,045)	(1,045)	-	(1,045)	Income from investment properties	(1,132)	-	(1,132)
(361)	(174)	(187)	(361)	Interest and investment income	(65)	(57)	(122)
<b>(113,675)</b>	<b>(98,809)</b>	<b>(14,886)</b>	<b>(113,695)</b>	*	<b>(105,522)</b>	<b>(14,744)</b>	<b>(120,266)</b>
<b>25,268</b>	<b>22,713</b>	<b>2,555</b>	<b>25,268</b>	<b>Deficit on Provision of Services</b>	<b>7,428</b>	<b>7,319</b>	<b>14,747</b>

## 6a. Segmental Analysis

Table 1 below reports the original analysis as per the 2019-20 audited statement of accounts. Table 2 reports the restated 2019-20 figures which now discloses GF and HRA figures separately for the Deputy Chief Executive & S151 Officer directorate, and removes £1.32m Investment Property and Trading operation income which was included in error in the Director of Corporate Governance directorate. The rows marked with an \* have changed as follows:

<b>Table 1 - Original 2019-20</b>	<b>Revenue from Contracts with Service Recipients £'000s</b>	<b>Interest Revenue £'000s</b>	<b>Interest Expense £'000s</b>	<b>Depreciation &amp; Amortisation £'000s</b>
<b>Directorate</b>				
Chief Executive	(7)	-	-	5
* Deputy Chief Executive & S151 Officer	(4,194)	(361)	1,034	6,657
Corporate Director - Communities	(12,963)	-	-	3,650
* Director of Corporate Governance	(3,268)	-	-	606
- Dreamland revaluation	-	-	-	19,497
East Kent Shared Services	(7,379)	-	-	-
<b>* Total</b>	<b>(27,811)</b>	<b>(361)</b>	<b>1,034</b>	<b>30,415</b>

<b>Table 2 - Restated 2019-20</b>	<b>Revenue from Contracts with Service Recipients £'000s</b>	<b>Interest Revenue £'000s</b>	<b>Interest Expense £'000s</b>	<b>Depreciation &amp; Amortisation £'000s</b>
<b>Directorate</b>				
Chief Executive	(7)	-	-	5
* Deputy Chief Executive & S151 Officer - GF	(4,194)	(173)	316	199
* Deputy Chief Executive & S151 Officer - HRA	-	(187)	718	6,458
Corporate Director - Communities	(12,963)	-	-	3,650
* Director of Corporate Governance	(1,948)	-	-	606
- Dreamland revaluation	-	-	-	19,497
East Kent Shared Services	(7,379)	-	-	-
<b>* Total</b>	<b>(26,491)</b>	<b>(360)</b>	<b>1,034</b>	<b>30,415</b>

In regard to the £1.32m correction, the Revenue from Contracts with Service Recipients (Director of Corporate Governance) was reported in 2019-20 as £(3.268)m and has been corrected to £(1.948)m, changing the respective Totals from £(27.811)m to £(26.491)m. In regard to the separate disclosure of the GF and HRA figures, the (Deputy Chief Executive & S151 Officer) original and restated values can be seen in the rows above.

Revenue from Contracts with Service Recipients represents income from fees, charges and other service income, as shown in note 6. This includes, but is not limited to, income from Parking £2.789m (2019-20 £3.635m), Port and Harbours £3.314m (2019-20 £4.222m) and Garden Waste Collection £642k (2019-20 £547k).

<b>2020-21 Directorate</b>	<b>Revenue from Contracts with Service Recipients £'000s</b>	<b>Interest Revenue £'000s</b>	<b>Interest Expense £'000s</b>	<b>Depreciation &amp; Amortisation £'000s</b>
Chief Executive	(46)	-	-	5
Deputy Chief Executive & S151 Officer - GF	(3,921)	(64)	294	245
Deputy Chief Executive & S151 Officer - HRA	-	(57)	659	11,042
Corporate Director - Communities	(12,098)	(1)	-	4,493
Corporate Director - Governance	(1,750)	-	-	219
East Kent Shared Services	(7,543)	-	-	-
<b>Total</b>	<b>(25,358)</b>	<b>(122)</b>	<b>953</b>	<b>16,004</b>

The management fee income from the shared service partners (East Kent Shared Services) is the only material revenue from contracts and is disclosed in the table:

## 7. Other Operating Expenditure

<b>2019-20 £'000s</b>		<b>2020-21 £'000s</b>
1,847	Parish and Town Council Precepts	2,167
232	Payments to the Housing Capital Receipts Pool	196
1,619	(Gains)/Losses on the disposal of non-current assets	340
<b>3,698</b>	<b>Total</b>	<b>2,703</b>

## 8. Financing and Investment Income and Expenditure

2019-20 Original £'000s	2019-20 Restated £'000s		2020-21 £'000s
1,034	1,034	Interest Payable and Similar Charges	953
807	807	Impairment of Financial Assets	491
2,101	2,101	Net Interest on the Net Defined Benefit Liability	2,169
(361)	(361)	Interest Receivable and similar income	(122)
218	218	(Gain)/Loss on Trading Operations - Building Control	233
(689)	(689)	Income and Expenditure on investment properties - Note 21	(866)
(1,106) <sup>1</sup>	(1,126)	Increase in the value of GF investment properties - Note 21	(512)
-	20	Decrease in the value of HRA investment properties - Note 21	-
<b>2,004</b>	<b>2,004</b>	<b>Total</b>	<b>2,346</b>

In the 2019-20 audited statement of accounts, the increase/decrease in the value of investment properties was reported combined for GF and HRA £(1.106)m<sup>1</sup>. These balances have now been restated to show the GF and HRA balances separately.

## 9. Taxation and Non-Specific Grant Income and Expenditure

2019-20 Original £'000s	2019-20 Restated £'000s		2020-21 £'000s
(12,075)	(12,075)	Council Tax Income	(12,432)
(15,213) <sup>1</sup>	(12,795)	National Non-Domestic Rates Income	(4,020)
-	(2,418)	S31 Grant - National Non-Domestic Rates (NNDR)	(11,147)
8,432	8,432	National Non-Domestic Rates Expenditure (Tariff)	8,569
(1,076)	(1,076)	Non Ring Fenced Government Grants - Note 15	(6,602)
(2,592)	(2,592)	Capital Grants and Contributions - Note 15	(970)
<b>(22,524)</b>	<b>(22,524)</b>	<b>Total</b>	<b>(26,602)</b>

In the 2019-20 audited statement of accounts, the S31 Grant (NNDR) was reported within the National Non-Domestic Rates Income balance of £(15.213)m<sup>1</sup>. These balances have now been restated to show the NNDR Income and S31 Grant balances separately.

## 10. On Street Parking Services

The Council administers and controls the on-street parking services on behalf of Kent County Council. In accordance with the Road Traffic Regulation Act 1984 any surpluses from on-street parking are held in a ring fenced account and are used by the Council for future investment in the local transport infrastructure within the area.

As an improvement to disclosure, the analysis of the Net Cost of Service has been expanded to report the in year (Surplus)/Deficit in addition to the income and expenditure associated with on-street parking. Table 1. below reports the analysis as per the 2019-20 audited statement of accounts, and Table 2. reports the additional information for both years.

<b>Table 1.</b>	<b>Original 2019-20 £'000s</b>	<b>Table 2. Net Cost of Service</b>	<b>Restated 2019-20 £'000s</b>	<b>2020-21 £'000s</b>
<b>Net Cost of Service</b>		Gross Income	(1,687)	(1,973)
<b>Balance Brought Forward</b>	<b>(975)</b>	Gross Expenditure	1,542	1,407
Gross Expenditure	1,542	Movement in Provision for unpaid fines	(31)	470
Movement in Provision for unpaid fines	(31)	<b>Annual (Surplus)/Deficit</b>	<b>(176)</b>	<b>(96)</b>
Use of Reserve	-	<b>Balance Brought Forward</b>	<b>(975)</b>	<b>(1,151)</b>
Gross Income	(1,687)	Allocation of annual (surplus)/deficit	(176)	(96)
<b>Balance Carried Forward</b>	<b>(1,151)</b>	Use of Reserve	-	555
		<b>Balance Carried Forward</b> - Note 17	<b>(1,151)</b>	<b>(692)</b>

The Council agreed a four year programme with Kent County Council in 2019-20 to invest the funding held in this account in a number of schemes that will deliver enhanced parking and transport infrastructure for the district. The £555k use of the reserve in 2020-21 reflects the utilisation of prior year surpluses to finance these schemes.

In addition to on-street parking the Council also operates a number of off-street car parks, such as Mill Lane in Margate and the Royal Harbour car park in Ramsgate, and generates an element of fines income from these which is used to offset the cost of enforcement in accordance with the Road Traffic Regulation Act 1984 . In 2020-21 the Council collected £110k in fines income from all off-street parking (£110k in 2019-20).

## 11. Members' Allowances

2019-20 £'000s		2020-21 £'000s
355	Allowances	356
-	Expenses	-
<b>355</b>	<b>Total</b>	<b>356</b>

Member allowances are informed by the recommendations of the East Kent Joint Independent Remuneration Panel (EKJIRP). The allowances scheme goes to Council twice, once to agree the draft scheme which is then sent to EKJIRP (6 Feb 20) and the second time to consider any recommendations they may have. The 2020-21 scheme was approved at the Council meeting on 9 July 2020 (the March and May meetings having been cancelled due to the pandemic). These allowances are provided to 56 Members.

## 12. Remuneration of Employees

The remuneration paid to the Council's senior officers is as follows:

2019-20	Salary	Fees & allow.	Other Cash Benefits	Total Remun. excl. pension contribs	Pension contribs	Total Incl. pension contribs
Post Holder	£	£	£	£	£	£
Chief Executive (2)	123,948	18,845	5,000	<b>147,793</b>	22,365	<b>170,158</b>
Deputy Chief Executive & S151 Officer	107,796	772	4,500	<b>113,068</b>	16,924	<b>129,992</b>
Corporate Director - Governance	98,484	624	4,000	<b>103,108</b>	15,462	<b>118,570</b>
Corporate Director - Communities	98,484	-	4,000	<b>102,484</b>	15,462	<b>117,946</b>
Head of Shared Services (1)	36,256	-	1,604	<b>37,860</b>	4,973	<b>42,833</b>
<b>Total</b>	<b>464,968</b>	<b>20,241</b>	<b>19,104</b>	<b>504,313</b>	<b>75,186</b>	<b>579,499</b>

**Note 1** - The Chief Information Officer post was deleted as part of a restructure in November 2019, no longer being a senior officer post, and was replaced with the Head of ICT which is not classified as a senior officer post either. The Head of Shared Services left in September 2019 and the Head of Finance & Deputy S151 Officer agreed to take on the additional responsibilities from that point on a part time interim basis with no additional remuneration (total from Sept 2019 to March 2020 £31,479).

**Note 2** - The increase in fees and allowances for the Chief Executive in 2019-20 primarily relates to payments for their additional responsibilities as the Returning Officer for a number of elections within this municipal year, including the December 2019 general election and May 2019 local elections.

2020-21	Salary	Fees & allow.	Other cash benefits	Total Remun. excl. pension contribs	Pension contribs	Total incl. pension contribs
Post Holder	£	£	£	£	£	£
Chief Executive	128,460	130	5,000	<b>133,590</b>	24,432	<b>158,022</b>
Deputy Chief Executive & S151 Officer	111,732	-	4,500	<b>116,232</b>	21,229	<b>137,461</b>
Corporate Director - Communities	100,464	-	4,000	<b>104,464</b>	19,088	<b>123,552</b>
Corporate Director - Governance	100,464	-	4,000	<b>104,464</b>	19,088	<b>123,552</b>
Director of Law and Democracy	75,715	-	3,000	<b>78,715</b>	14,386	<b>93,101</b>
Director of Operations	73,984	1,492	3,000	<b>78,476</b>	14,221	<b>92,697</b>
Director of Finance	71,580	534	3,500	<b>75,614</b>	13,600	<b>89,214</b>
Director of Neighbourhoods	71,808	130	3,000	<b>74,938</b>	13,668	<b>88,606</b>
Director of Housing and Planning	70,668	-	3,000	<b>73,668</b>	13,427	<b>87,095</b>
Director of Communications	66,120	-	3,000	<b>69,120</b>	12,563	<b>81,683</b>
Director of Property*	53,783	-	2,355	<b>56,138</b>	12,721	<b>68,859</b>
Director of Strategic Partnerships**	41,147	-	-	<b>41,147</b>	7,818	<b>48,965</b>
<b>Total</b>	<b>965,925</b>	<b>2,286</b>	<b>38,355</b>	<b>1,006,566</b>	<b>186,241</b>	<b>1,192,807</b>

\*Director of Property - pay deductions due to a period of absence

\*\* Director of Strategic Partnerships - part time (0.61 FTE)

The Council's Corporate Management Team was expanded to include Service Directors during 2020-21. Prior to this, these roles were titled as Heads of Service and so previously were not considered to meet the criteria required for disclosure in the tables above. As such, payments for Heads of Service in 2019-20 are disclosed in the Bandings Table below.





During the last quarter of 2020-21 KCC were reimbursed for three early retirement payments in relation to 2019-20 redundancy exits. These were not known at the time of reporting the 2019-20 position so were not reported in the previous table. For completeness, the table below now includes those additional payments in the corresponding band for 2019-20. The Total Number of Compulsory Redundancies did not change and remains as 11, and the Total Number of packages did not change from 18, however the inclusion of the payment has changed which band it is reported in. As a result, the amounts reported in Total cost of packages have increased from £362k to £511k.

Restated table Bands	Number of Compulsory Redundancies		Number of other departures		Total Number of packages in each band		Total cost of packages in each band	
	19-20	20-21	19-20	20-21	19-20	20-21	19-20 £'000	20-21 £'000
0 - 20,000	5	3	2	-	7	3	48	21
20,001 - 40,000	4	5	5	-	9	5	260	159
40,001 - 60,000	-	-	-	-	-	-	-	-
60,001 - 80,000	1	1	-	-	1	1	71	61
80,001 - 100,000	-	-	-	-	-	-	-	-
100,001 - 120,000	-	-	-	-	-	-	-	-
120,001 - 140,000	1	-	-	-	1	-	132	-
<b>Total Cost Included in Bandings</b>							<b>511</b>	<b>241</b>

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

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

The Council terminated the contracts of 9 employees in 2020-21, these were all compulsory redundancies required to generate savings to balance the 2021-22 budget. Within the total payment of £241k there were no enhancements of retirement benefits.

### 13. External Audit Costs

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

2019-20 Original £'000s	2019-20 Restated £'000s	Fees payable to external auditors	2020-21 £'000s
58 <sup>1</sup>	58	Fees Payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	82
-	(5)	Statutory Inspections/Objections	-
-	-	Other Services - (Dreamland/Covid-19)	21
44	44	Fees Payable to Grant Thornton LLP with regard to Certification of grant claims and returns	45
<b>97</b>	<b>97</b>	<b>Total</b>	<b>148</b>

Total Fees payable to Grant Thornton were correctly reported in the 2019-20 audited statement of accounts as £97k, however the breakdown was incorrect as the Statutory Inspection/Objection element of the charge was omitted from the table. The £58<sup>1</sup> reported in the original column is the Fees Payable element only. The 2019-20 table has been restated in Col. 2. to show the correct breakdown of the £97k.

The fees paid in the financial year 2020-21 relate to the audit of the Council's 2019-20 accounts. The increase in external audit services fee in 2020-21 was due to increased costs associated with remote auditing enforced by the pandemic, objections relating to the statements and also consideration of matters relating to the accounting for the disposal of Dreamland, and are reported above separately.

## 14. Port and Harbours

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

2019-20	Port of Ramsgate £'000s	Ramsgate Royal Harbour £'000s	Broadstairs Harbour £'000s	Margate Harbour £'000s	Total £'000s
Income	(1,502)	(2,618)	(94)	(8)	(4,222)
Expenditure	3,341	2,333	47	45	5,766
<b>(Surplus)/Deficit</b>	<b>1,839</b>	<b>(285)</b>	<b>(47)</b>	<b>37</b>	<b>1,544</b>
Less accounting adjustments:					
Capital Charges	(1,513)	25	(10)	(2)	(1,500)
IAS19 Pension Adjustments	(136)	(259)	(2)	(1)	(398)
<b>Funding Position - (Surplus)/Deficit</b>	<b>190</b>	<b>(519)</b>	<b>(59)</b>	<b>34</b>	<b>(354)</b>
Corporate Overheads (Included within Expenditure)	87	129	7	1	224

2020-21	Port of Ramsgate £'000s	Ramsgate Royal Harbour £'000s	Broadstairs Harbour £'000s	Margate Harbour £'000s	Total £'000s
Income	(994)	(2,224)	(89)	(7)	(3,314)
Expenditure	3,422	1,959	76	21	5,478
<b>(Surplus)/Deficit</b>	<b>2,428</b>	<b>(265)</b>	<b>(13)</b>	<b>14</b>	<b>2,164</b>
Less: accounting adjustments					
Capital Charges	(1,285)	253	(44)	(2)	(1,078)
IAS19 Pension Adjustments	(100)	(195)	(2)	(1)	(298)
<b>Funding Position - (Surplus)/Deficit</b>	<b>1,043</b>	<b>(207)</b>	<b>(59)</b>	<b>11</b>	<b>788</b>
Corporate Overheads (Included within Expenditure)	89	135	10	1	235

The table disclosed above shows an accounting loss of approximately £2m (£1.5m 2019-20), in accordance with generally accepted accounting practices. However, this position includes items that do not impact the service or council tax payers.

After removing accounting adjustments for capital purposes and pension accounting the service recorded a loss of £788k £(354)k surplus 2019-20) from a funding perspective. This includes a £563k provision for revenue costs associated with the berth 4/5 capital project.

## 15. Grant Income

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

### Credited to Taxation and Non Specific Grant Income

In order to provide more detail, significant grants greater than £50k are now presented individually and, where grants from certain funders were less than £50k, these are now presented under Other Minor Grants (<£50k). The comparative total remains the same at £(3.668)m, and Col.1 below reports the original breakdown as per the audited 2019-20 statement of accounts. Col. 2 reports the restated position, either in more, or less detail. Where a category has been expanded, the original figure agrees to the sum of the new individual lines.

Where there has been a reclassification between categories, these are marked below in Col. 1 as <sup>1</sup>, <sup>2</sup> and <sup>3</sup> (see pg 98 for further details).

Original 2019-20 £'000s	Restated 19-20 £'000s	Grant	Covid £'000s	Non-Covid £'000s	2020-21 £'000s
(103)	(103)	Department of Work & Pensions - HB Reform	-	-	-
(97)	(97)	Revenue Support Grant (RSG)	-	(99)	(99)
(600)	(600)	New Homes Bonus	-	(118)	(118)
-	-	BEIS - Covid New Burdens Delivery Costs	(318)	-	(318)
	(324)	Environment Agency - Epple Bay Sea Wall-Grenham to Minnis	-	-	-
(1,658)	(1,161)	Environment Agency - Ramsgate Timber Groynes	-	(30)	(30)
	(173)	Environment Agency - Thanet Groyne Refurbishment	-	-	-
(58) <sup>1</sup>	(75)	Heritage Lottery Fund - Ellington Park	-	(406)	(406)
(720)	(720)	Homes England-15-18 Affordable Homes Programme	-	(240)	(240)
(137) <sup>2</sup>	(106)	KCC-SELEP-CCF-Housing Led Regeneration	-	-	-
	-	MHCLG - Brexit Readiness Funding	-	(118)	(118)
	(89)	MHCLG - Emergency Coronavirus Funding	(2,889)	-	(2,889)
		MHCLG - Fees and Charges	(483)		(483)
(245) <sup>3</sup>		MHCLG - TIG	(701)		(701)
		MHCLG - Council Tax Hardship Fund	(1,645)		(1,645)
	(110)	MHCLG - Homelessness Reduction Act	-	(295)	(295)
(50)	(50)	Section 106 developer contributions	-	(136)	(136)
-	(60) <sup>A</sup>	Other Minor Grants (<£50k)	(4)	(89)	(93)
<b>(3,668)</b>	<b>(3,668)</b>	<b>Total</b>	<b>(6,040)</b>	<b>(1,531)</b>	<b>(7,571)</b>

Annex 1  
Agenda Item 5

- Included within the original £(58)k<sup>1</sup> was a grant, Original Historic Grants £17k
- Included within the original £(137)k<sup>2</sup> was a £(31)k grant from KCC
- Included within the original £(245)k<sup>3</sup> were a number of small MHCLG grants totalling £(46)k
- These are now all presented in the above table under Other Minor Grants (<£50k) and are included within the restated figure of £(60)k<sup>A</sup>

### Credited to Services

In order to provide more detail, minor grants under £50k are now grouped and presented separately under Other Minor Grants (<£50k). The creation of this new category, now reporting a balance of £(446)k<sup>A</sup>, means that the original grouped totals marked <sup>1-9</sup> have changed when restated. The comparative total however remains the same at £(49.996)m, and Col.1 below reports the original breakdown as per the audited 2019-20 statement of accounts. Col. 2 reports the restated position.

Original 2019-20 £'000s	Restated 2019-20 £'000s	Grant	Covid £'000s	Non-Covid £'000s	2020-21 £'000s
-	-	BEIS-ARG	(4,032)	-	(4,032)
	(546)	DWP - Benefits Admin Grant	-	(534)	(534)
	(472)	DWP - Discretionary Housing Payments	-	(647)	(647)
<u>(42,121)<sup>1</sup></u>	(44)	DWP - Housing Benefit Reform	-	(92)	(92)
	(35,041)	DWP - Rent Allowances	-	(34,802)	(34,802)
	(5,895)	DWP - Rent Rebates	-	(5,357)	(5,357)
<sup>2</sup>	(80)	Forestry Commission - Thanet Community Forest	-	(94)	(94)
(132) <sup>3</sup>	(101)	HLF - Dalby Square Delivery Phase	-	-	-
	-	KCC - Containment Outbreak Management	(207)	-	(207)
	-	KCC - Emergency Assistance Grant - Covid-19	(86)	-	(86)
<u>(546)<sup>4</sup></u>	-	KCC - Winter Grant Scheme	(78)	-	(78)
	(539)	KCC - Council Tax Discount Scheme	-	(530)	(530)
	-	KCC - SPD Project and Kin	-	(60)	(60)
<sup>5</sup>	(80)	Kent Police - Council Tax Discount Scheme	-	(50)	(50)
<sup>6</sup>	(83)	MHCLG - Coastal Revival Fund	-	(3)	(3)
	(49)	MHCLG - Brexit Readiness Funding	-	(69)	(69)
	-	MHCLG - Covid-19 - LADGF - Business Support	(1,665)	-	(1,665)
	-	MHCLG - ERDF Reopening High Streets Safe	(107)	-	(107)

	(11)	MHCLG - Future High Streets Fund	-	(89)	(89)
	-	MHCLG - Next Steps Funding	(96)	-	(96)
	-	MHCLG - Project+	(125)	-	(125)
	-	MHCLG - Test and Isolate	(76)	-	(76)
	-	MHCLG - Towns Funds	-	(58)	(58)
	(218)	MHCLG - Controlling Migration Fund	-	(26)	(26)
<u>(4,953)<sup>7</sup></u>	(2,818)	MHCLG - Disabled Facility Grant	-	(3,052)	(3,052)
	(416)	MHCLG - Flexible Homelessness Support Grant	-	(422)	(422)
	(227)	MHCLG - LCTS Admin Grant	-	(223)	(223)
	(489)	MHCLG - Rapid Rehousing Pathway	-	(73)	(73)
	(524)	MHCLG - G-RSI	-	(1,216)	(1,216)
	(50)	MHCLG - Winter Fund	-	(4)	(4)
<u>(197)</u>	<u>(197)</u>	<u>NNDR</u>	<u>-</u>	<u>(197)</u>	<u>(197)</u>
	(449)	Section 106 Capital	-	(145)	(145)
<u>(486)</u>	<u>(37)</u>	<u>Section 106 Revenue</u>	<u>-</u>	<u>(90)</u>	<u>(90)</u>
<u>(1,560)<sup>8</sup></u>	<u>(1,184)</u>	Other Contributions	-	(656)	(656)
<u>-<sup>9</sup></u>	<u>(446)<sup>A</sup></u>	Other Minor Grants (<£50k)	(76)	(245)	(321)
<b><u>(49,996)</u></b>	<b><u>(49,996)</u></b>	<b>Total</b>	<b><u>(6,548)</u></b>	<b><u>(48,734)</u></b>	<b><u>(55,282)</u></b>

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

#### Capital Grants Receipts In Advance

2019-20 £'000s	Grant	2020-21 £'000s
(328)	Environment Agency	(342)
(1,368)	Ministry of Housing, Communities & Local Government (MHCLG)	(2,261)
-	Business Energy & Industrial Strategy (BEIS)	(1,096)
(1,636)	Section 106 developer contributions	(1,983)
(449)	Regional Housing Board	(471)
<b><u>(3,781)</u></b>	<b>Total</b>	<b><u>(6,153)</u></b>

The BEIS grant receipts of £(1.096)m relate to funding for the Public Sector Decarbonisation scheme.

## Revenue Grants Receipts in Advance

In 2019-20, a number of small grants were reported in one 'Other Grants' category. To provide more detail these are now presented individually. The comparative total remains the same at £(2.431)m, and Col.1 below reports the original breakdown as per the audited 2019-20 statement of accounts. Col. 2 reports the restated position, showing the individual grants. These are marked below in Col. 3 with an \*, and total the original figure in Col. 1 of £(160)k.

Original 19-20 £'000s	Restated 19-20 £'000s	Grant	2020-21 £'000s
(246)	(246)	Department of Work & Pensions	(223)
(119)	(119)	His Majesty's Revenue & Customs (HMRC)	(107)
(527)	(527)	Kent County Council	(715)
(22)	(22)	Kent Police & Crime Commissioner	(39)
(1,192)	(1,192)	Ministry of Housing, Communities & Local Government	(1,871)
(150)	(150)	Section 106 developer contributions	(147)
(15)	(15)	Thanet Coast Project	-
-	-	Business Energy & Industrial Strategy (BEIS)	(7,562)
-	-	Coastal Communities Fund	(8)
-	-	GWUK	(1)
-	-	Historical England	(66)
-	-	Margate Task Force	(17)
-	-	Sports Funding	(5)
-	(3)	*Community Safety Partnership	(3)
-	(18)	*DEFRA	(8)
-	(10)	*East Kent Local Strategic Partnership	(5)
-	(75)	*Environment Agency	(55)
-	(2)	*GOSE	(2)
-	(28)	*Homes England	(27)
-	(6)	*Kent Fire	(6)
-	(4)	*Kent Police	(4)
-	(9)	*LGA	(12)
-	(5)	*WRAP	(5)
(160)*	-	Other Grants	-
<b>(2,431)</b>	<b>(2,431)</b>	<b>Total</b>	<b>(10,888)</b>



The BEIS grant receipts £(7.562)m relate to Local Restrictions Support Grant (LRSG) to support local businesses during successive lockdowns as a result of the coronavirus pandemic.

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

<b>2019-20</b> <b>£'000s</b>		<b>2020-21</b> <b>£'000s</b>
(2,431)	Revenue – Short Term	(10,888)
(3,504)	Capital – Short Term	(5,791)
(277)	Capital – Long Term	(362)
<u><b>(6,212)</b></u>	<b>Total</b>	<u><b>(17,041)</b></u>

### Payments as an Agent

The Council also administered the following Covid-19 related payments to business in an agency capacity, as such the figures below are not recognised in the Council's accounts.

<b>2019-20</b> <b>£'000s</b>		<b>2020-21</b> <b>£'000s</b>
-	BEIS - Wet-led Pub Grants	127
-	BEIS - LRSG	16,413
-	MHCLG - Covid-19/Coronavirus	33,175
-	MHCLG - Test and Isolate	267
-	MHCLG - Your Leisure	320
<u>-</u>	<b>Total</b>	<u><b>50,302</b></u>

## Notes Supporting the Movement in Reserves Statement

### 16. Adjustments Between Accounting Basis and Funding Basis under Regulations

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

In the table below, the rows marked below with an \* have been restated to reflect the funding of Disabled Facility Grant expenditure £(3.362)m as REFCUS instead of Capital grants. The GF Balance in Col. 1 reports £5.418m and £(3,874)m, and the Movement in Unusable Reserve balances in Col. 6 reports £(6.294)m and £3.874m respectively, whereas the audited statement of accounts reported these as £2.056m and £(512)k in Col.1, and as £(2.932)m and £512k in Col.6.

Restated 2019-20	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
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
Depreciation and impairment of non-current assets	(4,162)	-	-	(4,449)	-	8,611
Revaluation losses of non-current assets	(19,772)	(2,009)	-	-	-	21,781
Movements in the fair value of investment properties	1,126	(20)	-	-	-	(1,106)
Amortisation of intangible assets	(24)	-	-	-	-	24
<b>* Capital grants and contributions applied</b>	<b>5,418</b>	<b>876</b>	-	-	-	<b>(6,294)</b>
<b>* Revenue expenditure funded from capital under statute (REFCUS)</b>	<b>(3,874)</b>	-	-	-	-	<b>3,874</b>
Amount of non-current assets written off to C I & E on disposal as part of the gain/loss	(395)	(3,556)	-	-	-	3,951
Statutory provision for repayment of debt	1,203	839	-	-	-	(2,042)
Capital expenditure charged to the General Fund and HRA	111	1,626	-	-	-	(1,737)

**Adjustments primarily involving the Capital Receipts Reserve (CRR)**

Cash sale proceeds credited to the C I & E as part of the gain/loss on disposal	283	2,049	(2,332)	-	-	-
Costs of disposal funded from capital receipts	(29)	(27)	27	-	-	29
Use of CRR to repay debt	-	-	(7)	-	-	7
Use of the CRR to finance new capital expenditure	-	-	2,975	-	-	(2,975)
Use of the CRR to finance payments to the Government capital receipts pool	(232)	-	232	-	-	-
Transfer from deferred capital receipts	-	-	(2)	-	-	2

**Adjustments primarily involving the Major Repairs Reserve (MRR)**

Use of the MRR to finance new capital expenditure	-	-	-	1,745	-	(1,745)
---	---	---	---	-------	---	---------

**Adjustments primarily involving the Pensions Reserve**

Reversal of retirement benefit related items debited/credited to the CI&E Statement	(7,995)	(327)	-	-	-	8,322
Employer's pension contributions and in year payments direct to pensioners	4,753	108	-	-	-	(4,861)

**Adjustments primarily involving the Collection Fund Adjustment Account**

Amount by which Council Tax credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(90) <sup>1</sup>	-	-	-	-	90
Amount by which NNDR income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(180) <sup>1</sup>	-	-	-	-	180

**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	165	-	-	-	-	(165)
--	-----	---	---	---	---	-------

<b>Total Adjustments</b>	<b>(23,694)</b>	<b>(441)</b>	<b>893</b>	<b>(2,704)</b>	<b>-</b>	<b>25,946</b>
--------------------------	-----------------	--------------	------------	----------------	----------	---------------

<sup>1</sup>The values above for Council Tax and NNDR Income are shown separately however in the 2019-20 audited statements these were reported as a combined value of £(270)k.

2020-21

**Adjustments primarily involving the Capital Adjustment Account**

Depreciation and impairment of non-current assets	(3,905)	-	-	(3,754)	-	7,659
Revaluation losses of non-current assets	(1,058)	(7,287)	-	-	-	8,345
Movements in the fair value of investment properties	512	-	-	-	-	(512)
Amortisation of intangible assets	-	-	-	-	-	-
Capital grants and contributions applied	4,268	240	-	-	-	(4,508)
Revenue expenditure funded from capital under statute (REFCUS)	(3,312)	-	-	-	-	3,312
Amount of non-current assets written off to C I & E on disposal as part of the gain/loss	(2,813)	(1,055)	-	-	-	3,868
Statutory provision for repayment of debt	1,333	-	-	-	-	(1,333)
Voluntary contribution provision (VRP)	-	240	-	-	-	(240)
Capital expenditure charged to the General Fund and HRA	696	940	-	-	-	(1,636)

**Adjustments primarily involving the Capital Receipts Reserve (CRR)**

Cash sale proceeds credited to the C I & E as part of the gain/loss on disposal	2,937	591	(3,537)	-	-	(9)
Costs of disposal funded from capital receipts	(33)	(10)	61	-	-	(18)
Use of CRR to repay debt	-	-	2,249	-	-	(2,249)
Use of the CRR to finance new capital expenditure	-	-	3,259	-	-	(3,259)
Use of the CRR to finance payments to the Government capital receipts pool	(196)	-	196	-	-	-
Transfer from deferred capital receipts	-	-	-	-	-	-

**Adjustments primarily involving the Major Repairs Reserve (MRR)**

Voluntary contribution to MRR	-	296	-	(296)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	4,094	-	(4,094)

**Adjustments primarily involving the Pensions Reserve**

Reversal of retirement benefit related items debited/credited to the CI&E Statement	(11,027)	(632)	-	-	-	11,659
Employer's pension contributions and in year payments direct to pensioners	5,122	280	-	-	-	(5,402)

**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 statutory requirements	(404)	-	-	-	-	404
Amount by which Business Rates income credited to the CI&E Statement is different from that calculated for the year in accordance with statutory requirements	(10,064)	-	-	-	-	10,064

**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	(615)	-	-	-	-	615
--	-------	---	---	---	---	-----

**Total Adjustments**

General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
(18,559)	(6,397)	2,228	44	-	22,684

## 17. Earmarked Reserves

This note details 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 2020-21. Table 1. below shows how these prior year balances were reported in the 2019-20 audited statement of accounts.

<b>Table 1</b>	<b>31 March 2019</b>	<b>Transfer between reserves</b>	<b>Revenue appropriation</b>	<b>31 March 2020</b>
<b>Original Balances for the year ended 31 March 2020</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>General Fund</b>				
Local Taxation & Growth Reserve	(5,713)	456	92	(5,165)
Investment & Growth Reserve	(2,563)	(456)	(801)	(3,820)
Risk & Insurance Reserve	(1,779)	-	(45)	(1,824)
Repairs & Renewals Reserve	(1,399)	-	(118)	(1,517)
Lottery Reserve	(17)	-	(21)	(38)
Covid-19 Reserve	-	-	(89)	(89)
<b>General Fund Total</b>	<b>(11,471)</b>	<b>-</b>	<b>(982)</b>	<b>(12,453)</b>
<b>HRA</b>				
HRA Properties	(2,527)	-	-	-
<b>HRA Total</b>	<b>(2,527)</b>	<b>-</b>	<b>1,452</b>	<b>(1,075)</b>
<b>Total Earmarked Reserves</b>	<b>(13,998)</b>	<b>-</b>	<b>470</b>	<b>(13,528)</b>

The 2019-20 figures have now been restated to disclose the reserve balances in more detail and are reported below in Table 2.

<b>Table 2</b> <b>Original Balances for the year ended 31 March 2020</b>	<b>31 March 2019 £'000s</b>	<b>Transfer between reserves £'000s</b>	<b>Revenue appropriation £'000s</b>	<b>31 March 2020 £'000s</b>	<b>Restated Balances for the year ended 31 March 2020</b>	<b>31 March 2019 £'000s</b>	<b>Transfer between reserves £'000s</b>	<b>Revenue appropriation £'000s</b>	<b>31 March 2020 £'000s</b>
<b>General Fund</b>					<b>General Fund</b>				
Local Taxation & Growth Reserve	(5,713)	456	92	(5,165)	East Kent Services	(83)	-	(56)	(139)
					Business Growth Rate	(1,856)	-	(414)	(2,270)
					Equalisation	(2,278)	-	134	(2,144)
					Slippage	(853)	555	298	-
					Waste	(6)	1	(107)	(112)
					Council Election	(55)	-	55	-
					Homelessness	(278)	-	17	(261)
					Local Plan	(201)	(100)	201	(100)
					Pay & Reward	(28)	-	-	(28)
					Training	(75)	-	(36)	(111)
Investment & Growth Reserve	(2,563)	(456)	(801)	(3,820)	Housing Intervention	(447)	-	(1)	(448)
					Maritime	(26)	-	(111)	(137)
					Unringfenced Grants	(279)	-	(114)	(393)
					Capital Projects	(380)	(455)	(484)	(1,319)
					Strategic Reserve	(274)	-	54	(220)
					Decriminalisation - <sup>Note 10</sup>	(975)	(1)	(175)	(1,151)
					Priority Improvement	(68)	-	30	(38)
					Destination Management	(114)	-	-	(114)
Risk & Insurance Reserve	(1,779)	-	(45)	(1,824)	VAT	(58)	-	4	(54)
					Risk Management	(1,721)	-	(49)	(1,770)
Repairs & Renewals Reserve	(1,399)	-	(118)	(1,517)	Information Technology	(303)	-	(75)	(378)
					Repairs	(440)	-	39	(401)
					Crematorium & Cemeteries Works	(367)	-	(132)	(499)
					Dreamland	(247)	-	29	(218)
					Coastal Sites	(42)	-	21	(21)
Lottery Reserve	(17)	-	(21)	(38)	Lottery Reserve	(17)	-	(21)	(38)

Covid-19 Reserve	-	-	(89)	(89)	Covid-19 Reserve	-	-	(89)	(89)
<b>General Fund Total</b>	<b>(11,471)</b>	-	<b>(982)</b>	<b>(12,453)</b>	<b>General Fund Total - Note 29</b>	<b>(11,471)</b>	-	<b>(982)</b>	<b>(12,453)</b>
<b>HRA</b>					<b>HRA</b>				
HRA Properties	(2,527)	-	-	-	HRA Properties	(2,527)	-	-	-
<b>HRA Total</b>	<b>(2,527)</b>	-	<b>1,452</b>	<b>(1,075)</b>	<b>HRA Total - Note 29</b>	<b>(2,527)</b>	-	<b>1,452</b>	<b>(1,075)</b>
<b>Total Earmarked Reserves</b>	<b>(13,998)</b>	-	<b>470</b>	<b>(13,528)</b>	<b>Total Earmarked Reserves</b>	<b>(13,998)</b>	-	<b>470</b>	<b>(13,528)</b>

Table 3. below reports the 2020-21 balances in the new expanded format (see narrative after the table for details on each reserve).

<b>Table 3</b>	<b>1 April 2020</b>	<b>Transfer between reserves</b>	<b>Revenue Appropriation</b>	<b>31 March 2021</b>	<b>Uncommitted. Available for unforeseen circumstances</b>	<b>Committed against specific risks or projects</b>
<b>For year ended 31 March 2021</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
General Fund						
Covid-19/Coronavirus	(89)	-	(915)	(1,004)	(1,004)	-
Covid-19 TIG	-	-	(757)	(757)	-	(757)
Covid-19 NNDR S151	-	-	(9,553)	(9,553)	-	(9,553)
<b>Covid Reserves - Sub Total</b>	<b>(89)</b>	-	<b>(11,225)</b>	<b>(11,314)</b>	<b>(1,004)</b>	<b>(10,310)</b>
Lottery Reserve	(38)	-	(9)	(47)	-	(47)
East Kent Services	(139)	-	14	(125)	(1)	(124)
Business Rates Growth	(2,270)	-	(290)	(2,560)	-	(2,560)
Equalisation	(2,144)	-	(896)	(3,040)	-	(3,040)
Slippage Fund Non-Harbour	-	-	(52)	(52)	-	(52)
Slippage Fund Harbour	-	-	(41)	(41)	(10)	(31)
Waste	(112)	-	62	(50)	(12)	(38)
Council Election	-	-	(39)	(39)	-	(39)
Homelessness	(261)	-	(69)	(330)	-	(330)
Local Plan	(100)	-	(75)	(175)	-	(175)
Pay & Reward	(28)	-	28	-	-	-
Training	(111)	-	15	(96)	-	(96)
Housing Intervention	(448)	-	300	(148)	-	(148)
Maritime	(137)	-	137	-	-	-
Unringfenced Grants	(393)	-	160	(233)	(59)	(174)
Capital Projects	(1,319)	(630)	273	(1,676)	(419)	(1,257)

Strategic Reserve	(220)	-	104	(116)	(87)	(29)
Decriminalisation - Note 10	(1,151)	555	(96)	(692)	-	(692)
Priority Improvement	(38)	-	19	(19)	-	(19)
Destination Management	(114)	-	114	-	-	-
VAT	(54)	-	-	(54)	-	(54)
Risk Management	(1,770)	-	97	(1,673)	(448)	(1,225)
Information Technology	(378)	-	102	(276)	(69)	(207)
Repairs	(401)	75	18	(308)	-	(308)
Crematorium & Cemeteries Work	(499)	-	-	(499)	-	(499)
Dreamland	(218)	-	218	-	-	-
Coastal Maintenance	(21)	-	-	(21)	(5)	(16)
<b>General Fund Total - Note 29</b>	<b>(12,453)</b>	<b>-</b>	<b>(11,131)</b>	<b>(23,584)</b>	<b>(2,114)</b>	<b>(21,470)</b>
<b>HRA</b>						
Slippage Fund	-	-	(107)	(107)	-	(107)
Properties	(1,075)	-	298	(777)	-	(777)
Repairs	-	-	(165)	(165)	-	(165)
<b>HRA Total - Note 29</b>	<b>(1,075)</b>	<b>-</b>	<b>26</b>	<b>(1,049)</b>	<b>-</b>	<b>(1,049)</b>
<b>Total Earmarked Reserves</b>	<b>(13,528)</b>	<b>-</b>	<b>(11,105)</b>	<b>(24,633)</b>	<b>(2,114)</b>	<b>(22,519)</b>

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

**Covid-19/Coronavirus** - In September 2020 Council agreed to the reallocation of reserves to support the impact and cover any shortfall due to the Coronavirus pandemic. The balance held here is to fund any on-going impact experienced in 2021-22.

**Covid TIG** - This reserve holds funding allocated from the Tax Income Guarantee Scheme (TIG) to compensate authorities for losses on collection of council tax and business rates due to the pandemic. However, the losses from these reliefs are recognised in the collection fund in 2020-21 and are not charged to the General Fund until 2021-22 and later. Therefore, this grant funding is held in

this earmarked reserve as it is committed in full to repay these Collection Fund losses in future years.

**Covid Non Domestic Rates Relief Losses** - in 2020-21 Retail, Hospitality and Leisure Businesses were provided with 100% relief on their business rate bills to support them with the financial challenges presented by the pandemic. In 2020-21 the Government paid the Council £9.553m, in the form of S31 grants, as compensation for this lost income. However, the losses from these reliefs are recognised in the collection fund in 2020-21 and are not charged to the General Fund until 2021-22 and later.



Therefore, this grant funding is held in this earmarked reserve as it is committed in full to repay these Collection Fund losses in future years.

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

**East Kent Services** – ring fenced for future investment within the services delivered by East Kent Services.

**Equalisation** – this reserve holds funding to offset significant variations in benefit expenditure and subsidy and any potential shortfall in business rates, as well as smoothing the volatility of these activities between years. The **Business Rates Growth** element (shown separately) is to fund future projects to encourage economic growth.

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

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

**Waste** - to replace vehicles, plant and equipment coming to the end of their useful lives. Service underspends in relation to front line operational services are set aside to support the replacement programme.

**Council Election** – to fund the council elections which occur every four years.

**Homelessness** – to hold unspent homelessness grant and recovered rent deposit monies to draw down on depending on the Economic Climate and homelessness projects.

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

**Pay and Reward** – to fund costs associated with the implementation of the new Pay and Reward Scheme using set aside vacant post savings.

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

**Housing Intervention** – to fund anticipated costs associated with the Authority's Intervention Schemes. To smooth the impact of increased housing costs, the 2020-21 budget included a one-off £300k reserve allocation.

**Maritime** – to fund potential future works at the Port and Harbour and for income protection/maximisation works.

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

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

**Strategic** – to help facilitate work around the strategic objectives of the council.

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

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

**Destination Management** – to support the objectives of the Destination Management Plan by enhancing council assets that help to support and encourage tourism.

**VAT** - to cover any one off cost deemed appropriate such as the cost of specialist advice.

**Risk Management** – to meet potential increases in insurance premiums, fund excess costs, self-insurance, TUPE obligations and any unforeseen one-off risk related expenditure.

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

**Repairs** – to make provision for necessary essential repairs and maintenance and minor improvements to the Council’s assets.

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

**Dreamland** - this reserve was held to bolster the contingency for the Dreamland project.

**Coastal Maintenance** – due to the variable profile of spend on this activity and the variable cost involved with coastal infrastructure works, any in-year underspend is set aside in this reserve to be drawn against in future years.

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

**HRA Properties** – for the purchase and refurbishment of new HRA properties.

**HRA Repairs** - to make provision for necessary repairs and maintenance.

# Notes Supporting the Balance Sheet

## 18. Property, Plant and Equipment

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

In accordance with the Temporary Relief offered by the Update to the Code, Infrastructure Assets do not need to be reported in the same detail as other PP&E. The table below is the original Note as per the 2019-20 audited statement of accounts.

Original	Council Dwellings £'000s	Other Land & Buildings £'000s	Heritage Assets £'000s	Vehicles, Plant & Equip £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Assets Under Construction £'000s	Surplus Property £'000s	Total £'000s
<b>As at 1 April 2019</b>	<b>153,832</b>	<b>69,934</b>	<b>20,821</b>	<b>14,159</b>	<b>22,572</b>	-	<b>1,093</b>	<b>461</b>	<b>282,872</b>
Additions	3,036	3,606	38	409	535	70	5,851	-	<b>13,545</b>
Disposals	-	(480)	-	(418)	-	-	-	-	<b>(898)</b>
Reclassifications	(1,095)	(2,155)	(20,335)	(283)	5	-	(276)	618	<b>(23,521)</b>
Recognitions	-	-	38	-	-	-	-	65	<b>103</b>
Reval. & Restatement	-	3,641	89	-	-	23	-	351	<b>4,104</b>
Downward Reval. & Impair. charged to C I & E	(863)	(1,393)	(278)	-	-	(93)	-	-	<b>(2,627)</b>
Downward Reval. & Impair charged to Reval. Reserve	(1,950)	(3,372)	(15)	-	-	-	-	(255)	<b>(5,592)</b>
<b>Gross Asset Valuation</b>	<b>152,960</b>	<b>69,781</b>	<b>358</b>	<b>13,867</b>	<b>23,112</b>	-	<b>6,668</b>	<b>1,240</b>	<b>267,986</b>
Depreciation b/fwd	-	2,499	-	9,918	9,319	-	-	-	<b>21,736</b>
Depreciation 2019-20	4,319	2,115	-	1,308	578	-	-	12	<b>8,332</b>
Write out Accumulated Depreciation on Reval	(4,319)	(2,615)	-	-	-	-	-	(195)	<b>(7,129)</b>
Other depreciation adj	-	(374)	-	(588)	-	-	-	187	<b>(775)</b>
<b>Gross Depreciation c/fwd</b>	-	<b>1,625</b>	-	<b>10,638</b>	<b>9,897</b>	-	-	<b>4</b>	<b>22,164</b>
<b>Net Book Value:</b>									
<b>as at 31 March 2020</b>	<b>152,960</b>	<b>68,156</b>	<b>358</b>	<b>3,229</b>	<b>13,215</b>	-	<b>6,668</b>	<b>1,236</b>	<b>245,822</b>
<b>as at 31 March 2019</b>	<b>153,832</b>	<b>67,435</b>	<b>20,821</b>	<b>4,241</b>	<b>13,253</b>	-	<b>1,093</b>	<b>461</b>	<b>261,136</b>

The table below reports the 2019-20 restated position, removing Heritage Assets as these are presented in Note 19, and removing Infrastructure Assets, which are now reported separately in Note 18b. The restatement is purely presentational, no brought forward balances have been amended however the figures reported in the Total column now differ to the original table.

<b>Restated</b>	<b>Council Dwellings £'000s</b>	<b>Other Land &amp; Buildings £'000s</b>	<b>Vehicles, Plant &amp; Equip £'000s</b>	<b>Community Assets £'000s</b>	<b>Assets Under Construction £'000s</b>	<b>Surplus Property £'000s</b>	<b>Total £'000s</b>
<b>As at 1 April 2019</b>	<b>153,832</b>	<b>69,934</b>	<b>14,159</b>	-	<b>1,093</b>	<b>461</b>	<b>239,479</b>
Additions	3,036	3,606	409	70	5,851	-	<b>12,972</b>
Disposals	-	(480)	(418)	-	-	-	<b>(898)</b>
Reclassifications	(1,095)	(2,155)	(283)	-	(276)	618	<b>(3,191)</b>
Recognitions	-	-	-	-	-	65	<b>65</b>
Revaluation & restatement	-	3,641	-	23	-	351	<b>4,015</b>
Downward Revaluation impairment charged to C I & E	(863)	(1,393)	-	(93)	-	-	<b>(2,349)</b>
Downward revaluation & impairment charged to revaluation reserve	(1,950)	(3,372)	-	-	-	(255)	<b>(5,577)</b>
<b>Gross Asset Valuation</b>	<b>152,960</b>	<b>69,781</b>	<b>13,867</b>	-	<b>6,668</b>	<b>1,240</b>	<b>244,516</b>
Depreciation b/fwd	-	2,499	9,918	-	-	-	<b>12,417</b>
Depreciation 2019-20	4,319	2,115	1,308	-	-	12	<b>7,754</b>
Write out Accumulated Depreciation on revaluation	(4,319)	(2,615)	-	-	-	(195)	<b>(7,129)</b>
Other depreciation adjustments	-	(374)	(588)	-	-	187	<b>(775)</b>
<b>Gross Depreciation c/fwd</b>	-	<b>1,625</b>	<b>10,638</b>	-	-	<b>4</b>	<b>12,267</b>
<b>Net Book Value:</b>							
<b>as at 31 March 2020</b>	<b>152,960</b>	<b>68,156</b>	<b>3,229</b>	-	<b>6,668</b>	<b>1,236</b>	<b>232,249</b>
<b>as at 31 March 2019</b>	<b>153,832</b>	<b>67,435</b>	<b>4,241</b>	-	<b>1,093</b>	<b>461</b>	<b>227,062</b>

	<b>Council Dwellings £'000s</b>	<b>Other Land &amp; Buildings £'000s</b>	<b>Vehicles, Plant &amp; Equip £'000s</b>	<b>Community Assets £'000s</b>	<b>Assets Under Construction £'000s</b>	<b>Surplus Property £'000s</b>	<b>Total £'000s</b>
<b>As at 1 April 2020</b>	<b>152,960</b>	<b>69,781</b>	<b>13,867</b>	-	<b>6,668</b>	<b>1,240</b>	<b>244,516</b>
Additions	9,031	921	3,274	431	1,711	-	<b>15,368</b>
Disposals	-	(277)	(2,287)	-	-	-	<b>(2,564)</b>
Reclassifications	4,899	(2,457)	11	-	(4,347)	(30)	<b>(1,924)</b>
Recognitions	-	-	21	-	-	-	<b>21</b>
Revaluation & restatement	17,705	3,063	(37)	-	20	-	<b>20,751</b>
Downward revaluation & impairment charged to C I & E	(7,287)	(546)	-	(431)	-	-	<b>(8,264)</b>
Downward revaluation & Impairment charged to revaluation reserve	(11,016)	(2,792)	-	-	-	-	<b>(13,808)</b>
<b>Gross Asset Valuation</b>	<b>166,292</b>	<b>67,693</b>	<b>14,849</b>	-	<b>4,052</b>	<b>1,210</b>	<b>254,096</b>
Depreciation b/fwd	-	1,625	10,638	-	-	4	<b>12,267</b>
Depreciation 2020-21	3,689	2,016	1,316	-	-	19	<b>7,040</b>
Write out Accumulated Depreciation on revaluation reserve	(3,689)	(2,589)	-	-	-	-	<b>(6,278)</b>
Other depreciation adjustments	-	(83)	(2,279)	-	20	-	<b>(2,342)</b>
<b>Gross Depreciation c/fwd</b>	-	<b>969</b>	<b>9,675</b>	-	<b>20</b>	<b>23</b>	<b>10,687</b>
<b>Net Book Value:</b>							
<b>as at 31 March 2021</b>	<b>166,292</b>	<b>66,724</b>	<b>5,174</b>	-	<b>4,032</b>	<b>1,187</b>	<b>243,409</b>
<b>as at 31 March 2020</b>	<b>152,960</b>	<b>68,156</b>	<b>3,229</b>	-	<b>6,668</b>	<b>1,236</b>	<b>232,249</b>

### Additions

The HRA purchased a number of new dwellings and undertook large-scale works through the capital programme.

### 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/Fair Value

	Council Dwellings £'000	Land, Buildings £'000	Heritage Assets £'000s	Surplus Property £'000	Investment Properties £'000	Total £'000
<b>Carried at:</b>						
Cost	-	1,002	-	-	8	1,010
<b>Current Value</b>						
Pre 2015	-	-	98	-	-	98
2015-16	-	-	-	-	-	-
2016-17	-	-	-	-	-	-
2017-18	-	4,134	-	-	1,903	6,037
2018-19	-	5,385	-	460	906	6,751
2019-20	-	4,786	242	750	3,444	9,222
2020-21	166,292	52,386	24	-	17,031	235,733
<b>Total Value</b>	<b>166,292</b>	<b>67,693</b>	<b>364</b>	<b>1,210</b>	<b>23,292</b>	<b>258,851</b>

Vehicles, plant and equipment, infrastructure, and assets under construction are carried at historical cost. Other Land and Buildings include housing development sites (which have not yet been valued) at cost of £1.002m (2019-20 £2.240m).

## 18b. Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this may not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation may not be measured accurately and may not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

<b>Infrastructure Assets</b>	<b>2019-20 £'000</b>	<b>2020-21 £'000</b>
Net Book Value at the start of the year	13,253	13,215
Additions	535	334
Reclassifications	5	1,285
Depreciation	(578)	(619)
<b>Net Book Value at the end of the year</b>	<b>13,215</b>	<b>14,215</b>

<b>Net Book Value of Property, Plant and Equipment as at the end of the year</b>	<b>Note</b>	<b>2019-20 £'000</b>	<b>2020-21 £'000</b>
Infrastructure Assets	18b	13,215	14,215
Other Property, Plant and Equipment Assets	18	232,249	243,409
<b>Total Net Book Value at 31 March 2021</b>		<b>245,464</b>	<b>257,625</b>

## 19. Heritage Assets

	War Memorials Public Statues £'000s	Museum Artefacts £'000s	Art Collection £'000s	Civic Regalia £'000s	Dreamland £'000s	Total £'000s
<b>1 April 2019</b>	<b>113</b>	<b>30</b>	<b>85</b>	<b>18</b>	<b>20,575</b>	<b>20,821</b>
Additions	-	-	-	-	38	38
Recognition	-	25	13	-	-	38
Reclassifications	-	-	-	-	(20,335)	(20,335)
Upward/(Downward) revaluation to reserve	5	20	49	-	-	74
Devaluation/Impairment charged to C I & E	-	-	-	-	(278)	(278)
<b>31 March 2020</b>	<b>118</b>	<b>75</b>	<b>147</b>	<b>18</b>	<b>-</b>	<b>358</b>
<b>1 April 2020</b>	<b>118</b>	<b>75</b>	<b>147</b>	<b>18</b>	<b>-</b>	<b>358</b>
Additions	-	-	-	-	-	-
Recognition	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Upward/(Downward) Revaluation to Reserve	-	-	-	6	-	6
Devaluation/Impairment charged to C I & E	-	-	-	-	-	-
<b>31 March 2021</b>	<b>118</b>	<b>75</b>	<b>147</b>	<b>24</b>	<b>-</b>	<b>364</b>



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

<b>Cost of Recognition/acquisition of Heritage assets</b>	<b>2019-20 £'000s</b>	<b>2020-21 £'000s</b>
<b>Art</b>	147	147
- Material items		
- balance of collection	108	108
<b>Furniture/Dolls etc</b>		
- Material items	65	65
- balance of collection	9	9
<b>Civic Statues</b>		
- Material items	118	118
<b>Posters</b>		
- balance of collection	16	16
<b>Civic Regalia</b>		
- Material items	18	24
- balance of collection	9	9
<b>Miscellaneous</b>		
- Material items	10	10
- balance of collection	52	52
<b>Total Value of Assets</b>	<b>552</b>	<b>558</b>
<b>Total Value shown on Balance Sheet (net of Impairment/devaluation)</b>	<b>358</b>	<b>364</b>

The Authority's heritage assets include public statues, civic regalia, museum artefacts and art collections. They also formerly included an historic amusement park, rides and cinema complex, which were sold during the year. The museums contain collections of heritage assets; with an objective being to increase the knowledge, understanding and appreciation of the Authority's history, culture 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 Authority has set a de-minimis level in respect of the recognition of heritage assets of £15k from 1 April 2020 (previously £10k). However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include intangible elements are set out in Note 1.

Further details of the Authority's heritage assets are as follows:

## **Dreamland**

The Authority's Dreamland assets were reclassified as Held for Sale as at 31 March 2020 and contracts were exchanged on 18 December 2020 for their disposal. As at 31 March 2021, the disposal was part-completed.

## **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 Authority 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 used is based on the report of the expert John Harrison MSc AMA dated 13 March 2012 which identified an underlying small value of most of the exhibits (approximately 7,000 items in total) but separately identified those with values above £10k and those below this with specific "collectable" interest. The valuation of specific major items was subsequently updated in November 2019 (for insurance purposes) and the asset register was amended accordingly.

The Authority 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.

The artefact collections at Margate Museum are typical of a mixed social history collection with a good proportion of the collections being of local origin and/or relevance. This includes a large number of the souvenirs and ephemera one would expect from a seaside town with a long history of tourism and entertainment. There are also

artefacts from local industries, especially the Cobb Brewery, and from the agricultural past of the area. As with many local history museums, there is a collection of artefacts reflecting Margate's World War experiences and, as the Museum is sited in the town's old Gaol, some items drawn from the Police profession. Other groups of items include coins, medals and tokens, the town's official Weights and Measures, a small number of medical, technical and audio equipment, and a collection of local newspapers. There is a small collection of archaeology owned by the Museum which is supported by a larger collection of material on loan from Thanet Archaeological Trust.

The artefacts with the higher financial values include a very important wooden doll dating back to 1750, a marble bust by Sir Francis Chantry, a few theatrical posters, and Victorian furniture (mostly at Dickens House, Broadstairs). The artefact collection is supported by a large fine art collection including some oils on canvas by notable artists, with the bulk of this collection made up of several hundred engravings of local scenes and seascapes, again, with some works by notable artists.

Of particular note and financial value is the Rowe Bequest of engravings including many produced by Phillipe Louterberg; the large oil on canvas by James Webb depicting Margate from the Pier; and significant but lower value oil paintings by Alfred Clint, George Chambers and Arthur Meadows.

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

### **Civic Regalia**

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

### **Preservation and Management**

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 Authority 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.

Apart from Dreamland referred to above, no significant preservation treatment or action has been taken with regard to any of the Authority's heritage assets. All items, except the war memorials and public sculptures, are held in civic property and none have been reported as incurring material 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 Authority business and has been readily repaired.

Acquisitions of new heritage assets by direct purchase are not anticipated in the future, however the Authority will be happy to consider acceptance of assets offered by donation or gift.

## 20. Fair Value Measurement of Property Assets

### Valuation Hierarchy

Surplus Property, Investment Property and Assets Held for Sale are measured at fair value as shown in Notes 18, 21 and 26 respectively. This reflects the application of IFRS13 Fair Value Measurement prospectively from 1 April 2015.

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

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

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

	<b>Surplus Property £000's</b>	<b>Investment Property £000's</b>	<b>Current Assets Held for Sale £000's</b>	<b>Total £000's</b>
<b>Level 2 Assets</b>				
<b>Balance as at 1 April 2019</b>	<b>461</b>	<b>21,883</b>	-	<b>22,344</b>
Additions	-	1	4,586	<b>4,587</b>
Disposals	-	(35)	(3,567)	<b>(3,602)</b>
Recognition	65	-	11	<b>76</b>
Reclassifications	618	-	23,336	<b>23,954</b>
Upward Revaluations	351	2,382	2,407	<b>5,140</b>
Downward Revaluation charged to the C I & E	-	(1,276)	(19,497)	<b>(20,773)</b>
Downward Revaluation charged to revaluation reserve	(255)	-	-	<b>(255)</b>
<b>Balance as at 31 March 2020</b>	<b>1,240</b>	<b>22,955</b>	<b>7,276</b>	<b>31,471</b>
<b>Level 3 Assets</b>				
<b>Balance as at 1 April 2019</b>	-	<b>10</b>	-	<b>10</b>
Upward Revaluations	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>10</b>

**Level 2 Assets**

**Balance as at 1 April 2020**

Additions	-	8	-	8
Transfer from level 3 assets	-	10	-	10
Disposals	-	(184)	(3,363)	(3,547)
Recognition	-	-	-	-
Reclassifications	(30)	(9)	647	608
Upward Revaluations	-	1,047	691	1,738
Downward revaluation charged to the C I & E	-	(535)	(81)	(616)
Downward revaluation charged to Revaluation Reserve	-	-	(410)	(410)

**Balance as at 31 March 2021**

**Level 3 Assets**

**Balance as at 1 April 2020**

Upward Revaluations

**Balance as at 31 March 2021**

	<b>Surplus Property £000's</b>	<b>Investment Property £000's</b>	<b>Current Assets Held for Sale £000's</b>	<b>Total £000's</b>
<b>Balance as at 1 April 2020</b>	<b>1,240</b>	<b>22,955</b>	<b>7,276</b>	<b>31,471</b>
Additions	-	8	-	8
Transfer from level 3 assets	-	10	-	10
Disposals	-	(184)	(3,363)	(3,547)
Recognition	-	-	-	-
Reclassifications	(30)	(9)	647	608
Upward Revaluations	-	1,047	691	1,738
Downward revaluation charged to the C I & E	-	(535)	(81)	(616)
Downward revaluation charged to Revaluation Reserve	-	-	(410)	(410)
<b>Balance as at 31 March 2021</b>	<b>1,210</b>	<b>23,292</b>	<b>4,760</b>	<b>29,262</b>
<b>Level 3 Assets</b>				
<b>Balance as at 1 April 2020</b>	-	10	-	10
Upward Revaluations	-	(10)	-	(10)
<b>Balance as at 31 March 2021</b>	-	-	-	-

**Valuation Methods**

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

**Valuation Inputs**

Typical level 2 valuation inputs include:

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

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

### **Transfers**

An asset is transferred from level 2 to level 3 if the use of a level 3 input in the valuation becomes significant, and vice versa.

### **Highest and Best Use**

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

### **Level 3 Valuation Inputs and Process**

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

### **Impairments**

There were no valuation impairments during the financial year ended 31 March 2021.

## 21. Investment Property

The council has nearly 200 investment properties of various types; including retail premises, leisure and sporting facilities, maritime related assets, land and industrial units. The annual net (gain)/loss from the investment property portfolio was:

<b>2019-20</b>		<b>2020-21</b>
<b>£'000s</b>		<b>£'000s</b>
(1,045)	Rental Income from Investment property	(1,132)
356	Direct operating expenses arising from investment property	266
<b>(689)</b>	<b>Net (Gain)/Loss</b>	<b>(866)</b>

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

<b>2019-20 Original</b>	<b>2019-20 Restated</b>		<b>2020-21</b>
<b>£'000s</b>	<b>£'000s</b>		<b>£'000s</b>
<b>21,893</b>	<b>21,893</b>	<b>Balance as at 1 April</b>	<b>22,965</b>
(35)	(35)	Disposals	(184)
1,106 <sup>1</sup>	1,126	Revaluation - Increase/(Decrease) in valuation (GF)	512
-	(20)	Revaluation - Increase/(Decrease) in valuation (HRA)	-
-	-	Reclassifications	(9)
1	1	Subsequent expenditure	8
<b>22,965</b>	<b>22,965</b>	<b>Balance as at 31 March</b>	<b>23,292</b>

In the 2019-20 audited statement of accounts, the revaluation increase/decrease in Valuation was reported in one combined figure of £1,106k<sup>1</sup>. These balances have now been restated to show the GF and HRA balances separately.

The analysis shows the Council's investment properties provided a yield of 3.72% on the closing balance value (3.00% in 2019-20) and that the portfolio's value increased by 1.42% during 2020-21 (4.90% in 2019-20)

## 22. Financial Instruments Balances

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

### Financial Liabilities

	Long-Term		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000s	£'000s	£'000s	£'000s
Borrowings	(24,394)	(20,215)	(631)	(4,179)
Trade creditors	-	-	(5,318)	(5,090)
Deferred liabilities	(347)	(346)	-	-
+ Accrued interest	-	-	(281)	(276)
Financial liabilities at amortised cost	(24,741)	(20,561)	(6,230)	(9,545)
<b>Total financial liabilities</b>	<b>(24,741)</b>	<b>(20,561)</b>	<b>(6,230)</b>	<b>(9,545)</b>

### Financial Assets

	Long-Term		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000s	£'000s	£'000s	£'000s
Short term investments	-	-	17,936	10,754
Cash and Cash Equivalents	-	-	16,776	21,395
Trade debtors	-	-	4,977	3,536
Employee cycle to work	-	14	-	-
Capital/Revenue Grant Debtors	-	-	1,027	1,044
Charitable Loans	113	139	-	-
KCC Highways Bond	54	54	-	-
Leisure Services Loans	136	109	-	-
+ Accrued interest on investments	-	-	59	5
Loans and receivables at amortised cost	303	316	40,775	36,734
<b>Total financial assets</b>	<b>303</b>	<b>316</b>	<b>40,775</b>	<b>36,734</b>



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

**Note 2** – Fair value has been measured by:

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

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

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

### Financial Instruments Gains/Losses

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

2019-20			2020-21	
Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets
Amortised Cost	Amortised Cost		Amortised Cost	Amortised Cost
£'000s	£'000s		£'000s	£'000s
1,034	-	Interest expense	953	-
-	807	Impairment losses	-	492
<b>1,034</b>	<b>807</b>	<b>Interest payable and similar charges</b>	<b>953</b>	<b>492</b>
-	(361)	Interest income	-	(122)
-	<b>(361)</b>	<b>Interest and investment income</b>	-	<b>(122)</b>
<b>1,480</b>		<b>Net (gain)/loss for the year</b>	<b>1,323</b>	

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

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

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

The fair values are calculated as follows:

31 March 2020			31 March 2021	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000s	£'000s		£'000s	£'000s
(20,726)	(23,734)	PWLB debt	(20,099)	(23,946)
(4,580)	(6,752)	Other debt	(4,571)	(7,382)
<b>(25,306)</b>	<b>(30,486)</b>	<b>Total debt</b>	<b>(24,670)</b>	<b>(31,328)</b>
(347)	(347)	Finance lease liabilities	(346)	(346)
(5,318)	(5,318)	Trade creditors	(5,090)	(5,090)
<b>(30,971)</b>	<b>(36,151)</b>	<b>Total Financial Liabilities</b>	<b>(30,106)</b>	<b>(36,764)</b>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

31 March 2020 Carrying Amount & Fair Value £'000s		31 March 2021 Carrying Amount & Fair Value £'000s	
113	Charitable loans	139	
33,904	Money market loans < 1 year	31,325	
136	Leisure services loans	109	
54	KCC Highways Bond	54	
-	Employee Cycle to Work Scheme	14	
4,977	Trade debtors	3,536	
<b>39,184</b>	<b>Total Loans and Receivables</b>	<b>35,177</b>	

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

#### Basis for fair value measurements

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

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

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

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

## 23. Nature and Extent of Risk arising from Financial Instruments

### Key Risks

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

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

### Overall Procedures for Managing Risk

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit Risk

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

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

### Credit Risk Management Practices

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

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

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

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

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

The full Investment Strategy for 2020-21 was approved by Full Council on 27 February 2020 (available on the Council's website).

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

### Amounts Arising from Expected Credit Losses

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

<b>2019-20</b>	<b>Amount at 31 March 2020 £'000s (a)</b>	<b>Historical experience of default % (b)</b>	<b>Adjustment for market conditions at 31 March 2020 % (c)</b>	<b>Estimated maximum expected credit loss £'000s (a * c)</b>
Trade Debtors	10,737	53.65	53.65	5,760
Capital/Revenue Grant Debtors	1,027	-	-	-
KCC Highways Bond	54	-	-	-
Charitable Loans	113	-	-	-
Leisure Services Loans	136	-	-	-
<b>Total</b>	<b>12,067</b>			<b>5,760</b>

<b>2020-21</b>	<b>Amount at 31 March 2021 £'000s (a)</b>	<b>Historical experience of default % (b)</b>	<b>Adjustment for market conditions at 31 March 2021 % (c)</b>	<b>Estimated maximum expected credit loss £'000s (a * c)</b>
Trade Debtors	10,394	65.98	65.98	6,858
Capital/Revenue Grant Debtors	1,044	-	-	-
Employee Cycle to Work Scheme	14	-	-	-
KCC Highways Bond	54	-	-	-
Charitable Loans	139	-	-	-
Leisure Services Loans	109	-	-	-
<b>Total</b>	<b>11,754</b>			<b>6,858</b>

The estimated maximum expected credit loss for trade debtors is equivalent to the loss allowance for contractual debt. No credit limits have been exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £8.890m of the £10.394m balance is past its due date for payment. The past due amount of trade debtors can be analysed by age as follows:

31 March 2020 £'000s		31 March 2021 £'000s	
1,378	Less than three months	1,153	
831	Three to six months	985	
1,165	Six months to one year	808	
3,634	More than one year	5,944	
<b>7,008</b>	<b>Total</b>	<b>8,890</b>	

The above table excludes certain HRA debtors, due to the functionality of the relevant IT system, amounting to £929k (2019-20 £761k). £910k of this relates to former tenancy arrears (2019-20 £733k). Rechargeable works debtors are also not included in the above table, 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 2020 £'000s		31 March 2021 £'000s	
266	Debt b/fwd from previous year (> 1 year old)	133	
74	Costs incurred in financial year (< 1 year old)	58	
(207)	Debtor invoices raised in year	(57)	
<b>133</b>	<b>Total debt outstanding at year end</b>	<b>134</b>	

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

### Credit Risk Exposure in Investments

The Council's exposure to credit risk as at 31 March 2021 in relation to its investments in financial institutions of £32.148m (2019-20 £34.749m), was £2k (as at 31 March 2020 £3k).

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

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

The maturity analysis of investments is as follows:

31 March 2020		31 March 2021	
£'000s		£'000s	
34,749	Less than one year	32,148	
<b>34,749</b>	<b>Total</b>	<b>32,148</b>	

## Refinancing and Maturity Risk

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

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

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

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

31 March 2020	
£'000s	
(912)	Less than one year
(4,179)	Maturing in 1 - 2 years
(3,080)	Maturing in 2 - 5 years
(2,356)	Maturing in 5 - 10 years
(7,359)	Maturing in 10 - 20 years
(1,920)	Maturing in 20 - 30 years
-	Maturing in 30 - 40 years
(1,000)	Maturing in 40 - 50 years
-	Maturing in 50 years and above
<b>(20,806)</b>	<b>Total</b>

Approved Maximum Limits		
2020-21	31 March 2021	
£'000s	£'000s	
(10,085)	(4,455)	
(10,085)	(334)	
(10,085)	(2,833)	
(10,085)	(2,356)	
(10,085)	(7,272)	
(10,085)	(1,920)	
(10,085)	-	
(10,085)	(1,000)	
(10,085)	-	
	<b>(20,170)</b>	

Not shown in the table above are trade and other payables (£21.874m), (2019-20 £(15.448)m), which are due to be paid in less than one year, and a loan with Dexia (£4.5m), (2019-20 (£4.5)m) that matures in 40 - 50 years (see Market Risk section below).

### Market Risk

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

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.



The Council has a long term loan of £4.5m from Dexia Credit Local Bank which has a lender's option/borrower's option (LOBO) feature. The option allows Dexia to increase the interest rate every six months although, if Dexia exercises this option the Council may repay the loan. If Dexia decides not to exercise this option, the loan will continue at the fixed rate until maturity in 2065. All of the Council's other borrowings are at fixed rate.

The Council holds both variable and fixed rate investments.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy at 31 March 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

<b>2019-20</b>		<b>2020-21</b>
<b>£'000s</b>		<b>£'000s</b>
45	Increase in interest payable on variable rate borrowings	45
(323)	Increase in interest receivable on variable rate investments	(408)
<b>(278)</b>	<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>(363)</b>
(2,118)	Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure)	(2,125)

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

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

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

## 24. Debtors

The 2019-20 Amounts falling due in one year<sup>1 & 2</sup>, and Impairment Allowance<sup>3</sup> figures have been restated to disclose the balances owed by major preceptors and housing rents separately. As a result, the figures reported for Trade<sup>1 & 3</sup>, and Other<sup>2</sup> receivables have changed. The Total short term debtors balance remains the same at £14.437m and is shown as reported in the audited 2019-20 statement of accounts in Col.1. Col.2 below shows the restated figures.

Original 2019-20 £'000s	Restated 2019-20 £'000s	Amounts falling due in one year	2020-21 £'000s
4,875	4,875	Council Tax and Business Rates	5,884
10,737 <sup>1</sup>	9,088	Trade receivables	8,605
1,480	1,480	Prepayments	1,249
-	1,649	Housing rents	1,789
-	1,288	Major Preceptors - Council Tax and Business Rates	12,233
4,903 <sup>2</sup>	3,615	Other receivables	3,775
<b>21,995</b>	<b>21,995</b>		<b>33,535</b>
		<b>Less Impairment Allowance</b>	
	(1,798)	Council Tax and Business Rates	(2,511)
(7,558) <sup>3</sup>	(4,443)	Trade receivables	(5,225)
	(1,317)	Housing rents	(1,633)
<b>14,437</b>	<b>14,437</b>	<b>Total Short Term Debtors</b>	<b>24,166</b>

The past due amount for local taxation can be analysed by age as follows:

2019-20 £'000s	Debtors for Council Tax and Business Rates	2020-21 £'000s
502	Less than three months	306
195	Three to six months	879
180	Six months to one year	100
3,998	More than one year	4,599
<b>4,875</b>	<b>Total Local Taxation Debtors</b>	<b>5,884</b>

2019-20 £'000s	Amounts falling due after one year	2020-21 £'000s
-	Major Preceptors - Council Tax and Business Rates	1,882
-	Employee Cycle to Work Scheme	14
113	Charitable/Housing Loans	139
136	Leisure Services Loans	109
54	Kent County Council S278 Highways Bond	54
<b>303</b>	<b>Total Long Term Debtors</b>	<b>2,198</b>

The increase in the Major Preceptors balances (current debtors £10.945m and long term debtors £1.882m) are as a result of additional business rate relief announced by Central Government in response to the coronavirus pandemic, which had the effect of reducing the business rates income already paid to major preceptors during the year under Collection Fund statute. The balances are due to be recovered over several years.

## 25. Cash and Cash Equivalents

31 March 2020 £'000s		31 March 2021 £'000s	Movement 2020-21 £'000s
808	Cash held by the Authority	823	15
3	Bank current accounts	29	26
15,965	Short term deposits	20,543	4,578
<b>16,776</b>	<b>Total Cash and Cash Equivalents</b>	<b>21,395</b>	<b>4,619</b>

## 26. 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.

2019-20 £'000s		2020-21 £'000s	
-	<b>Balance as at 1 April</b>	7,276	
23,347	Assets newly classified as held for sale	647	
4,586	Additions	-	
2,407	Revaluation gains	691	
(19,497)	Revaluation losses/impairment	(491)	
(3,567)	Disposals	(3,363)	
<b>7,276</b>	<b>Balance as at 31 March</b>	<b>4,760</b>	

The main disposal in 2020-21 relates to Dreamland assets (excluding the car park which completed in 2021-22).

## 27. Creditors

In order to alleviate the financial pressures of the pandemic on businesses, Central Government awarded additional relief to business ratepayers during the year. To compensate for the resulting loss of business rate income and ease cash flow, Central Government paid all of the corresponding grant to local billing authorities (under S31 Local Government Act 2003).

The 2019-20 Amounts falling due in one year have been restated to separately disclose the council's original estimated share of the S31 grants which were paid early on account in 2019-20 to assist with cash flow. The short term creditors total of (£15.448m) remains unchanged and is shown as reported in the audited 2019-20 statement of accounts. Col.1 and Col.2 below show the original and restated figures.

Original 2019-20 £,000s	Restated 2019-20 £'000s	Amounts falling due in one year	2020-21 £'000s
(605)	(605)	Council Tax & Non Domestic Rates	(988)
(5,318)	(5,318)	Trade payables	(5,090)
(8,353)	(5,852)	* Central & Local Government	(2,112)
-	(2,501)	* Central Government - Business Rate S31 grant	(12,177)
(1,172)	(1,172)	Other payables	(2,268)
<b>(15,448)</b>	<b>(15,448)</b>	<b>Total Short Term Creditors</b>	<b>(22,635)</b>

The creditor for 2020-21 represents the share of the S31 due to major preceptors under collection fund statute (see Notes to the Collection Fund Statement).

## 28. Provisions

	Compensation Claims £'000s	NNDR Appeals £'000s	Dreamland CPO Compensation £'000s	Dreamland Legal Costs £'000s	Port £'000s	Legal £'000s	Other £'000s	Total £'000s
<b>Balance as at 1 April 2019</b>	(481)	(2,449)	-	-	-	-	(476)	(3,406)
Additional provisions made in year	(1)	(803)	(3,644)	(942)	-	-	-	(5,390)
Amounts used during the year	-	69	-	-	-	-	476	545
<b>Balance as at 31 March 2020</b>	<b>(482)</b>	<b>(3,183)</b>	<b>(3,644)</b>	<b>(942)</b>	-	-	-	<b>(8,251)</b>
<b>Balance as at 1 April 2020</b>	<b>(482)</b>	<b>(3,183)</b>	<b>(3,644)</b>	<b>(942)</b>	-	-	-	<b>(8,251)</b>
Additional provisions made in year	-	(608)	-	-	(563)	(612)	-	(1,783)
Amounts used during the year	-	484	3,613	837	-	-	-	4,934
<b>Balance as at 31 March 2021</b>	<b>(482)</b>	<b>(3,307)</b>	<b>(31)</b>	<b>(105)</b>	<b>(563)</b>	<b>(612)</b>	-	<b>(5,100)</b>

### Compensation Claims

The Council holds a provision of £482k in respect of asbestos-related compensation claims through employer's liability insurance following a Supreme Court Judgement in favour of the claimants.

### NNDR Appeals

The Council has a Business Rates provision of £3.307m for past and future appeals against the Valuation Office (VO) rateable valuation list. A methodology has been agreed with other councils in Kent to arrive at a consistent countywide approach as part of the Kent Business Rates Pool.

### Port

A provision of £563k has been created to recognise anticipated revenue costs associated with the berth 4/5 capital scheme. This was reported in detail to Cabinet at its 29 July 2021 meeting, but the major elements are:

- **Main Contractor** - £383k payments to the main contractor due to delays, which do not meet the criteria to be recognised as capital expenditure
- **Port Operator** - The commercial operator of berth 4/5 is Brett Aggregates, due to the berth being non-operational they have had to use road haulage as an alternative. It is estimated that they will claim costs in the region of £180k.

This is in addition to a forecast £380k capital pressure, expected to materialise in future years, resulting in a total overspend on the scheme of £825k. Additional budget provision was approved at 29 July 2021 Cabinet meeting.

## Legal

On 8 June 2021 Cabinet approved 2020-21 supplementary revenue budgets totalling £733k in relation to legal costs associated with on-going disciplinary and grievance proceedings. During 2020-21 revenue expenses in relation to these matters of £121k have been recognised in the CIES, under the net cost of service, for the relevant costs incurred in the financial year. In addition to this, a revenue provision of £612k has been created to recognise in the 2020-21 accounts the future costs anticipated at the balance sheet date in relation to these matters. It is deemed appropriate to create a provision because the following criteria have been met:

- **Present obligation as a result of a past event** - At the balance sheet date there was an expectation to pay the costs set out above, with the past event considered to be the engagement of legal firms and barristers to support the processes associated with the grievance and disciplinary action
- **Costs are probable** - based on the Council's current strategy for resolution, these costs would be unavoidable. Actions to resolve the matters are not solely within the council's control
- **Reliable estimates** - These estimates have been produced by the legal firm that have been contracted to oversee and manage these processes and are based on the maximum time and processes necessary to bring matters to conclusion.

It should be noted that the forecasts represent the Council's costs only and therefore there is a risk that the Council's financial exposure could exceed this envelope. There is also a risk that costs may exceed these current estimates if the proceedings' durations extend beyond current expectations or if appeals are lodged. These possibilities have been considered as a contingent liability, as disclosed elsewhere at Note 40.

## Other Provisions

Under 'Other Provisions' the short term amounts used during 2019-20 relate to the settlement of the final claim against the council for matters relating to live animal exports at Ramsgate port. The new capital provision set aside in 2019-20 relates to the Dreamland Compulsory Purchase Order (£3.644m) and associated legal costs (£942k).

## 29. Usable Reserves

2019-20 £'000s		2020-21 £'000s
(8,544)	Capital Receipts Reserve	(6,316)
(15,469)	Major Repairs Reserve	(15,425)
(2,011)	General Fund Balance	(2,011)
(8,645)	HRA Balance	(7,749)
(43)	Capital Grants Unapplied	(43)
(12,453)	GF Earmarked Reserves	(23,584)
(1,075)	HRA Earmarked Reserves	(1,049)
<b>(48,240)</b>	<b>Total Usable Reserves</b>	<b>(56,177)</b>

Note 30

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

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

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

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

**GF & HRA Earmarked Reserves** – see Note 17.

### 30. 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 2019-20 figures have been restated to separately disclose the repayment of debt. The balance as at 31 March of £(8.544)m remains unchanged and is shown as reported in the audited 2019-20 statement of accounts. Col.1 and Col.2 below show the original and restated figures.

Original 2019-20 £,000s	Restated 2019-20 £'000s		2020-21 £'000s
(9,437)	(9,437)	<b>Balance as at 1 April</b>	<b>(8,544)</b>
(2,332)	(2,332)	Capital Receipts in year	(3,537)
2,975	2,975	Capital Receipts used to finance capital expenditure	3,259
-	(7)	* Capital Receipts used to repay debt	2,249
232	232	Housing Pooled Capital Receipts payment to government	196
18	25	* Cost of sales/Right to Buy admin costs	61
<b>(8,544)</b>	<b>(8,544)</b>	<b>Balance as at 31 March</b>	<b>(6,316)</b>

The £6.316m balance as at 31 March 2021 includes £4.716m for housing capital receipts, which are ring fenced for the HRA (31 March 2020 balance £8.544m includes £5.945m for housing capital receipts).

### 31. Unusable Reserves

2019-20 £'000s			2020-21 £'000s
(123,446)	Revaluation Reserve	Note 31a	(135,467)
(96,498)	Capital Adjustment Account		(92,761)
90,435	Pensions Reserve	Note 31c	102,686
(544)	Collection Fund Adjustment Account		9,924
-	Accumulated Absences Account		615
<b>(130,053)</b>	<b>Total Unusable Reserves</b>		<b>(115,003)</b>



## 31a. Revaluation Reserve

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

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

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

<b>2019-20</b> <b>£'000s</b>		<b>2020-21</b> <b>£'000s</b>
<b>(119,030)</b>	<b>Balance as at 1 April</b>	<b>(123,446)</b>
(10,715)	Upward revaluation of assets	(22,388)
2,691	Downward revaluation of assets and impairment losses charged to the reserve	8,780
(113)	Gains through acquisition/recognition of non-current assets in the year	(20)
<b>(8,137)</b>	<b>Surplus or deficit arising on revaluation of non-current assets</b>	<b>(13,628)</b>
564	Difference between fair value depreciation and historical cost depreciation	550
3,157	Accumulated gains on assets disposed of	1,057
<b>3,721</b>	Amount written off to the Capital Adjustment Account	<b>1,607</b>
<b>(123,446)</b>	<b>Balance as at 31 March</b>	<b>(135,467)</b>

Upward revaluation of assets in 2020-21 of £22.387m includes £17.705m for Council dwellings.

## 31b. Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 16 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The 2019-20 figures for Capital Financing applied in the year figures have been restated to disclose additional information for the repayment of debt to make the reconciliation to Note 16 clearer. The balance as at 31 March of £(96.498)m remains unchanged and is shown as reported in the audited 2019-20 statement of accounts. Col.1 and Col.2 below show the original and restated figures.

<b>Original</b> <b>2019-20 £'000s</b> <b>(115,155)</b>	<b>Restated</b> <b>2019-20 £'000s</b> <b>(115,155)</b>		<b>2020-21 £'000s</b> <b>(96,498)</b>
		<b>Balance as at 1 April</b>	
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
8,611	8,611	Charges for depreciation and impairment of non-current assets	7,659
21,781	21,781	Revaluation losses on Property, Plant and Equipment	8,345
24	24	Amortisation of intangible assets	-
3,874	3,874	Revenue expenditure funded from capital under statute	3,312
3,951	3,951	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,868
<b>(76,914)</b>	<b>(76,914)</b>		<b>(73,314)</b>
<b>(3,721)</b>	<b>(3,721)</b>	Adjusting amounts written out of the Revaluation Reserve	<b>(1,607)</b>
<b>(80,635)</b>	<b>(80,635)</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>(74,921)</b>

		<b>Capital Financing applied in the year:</b>	
(2,945)	(2,975)	* Use of the Capital Receipts Reserve to finance new capital expenditure	(3,259)
(554)	286	* Use of Capital Receipts Reserve for Repayment of debt	(2,249)
-	30	* Costs of disposal funded from capital receipts	(18)
(1,745)	(1,745)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,094)
(6,295)	(6,295)	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(4,508)
(1,203)	(1,203)	Statutory Minimum Revenue Provision (MRP) for the financing of capital investment charged against the General Fund	(1,333)
-	(840)	* Repayment of HRA Debt	-
-	-	* HRA Voluntary Revenue Provision (VRP)	(241)
(2,015)	(2,015)	Capital Expenditure charged against the General Fund and HRA balances	(1,636)
(1,106)	(1,106)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(512)
<b>(96,498)</b>	<b>(96,498)</b>	<b>Balance as at 31 March</b>	<b>(92,761)</b>

### 31c. Pensions Reserve

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

2019-20 £'000s		2020-21 £'000s	
86,274	<b>Balance as at 1 April</b>	90,435	
700	Re-measurement of the net defined benefit liability	5,994	
(4,861)	Employers contributions payable in the year	(5,402)	
8,322	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	11,659	
<b>90,435</b>	<b>Balance as at 31 March</b>	<b>102,686</b>	

### 31d. Collection Fund Adjustment Account

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

2019-20 £'000s		2020-21 £'000s	
(814)	<b>Balance as at 1 April</b>	(544)	
90	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	404	
180	Amount by which non domestic rates (business rates) income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year according to statute	10,064	
<b>(544)</b>	<b>Balance as at 31 March</b>	<b>9,924</b>	

The increase in the business rate balance is as a result of the award of 100% business rate relief (introduced by Central Government) for retail and hospitality businesses and children's nurseries in order to alleviate the financial pressures of the pandemic and successive lockdowns. The balance will be charged to the General Fund over future years in accordance with statute.

## 32. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2019-20		2020-21
£'000s		£'000s
(364)	Interest Received	(176)
1,125	Interest Paid	957

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

2019-20		2020-21
£'000s		£'000s
(8,611)	Depreciation	(7,659)
(21,781)	Impairment and downward valuations	(8,345)
(24)	Amortisation	-
1,193	Movement in Creditors	(11,341)
1,632	Movement in Debtors	9,675
89	Movement in Inventories	(13)
(3,461)	Pension Liability	(6,257)
(3,951)	Carrying amount of non-current assets sold	(3,869)
1,106	Movement in Investment Property Values	512
(536)	Contribution (to)/from Provisions	3,152
<b>(34,344)</b>		<b>(24,145)</b>

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

2019-20 £'000s		2020-21 £'000s
-	Disposal of short-term Investments	(7,183)
128	Capital Grants credited	(8,184)
2,322	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,528
<u>2,450</u>		<u>(11,839)</u>

### 33. Cash Flow Statement - Investing Activities

2019-20 £'000s	Investing Activities	2020-21 £'000s
16,810	Purchase of Property, plant and equipment, investment property and intangible assets	19,493
69	Purchase of short term and long term investments	-
30	Other Payments for investing activities	1,895
(2,324)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,528)
(3,566)	Other receipts from investing activities	(5,977)
<u>11,019</u>	<b>Net cash flows from Investing activities</b>	<u>11,883</u>

### 34. Cash Flow Statement - Financing Activities

2019-20 £'000s	Financing Activities	2020-21 £'000s
-	Payments for the reduction of a finance liability	1
5,432	Repayments of short and long term borrowing	631
(1,859)	Other payments for financing activities	4,103
<u>3,573</u>	<b>Net cash flows from Financing activities</b>	<u>4,735</u>

## 34a. Reconciliation of Liabilities Arising from Financing Activities

	<b>1 April 2019 £'000s</b>	<b>Financing Cash flows £'000s</b>	<b>Other Non Cash changes £'000s</b>	<b>31 March 2020 £'000s</b>
Long term borrowings	(25,024)	-	630	(24,394)
Short term borrowings	(5,803)	5,432	(541)	(912)
Lease liabilities	(347)	-	-	(347)
<b>Total</b>	<b>(31,174)</b>	<b>5,432</b>	<b>89</b>	<b>(25,653)</b>

	<b>1 April 2020 £'000s</b>	<b>Financing Cash flows £'000s</b>	<b>Other Non Cash changes £'000s</b>	<b>31 March 2021 £'000s</b>
Long term borrowings	(24,394)	-	4,179	(20,215)
Short term borrowings	(912)	631	(4,174)	(4,455)
Lease liabilities	(347)	1	-	(346)
<b>Total</b>	<b>(25,653)</b>	<b>632</b>	<b>5</b>	<b>(25,016)</b>

Financing cash flows on short term borrowings of £632k (2019-20: £5.432m) represents the repayment of maturing loans during the year.

## 35. Related Party Transactions

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

Related party transactions can occur where one party has direct or indirect control of the other party, or the parties are subject to common control from a third party, where one party has influence over the financial and operating policies of the other, or where parties

entering into a transaction are subject to influence from the same source, inhibiting those parties from pursuing their own separate interests. The transaction must be material to either party to require disclosure.

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

**Members and Senior Officers** – Members of the Council and certain senior officers have direct control over the financial and operating policies of the Authority and are therefore in a position of influence. The total of members’ allowances paid in 2020-21 is shown in Note 11. During 2020-21 a questionnaire was distributed to the 53 current Members and 4 relevant officers. Two Councillors stated an interest in companies that involved revenue transactions to/from the authority during 2020-21 amounting to £396k to the council (rental income from London Array Ltd £372k and Margate Media Community Project Ltd £24k) and £16k from the council to Margate Media Community Project Ltd for room hire. These Councillors excuse themselves from meetings where there could be a conflict of interest (there were no prior year declarations in 2019-20).

At the time of preparing this statement 5 returns remained outstanding. Previous declarations have been reviewed and no material disclosures have been made before by them.

**Government Departments** – Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 6 Expenditure and Income Analysed by Nature. Grant receipts and amounts outstanding at 31 March 2021 are shown in Note 15.

**East Kent Services** – The Council is a partner in a number of shared service arrangements principally with other East Kent Local

authorities. In 2009-10 the East Kent HR Partnership was formed incorporating Thanet, Canterbury and Dover District Councils and in February 2011 the East Kent Shared Service was formed incorporating various services from Thanet, Dover and Canterbury, this included Revenue and Benefits, ICT and Customer Services. Thanet is the host authority for this arrangement. Revenue and Benefits and Customer Services were subsequently transferred to Civica UK Limited in February 2018. Neither arrangements are believed to have any joint account implications and are accounted for as related parties. The Council’s financial statements include the costs and liabilities relating to its share of the shared service arrangements on a gross accounting basis across the relevant service headings.

Income from Canterbury of £3.138m (2019-20 £3.109m) and Dover £2.421m (2019-20 £2.529m) was invoiced during the year for their share of the Civica management contract. Payments were made to Canterbury of £175k (2019-20 £175k) and Dover £196k (2019-20 £196k) for various fixed cost support services provided to Civica UK Limited as part of the main contract, and to Dover of £167k (2019-20 £129k) as host of the Audit and HR Partnership.

Balances were owed to Canterbury of £10k (2019-20 £287k) and Dover £130k (2019-20 £257k) at the year end for ad hoc services provided by the partners (on a short term basis) and for joint projects (Note 39 Long Term Liabilities) still to be delivered by East Kent Services. Debtors remained outstanding from Canterbury of £140k (2019-20 £117k) and Dover £175k (2019-20 £264k) for their share of costs incurred for Council Tax support administration and data sharing.



## 36. Capital Expenditure and Capital Financing

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

2019-20 £'000s		2020-21 £'000s	2020-21 £'000s
47,284	<b>Opening Capital Financing Requirement</b>		54,622
	<b>Capital Investment</b>		
18,120	Property, Plant and Equipment	20,153	
1	Investment Properties	9	
40	Capital loan granted (debtor)	20	
24	Intangible assets	-	
3,874	Revenue expenditure funded from capital under statute (including external funding)	3,312	
<u>22,059</u>			23,494
	<b>Sources of finance</b>		
-	Repayment of GF debt (Dreamland)	(2,249)	
(840)	Repayment of HRA debt	-	
-	Voluntary Revenue Provision (VRP)	(241)	
(2,964)	Capital Receipts	(3,259)	
(7,699)	Government Grants and other contributions	(12,713)	
(2,015)	Direct revenue contributions	(1,636)	
(1,203)	Minimum Revenue Provision (MRP) for the repayment of debt	(1,333)	
<u>(14,721)</u>			(21,431)
<b>54,622</b>	<b>Closing Capital Financing Requirement</b>		<b>56,685</b>
	<b>Explanation of movements in year</b>		
9,381	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)		5,886
(1,203)	Minimum Revenue Provision (MRP) for the repayment of debt		(1,333)
-	Repayment of GF debt (Dreamland)		(2,249)
(840)	Repayment of HRA debt		-
-	Voluntary Revenue Provision (VRP)		(241)
<u>7,338</u>	<b>Increase/(decrease) in CFR</b>		<u>2,063</u>

## Capital Expenditure and Financing

The total capital expenditure in 2020-21 amounted to £23.494m (including revenue expenditure funded from capital). This included £11.118m in relation to HRA which was funded through the Major Repairs Allowance £4.094m, grants £240k, Capital receipts £1.567m and revenue/reserves £940k. The balance of £4.277m was unfunded.

General fund capital expenditure was £12.376m, funded from grants £3.929m, capital receipts £1.692m, and revenue/reserves £696k. The balance of £6.059m was unfunded.

Included in the General Fund capital expenditure of £12.376m is £3.543m for the acquisition of new assets (as set out in the Capital Expenditure section of the Narrative Report). Other significant General Fund expenditure includes £2.885m for disabled facility grants and £4.450m in relation to the Dreamland CPO settlement.

## 37. Finance and Operating Leases

### Finance Leases

The Council has one car park lease for the Royal Harbour Car Park in Ramsgate, which is 125 years long. This lease has been reviewed and substantially all the risks and rewards of the lease lie with the Council. Therefore, to reflect this, a long term obligation exists for the remaining years of the lease. The asset acquired under this lease is carried as Property, Plant and Equipment in the Balance Sheet. The car park lease was re-valued during 2017-18 and has been assessed as having a nil value due to the significant on-going revenue deficits being incurred for the car park.

The Authority is committed to making minimum payments under this lease comprising 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:

	2019-20 £'000s	2020-21 £'000s
<b>Finance lease liabilities (net present value of minimum lease payments)</b>		
Non-current	(315)	(314)
Finance costs payable in future years	(32)	(32)
<b>Minimum lease payments</b>	<b>(347)</b>	<b>(346)</b>

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

	2019-20 £'000s	2020-21 £'000s
More than 1 year less than 5 years	(2)	(2)
More than 5 years	(345)	(344)
	<b>(347)</b>	<b>(346)</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020-21 £168k contingent rents were payable by the Authority (2019-20 £190k).

### 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 (£1.132m subject to rent review) relate to more than 5 years, the average lease term for such properties being 6 years. These assets can be found in the fixed asset note under Investment Properties. The asset valuations are apportioned as follows:

#### Asset Valuations

2019-20 £'000s		2020-21 £'000s	
6	Investment Properties HRA	6	
22,959	Investment Properties General Fund	23,286	
<b>22,965</b>	<b>Total</b>	<b>23,292</b>	

In addition to the above the council has one subsequent lease whereby despite the term of the lease, the risk and reward of ownership remains with the lessor, i.e. the lease term is in excess of 5 years. The income values attached to this lease remained the same for both 2019-20 and 2020-21, this being £69,069.

#### Embedded Leases:

A review of all contracts is undertaken annually and no embedded leases have been identified as a result.

## 38. Defined Benefit Pension Scheme

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

Thanet District Council participates in the Local Government Pension Scheme (LGPS) administered by Kent County Council in accordance with the Local Government Pension Scheme (Amendment) Regulations 2018. This is a funded defined benefit scheme based on career average revalued salary and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The administering authority for the Fund is Kent County Council. The Pension Fund Committee oversees the management of the Fund, whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate, some functions are delegated to the Fund's professional advisors.

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

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

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

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

As a result of the Covid-19 pandemic, pension fund investments have been subject to additional volatility in investment markets, the following tables show the estimated impact on market values at the measurement date provided by the fund's actuaries. Note 3 gives further information on the future material uncertainty in relation to the Kent Pension Fund and its impact on admitted bodies.

### McCloud/Sargeant Ruling on Pension Account Disclosures:

Two successful employment tribunal cases were brought against the Government in relation to age discrimination on reforms to public sector pensions in 2015. The Government were refused leave to appeal the McCloud/Sargeant judgements on 27 June 2019, with instruction for the parties involved to return to their respective employment tribunals to formulate a remedy to resolve the age discrimination of the pension changes. In addition, whilst the judgements concerned the Judges and Uniformed Police and Firefighters Pension Schemes, the Chief Secretary to the Treasury announced on 15 July 2020 that the rulings would apply to all public service pension schemes, with each scheme expected to produce its own solution to meet the implications of the judgements.

Government consultation was published on 16 July 2020 and closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of Regulations are published. At the suggestion of both the Government Actuaries Department (GAD) the Ministry of Housing, Communities & Local Government (MHCLG) and external auditors, the Fund's Actuaries Barnett Waddingham were asked to undertake a review on whether the ruling would have a material impact on the figures shown within previous years accounts. They concluded that any impact would not have been of a material nature, so an allowance for the impact of the McCloud/Sargeant judgements was instead included in the 2019-20 accounts in recognition of the past service cost, and no further adjustments have been made to this figure in light of the ongoing consultation process. Using analysis provided by GAD, focused on key assumptions around assumed rates of future salary increases, the potential impact of these judgements was estimated at £985k for this purpose.

### Cost of Retirement Benefits

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:

2019-20 £'000s	Amounts recognised in the Comprehensive Income and Expenditure Statement	2020-21 £'000s
	<b>Cost of Services</b>	
4,681	Current service cost	5,862
1,540	Past Service costs, curtailments and settlements	3,628
2,101	Net Interest on the defined liability	2,169
<b>8,322</b>	<b>Total Post Employment Benefit Charged to the (Surplus)/Deficit on the Provision of Services</b>	<b>11,659</b>

2019-20 £'000s	Re-measurement of Net Defined Benefit	2020-21 £'000s
13,724	Return on plan assets in excess of interest	(35,602)
2,524	Other actuarial gains/(losses) on assets	-
(17,272)	Changes in financial assumptions	47,698
(2,555)	Changes in demographic assumptions	(2,648)
4,279	Experience gain/(loss) on defined benefit obligation	(3,454)
<b>700</b>	<b>Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure</b>	<b>5,994</b>

2019-20 £'000s	Amounts recognised in the Movement in Reserves Statement	2020-21 £'000s
(8,322)	Reversal of net charges made to the (surplus)/deficit on the provision of services for post-employment benefits in accordance with the Code	(11,659)
	Actual amount charged against the General Fund and Housing Revenue Account balance for pensioners:	
4,861	Employers contributions payable to the scheme	5,402

#### Assets and Liabilities in relation to Retirement Benefits

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

2019-20 £'000s	Balance as at 1 April	2020-21 £'000s
<b>(227,217)</b>	<b>Balance as at 1 April</b>	<b>(215,544)</b>
(4,681)	Current service cost	(5,862)
(5,368)	Interest cost	(4,482)
17,272	Change in financial assumption	(47,698)
2,555	Change in demographic assumption	2,648
(810)	Contributions by scheme participants	(893)
(4,279)	Experience loss/(gain) on defined benefit obligation	3,454
7,944	Benefits paid	6,931
580	Unfunded pension payments	567
-	Liability extinguished on settlement	(6,937)
(1,540)	Past service costs including curtailments/settlements	(3,628)
<b>(215,544)</b>	<b>Closing Defined Benefit Obligation</b>	<b>(271,444)</b>

As a result of East Kent Housing members transferring back into the council's employ during the year, liabilities have been settled at a cost that's different to the accounting reserve. The capitalised loss of this settlement is £3.628m, which comprises liabilities of £10.565m and assets of £6.937m.

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

<b>2019-20 £'000s</b>		<b>2020-21 £'000s</b>
<b>140,943</b>	<b>Balance as at 1 April</b>	<b>125,109</b>
3,349	Interest on assets	2,416
(13,724)	Return on assets less interest	35,602
(2,524)	Other actuarial gains/(losses)	-
(82)	Administration expenses	(103)
4,861	Employer contributions including unfunded	5,402
810	Contributions by scheme participants	893
(8,524)	Benefits paid including unfunded	(7,498)
-	Settlement prices received/(paid)	6,937
<b>125,109</b>	<b>Closing Fair Value of Employer Assets</b>	<b>168,758</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual gain on scheme assets in the year was £38.018m (2019-20 £10.375m loss).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £102.686m 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 2022 is £4.6m.

## Balance Sheet Disclosure as at 31 March 2021

	31 March 2019	31 March 2020	31 March 2021
	£'000s	£'000s	£'000s
<b>Net Pension Assets</b>			
Present value of funded obligation	(219,349)	(208,242)	(264,089)
Fair value of scheme assets (bid value)	140,943	125,109	168,758
<b>Net Liability</b>	<b>(78,406)</b>	<b>(83,133)</b>	<b>(95,331)</b>
Present value of unfunded obligation	(7,868)	(7,302)	(7,355)
<b>Net Liability in Balance Sheet</b>	<b>(86,274)</b>	<b>(90,435)</b>	<b>(102,686)</b>

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

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates have been based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

31 March 2020		31 March 2021
	Mortality assumptions:	
	<b>Longevity at 65 for current pensioners:</b>	
21.8 yrs	Men	21.6 yrs
23.7 yrs	Women	23.6 yrs
	<b>Longevity at 65 for future pensioners:</b>	
23.2 yrs	Men	22.9 yrs
25.2 yrs	Women	25.1 yrs
2.0%	Rate of inflation (CPI)	2.9%
3.0%	Rate of increase in salaries	3.9%
2.0%	Rate of increase in pensions	2.9%
2.4%	Rate for discounting scheme liabilities	2.0%
50%	Take-up of option to convert annual pension into retirement lump sum	50%



Further assumptions are that:

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

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

31 March 2020			31 March 2021		
£'000s	%		£'000s	%	
76,967	61	Equity investments	108,668	64	
972	1	Gilts	1,003	1	
16,307	13	Bonds	21,075	13	
17,023	14	Property	17,466	10	
3,274	3	Cash	8,368	5	
10,566	8	Target Return Portfolio	12,178	7	
<b>125,109</b>		<b>Total</b>	<b>168,758</b>		

The following provides detail of these assets as at 31 March 2021, representing the percentages of the total Fund held in each asset class, split by those that have a quoted market price in an active market, and those that do not.

Employer asset share – bid value			31 March 2021	
			% Quoted	% Unquoted
Fixed Interest				
Government Securities	UK		-	-
	Overseas		0.6%	-
Corporate Bonds	UK		3.9%	-
	Overseas		8.6%	-
Equities	UK		14.3%	-
	Overseas		38.6%	8.1%
Property	All		-	10.3%
Others	Target return portfolio		7.2%	-
	Private equity		-	2.4%
	Infrastructure		-	1.0%

	Derivatives	-	-
	Cash/temporary investments	-	4.7%
<b>Net Current Assets</b>	Debtors	-	0.5%
	Creditors	-	-0.2%
	<b>Total</b>	<b>73.2%</b>	<b>26.8%</b>

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

### Sensitivity Analysis

	£'000s	£'000s	£'000s
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present value of total obligation	266,581	271,444	276,339
Projected Service Cost	6,594	6,813	7,039
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present value of total obligation	271,840	271,444	271,051
Projected Service Cost	6,817	6,813	6,809
Adjustment to Pension Increases & Deferred Revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	275,957	271,444	267,010
Projected Service Cost	7,037	6,813	6,596
Adjustment to Mortality age rating assumption	+1 year	None	-1 Year
Present value of total obligation	284,929	271,444	258,637
Projected Service Cost	7,099	6,813	6,537

These assumptions are set with reference to market conditions as of 31 March 2021. Our estimate of the duration of the Employer's liabilities is 18 years. An estimate of the Council's future cash flows is made using notional cash flows based on 18 years' estimated duration.

These cash flows are then used to derive a Single Equivalent Discount Rate. This derived rate equates to the net present value of the cash flows, discounted using the annualized Merrill Lynch AA rated corporate bond yield curve.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made an assumption about CPI which is that it will be 0.4% p.a. below RPI i.e. 2.85% p.a. We believe that this is a reasonable estimate for the future differences in indices, based on the different calculation methods and recent independent forecasts. This is consistent with the approach used at the previous accounting date. Salaries are assumed to increase at 1.0% p.a. above CPI in addition to the promotional scale. This is consistent with the approach used at the previous accounting date.

#### **Projected Pension Expense for the year to 31 March 2022**

	<b>£'000s</b>
Current Service Cost	6,813
Net Interest on the Defined Liability (asset)	2,002
Administration Expenses	139
<b>Total</b>	<b>8,954</b>
Employer Contributions	4,592

## 39. Other Long Term Liabilities

Other long term liabilities on the Balance Sheet include the multi storey car park finance lease obligation £346k (2019-20 £347k, see Note 37 for further detail), the pension liability £102.686m (2019-20 £90.435m, see previous note), and a deferred credit of £879k (2019-20 £1.218m) which relates to capital expenditure incurred on one of the Council's leisure facilities by the entity that operates it under a lease arrangement, where expenditure is released to the Comprehensive Income and Expenditure Statement over the remaining term of the lease. In addition £284k (2019-20 £339k) relates to projects still to be delivered by East Kent Services on behalf of the other partners in the shared service arrangement (see Note 35 for further detail of the arrangement).

## 40. Contingent Liabilities

### **Hand Arm Vibration**

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

### **Awards or Settlements in Relation to Grievance and Disciplinary Matters**

As disclosed at Note 28 for Provisions, there are Grievance and Disciplinary Matters at the Council and the anticipated legal costs have been provided for in the accounts. However at this stage it is not considered probable, nor can a reliable estimate be formed, for possible compensation awards or settlement payments relating to these matters.

## **41. Joint Operations**

### **East Kent Opportunities**

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

In accordance with IFRS 11 the Council accounts for its share of the assets, liabilities, and income and expenditure within its own single entity accounts. After the sale of a substantial parcel of the land on 31 March 2017 the Council's share of the remaining land is currently valued at £1.005, (2019-20 £1.034m).

## **42. Accounts Authorised for Issue**

The date that the accounts were authorised for issue was the date that the Director of Corporate Services & Section 151 Officer, Chris Blundell, signed the Statement of Responsibilities for the Statement of Accounts.

## Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2021

The 2019-20 figures have been restated to disclose the Investment Property fair value loss, revaluation loss on non-current assets and the statutory repayment of debt under adjustments between accounting and funding basis items instead of movements in other reserves, in line with the Movement in Reserves Statement. The rows marked with an \* show where changes have occurred, and the original and restated figures are reported below in Col.1 and Col.2.

Original 2019-20 £'000s	Restated 2019-20 £'000s		2020-21 £'000s
		<b>INCOME</b>	
(12,829)	(12,829)	Dwelling rents (gross)	(13,007)
(248)	(248)	Non-dwelling rents (gross)	(237)
(443)	(443)	Charges for services and facilities	(492)
(303)	(303)	Contributions towards expenditure	(711)
<b>(13,823)</b>	<b>(13,823)</b>	<b>Sub-Total Income</b>	<b>(14,447)</b>
		<b>EXPENDITURE</b>	
3,464	3,464	Repairs and maintenance	3,958
3,791	3,790	* Supervision and management – General	4,551
669	669	Supervision and management – Special	738
248	248	Rents, rates, taxes and other charges	210
446	446	Movement in the allowance for bad debts	317
6,477	6,458	* Depreciation, impairments and revaluation losses of non current assets	11,042
8	8	Debt management costs	7
<b>15,103</b>	<b>15,083</b>	<b>Sub-Total Expenditure</b>	<b>20,823</b>
<b>1,280</b>	<b>1,260</b>	<b>* Net expenditure and income of HRA services as included in the whole authority</b>	<b>6,376</b>
		<b>Comprehensive Income and Expenditure Statement</b>	
113	113	HRA services' share of corporate and democratic core	117
<b>1,393</b>	<b>1,373</b>	<b>* Net expenditure of HRA services</b>	<b>6,493</b>
1,507	1,507	(Gain) or loss on HRA non-current assets	464
-	20	* Investment Property fair value loss	-
718	718	Interest payable and similar charges	659
(187)	(187)	Interest and investment income	(57)
(876)	(876)	Capital grants and contributions receivable	(240)
<b>2,555</b>	<b>2,555</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>7,319</b>

## Movement on the Housing Revenue Account Statement

Following the restatement of the 2019-20 figures in the Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2021, the balances reported in the the Movement in Reserves Statement below has also changed. The Balance on the HRA at the end of the current year of £(8.645)m remains unchanged and is shown below in Col.1 as reported in the audited 2019-20 statement of accounts. The rows that have been changed are marked with an \* and Col.2 below shows the restated figures.

Original 2019-20 £'000s	Restated 2019-20 £'000s		2020-21 £'000s
(9,308)	(9,308)	<b>Balance on the HRA at the end of the previous year</b>	(8,645)
2,555	2,555	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	7,319
(776)	(441)	* Adjustments between accounting basis and funding basis under regulations (note 9)	(6,397)
<b>3,331</b>	<b>2,114</b>	<b>* (Increase) or decrease in the Housing Revenue Account Balance before transfers to/(from) reserves</b>	<b>922</b>
(2,668)	(1,451)	* Transfer to/(from) Earmarked & Other Reserves	(26)
<b>663</b>	<b>663</b>	<b>(Increase)/decrease in the year on the Housing Revenue Account</b>	<b>896</b>
<b>(8,645)</b>	<b>(8,645)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(7,749)</b>

# 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 3,061 dwellings during 2020-21 including the Authority’s share of shared ownership dwellings. The Council added 48 new properties and sold 6 during the financial year.

The stock as at 31 March 2021 is comprised of the following types of dwellings:

31 March 2020		31 March 2021	
1,551	Houses	1,573	
188	Low Rise Flats (1 to 2 Storey)	193	
875	Medium-Rise Flats (3 to 5 Storey)	890	
405	High-Rise Flats (6 Storeys or more)	405	
<b>3,019</b>	<b>Total</b>	<b>3,061</b>	

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

31 March 2020		31 March 2021	
£'000s		£'000s	
152,960	Council Dwellings	166,292	
4,312	Operational Land & Buildings	2,414	
6	Investment	6	
5,318	Assets Under Construction	3,955	
<b>162,596</b>	<b>Total</b>	<b>172,667</b>	

The vacant possession value of dwellings within the Authority’s Housing Revenue Account as at 1 April 2020 was £480m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

### 3. Housing Revenue Account Capital Expenditure

2019-20 £'000s		2020-21 £'000s
3,036	Houses (dwellings)	9,031
7,551	Other land and buildings and assets under construction	2,087
-	Loan	-
<b>10,587</b>	<b>Total Housing Revenue Account Capital Expenditure</b>	<b>11,118</b>

2019-20 £'000s		2020-21 £'000s
4,253	Borrowing	4,277
1,904	Revenue Contribution to Capital	940
1,745	Financed from Major Repairs Reserve	4,094
1,809	Funded from Capital Receipts	1,567
876	Funded by grants and external contributions	240
<b>10,587</b>	<b>Total Housing Revenue Account Capital Expenditure</b>	<b>11,118</b>

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

2019-20 Total		2020-21 Usable	2020-21 Contribution to Gov't Pool	2020-21 Total
£'000s		£'000s	£'000s	£'000s
(1,790)	Sale of Dwellings	(556)	196	(360)
23	Sale of Other Land and Buildings	(35)	-	(35)
(52)	Repayment Discount	-	-	-
(2)	Mortgage Repayment	-	-	-
<b>(1,821)</b>	<b>Total</b>	<b>(591)</b>	<b>196</b>	<b>(395)</b>

### 5. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2021 amounted to £1.330m. This figure includes the full week rent charge but only payments up to and including 31 March 2021.

2019-20 £'000s		2020-21 £'000s
873	Current Tenant Rent Arrears	847
324	Former Tenant Rent Arrears	483
<b>1,197</b>	<b>Total</b>	<b>1,330</b>



## 6. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £1.633m in 2020-21 (2019-20 £1.316m). The provision includes not only amounts set aside for rent arrears (note 5 above), but also for other HRA debts such as rechargeable repairs, court costs and other miscellaneous income.

## 7. Depreciation and Impairment of Fixed Assets

2019-20 Depreciation £'000s			2020-21 Depreciation £'000s	
4,319		Houses	3,689	
130		Other Operational Property	66	
<b>4,449</b>		<b>Total</b>	<b>3,755</b>	

## 8. Pension Costs

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

2019-20 £'000s			2020-21 £'000s	
327		Current service costs in the Income & Expenditure Statement	632	
(108)		Movement on Pension Reserve	(280)	
<b>219</b>		<b>Total</b>	<b>352</b>	
<b>219</b>		<b>HRA contributions payable to the scheme</b>	<b>352</b>	

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

## 9. Adjustments between Accounting and Funding Basis

The 2019-20 figures have been restated to present the information in more detail and to correct errors in the audited 2019-20 statement of accounts. As a result, the balance (Net additional amount required by statute to be debited/(credited) to the HRA balance for the year) has changed from £776k to £(441)k. Col.1 and Col.2 below show the original and restated figures.

2019-20 Original £'000s	2019-20 Restated £'000s	Reversal of items debited/(credited) to the HRA Income and Expenditure Statement to be removed for determining the movement on the HRA balance for the year	2020-21 £'000s
876	876	Capital Grants and Contributions Receivable	240
(1,507)	(1,534)	* Gain or loss on HRA non-current assets	(474)
(327)	(327)	Net charges made for retirement benefits in accordance with IAS 19	(632)
<b>(958)</b>	<b>(985)</b>		<b>(866)</b>
		<b>Addition of items not debited/(credited) to the Comprehensive Income &amp; Expenditure Statement to be included for determining the movement on the HRA balance for the year</b>	
-	(2,009)	Revaluation losses on non-current assets	(7,287)
-	(20)	Movements in the fair value of investment properties	-
-	839	Statutory provision for the repayment of debt	-
-	-	Voluntary revenue provision (VRP)	240
-	-	Voluntary contribution to the Major Repairs Reserve	296
108	108	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	280
1,626	1,626	HRA contribution to finance capital expenditure	940
<b>1,734</b>	<b>544</b>		<b>(5,531)</b>
<b>776</b>	<b>(441)</b>	<b>Net additional amount required by statute to be debited/(credited) to the HRA balance for the year</b>	<b>(6,397)</b>

## Collection Fund Statement for the year ended 31 March 2021

2019-20			2020-21	
Council Tax £'000s	National Non-Domestic Rates (NNDR) £'000s		Council Tax £'000s	National Non-Domestic Rates (NNDR) £'000s
		<b>INCOME</b>		
(81,913)		Council Tax	(85,039)	
	(35,339)	National Non-Domestic Rates Income		(13,766)
<u>(81,913)</u>	<u>(35,339)</u>	<b>Total Income</b>	<u>(85,039)</u>	<u>(13,766)</u>
		<b>EXPENDITURE</b>		
80,775		Precepts and Demands from County Council, Police & Crime Commissioner, Fire & Rescue & Billing Authority	85,551	
		National Non-Domestic Rates		
	16,362	- Payment to Central Government		17,058
	2,945	- Payment to County Council		3,070
	327	- Payment to Fire and Rescue		341
	13,089	- Payment to Billing Authority		13,646
	197	Cost of Collection Allowance		197
	22	Transitional Protection Payment		196
		Bad and doubtful debts/ appeals		
375	(40)	- Amounts Written Off/On in year	186	3
589	154	- Provision for Bad and Doubtful Debts	1,581	763
	2,009	- Provision for Appeals		1,519
848	725	Payment of previous years surplus	457	2,133
<u>82,587</u>	<u>35,790</u>	<b>Total Expenditure</b>	<u>87,775</u>	<u>38,926</u>
674	451	(Surplus)/Deficit for Year	2,736	25,160
<u>(924)</u>	<u>(1,729)</u>	<b>Balance at Beginning of Year</b>	<u>(250)</u>	<u>(1,278)</u>
<u>(250)</u>	<u>(1,278)</u>	<b>Balance at End of Year</b>	<u>2,486</u>	<u>23,882</u>

# Notes to the Collection Fund Statement

## 1. General

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

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

## 2. Council Tax

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

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

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

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

Band	Estimated Number of Taxable Properties after Discount	Ratio	Band D Equivalent
A	9,914	6/9	6,609
B	14,737	7/9	11,462
C	14,456	8/9	12,850
D	6,827	1	6,827
E	3,664	11/9	4,478
F	1,399	13/9	2,020
G	687	15/9	1,145
H	20	2	40
<b>TOTAL</b>	<b>51,704</b>		<b>45,431</b>
			24
			(909)
			<b>44,546</b>

Add Band D equivalent military dwellings

Adjustment for Non-collection (2%)

**COUNCIL TAX BASE**

Estimated income for 2020-21 was £85.551m (2019-20 £80.775m), actual income was £85.039m (2019-20 £81.913m). After set aside and write off of bad debt of £1.767m (2019-20 £964k) and redistribution of estimated prior year surpluses to major preceptors £457k (2019-20 £848k), the deficit for the year of £2.736m (2019-20 £674k) has resulted in an overall deficit on the fund of £2.486m (2019-20 £250k surplus).

The Coronavirus pandemic has had an effect on various aspects of collectable council tax income. The table below highlights the main areas:

Lower number of properties on the Valuation Office list than estimated  
 Increase in qualifying discounts and reliefs  
 Increase in cases requiring Local Council Tax Support  
 Increase in number of exempt properties  
**Loss of Council Tax income**  
 Prior year deficit and increase to anticipated bad debt provision  
**Deficit on Council Tax Collection Fund**

2020-21 £'000s	2020-21 £'000s
576	
415	
886	
380	
	2,257
	229
	<b>2,486</b>

### 3. Income from Business Rates

The Council collects national non-domestic rates for its area which are based on local rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is distributed between Central Government, County, Fire and Rescue and the Billing Authority in accordance with statutory regulations. Under these arrangements, the amounts included in these accounts can be analysed as follows:

The 2019-20 figures have been restated to disclose the cost of ratepayer retail discount prior to the pandemic for comparison purposes. The Net collectable National Non-Domestic Rates figure of £(35.339)m remains unchanged and is shown as reported in the audited 2019-20 statement of accounts. Col.1 and Col.2 below show the original and restated figures.

Original 2019-20 £'000s	Restated 2019-20 £'000s		2020-21 £'000s
(49,962)	(49,962)	National Non-Domestic Rateable Value	£98,699,722
		Multiplied by the Uniform Business Rate (51.2p for 2020-21)	
-	727	Retail discount and retail, nursery and hospitality Covid relief	22,241
14,623	13,896	Allowances and other adjustments	14,527
<b>(35,339)</b>	<b>(35,339)</b>	<b>Net collectable National Non-Domestic Rates</b>	<b>(13,766)</b>

The National Non-Domestic Rate multiplier for 2020-21 was 49.9p for qualifying properties of less than £51k rateable value and 51.2p for all others (2019-20 49.1p and 50.4p respectively).

Estimated business rate income for 2020-21 was £34.115m (2019-20 £32.723m), actual income was £13.766m (2019-20 £35.339m). After set aside and write off of bad debt and rateable value appeals of £2.285m (2019-20 £2.123m) and redistribution of estimated prior year surpluses to major preceptors £2.133m (2019-20 £725k), the deficit for the year of £25.160m (2019-20 £451k) has resulted in an overall deficit on the fund of £23.882m (2019-20 £1.278m surplus). The main reason for the loss in income was the award of 100% business rate relief introduced by Central Government for retail and hospitality businesses and children's nurseries in order to alleviate the financial pressures of the pandemic and successive lockdowns.

Under S31 Local Government Act 2003, Central Government compensated billing authorities and major preceptors for this loss of income, with the S31 grant being paid to billing authorities in 2020-21, but in accordance with Collection Fund statute, the council's share of the deficit will not actually be charged to the General Fund until 2021-22 and beyond (being held in the Collection Fund Adjustment Account), so the grant funding has been transferred to the Covid NNDR S31 Grant earmarked reserve (see Note 17 - Notes to the Core Statements) to be drawn down in future years to finance the loss.

## **Kent Business Rate Pool**

Under the Business Rate Retention Scheme local authorities are able to come together on a voluntary basis to pool their business rate income in order to benefit from additional business rate growth through collaborative working and improve the business rate income retained within the district. The Kent Business Rate Pool came into effect on 1 April 2015. The other pool members include Kent County Council (KCC), Kent Fire and Rescue (KFR) and 12 local authorities from the Kent area (including Thanet). Where levy payments are due to Central Government as a result of business rate income growth, the pool is allowed to retain 50% of the calculated collective levy to distribute between pool members and set aside a growth fund to promote economic growth, in the proportions set down in the pool agreement. The pool is also designed to provide protection to any authority that would have received greater funding outside the pool. The Council's share of the income from the pool for 2020-21 was £282k (2019-20 £275k) and has been credited to the Comprehensive Income and Expenditure Statement, and the growth fund share was £282k (2019-20 £275k) which has been transferred to the Equalisation earmarked reserve to finance future projects to encourage economic growth.

## **Business Rate Appeals**

An appeal court ruling in November 2018 found that Automatic Teller Machines (ATM's) should not be separately assessed for business rates by the Valuation Office (VO) contrary to current practice, and should be included as part of the business premises they occupy. As a result business rates that have already been paid in relation to ATM's would need to be refunded. The VO appealed against this decision to the Supreme Court and judgement was handed down in May 2020, upholding the Court of Appeals original decision. The majority of the refunds have been made to ratepayers in 2020-21, with only £222k (TDC share £89k) remaining as set aside in the appeals provision.

## **4. (Surplus)/Deficit of the Revenue Account**

The introduction of Council Tax brought with it the requirement to share any surplus or deficit (in proportion to precepts) as estimated at 15 January between the major preceptors and the billing authority. The estimated surplus for 2019-20 to be distributed during 2020-21 was £457k. As a result of the pandemic, there was an actual deficit on the Council Tax Collection Fund for 2020-21 of £2.486m (2019-20 £250k surplus) which represents partly a decrease in the resources available to the Authority, and partly amounts due from major preceptors. In order to comply with the Code of Practice on Local Authority Accounting (the Code) 2020-21 this has been split between Thanet District Council fund balances owed to the Collection Fund £371k (2019-20 £33k owed from the Collection Fund) and other local authority debtors £2.115m (2019-20 £217k creditors) within the Balance Sheet.

A change in statutory regulations for the distribution of national non-domestic rates income similarly requires any surplus or deficit estimated at 31 January to be shared between central government, major preceptors (excluding the Police and Crime Commissioner) and the billing authority in prescribed proportions. As a result of the pandemic, there was an actual deficit on the Non Domestic Rates Collection Fund for the year 2020-21 of £23.882m (2019-20 £1.278m surplus) which has been split between Thanet District Council fund balances owed to the Collection Fund £9.553m (2019-20 £511k owed from the Collection Fund) and other local authorities and central government debtors £14.329m (2019-20 £767k creditors).

## 5. Precepts and Demands on the Collection Fund

2019-20 £		2020-21 £
56,866,868	Kent County Council	60,193,768
8,452,876	Kent Police and Crime Commissioner	9,049,601
3,403,032	Kent Fire and Rescue	3,532,084
10,205,157	Thanet District Council	10,608,280
<b>78,927,933</b>	<b>Total</b>	<b>83,383,733</b>
	Parishes and Charter Trustees	
2,940	- Acol	5,496
104,992	- Birchington	109,210
567,612	- Broadstairs	661,452
15,976	- Cliffsend	16,446
19,000	- Manston	20,972
129,500	- Margate	152,250
73,031	- Minster	82,748
13,995	- Monkton	14,135
760,500	- Ramsgate	941,003
22,298	- St Nicholas at Wade	22,599
136,906	- Westgate on Sea	141,173
<b>1,846,750</b>	<b>Total</b>	<b>2,167,484</b>



# Glossary of Terms

## Accruals

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

## Actuarial Gains & Losses

Changes in actuarial deficits or surpluses that arise because:

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

## Amortisation

The process of paying off debt over time in regular instalments of interest and principal sufficient to repay the loan in full by its maturity date.

## Asset

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

## Balance Sheet

This statement is fundamental to the understanding of an authority's financial position at year end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness, and the non-current

and current assets employed in its operations, together with summarised information on the fixed assets held.

## Budget

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

## Business Rate Tariff

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

## Capital Expenditure

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

## Capital Financing

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

## Capital Programme

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

## Capital Receipts

Proceeds from the sale of capital assets.

## Chartered Institute of Public Finance and Accountancy (CIPFA)

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

## Collection Fund

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

## Community Assets

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

## Comprehensive Income and Expenditure Statement (CIES)

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

## Contingent Asset

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

## Contingent Liability

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

## Creditor

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

## Current Service Cost

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

## Debtor

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

## Depreciation

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

## Fair Value

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

## Finance Lease

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

## Financial Instrument

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

## Government Grants

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

## Heritage Asset

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

## Housing Revenue Account (HRA)

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

## Impairments

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

## Income

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

## Infrastructure Assets

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

## Intangible Assets

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

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

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

## Inventories

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

## Investments

A long term investment is intended to be held for use on a continuing basis in the activities of the authority. Investments should be classified as such 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:

- in respect of which construction work and development have been completed; and,
- 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.

## Minimum Revenue Provision (MRP)

A prudent annual revenue charge to reduce General Fund aggregate unfunded capital expenditure.

## 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.

## National Non-Domestic Rates (NNDR)

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

## Non-Operational Assets

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

## Operating Lease

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

## Operational Assets

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

## Past Service Cost

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

## Precept

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

## Projected Unit Method

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

- the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- 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.

## Section 31 Grants

Section 31 of the Local Government Act 2003 is a well-established statutory means by which central government may disburse funds to local authorities for them to provide grants for a specified purpose while retaining control of the recipients.

## Section 151 Officer

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.

## Value Added Tax (VAT)

A tax added to most products and services sold.

## Ward

An administrative division of a city or borough that typically elects and is represented by a councillor or councillors.

- End of Report -

This page is intentionally left blank



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

Our Ref Your Ref: TDC2020/21LoR

26 July 2023

Dear Sirs

Thanet District Council  
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Thanet District Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

## Agenda Item 5

### Annex 2

- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which the International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.



## Agenda Item 5

### Annex 2

- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

#### Information Provided

- xv We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - d management;
  - e employees who have significant roles in internal control; or
  - f others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

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

**Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Governance and Audit Committee at its meeting on 26 July 2023.

Yours faithfully

Name: Chris Blundell

Position: Director of Corporate Services and Section 151 Officer

Signature.....

Date.....

Name: Councillor Will Scobie

Position: Chair of the Governance and audit Committee

Signature.....

Date.....

**Signed on behalf of the Council**

## CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

**Governance and Audit Committee** 26th July 2023

<b>Report Author</b>	Chris Blundell, Director of Corporate Services and Section 151 Officer
<b>Portfolio Holder</b>	Councillor Rob Yates, Portfolio Holder for Corporate Services
<b>Status</b>	For information
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No
<b>Ward:</b>	All

### **Executive Summary:**

This report provides the Governance & Audit Committee with a quarterly review of corporate risks.

### **Recommendation(s):**

To approve the review of corporate risks and discuss annexed risks

### **Corporate Implications**

#### **Financial and Value for Money**

The way in which the council manages risks has a financial impact on the cost of insurance and self-insurance. The council maintains reserves including a risk reserve, the size of which is commensurate with the financial impact of current and future risks. There are no specific financial implications arising from this report.

It is the role and responsibility of the Section 151 Office to have active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.

#### **Legal**

Whilst the corporate risk register includes consideration of legal matters in as far as they relate to risks to the council, there are no legal implications for the recommendation required by this report.

#### **Risk Management**

As detailed in the body of this report.

## Corporate

Governance & Audit Committee approved the revised Risk Management Strategy on 27 July 2022, which includes a requirement to provide regular corporate risk updates to G&A Committee.

## Equalities Act 2010 & Public Sector Equality Duty

There are no equity and equalities implications arising directly from this report, but the council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

It is important to be aware of the council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration has been given to the equalities impact that may be brought upon communities by the decisions made by council

## CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities.

### 1. Introduction

- 1.1. The Council monitors and manages its Corporate Risks through the Corporate Risk Register. The contents of the report highlight the high-priority corporate risks and show the arrangements in place to ensure these risks are monitored and managed appropriately. The Council is dedicated to a proactive methodology on Risk Management and interdepartmental cooperation on Risk Strategy to drive an improved and synergetic risk model and landscape.

### 2. Background and Current Progress

- 2.1. The strategy defines corporate risks as *'those which could impact across the whole council'*. Operational risks are identified from the 'bottom up', through service planning for the year ahead and through continuous review during the year. Operational risks may be escalated and considered Corporate level risks depending on the evaluation of the risk and through engagement with Senior Management.
- 2.2. The strategy prescribes that these risks should be assessed by the Corporate Management Team (CMT) and the Member Risk Management Champion and then reported to the Governance and Audit Committee (G&A) on a regular basis.
- 2.3. The Risk Management Strategy 2022 was approved at the G&A committee on the 27th July 2022. Consequently, the council is in the process of transitioning to operating under the new risk management strategy and our associated new way of

monitoring, evaluating and reporting risk. Substantial progress has been made during this risk reporting cycle, with nearly all of the service areas responding, representing a significant improvement on the previous reporting cycles.

- 2.4. As such, it is now possible to report our Corporate Risks to the committee in accordance with our updated Risk Management Strategy, This is most notably demonstrated in Annex 1, with the presentation of risks through the lens of Current / Emerging / Future risks from all service areas and their scoring which aligns to the risk matrix.
- 2.5. Future work is being undertaken in subsequent reporting to the committee to apply this framework to the High Scoring Corporate Risks shown at section 4 and also the addition of graphical illustration and tracking of risk scores once this methodology has been established.

### 3. Risk, Risk Management and Responsibilities

- 3.1. **What is risk** - Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.

- 3.2. **Risk Management -**

*Risk can be a threat (downside) or an opportunity (upside)*

- 3.3. **Responsibilities**

A local authority's purpose is generally concerned with the delivery of service or with the delivery of a beneficial outcome in the public interest. The delivery of these objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success.

- 3.4. **What risk management** - Risk Management was defined by the Audit Commission as:

*'Risk Management is the process by which risks are **identified, evaluated and controlled**. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements'*

*(Audit Commission)*

The Government's [Orange Book](#) on risk management also states that:

*Risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.*

*Each public sector organisation should establish governance arrangements appropriate to its business, scale and culture*

*(Source Orange Book - Gov.co.uk)*

## **3.5. Risk Evaluation**

- 3.6. Risks have to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risk management includes identifying and assessing risks and then responding to them. Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the “risk appetite”.
- 3.7. The likelihood of a risk occurring is evaluated against the following criteria:
- 3.8. The possible impact on the council should the risk occur is then assessed across a range of categories. The risk score is determined by the highest scoring possible outcome against any of the risk headings

## Impact

Headings	Reputation	Strategic	Wellbeing	Service Delivery	Finance	Compliance
4 Severe	Council receives nationally adverse publicity perceived as failing in a significant area of responsibility	Failure to deliver council priorities / services / major corporate project	Significant staff dissatisfaction / long term absence / increased staff turnover including key personnel	Loss of service for a significant period	Financial loss or overspend greater than £500k	Breach of law leading to some sanction  Litigation almost certain with some / minimal defence
3 Significant	Significant adverse local publicity	Possible impact on the delivery of council priorities	Declining staff dissatisfaction / loss of staff due to absence or turnover	Reduction in service performance / service disruption for 1 – 2 days	Financial loss or overspend between over £250k	Breach of regulation or responsibility or internal standard  Litigation possible
2 Moderate	Minor impact on staff morale/public attitudes	Minor / adverse impact on Council priorities	Possible short-term staff dissatisfaction / likely impact on absence and turnover	Poor service / service disruption up to one day	Financial loss or overspend between £50k - £250k	Breach of internal procedure or policy  Complaints likely
1 Minor	Unlikely to cause adverse publicity	No significant impact on the delivery of Council priorities	Loss of staff morale but unlikely to result in absence or turnover of staff	No significant difficulty providing a service or delivery of a project	Financial loss or overspend under £50k	Minor breach of policy or internal procedure  Complaints Unlikely

3.9. The overall risk scores are then arrived at by multiplying the “likelihood” score by the “impact” score, where the maximum score for each is four, so the maximum total score is sixteen.

<b>Likelihood</b>	Very Likely (4)	Moderate (4)	High (8)	Extreme (12)	Extreme (16)
	Likely (3)	Low (3)	Moderate (6)	High (9)	Extreme (12)
	Unlikely (2)	Very low (2)	Low (4)	Moderate (6)	High (8)
	Rare (1)	Very low (1)	Very low (2)	Low (3)	Moderate (4)
		Minor (1)	Moderate (2)	Significant (3)	Severe (4)
	<b>Impact</b>				

3.10. **Roles and responsibilities** - The primary member oversight on risk is provided by the Governance and Audit Committee. Cabinet also has a member Risk Champion (the Leader of the Council and Portfolio Holder for Corporate Performance and Risk) who promotes risk management and its benefits throughout the council.

3.11. At staff level, the high-level corporate risk register is regularly considered by the Corporate Management Team (CMT). G&A Committee considers changes to the corporate risk register, the reasons for the changes and the actions being taken to mitigate the likelihood and impact of those risks. A view is also taken regarding the extent to which the risks should be tolerated.

3.12. The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on Audit Committees (2018) sets out the key principles for audit committees operating in local government.

3.13. The statement sets out the key responsibilities of the committee to include:

*‘consider the **effectiveness** of the authority’s **risk management arrangements** and the control environment, reviewing the risk profile of the organisation and*



*assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations'*

3.14. The report seeks to aid the committee to discharge these responsibilities

## 4. Corporate risk register

4.1. A summary of the highest scoring corporate risks on the register is set out in the table and the following narrative below, together with the comparative scores noted by the Governance & Audit Committee on 28th september 2022

4.2. The scores are arrived at by multiplying the “likelihood” score by the “impact” score, where the maximum score for each is four, so the maximum total score is sixteen.

Description	Mar 23 Score	July 23 Score	Change
Cyber Attack	16	16	No
Limited Resources	12	12	No
Inflation / Cost of living	16	N/A	Merged with below risk
Economic Environment	12	16	Yes
Homelessness	16	16	No
Berth 4/5	12	12	No
Environmental Act 2021	16	16	No
EPC requirements	12	12	No
Net Zero Strategy	16	16	No
Political Stewardship	16	4	Reduced
Covid	8	4	Reduced
Governance	8	8	Reduced
Manston Road Depot	12	8	Reduced

4.3. Each corporate risk is the responsibility of a member of CMT and they manage risk mitigation plans with the aim of reducing the likelihood and/or impact of each risk to a manageable level. As time moves on, the external environment changes and this can have an impact on the effectiveness of mitigating actions as well as on the likelihood and impact of a risk: hence the need to maintain vigilance in respect of mitigation plans as well as new and changing risks.

- 4.4. It is more difficult to take action to reduce the impact of a risk occurring, than it is to take action to reduce its likelihood. Hence in some cases, the scores after mitigation will remain relatively high.

## 5. Highest-scoring risks

### 5.1. **Cyber Attack (Impact 4, Likelihood 4) Future risk**

#### **Reputation, Service Delivery, Strategic and Financial risk score 4**

The Council is becoming more and more aware of cyber attacks across the local government sector.

At a time when some staff are working from home and on a hybrid basis, a much higher reliance on IT systems is needed and therefore the risk of disruption to Council services as a result of a Cyber attack is heightened.

The Council is mitigating the impact of any potential attack by ensuring IT systems are as robust as possible, but as we've seen globally, even the larger international companies are still susceptible to attack.

The Council did consider Cyber insurance as an mitigating action to protect itself against the financial impact that could be caused by such an event. Unfortunately the cyber market is now not conducive to our risk profile.

With that in mind officers have been liaising with our risk management partners through our insurers and are exploring other risk management solutions with them in lieu of Cyber Insurance.

Ransomware is one of the largest digital risks facing the authority and as such it has become increasingly important to protect our data and have readily available access to offline copies. To facilitate this the Head of ICT led a backup replacement project across the partnership, utilising £350,000 funding from the DLUHC to implement the new back up system, which is now in place and live.

The MHCLG made this funding available following post-incident reviews of cyber attacks against local government organisations. During some attacks backups were deleted to prevent their use, making it harder to avoid paying any ransom. Mitigating this change in tactics, for many councils, required a substantial investment in 'Offline' technology. The designed solution will install an identical set of backup appliances in each of three geographic locations.

The security team within ICT continues to monitor vulnerabilities and these are reported within the report provided to the Corporate Information Governance Group (CIGG). Compliance tickets are raised and monitored to ensure that out of date devices and software are dealt with.

Regular meetings have now started with the EKS Security Team and the council to review security risks and to discuss digital projects and preventative measures to be put in place for the authority.

The ITHC (IT Health Check) has been arranged and is underway with a completion date of 11th August. During this time an external company will be testing devices, external firewalls and external websites. Once the penetration testing has been completed a report will be created with actions.

*Corporate Risk Lead Officer: Head of ICT (EKS)*

## 5.2. **Limited Resources (Impact 4, Likelihood 3) Current/Emerging/Future**

### **Strategic, Financial Risk Score 4**

The high score for Limited Resources reflects the fact that it is one of the few risks that could result in the council losing control of its own destiny.

As in prior years this means that the Council is restricted to setting a meaningful budget for only one year and although scenarios can be put forward through the Medium Term Financial Strategy (MTFS), a budget position can not be guaranteed due to the various factors outside of the Council's control.

To mitigate this risk the Council undertakes a rigorous approach to budget setting, exploring a wide range of opportunities to minimise spending pressures and maximise our income streams. For the 2024/25 budget setting process this will again include a Star Chamber process, where Service Directors are required to articulate and justify their budgetary requirements to a panel comprising the Leader, the Portfolio Holder for Finance and the Chief Executive and s151 Officer. This process will inform the shape and substance of next year's budget adjustments.

Due to the changing nature and composition of Local Government funding, authorities are becoming increasingly reliant on locally raised sources of funding such as Council Tax and Fees and Charges. Therefore, to mitigate the risk of 'Limited Financial Resources' and enhance our long-term financial sustainability and resilience, it is the view of the section 151 officer that it is essential to optimise these local raised income streams, whilst also considering the affordability constraints of our residents and service users.

In addition, the council has a range of budgetary controls in place to manage spending pressures in-year, including regular reporting of spending forecasts to the Corporate Management Team and Cabinet.

*Corporate Risk Lead Officer: Director of Corporate Services & s151 Officer*

## 5.3. **Economic Environment (Impact 4, Likelihood 4) Current/Emerging/Future**

### **Service Delivery, Strategic and Financial risk score 4**

# Agenda Item 6

The UK economy continues to experience inflationary pressures, with the Consumer Price Index remaining stubbornly high at 8.7% as at June 2023.

This has an impact on all items of goods and services that the council has to purchase and consequently presents a risk of overspending against a number of budget headings. Wherever possible this is being managed within the confines of existing approved budgets, but inflationary pressures will be one of the key budgetary constraints to delivering a balanced budget for 2024/25.

This is particularly prevalent in the construction industry and could lead to a rationalisation of some of our capital projects, to ensure they are delivered within budget, or the potential for significant overspends.

The cost of living crisis is a significant issue for both the Council and all Thanet residents. The effect of the cost of living is likely to force more households to be homeless (see Homelessness risk below), force more into fuel poverty and have a direct impact on jobs in leisure/retail with households having less disposable income. The council continues to provide financial support and advice to residents where it can, for example via the administration of government funding (e.g. Household Support Fund, Council Tax Energy Rebate) or the provision of tools and information regarding [benefit entitlement](#) on our website and information channels.

The cost of living crisis and the impact of rising inflation continues to place pressure on staffing budgets. For 2022/23 the Council needed to reopen pay negotiations in order to consult on a revised offer. This revised offer resulted in an increase of 1% from 2% to 3% for 22/23, adding an additional cost pressure to be accommodated as part of the 23/24 budget setting process. A 4% offer was agreed with the unions for 2023/24.

Furthermore, given the current economic environment, there is a heightened risk of a reduction in supplier base through mergers, business closure/insolvency, which could impact on our services and also make further procurement more difficult through depleted markets and lack of competition. This risk is addressed through the central management of our supplier base by the Procurement team, who scrutinise the rationale for supplier adoption and undertake a company credit check via Creditsafe.

*Corporate Risk Lead Officer: Director of Corporate Services & s151 Officer*

## 5.4. **Homelessness (Impact 4, Likelihood 4) Highest scoring mechanism is financial risk at 4 Current/Emerging/Future**

### **Service Delivery, Strategic and Financial risk score 4**

During 2021, the Council experienced an increased requirement to provide temporary accommodation (TA) for homeless households, and this trend has continued during 2022.

- Increasing costs in the private rented sector, leading to more households struggling with their rent costs, whilst at the same time Local Housing allowance rates have continued to be frozen.
- Landlords leaving the market for sale or short-term letting alternatives.

- Increased demand for private renting in the district, leading to a reduction in the number of private sector lets that are affordable to households on low incomes.

Changing working patterns nationally, the lifting of the 2020/2021 evictions ban on 1 June 2021 and the current cost of living crisis are all compounding these pressures. Local housing allowances have fallen significantly behind average private sector rents as a result of rent inflation. Cases that were delayed as a result of the eviction ban are now progressing through the courts, resulting in additional service and financial pressures.

These pressures have made it much more difficult for the council to prevent homelessness and find suitable, affordable solutions for people facing homelessness in the private rented sector. This has resulted in an increased number of households living in temporary accommodation.

The pressures led to a budget overspend in 2022/23 of around £1.2m and the decision to include budget growth of £800k in the 2023/24 budget.

*Corporate Risk Lead Officer: Corporate Director of Place*

## 5.5. **Berth 4/5 (Impact 4, Likelihood 3): Current/Emerging/Future**

### **Reputation, Service Delivery and Financial risk score 4**

The project was delayed whilst an environmental impact assessment was developed to inform planning and marine licensing consents. The original berth was taken out of service in November 2020 due to its deteriorated condition.

A Cabinet decision was made in July 2021 to increase budget provision for the project. The EIA was completed in January 2022. The Planning Prior Approval and Marine Licence were both granted in May 2022.

The berth installation works commenced in June 2022 and reached substantial completion at the end of September 2022. However the berth is not yet in service because there is some residual work that still needs to be completed. This includes:

- electrical supply and service lighting installation (completion anticipated in July 2023)
- installation of the aggregate conveyor

The timescale for the installation of the conveyor by Brett Aggregates has not yet been confirmed, but this is not reliant upon completion of the works mentioned in the first point.

The change in project programme following the notification that an Environmental Impact Assessment was required has resulted in a financial risk to the council due to extended berth outage and associated contractual costs. The final cost of the work element of the scheme is likely to be determined by the end of August 2023.

*Corporate Risk Lead Officer: Director of Environment*

## 5.6. **Environmental Act (Impact 4, Likelihood 4) Current/Emerging/Future**

### **Reputation, Service Delivery, Strategic and Financial risk score 4**

The Environment Act became law on 9 November 2021. This includes fundamental changes in responsibility for waste and recycling, which will have implications for the way we deliver statutory household waste collections.

As a member of the Kent Resource Partnership, TDC responded to Government consultations in 2021 on consistency of household collections, the Extended Producer Responsibility and a Deposit Return Scheme. Changes affecting household waste as a result of the new act are likely to be implemented from this year. Whilst the act includes provision for new burdens funding and support to local authorities for the proposed changes, the implications for our vehicle fleet and resourcing, income associated with green waste and income from recycling and waste diverted from landfill are not yet clear.

*Corporate Risk Lead Officer: Director of Environment*

## 5.7. **Change to EPC Requirements in 2023 (Impact 3 Likelihood 4) Current/Emerging/Future**

### **Reputation, Service Delivery, Strategic risk score 3**

On 1 April 2023, the next round of EPC Regulations came into force as part of the government's push to achieve net zero emissions by 2050 (under the Energy Performance of Buildings (England and Wales) Regulations 2012)

All rented commercial property need to have an energy performance certificate (EPC) rating of band 'E' or better and failure to achieve this will see landlords face potential fines, and/or the inability to continue with current leases and/or enter into new lease agreements with potential tenants. This translates to the risk of additional costs or lost revenue to the authority.

There are a number of council tenanted properties that are at risk of not meeting these changes, either because their current EPC rating is below the E rating (i.e F or G) or there are no coherent records to evidence an EPC assessment has been undertaken. There is also a high probability that these properties will require some form of improvement works in order to achieve the required E rating (which is a landlord cost). To establish a clear cost analysis, EPC assessments need to be undertaken as a priority.

The Estates Department has taken proactive measures to address the EPC assessments for council tenanted properties. As of 19.06.2023, we have successfully completed assessments for 81.5% of the properties. To ensure ongoing compliance, we are implementing a robust system for compliance monitoring and management. This will ensure that recommended works are prioritised and included in our planned maintenance program. (subject to policy and funding) For properties that require

significant retrofitting to meet EPC regulations, we will explore strategies such as targeted disposal. This will enable TDC to effectively manage risks, minimise revenue loss, and address any leasing limitations that may arise while also optimising the performance and sustainability of our property portfolio

*Corporate Risk Owner: Head of Property*

## 5.8. **Climate change and Net Zero Strategy (Impact 4 Likelihood 4) Current/Emerging/Future**

### **Service Delivery, Strategic and Financial risk score 4**

The global attention on climate change and its impacts has never been more focused. The risk that climate change presents to the council and the wellbeing of its residents is stark and will potentially impact the council right across the risk spectrum; including financially, reputationally, in terms of service provision and the wellbeing of our staff and residents. For example, climate change presents an increased risk of extreme weather, such as the heat waves seen during the summer of 2022, which had consequent implications for service provision and also the wellbeing and welfare of our staff and residents.

The organisation has responded to these risks and challenges by declaring a climate emergency in 2019 and subsequently developing a Net Zero strategy, which was approved by the Cabinet on Thursday 2nd March 2023.

The Net Zero Strategy shows how the council will meet its net zero pledge and is split into:

- addressing emissions in Thanet District Council's core carbon footprint to achieve net zero by 2030;
- addressing the wider council emissions that we have partial control over by 2050 at the very latest;
- supporting Kent County Council, government, business, industry and the community to reduce emissions generated across the district by 2050 at the latest.

The Net Zero Strategy shows how we will reduce emissions to 2030 and 2050 and will help to avoid the worst impacts of climate change.

As global temperatures have already increased by 1.2oC, some impacts of climate change are already baked in and so we will work with KCC and DEFRA to understand these and the steps we need to take to adapt to those unavoidable impacts.

The progress on the Net Zero Strategy and action plan will be evaluated this year and the risks to achieving our pledge will be set out in the next risk register.

Major risks to meeting our core pledge currently are the very old gas boilers in Cecil Street and the KIC. If these are replaced by further gas boilers, instead of air or ground source heat pumps, we will not reach net zero by 2030. These decarbonisation projects will need

to start as soon as possible and the decision over the future of the Cecil offices is a critical step in this. The Cecil and KIC gas boiler replacement projects have been added as capital bids and may be part funded by the Public Sector Decarbonisation Fund - which the new Estates Decarbonisation Officer will apply for.

*Corporate Risk Lead Officer: Head of Strategy & Transformation*

## **6. Reducing Risks**

### **6.1. Political Stewardship (Impact 4, Likelihood 1) Current/Emerging/Future**

#### **Reputational and Strategic risk score 4**

Following the May local elections the Labour Group now has overall control of the Council. This followed a period of leadership change that resulted in political stewardship being identified as a high scoring corporate risk to the council. Due to the change in control this risk has now been mitigated.

*Corporate Risk Lead Officer: Interim Chief Executive*

### **6.2. Governance (Impact 4, Likelihood 2) Current/Emerging/Future**

#### **Reputational and Strategic risk score 4**

Statutory Recommendations were received from the external auditors, Grant Thornton, in relation to governance matters and an extraordinary Council meeting agreed the recommendations.

Following the appointment of an Independent Monitoring Officer in December 2021 to address Grant Thornton's concerns, his recommendations were approved at the May 2022 Council meeting.

A new interim Chief Executive was subsequently appointed on 14 July 2022, whose remit it is to review and implement the recommendations of the Independent Monitoring Officer.

A timetable for delivery of those actions has been drawn up and progress has been made against a number of those actions. Therefore, the risk to Governance has been reduced accordingly.

*Corporate Risk Lead Officer: Interim Chief Executive*

### **6.3. Coronavirus (Impact 4, Likelihood 1) Current/Emerging/Future**

#### **Reputational, Service Delivery and Financial**

In 'normal' emergencies, local authorities and local resilience forums deal first with an emergency and then the Recovery – getting back to 'business as usual' (for example, when the flood waters recede, work takes place to repair any damage and to get people back into their homes). The Recovery from the Covid-19 Pandemic will be unlike any other in our lifetimes. The crisis has gone on for longer, been more



extreme and will have more profound consequences than anything we have prepared for before.

We are living with coronavirus as part of everyday life and the likelihood of a further global outbreak has greatly reduced and this is recognised by the World Health Organisation.

*Corporate Risk Lead Officer: Head of Neighbourhoods*

## 6.4. **Manston Road Depot Building (Impact 4 Likelihood 2) Current/Emerging/Future**

### **Reputation, Service Delivery, and Financial risk score 4**

Manston Road Depot is pivotal to the delivery of Recycling, Waste Collection and Street Cleansing as well as various ancillary services. The site is dated and in need of investment in order to future proof for an ongoing and improved service delivery model. This will mean investment is required in the short to medium term in order to safeguard this operation and allow for review. Without this necessary investment in the site, there is a significant risk of disruptions to the statutory provision of waste and recycling services.

This became more evident when the new Environment Agency regulatory officer appointed to Manston Road Depot visited on 21 October and raised concerns regarding the site. A follow up visit was undertaken by the Environment Agency on 26 June, during this visit the improvements to the arrangements at Manston Road were noted and there was recognition of the positive steps taken to date. A plan is now in place to implement the required remaining improvements and mitigate these risks moving forward, for which a budget was agreed in February of this year by Council.

*Corporate Risk Lead Officer: Head of Finance and Acting Head of Cleansing*

## **7. Other risks**

- 7.1. G&A meeting members requested to have oversight of all risks as part of the regular reports. This would however substantially increase the size of the report and so all risks scoring 8 or more after mitigation have been included within **Annex 1**.

Contact Officer: Chris Blundell (Director of Corporate Services & Section 151 Officer)  
Reporting to: Colin Carmichael (Interim Chief Executive)

### **Annex List**

- 1 - Summary of Risks Scoring 8 or More After Mitigation

### **Background**

None

### **Corporate Consultation**

**Finance:** No

**Legal:** Sameera Khan (Interim Monitoring Officer)

## Summary of risks scoring 8 or more after mitigation

### 1. Current risks

#### **Burial space Total Score (9) Impact 3 Likelihood 3**

Capacity at Margate Cemetery is reducing.

The team has immediate mitigating actions in place to support this and the council is also actively searching for and considering options for adding new cemetery capacity in Margate.  
Reviewed 16/06/23

#### **Crematorium Building (8) Impact 2 Likelihood 4**

We need to get a surveyor out to assess the roof and also the skylights - potential capital bid for new repairs - budget constraints just for the survey- action DT speak to Chris Petrou regarding freeing budget for the survey Reviewed 16/06/23

#### **Algae on slipways Total Score (9) Impact 3 Likelihood 3**

Algae grows rapidly on smooth surfaces covered by the sea at high tide and exposed at low tide and is slippery when wet.

A contractor is in place to clean the slipways and additional signage will be provided to warn those accessing the slipways

Provide additional signage to warn the public that wet surfaces, particularly with green slime on them can be slippery. To mitigate the risk entirely access points would need to be closed or the cleaning schedule extended at a cost of approximately £200,000 a year. 10k signage budget allocated for updated warning signs Message on slipways now been agreed and also proposed closure of Barnes Crapark Slipway to pedestrians due to a number of incidents

Updated 23/06/23 - no change in scoring although some mitigations in place

#### **Major emergency Total Score (9) Impact 3 Likelihood 3**

A major emergency is an event or situation which threatens serious damage to human welfare. Training in this area has reduced as a result of the Brexit and Covid-19 emergencies.

The council has emergency planning preparedness in place through the partnership with the Kent Resilience Team and this area needs to continue to be resourced.No Change

### **Tenant Health and Safety Total Score (8) Impact 4 Likelihood 2**

The occurrence of a significant incident leading to injury or death of a TDC tenant or tenants and the New Fire Safety Legislation and Building Safety Act.

New Health and Safety Policies have been adopted and there is routine monitoring and reporting in place, including quarterly to Cabinet. It's a standing item on the Corporate Health and Safety Committee agenda. There is an experienced, trained and well resourced team in place and Action plan progress is monitored. **No change reviewed 30th June 2023**

### **Local Plan Review Total Score (8) Impact 4 Likelihood 2**

A delay in the process would mean that we do not have a sound plan in place. The current plan has weight in decision making but this will diminish over time, particularly in relation to housing numbers.

There is a Local Plan Cabinet Advisory Group in place to review progress. **No change reviewed 30th June 2023**

### **Lack of Investment in Infrastructure Total Score (8) Impact 4 Likelihood 2**

There is a risk of key infrastructure projects not being prioritised, which could impact on future economic development in the district.

Mitigating action include:

- Ensuring TDC has high level representation at relevant key meetings.
- Providing regular briefings to partners on requirements, including engagement on Infrastructure Delivery Plan.
- Identification of external funding streams and joined up corporate working on funding bids.
- A proactive approach to finding and retaining strategic partners.
- Take all available opportunities to engage with the Central Gov't on the need for funding/investment or changes to infrastructure. **No change**

### **Slow delivery of housing Total Score (9) Impact 3 Likelihood 3**

There is a risk to the achievement of the required delivery of housing in the district, as determined by the Housing Delivery test. This affects the supply of new housing, plus undermining plan housing targets, meaning the weight given to the plan is diminished and increases the threat of development in inappropriate locations. Plus impact of slow housing market due to interest rate rises.

This is mitigated by:

- Complete annual development monitoring and monitoring of implementation of Infrastructure Delivery Plan.
- Close working with developers to build understanding of barriers to development.
- Seek funding as appropriate.
- Housing Delivery Test Action Plan published.
- New Housing Strategy adopted and published. **No change reviewed 30th June 2023**

# Agenda Item 6

## Annex 1

### **Building safety legislation Total Score (8) Impact 4 Likelihood 2**

Ability to meet the new legislation (employing the right people, improving data integrity and obtaining data needed on buildings).

Building Safety Policy to be adopted, team roles and responsibilities to be clarified including training for key staff and legislation to be kept under review. **No change reviewed 30th June 2023**

### **Temporary Agency Staff Provision Total Score (9) Impact 3 Likelihood 3**

Difficult to identify and retain temporary staff in Operational Services.

A gap analysis is being reviewed, to consider service changes and capacity required and an agency tender is to be awarded again in February 2023 **No change June 2023**

### **Anti social behaviour 'hot spots' within the district Total score (9) Impact 3 Likelihood 3**

Tactical groups in place for each 'hot spot' location. Multi agency approach to all hot spot areas and commissioned services for detached work in place. Apply for funding each year. **17/10/2022** Commissioned service due to end within a few months - early applying for funding to start immediately to allow continuation of service. **11/01/2023** No change to mitigation or risk since the last review **13/06/2023** Commissioned service has ended due to removal of funding. Community team working alongside the Community Safety Partnership and Multi-agency Task Force to reduce ASB in hot spot areas. ASB increases during the summer periods across the foreshores and train stations. TDC not have foreshore enforcement officers in place in preparation for this increase in negative behaviour **Reviewed 13th June 2023**

### **Flap Gate Hydraulic RAM failures Total score (8) Impact 4 Likelihood 2**

The inner harbour has a set of two lock gates (flap + Mitre gate) One of these is closed when the sea level is at 3.6m and reopened again at the same.

If this is not done the tidal height could drop to as low as 0.2m causing boats and pontoons to land on the sea bed. The estimated cost of this would be in excess of £20 million.

In 2018 Flap gate was refurbished

Nov 21 East side RAM of flap gate failed and sent off for service. At the same time West was removed and sent for inspection. This caused the flap gate to be Inoperable.

The mitre gate is now the sole working gate meaning there is no redundancy. Any failure here would cause the level in the inner mariner to drop to dangerous levels.

Dec 22 Flap gate hydraulics were reinstalled and working correctly

April 23 Flap gate failed again reduced back to sole gate operation

May 23- After dredging in inner harbour flints were dislodged and got wedged in mitre gate preventing proper closure. Divers cleared debris and gates closed again

Presently solely reliant on ongoing operation of the Mitre gate system to retain water in the inner basin.

August '22 - Flap gate recommissioning anticipated for mid September 2022;

October '22 - Procurement, Service and fabrication delays; recommissioning now anticipated mid-November 2022.

Dec 22 Flap Gate Recommissioned

April 23- Flap gate out of action, divers complete full inspection of Mitre Gate for correct operation and sustainability

May 23- Engaged contracting company to oversee refurbishment project to help maintain timeline and ensure standards are maintained [Reviewed 11th June 2023](#)

### 2. Emerging risks

#### **Clock House total score (9) Impact 3 likelihood 3**

Leaseholder continues to stall on handing back the lease.  
Significant, costly damage to the building.  
Need to take legal action  
Delays will impact the National Lottery Heritage Fund application

Clear and firm negotiation through the leaseholders legal team.  
End date set ahead of considering legal action within the council's powers.  
Continued engagement with National Lottery Heritage Fund on the current position. [Reviewed April 2023](#)

#### **NEC M3 Desupport Total score (8) Impact 4 likelihood 2**

The supplier, NEC, has served de-support notice on the 1st April 2023 for the M3 System which we use corporately across a number of service areas. The risk is that we will not have any support for a system that we use to store and process sensitive data. The system is on premise and will not necessarily fail. However, if there are any issues that we cannot resolve in the use of the system, then the supplier will not be able to assist. We would need to continue patching and updating the servers for security reasons, an update could cause issues with the system for which we would not be supported. The supplier will also stop any further development of the system so as legislative requirements change, we may not be able to meet them within the confines of the system.  
The notice period of desupport is expected to be 12 months.

- The Digital Team has been engaging with NEC to keep informed about the desupport notice to plan next steps and review options with the supplier around extended support or any other implications.
- A paper is being presented to CMT to agree on the options available, i.e. procurement and project to replace M3.
- The M3 System needs to be replaced within a 12 month period. Project being fully scoped and resources considered to achieve this.
- The PIF and System specification have already been largely completed and are just awaiting sign off to move to the next stage.
- CMT has signed off on the next steps to move this project and the PIF has now been signed off by Finance. This is being prioritised and planning to award a contract by August 2023 in order to replace the M3 system at the earliest opportunity.
- We have also confirmed with the incumbent supplier that whilst support will be stopped from April 2024, we can technically continue using the system unsupported. [Reviewed 27th June 2023](#)

#### **Parishing of Margate Charter Trustees Total Score (9) Impact 3 Likelihood 3**

Potential risk of delay due to resources required to undertake the review, especially if there was an overlap with any electoral review the Council is asked to undertake by the Local Government Boundary Commission for England.

Once the Charter Trustees have submitted their petition mitigation measures will be identified to support this. [Reviewed 19th June 2023](#)

# Agenda Item 6

## Annex 1

### **New online forms package not compatible with M3 Total Score (9) Impact 3 Likelihood 3**

One of the council's internal corporate systems M3 (used by a number of frontline services) is due to be decommissioned and a new system will be rolled out. Until the new system is in place, the old M3 system will not be compatible with the council's new online forms package. This means that teams who still rely on M3 will need to manually input data collated from web forms until a new system is in place. **No change Reviewed June 2023**

The affected teams are aware and alternative arrangements are being considered.

### **FMS Project - Civica Shared Service Total score (9) Impact 3 Likelihood 3**

The Shared Service contract with Civica is not being renewed. The service will likely come back in house to either shared service model or individual council hosting. The contract will end in 2025 but will be relevant for impact much sooner, The thoughts around this are to do with key stakeholders and if the change in Service has an impact on key staff members. Current timescales, dependent on supplier, could be up to 16 months to go live. Estimating Nov 2024. The loss of key stakeholders would have a significant impact. Reflecting on this can we change to a 3 for impact = 9

Considering specific finance functions such as Accounts Receivable sooner.

**Reviewed 27th June 2023**

### **Industrial Action - Total score (9) Impact 3 Likelihood 3**

Increase in union membership and the discontent around pay which has been further impacted by the cost of living crisis continues to highlight the possibility of strike action across the council in the very near future.

Improved working relations with the union through Employee Council and HR meetings and ensure an appropriate forum for discussion of key HR matters. The council agreed a minimum start point for pay negotiations in 2024 is 4% and potential roll out of a new salary scale will not see any staff detrimented and as such all staff would receive a slight pay increase depending on where they are currently within salary scale **Reviewed June 2023**

### 3. Future Risks

#### **Manston Airport - public protection roles Total Score (9) Impact 3 Likelihood 3**

Following the granting of the DCO, the expected opening date of cargo hub operation is 2025 and, depending on the nature of imports, TDC will need to provide Port Health authority Public Protection officers based on required volumes of inspections.

Engagement with airport operators will be undertaken to determine opening dates, level and nature of imports anticipated, including countries of origin. Staffing budget and new staff will be required to undertake this role. **No change**

#### **HAVS monitoring Total score (9) Impact 3 Likelihood 3**

To monitor staff vibration levels to make sure the staff stay within their EAV/ELV levels, this is to reduce over exposure and to make sure rotation is in constant use. - issues with resolution and unclear diagnosis from OH

This is ongoing, data is constantly in use throughout the use of vibrating tools, this is looked at on a daily basis, and staff are regularly monitored. If issues arise we act accordingly to resolve this issue the best way we can. **Updated 27th June 2023**



## Contract Standing Order Waivers

**Governance and Audit Committee** 26 July 2023

**Report Author** Chris Blundell, Director of Finance and Section 151 Officer

**Portfolio Holder** Cllr Rob Yates, Cabinet Member for Corporate Services

**Status** For Decision

**Classification:** Unrestricted

**Key Decision** No

**Ward:** All Wards

### Executive Summary:

This is the third of the on-going regular update reports to the committee on the council's use of waivers to its Contract Standing Orders (CSOs).

The council's purchasing decisions and processes are important because the money involved is public money. The council's CSOs provide a structure within which purchasing decisions are made and implemented and contain the core obligations that all officers who are in a position of spending the Council's money must follow.

The table below sets out the procurement route to be used depending on the value of 'Goods, Supplies and Services' contracts without VAT.

Value	Procurement Method
Below £10,000	Local CSO rules apply - At least one quote in advance - Consideration to be given to suitably qualified Thanet/Supplier/s, if available.
£10,000 - £99,999	Local CSO rules apply - At least three written quotes in advance, using the Council's Invitation to Quote documents or electronic method agreed with Procurement - Consideration to be given to suitably qualified Thanet/Supplier/s, if available.  Published on Contracts Finder
£100,000 - £177,897.99	Local CSO rules apply - At least three written tenders in advance, using the council's Invitation to Tender documents with advertisement by public notice.  Published on Contracts Finder, and the Kent Business Portal
£177,989.00 and	PCR2015 & CSOs apply - Full competitive process using the

## Agenda Item 7

above	<p>Council's invitation to Tender documents following advertisement in the FTS for suppliers</p> <p>Published on Find a Tender Services (FTS), Contracts Finder and the Kent Business Portal</p>
-------	--

The limits for 'Works' contracts are higher and full competitive tender processes are required for contract values above £4,447,448.00 without VAT. The council is also able to utilise compliant purchasing schemes for direct awards and mini competition processes, as an alternative way to procuring, without advertising as a full open process.

There is a general presumption in favour of competition and that contracts will be put out to competitive quote/tender when they are of an estimated value of £10,000 and above, however the requirement for the Council to conduct a competitive purchasing process can be waived under certain circumstances. For example:

- Where the work, supply or service is not subject to UK Public Contract Regulations 2015 and is required as a matter of urgency and a delay would be likely to lead to financial loss, personal injury or damage to property,
- Where the work is of a specialist nature and the supply market has been tested and found to be limited
- At the discretion of the relevant Director who may proceed in a manner most expedient to the efficient management of the service/Council with reasons recorded in writing.

For a full list of justified circumstances, please refer to **Appendix 1**.

The following table summarises the Council's approved Waivers for 2022/2023:

Department / Directorate	No. Approved Waivers for 2022/23 - as at 31 March 2023.			No. Rejected Waivers for 2022/2023 as at 31 March 2023	Total no. of Waivers received for 2022/2023 as at 31 March 2023
	Below £100k	£100k and above	Total		
Chief Executive	7	0	7	0	7
Deputy Chief Executive	25	4	29	1	30
Corporate Governance	0	0	0	0	0
Operational Services	8	1	9	0	9

<b>Total Number of Waivers</b>	<b>40</b>	<b>5</b>	<b>45</b>	<b>1</b>	<b>46</b>
--------------------------------	-----------	----------	-----------	----------	-----------

A detailed list of 2022/2023 Waivers can be seen in **Appendix 4**

## **Recommendation(s):**

1. The committee notes the report.

## **Corporate Implications**

### **Financial and Value for Money**

As detailed within the body of the report

### **Legal**

Local Government procurement is governed by the Public Contracts Regulations 2015 and Concessions Contracts Regulations 2016.

The Local Government (Transparency Requirements) (England) Regulations 2015 require additional contracting information to be published beyond the legislative requirements of the Public Contracts Regulations 2015 and Concessions Contracts Regulations 2016.

### **Corporate**

The overriding procurement policy requirement is that all public procurement must be based on value for money, defined as “the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought”

### **Equality Act 2010 & Public Sector Equality Duty**

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

There are no equity and equalities implications arising directly from this report, but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

## **Corporate Priorities**

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

## 1. Introduction

- 1.1. This is the third of the on-going regular update reports to the committee on the council's use of waivers to its Contract Standing Orders (CSOs). The purpose of the report is to provide the committee with oversight of the application of waivers to the council's contract standing orders have been raised, setting out the number of instances and the rationales for the decisions taken by officers.

## 2. Background

- 2.1. The council's purchasing decisions and processes are important because the money involved is public money and the council has a responsibility to ensure value for money is achieved .
- 2.2. The council's CSOs provide a structure within which purchasing decisions are made and implemented and contain the core obligations that all officers who are in a position of spending the Council's money must follow. CSOs are the minimum requirements all officers should follow, providing protection to the council, officers and members, and which form part of the Council's Constitution.
- 2.3. CSOs apply to all contracts the council enters with the following exceptions:
- Employment contracts
  - Acquisition or rental of land, buildings or other property
  - Arbitration or conciliation
  - Retention of legal councils and appointment of expert witnesses in legal proceedings
  - Service Level Agreements setting out funding arrangement to voluntary bodies

## 3. General Principles Applying to All Contracts

- 3.1. There is a general presumption in favour of competition and that contracts will be put out to competitive quote/tender when they are of an estimated value of £10,000 and above. This is to ensure that the Council uses its resources efficiently, purchases quality goods, services and works, safeguards its reputation from any implication of dishonesty or corruption and is able to demonstrate principles of sustainability, efficiency, whole life costing and cost savings.
- 3.2. All contract opportunities with a value over £25,000 and above must be published on the government's 'Contracts Finder' portal (<https://www.gov.uk/contracts-finder>), unless there is a clear justified need not to do so. Subsequent awards over this value must also be published. Contracts in excess of £100,000 are also published on the Kent Business Portal ([www.kentbusinessportal.org.uk](http://www.kentbusinessportal.org.uk)).
- 3.3. The tables below sets out the procurement route to be used depending on the value of the contract without VAT.

**Table 1: Goods, Supplies and Services contracts**

<b>Value</b>	<b>Procurement Method</b>
Below £10,000	Local CSO rules apply - At least one quote in advance - Consideration to be given to suitably qualified Thanet/Supplier/s, if available.
£10,000 - £99,999	Local CSO rules apply - At least three written quotes in advance, using the Council's Invitation to Quote documents or electronic method agreed with Procurement - Consideration to be given to suitably qualified Thanet/Supplier/s, if available.  Published on Contracts Finder
£100,000 - £177,897.99	Local CSO rules apply - At least three written tenders in advance, using the council's Invitation to Tender documents with advertisement by public notice.  Published on Contracts Finder, and the Kent Business Portal
£177,898.00 and above	PCR2015 & CSOs apply - Full competitive process using the Council's invitation to Tender documents following advertisement in the FTS for suppliers and Part A* services,  Published on Find a Tender Services (FTS), Contracts Finder and the Kent Business Portal

**Table 2: Works Contracts**

<b>Value</b>	<b>Procurement Method</b>
Below £10,000	Local CSO rules apply - At least one quote in advance - Consideration to be given to suitably qualified Thanet/Supplier/s, if available.
£10,000 - £99,999	Local CSO rules apply - At least three written quotes in advance, using the Council's Invitation to Quote documents or electronic method agreed with Procurement - Consideration to be given to suitably qualified Thanet/Supplier/s, if available.  Published on Contracts Finder
£100,000 - £4,447,447.99	Local CSO rules apply - At least three written tenders in advance, using the council's Invitation to Tender documents with advertisement by public notice.  Published on Contracts Finder, and the Kent Business Portal
£4,447,448.00 and above	PCR2015 & CSOs apply - Full competitive process using the

	Council's invitation to Tender documents following FTS advertisement
--	--

**Table 3: Service/Works Concession Contracts**

Value	Procurement Method
Below £10,000	Local CSO rules apply - At least one quote in advance - Consideration to be given to suitably qualified Thanet/Supplier/s, if available
£10,000 - £99,999.99	Local CSO rules apply - At least three written quotes in advance, sourced and receipted electronically using Council's e-procurement system - Consideration to be given to suitably qualified Thanet/Supplier/s, if available  Published on Contracts Finder
£100,000 - £4,447,447.99	Local CSO rules apply - At least three written tenders in advance, using the council's e-procurement system with advertisement by public notice  Published on Contracts Finder, and the Kent Business Portal
£4,447,448.00 and above	Concession Contracts Regulation 2016 (ccr2016) apply - full competitive process using the Council's e-procurement system following FTS advertisement  Published on Find a Tender Service (FTS), Contracts Finder and the Kent Business Portal

3.4. The council is also able to utilise Purchasing Schemes such as framework agreements, Dynamic Purchasing systems and other similar arrangements, such as the Government eMarketplace as an alternative and compliant route to procuring from the market.

3.5. As a minimum, all contracts of a value of £10,000 or more shall include clauses which set out:

- The works, supplies (goods), services, material, matters or things to be carried out or supplied
- Specify the price to be paid, the estimated price or the basis on which the price is to be calculated
- The time within which the contract is to be performed
- Quality requirements and/or standards which must be met
- Requirements on the contractor to hold and maintain appropriate insurance
- Adequate contract management and audit provisions
- What happens in the event that the contractor fails to comply with its contractual obligations (in whole or in part)

- A duty on the contractor to comply with all relevant legislative requirements and discharge of obligations under said legislation.

## 4. Waivers

- 4.1. The requirement for the Council to conduct a competitive purchasing process for contracts of £10,000 or more can be waived under certain circumstances.
- 4.2. This arises where officers request to waiver some of the council's CSOs in order to progress a purchase that is deemed in the best interest of the public or service for reasons such as, however, not limited to:
- Where a full competitive exercise is not able to be carried out for particular justifiable reasons,
  - where a competitive process was carried out, however, less than three Quote/Tenders were achieved, in order to progress the award of a contract the Council's T&C are not able to be used.

Other circumstances requiring a waiver could be:

- where Legal advice has been sought for contracts of 100k and above and it has been determined that due to the nature of the agreement being used,
  - it would not be best served for the contract or framework arrangement to be executed as a deed under the Council's common seal,
  - or where a Tender Opening is not being undertaken due to the need for a direct award process.
- 4.3. CSO 12 sets out the provisions under which a waiver must be complied with, ensuring a clear decision has been made, for what reason and by whom. For example:
- where contracts are below Public Contract Regulations 2015 (PCR) threshold and the work, supply or service is required as a matter of urgency and a delay would be likely to lead to financial loss, personal injury or damage to property,
  - Where the work is of a specialist nature, the skill of the contractor is of primary importance, and the supply market has been tested and found to be limited
  - At the discretion of the relevant Director who may proceed in a manner most expedient to the efficient management of the service/Council with reasons recorded in writing.
- 4.4. For a full list of justified circumstances, please refer to **Appendix 1**.

## 5. Waiver Application Process

- 5.1. The waiver application is completed by the lead contracting officer know as the Responsible Officer and reviewed by the service area's Head of Service and sets out the following:

- details of the department and lead officer, contract information, budget information, value to be waived, CSOs being waived
- business reasons for the application waiver (economical, technical, operational)
- evidence to demonstrate probity and value for money (selection process, market competition, benchmarking exercises)
- Confirmation that the Responsible Officer has read and has reasonable understanding of CSOs
- Signature of four separate officers of the Council; Lead Officer, Corporate Director, Procurement Manager and Section 151 Officer.

5.2. A copy of the Waiver Application can be seen in **Appendix 2**.

5.3. CSOs should only be waived in exceptional circumstances and only be waived in advance. Retrospective waivers will not be approved by the section 151 officer and the spend will be recorded as non-compliant with CSO in such instances.

5.4. Furthermore, note CSOs cannot be waived in all instances. For example where the value exceeds the Public Contract Regulations 2015 threshold, which is currently £5,336,937 (£4,447,448 before VAT if applied at 20%) for works contracts and £213,447 (£177,898 before VAT if applied at 20%) for goods and services contracts.

5.5. Lack of planning in providing insufficient time available to carry out a full procurement exercise or when going out to Quote/Tender would cause administrative, procedural burdens or a short delay to progress, would also not be considered justified reasons for waiving CSOs.

## 6. Waivers in 2022/23

6.1. Table 3 below summarises the Council's approved Waivers for 2022/2023:

**Table 3: Waivers 2022/23**

Department / Directorate	No. Approved Waivers for 2022/23 - as at 31 March 2023.			No. Rejected Waivers for 2022/2023 as at 31 March 2023	Total no. of Waivers received for 2022/2023 as at 31 March 2023
	Below £100k	£100k and above	Total		
Chief Executive	7	0	7	0	7
Deputy Chief Executive	25	4	29	1	30
Corporate Governance	0	0	0	0	0
Operational Services	8	1	9	0	9



## Agenda Item 7

<b>Total Number of Waivers</b>	<b>40</b>	<b>5</b>	<b>45</b>	<b>1</b>	<b>46</b>
--------------------------------	-----------	----------	-----------	----------	-----------

6.2. A comparison table of the number of Waivers across 2020/2021 to 2023/2024 can be seen in **Appendix 3**.

6.3. There have been 46 Waiver applications received as of 31 March 2023 for the 2022/2023 period. 45 waivers were approved and 1 rejected. The vast majority of Waiver applications were under the 100K threshold and when compared to the 2021/2022 waiver figures, waiver applications have reduced in comparison to the previous year. This is likely due to the reduction in Covid 19 pressures on Council services experienced in the previous years and the waivers agreed and approved necessary at the time.

During 2022/2023 there appears to have been a rise in waiver applications received in relation to suppliers going into administration, which has led to the need for the Council to commission other suppliers urgently via direct award and a waiver application to undertake the urgent works/services required, potentially a result of the ongoing impact of Covid 19 pressures on businesses from previous years. Within the 2022/2023 Winter period it was noted there was an increase in urgent repairs needed to buildings, due to the bad weather experienced impacting already existing issues and therefore a need to expedite the repairs due to potential Health and Safety risks. Should there continue to be repairs needed to Council owned properties in the coming year, which could pose further Health and Safety risks with the impact of the winter weather, further waiver applications are likely to be received. Toward the end of the 2022/2023 it has also been noted waivers being submitted in relation to urgent requirements, which impact other related projects and risk a potential loss of grant funding if those projects are not able to be delivered by the grant funding deadlines. Sometimes grant funding is received and has to be spent within a timeframe that makes it challenging for the Council to carry out the usual process as per the Council's CSOs and sometimes it can due to slippage to the wider programme of projects, many of which are constrained by grant funding deadlines.

6.4. Other reasons for Waivers in 2022/2023 include suppliers not willing to accept or incorporate the Council's T&C's or where they may not be appropriate e.g. an ICT related contract. Carrying out a competitive process, however, not achieving the full three Quotes/Tenders required within CSOs, a limited market, a limited market due to the particular services, specialist skills required that cannot be delivered within current frameworks, unexpected interim cover needed urgently, unforeseen additional requirements identified as needed during the course of a contract, that could not have been known about at the outset of the contract and/or additional grant funding become available.

6.5. For the same 2022/2023 period, the number of awarded contracts via a compliant ITQ, ITT process and Framework process, which was carried out in conjunction with the Procurement Team was 27 awarded contracts. It should be noted, however, that this figure does not include or take into account the following:

# Agenda Item 7

- contracts awarded above the PCR2015/CCR2016 thresholds, as waivers are capped at these thresholds
- any abandoned procurements carried out where an ITQ/ITT/Framework process was undertaken, however, bids were cost prohibitive, no bids received or no viable bids received
- any larger/more complex contracts where the process was longer and would be started within that financial year and completed in the following financial year, for example, a two stage Restricted process,
- any pre-procurement which was started, however, had not progressed to publication, evaluation and award during that time, including where market engagement via a PIN notice was undertaken however, it did not progress to a competitive process during that time
- there will be a duplication of figures if directly compared, as some of the awarded contracts within this figure will also be within the total waiver figure for the same period, as they were awarded via a compliant process in compliance with CSOs thresholds, however, would be waiving T&C only
- some waivers were refreshed as any further spend would exceed the original threshold, therefore, a further waiver was required to be agreed for the same contract
- any awarded contracts that the Procurement Team may not be aware of

In comparison, when looking specifically at waivers approved where the waiver application was requesting not to run a competitive procurement under the usual process in compliance with CSOs (not including waiver applications for waiving of TDC T&C, where a compliant process was carried out, however, less than 3 bids were achieved, or where there was just one supplier identified that could deliver the full requirement), 36 waivers were approved where a full competitive process was not carried out. As stated above within the Waiver Application Process section, part of the waiver application process includes a benchmarking exercise, demonstrating probity and value for money, therefore, as a minimum, this would have been undertaken by the Officer as part of the justification for the waiver where a full competitive process could not be carried out.

6.6. The 1 Waiver application rejected was on the basis of being non-compliant with CSOs and the Financial Procedure Rules (FPRs).

6.7. A detailed list of 2022/2023 Waivers can be seen in **Appendix 4** and a breakdown of Nature of Waiver Categories can be seen in **Appendix 6**.

## 7. **Waivers in 2023/24 (April to June)**

7.1. Table 3 below summarises the Council’s approved Waivers for 2023/2024 (April to June):

**Table 3: Waivers 2023/24 (April to June)**

Department / Directorate	No. Approved Waivers for 2023/24 - as at 30 June 2023.	No. Rejected Waivers for 2023/2024	Total no. of Waivers received for

	Below £100k	£100k and above	Total	as at 30 June 2023	2023/2024 as at 30 June 2023
Chief Executive	1	0	1	0	1
Deputy Chief Executive	2	0	2	0	2
Corporate Governance	0	0	0	0	0
Operational Services	1	2	3	0	3
<b>Total Number of Waivers</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>6</b>

- 7.2. A comparison table of the number of Waivers for 2022/2023 (April to June) and 2023/2024 (April to June) can be seen in **Appendix 3**.
- 7.3. There have been 6 Waiver applications received as of 30 June 2023 for the 2023/2024 April to June period. All 6 waivers were approved. The majority of Waiver applications continue to be under the 100K threshold and when compared to the same period waiver figures in 2022/2023, they are almost the same number approved in comparison to the previous year.
- 7.4. During this April to June period, reasons for waivers have included limited markets; where the market has been tested, however, found only one supplier could provide the full requirements. A full competitive process could not be undertaken due to extreme urgency; where a loss of continuation of security service posed a significant risk and further damage to property. Lastly where it was found that a direct award was in the best interests of the management of the service/Council; for cost saving reasons and complexities of the project.
- 7.5. A detailed list of 2023/2024 (April to June) Waivers can be seen in **Appendix 5** and a breakdown of Nature of Waiver Categories can be seen in **Appendix 7**.

## 8. Ongoing and 2023/2024 Objectives

In June, the Council's 'Head of Finance, Procurement, Risk and interim Head of Cleansing Services commissioned a Procurement Process Review. The purpose of this review is to look at whether the process can be streamlined to meet the ever changing needs, priorities and of the whole organisation, ensuring documents remain fit for purpose, robust processes remain in place compliant with PCR2015 and CCR2016, market changes are taken into consideration when considering thresholds, the identification of any gaps that may exist and resources available to fulfil requirements. The review is being undertaken by an independent party who is engaging with the key stakeholders from across the organisation responsible for commissioning contracts. Engagement on the waiver process would be part of this review

and be subject to recommendations following the review, which would be considered and incorporated into the waiver process and as part of the Council's refresh of CSOs.

- 8.1. The Council's CSOs are due to be refreshed in 2023, which if approved, may include an increase to the value of works, supplies and services that are considered to be of quotation threshold, currently £10,000 and above. It had been anticipated that CSOs were to be refreshed prior to early 2023, however, due to the Corporate Restructure being undertaken, it was decided to postpone this until after the Corporate Restructure was completed. Since then, the Procurement Process review has also been commissioned and therefore, recommendations that come out of the review may impact the CSOs refresh. It had been anticipated the new threshold value would be £25,000 and will enable officers to seek one quote up to a value of £24,999, which should enable them to progress the requirement more quickly without having to undertake a full competitive process, for what would be considered low risk or low value requirements. At this time, however, the change in value is subject to recommendations that arise from the Procurement Process Review and could increase or remain the same. Should an increase in value be recommended and approved as part of the CSOs refresh, a waiver will therefore no longer be required to waive a competitive process below that agreed value at CSO 6.6. Other CSOs will still apply, however, and waivers may still be required below this value depending on the nature of the CSO that applies, for example, when not using the Council's T&C.
- 8.2. As advised in the previous Waiver report updates, it had been implemented that a PIF be submitted with every waiver application. The PIF should be the first stage of understanding the full requirements, what can and cannot be met in terms of budget and process to be followed, any market engagement needed, advice from the Procurement and Legal Team's where necessary, and only then determining whether a waiver may be required. Understanding the requirement and process that should be undertaken, alternative options explored where available should be the first step, and the PIF aids this. The PIF is also an integral tool to ensure all requirements that need to be considered and undertaken outside of a competitive procurement are still carried out, for example, checking sufficient budget is available, that GDPR advice has been requested, levels of Insurance cover required, VAT implications reconciled, Health and Safety considerations undertaken, Legal advice requested. Without this information being clarified, there is no certainty that all other requirements have been met and advice requested and considered to best protect the Council and mitigate additional risk. An example of this could be, where not using the correct Terms and Conditions for a particular contract requirement can lead to delays downstream in commencing or part way through a contract and increasing the risk of things going wrong. Including this information in one location, will also assist should this information be required later on during the contract term, by Legal or Procurement. Since implementation, this is proving to be effective and aids a robust process. The Procurement and Legal Team's can provide additional advice to Officers for their contracts, even when the usual procurement process is not able to be followed and reduces the risk of issues experienced downstream within contracts.
- 8.3. Full due diligence checks are also continuing to be carried out for all waiver applications where the waiver is deemed justified, to best protect the Council. This consists of carrying out a financial appraisal to confirm the supplier can meet the Council's minimum financial requirements for a contract of that value or combined value where the supplier is delivering

more than one contract for the Council. The due diligence also includes confirming the supplier has the appropriate level of insurance cover in place that the Council would need to mitigate the risk. Whilst it has been determined that this is an important and necessary requirement as part of the waiver process, there are circumstances where due to the nature of the waiver application, for example, extreme urgency due to Health and Safety reasons, carrying out the full due diligence checks and PIF completion may cause additional delays if further information is required to complete the check and therefore, it has been agreed that the Section 151 Officer has the authority to agree the full due diligence checks do not have to be carried out as part of the waiver process under Health and Safety or for specific Business Critical Reasons. It has been noted that some suppliers have not passed the initial financial appraisal checks and therefore, the Head of Finance, Procurement and Risk is required to review the information, request further information where deemed necessary and make a decision on the risk it poses to the Council, should the Council approve the supplier. Whilst on the majority of occasions the risk can be mitigated by only paying the supplier in arrears as per the Council's usual Payment Terms, or requesting a Parent Guarantee, conducting a financial appraisal following a waiver request ensures the financial risks are known at the outset and decisions can be made accordingly to best protect the Council.

- 8.4. In the previous update, it was advised that updated CSOs training would be being undertaken this financial year, in the form of induction training, refresher training and digital e-learning which includes a progress report, to help ensure a greater understanding of CSOs; how and why these should be followed, the use of waivers, and an improvement to contract management, helping to mitigate the need for unnecessary waivers. CSOs training and refresher training has continued to be undertaken with many individuals and Teams since the last update furthering this objective, and so far is resulting in a further understanding of requirements, roles and responsibilities within the Procurement process and pre-engagement with the Procurement Team to ensure a more efficient process and that the process is followed correctly. Part of the training is on the Waiver application process and understanding that waivers are for exceptional circumstances only once all compliant options have been considered. It focuses on the justifications and evidence needed to support requests, roles and responsibilities within the waiver process itself and the multiple authorisations needed to ensure a robust process and that other CSOs still apply when a waiver is agreed. It has been noted that there has been an increase in waiver applications being received supported by evidence and the Procurement Initiation Form at the outset, rather than having to be requested following receipt of the waiver application, which assists with expediting the waiver application process and a smooth and more efficient process for all.
- 8.5. An additional tool is also being introduced in 2023 to have an internal contracts register in place, which should aid Officers in their planning of when their Procurements are due and the tasks that should be undertaken and completed prior to this. The tool will also aid Officers in some of the tasks that should be completed in the contract management process. Following the Procurement Process review, further recommendations may also be incorporated.

Contact Officer: *Chris Blundell, (Director of Corporate Services and Section 151 Officer)*  
Reporting to: *Colin Carmichael (Interim Chief Executive)*

**Annex List:**

Appendix 1 - CSO 12 Waivers extract

Appendix 2 - CSO Waiver Application

Appendix 3 - Comparison table of Waivers across 2020/2021 to 2023/2024

Appendix 4 - Detailed list of 2022/2023 Waivers

Appendix 5 - Detailed list of 2023/2024 (April to June) Waivers

Appendix 6 - Category of Waivers 2022/2023 (Full Year)

Appendix 7 - Category of Waivers 2023/2024 (April to June)

**Background Papers**

None

**Corporate Consultation**

**Finance:** Not applicable

**Legal:** Sameera Khan (Interim Head of Legal and Monitoring Officer)

**Extract from Contract Standing Orders (CSOs) October 2018**

**12 Waivers**

- 12.1 The requirement for the Council to conduct a competitive purchasing process for contracts of £10,000 or more may be waived in the following circumstances:
- 12.1.1 For contracts which are not subject to the EU Rules, the work, supply or service is required as a matter of urgency and a delay would be likely to lead to financial loss, personal injury or damage to property; or
  - 12.1.2 the circumstances set out in the Public Contract Regulations 2015 Regulation 32 apply (whether or not the contract is of a type which is subject to the application of the EU Rules); or
  - 12.1.3 where the supply is for parts for existing machinery, or where the terms of supply of equipment require that maintenance be undertaken by a specified provider; or
  - 12.1.4 where the work is of a specialist nature, the skill of the contractor is of primary importance, and the supply market has been tested and found to be limited; or
  - 12.1.5 where the supply is for maintenance to existing IT equipment or software, including enhancements to current software, which can only be performed by the licensed developer or owner of the system; or
  - 12.1.6 at the discretion of the relevant Corporate Director who may proceed in a manner most expedient to the efficient management of the service/Council with reasons recorded in writing.
- 12.2 A Responsible Officer who seeks a waiver of Contract Standing Orders shall do so **only in advance and only in exceptional circumstances**. Further guidance on what may constitute exceptional circumstances permitting waiver of these Contract Standing Orders is set out in the Council's Purchasing Guide.
- 12.3 All waivers from these Contract Standing Orders must be:
- 12.3.1 Fully documented
  - 12.3.2 Subject to a written report in an approved format, available on the intranet, to be submitted **in advance** to the relevant Corporate Director for endorsement which shall include reasons for the waiver which demonstrate that the waiver is genuinely required
  - 12.3.3 Subject to comment and/or endorsement as to existence of exceptional circumstances by the Strategic Procurement Manager
  - 12.3.4 Subject to **approval in advance** by the Deputy Chief Executive/Section 151 Officer or his/her authorised representative, who shall record that they have considered the reasons for the waiver and that they are satisfied that the circumstances justifying the waiver are genuinely exceptional.
- 12.4 All decisions on waivers must take into account:
- 12.4.1 Probity
  - 12.4.2 Best value/value for money principles.

## Agenda Item 7

### Annex 1

- 12.5 For contracts subject to the EU Rules, any waiver from the requirement for competition must meet without exception the conditions set out in the EU Rules, in addition to the general requirements above.
- 12.6 Once a waiver is approved in respect of a specific contract value, the waiver shall cover contract spend up to the next spend threshold negating the need for a further waiver application on occasion when there may be a slight increase in contract spend.



**APPLICATION TO WAIVER CONTRACT STANDING ORDERS  
(FOR CONTRACTS IN EXCESS OF £9,999)**

This form must state appropriate CSO numbers under which application is made with sufficient explanation as to:

- 1) Actions/process to be waived
- 2) The CSO which provides authority to apply waiver
- 3) The business reasons and circumstances leading to the application (i.e. economical/technical/operational)

**Please note** – Waivers can only be sought in advance. (CSO 12.2) Retrospective CSO waivers will not be authorised. Waivers can only be agreed where informed by sound business reasons.

Responsible Officer:	Tel Ext:	Date:
Department:	Section	

Contract Title and brief description	
Supplier	
Existing Supplier	Yes/No
Value of total contract including: proposed extensions and options	
Expenditure Code:	
Allocated Budget:	
CSO Clause/s number/s to be waived on which application based (N.B. all non-waived clauses will still apply)	
Specific CSO clause number providing authority to apply to waiver (as defined under CSO12)	

Please describe reason for waiver (This should give clear explanation as to the circumstances that have lead you to require the CSO waiver i.e. a) what has gone wrong, including reason for failure as applicable which must include remedial action being taken to avoid a reoccurrence b) steps and reason required to utilise an opportunity)

All decisions on waivers must take into account probity and value for money. Please provide evidence to demonstrate this has been achieved.

List information ( <i>This should include information such as selection process/market competition/benchmarking</i> )

I understand and will ensure all necessary contract documentation appropriate to Council requirements is in place and validated. These to include financial check, Insurances, CIS details, Health and Safety, Equalities and Diversity, Child Protection and Safeguarding Generally, TUPE as and where appropriate to the nature of the contract and as required by Council procedures.

The information provided on this form is correct and detail provided is representative of the full requirement and circumstances. I understand approval is based on information provided and therefore limited to the scope contained. The proposed expenditure is within the Budget/Capital Programme and Policy Framework and I have read the Council's Contract Standing Orders and have complied with all the requirements.

**NB Officers who breach the Council's Contract Standing Orders will be subject to disciplinary proceedings.**

<b>Responsible Officer completing form</b>	Date:
Name	
Signature	

Having rigorously challenged this application I agree that this waiver complies with the conditions as allowed for in CSOs and is therefore approved by me as genuinely required.

<b>Corporate Director</b>	Date
Name	
Signature	

<b>Strategic Procurement Manager/Senior Procurement Officer</b>	Date
Name	
Signature	

I have considered the reasons for the waiver and I am satisfied that the circumstances are genuinely exceptional as allowed for in CSOs and is therefore approved by me as the Section 151 officer.

<b>Section 151 Officer</b>	Date
Name	
Signature	

**ALL SIGNATURES (X 4) MUST BE PRESENT FOR THIS APPLICATION TO BE VALID**

*Where a CSO waiver application has been fully approved this will “cover off” increases in contract value as long as, any subsequent increase/s does not take the contract value over the “value threshold” that the original waiver application was approved for i.e. value threshold £10,000-£99,999.99 applied, therefore, if the value increased over this threshold, say to £101,000 a new waiver application would need to be sought.*

This page is intentionally left blank



This page is intentionally left blank

Service	Contract Name	Reason for Waiver	Contractor	Value of total Contract	Date (S151 Officer)	Category
<b>CHIEF EXECUTIVE</b>						
	Ramsgate High Street Heritage Action Zone - Freelance Cultural Programme Coordinator	A competitive ITQ process was carried out via the Kent Business Portal. Two bids were received, however, only one submission was a viable bid, therefore CSO 6.6 Financial Thresholds was waived, as three competitive bids were not able to be achieved on this occasion.	Elinor Seath	£16,000.00	27/05/2022	Less than 3 bids achieved
	Head of Legal and Monitoring Officer Post	Work was of a specialist nature and it was necessary to seek an interim post asap, to undertake a specific piece of work following a recent external audit. T&C also being waived to prevent any negotiations from being prolonged.	Sellick Partnership	£95,000.00	18/07/2022	Nature of requirement is specialist
	Corporate e-learning system	Previous joint contract with other Council's came to an end and decision made very late by all other Council's to progress with separate contracts, which was beyond TDC control. With no provision in the current contract to extend a new supplier therefore needed to be found asap to be able to continue to provide the key mandatory training. T&C also being waived due to being an ICT related contract.	Ideagen Gael Limited	£18,080.00	30/11/2022	Full competitive process cannot be undertaken due to extreme urgency
	Margate Town Deal: Winter Gardens project - Surveys and provision of measured plans	Due to funding time limit restrictions, timescales no longer allow to go out to procurement for works identified as urgent, and therefore a direct award was required to appoint an existing, tried and tested supplier with the relevant skills and experience to fast-track the completion of these survey works, and subsequent plans, ensuring wider project is delivered and funding spent within the timescales set out within the spend profile agreed by DLUHC.	J C White Geometrics Ltd	£18,000.00	15/12/2022	Full competitive process cannot be undertaken due to extreme urgency
	GIS and Data solution Software Contract	This waiver is being requested to waive TDC Terms & Conditions only	ESRI UK Ltd	£97,727.00	26/01/2023	TDC Terms and Conditions not being used
	Occupational Health Services and Employee Assistance Programme	A competitive ITQ process was carried out via the Kent Business Portal. Only two bids were received, therefore CSO 6.6 Financial Thresholds was waived, as three competitive bids were not able to be achieved on this occasion.	Maitland Medical Service Limited	£75,000.00	14/02/2023	Less than 3 bids achieved
	High Level Hotel Feasibility	Initially the cost of the requirement was anticipated to be below the 10k CSOs threshold and therefore, quotes were requested as per the correct process. Following the quotes and proposals received back, it was determined that the cost would be over the 10k threshold due to the viability work needed being more in depth. It was identified that commissioning both stage 1 and stage 2 at the same time would be more efficient in terms of resource timescales and financially and going back out to the market via an ITQ process would take additional time that had not been factored in when considering it would be below threshold and, therefore, could impact the other procurements that would be related as the result of the work being undertaken in the feasibility study. A direct award was therefore requested to the quote/proposal which provided the most value for money.	Avison Young	£18,500.00	30/03/2023	Impact on delivering requirements by funding deadline
<b>DEPUTY CHIEF EXECUTIVE'S DEPT</b>						
	Electrical Installation Condition Report (EICR) and Associated C1 and C2 Failure - Catch Up Programme	Remedial works required as part of legislative requirements and this supplier is currently undertaking completion. Further works have been identified that should have been part of the contract and need to be completed with the specified programme. Current supplier is being used to complete work in full.	NRT Building Services Group Limited	£56,000.00	05/04/2022	Unforeseen additional requirements identified during contract

Service	Contract Name	Reason for Waiver	Contractor	Value of total Contract	Date (S151 Officer)	Category
	Examination of draft Birchington Neighbourhood Plan - appointment of independent Examiner	Neighbourhood Plan examination is a very specialist area of work. There are very limited options. The decision to select an examiner has to be taken to consultation with Parish council. This means that the procurement process is slightly different to how they would normally do a piece of consultancy work solely for TDC	Edge Planning & Development LLP	£18,000.00	08/04/2022	Nature of requirement is specialist
	Van for Housing Housing Response Officers	To enable a one off purchase for a second hand vehicle which is required for the new HRO Service dedicated to the councils tower blocks - Approval of direct award agreed on the basis that TDC mechanics check the specific vehicle that is being purchased.	Perrys Motor Sales Limited	£14,990.00	19/05/2022	Second Hand purchase
	Support renewal for Efinancials Software	TDC are currently looking to procure a new FMS system and so the support from Advanced is still required until the start of a new contract. There are no other suppliers that can offer this support so the waiver is a for a direct award to the current provider for a further 12 months	Advanced Business Solutions	£61,000.00	27/05/2022	Requirement can only be delivered by a particular supplier
	Planning Consultancy Services - Affordable Homes Programme	Original programme of works expanded due to budgetary increases, not known about from when the scope of works agreed. Additional services are therefore required to align the additional sites identified with the current programme to minimise impact of delays. A direct award to supplier who originally assisted with the consultant work for this requirement , will enable a continuity in service and faster process and mitigate any financial loss due to programme delays. TDC Standard Clauses also being waived.	Lee Evans Partnership LLP	£18,600.00	20/07/2022	Unforeseen additional requirements identified during contract
	Re-Render of Parapet Walls at Park Lodge (Montefiore Avenue, Ramsgate)	Whilst a replacement was being undertaken, further works were identified as damaged due to recent water damage and therefore there was an urgency to repair damage asap to prevent further damage.	SBS Roofing Limited	£71,558.03	20/07/2022	Full competitive process cannot be undertaken due to extreme urgency
	Fire Consultant Tower Blocks	Found to be a limited market to be able to undertake the specific requirement with the necessary insurances in place nationally. TDC T&C were also being waived.	Meinhardt (Singapore) FTE Ltd	£32,500.00	21/07/2022	Limited market
	Unoccupied property security - Winter Gardens	Due to immediate security requirements being necessary to secure the building by a certain date, a competitive procurement via the Portal would potentially lead to delays .Specialist firms were approached and a direct award requested via the waiver.	Kent Security Response	£56,276.72	18/08/2022	Full competitive process cannot be undertaken due to extreme urgency
	Coastal User Survey - Footprint Ecology Limited	It has been determined that the market is limited and that those that could meet the requirements would need to have a significant level of checks and interviews undertaken as part of the procurement process in order to ensure they are fully capable of meeting the requirements. This would cause delays to commencing the work necessary to meet the required timescale, due to the already limited market and availability of those surveyors.	Footprint Ecology	£20,789.00	14/09/2022	Limited market
	Pest Control Contract	This waiver is being requested to waive TDC Terms & Conditions only	Anti Graffiti Systems Ltd, trading as AGS One	£158,820.00	29/09/2022	TDC Terms and Conditions not being used
	Condition Survey & Costings for Thanet Public Toilets	This waiver is requesting to waive using the Council's Invitation to Quote documents and publication of Contract Notice on Contracts Finder only. Due to the limited time period to comply with budget management processes for approvals of capital projects and revenue growth bids this work is needed to be undertaken urgently. To expedite the process and still maintain competition, Portal to be used.	Kudos Architecture & Surveying Ltd GPM2 Design Architects & Surveyors Geoff Oliver & Associates Ltd Bradstowe Chartered Surveyors	£88,000.00	25/10/2022	Full competitive process cannot be undertaken due to extreme urgency
	KIC Gutter Refurbishment Works	It has been identified that gutters have been failing and now show signs of increased deterioration due to the amount and severity of leaks experienced recently. There have been immediate H&S risks identified and therefore, these must be addressed asap. Undertaking a competitive process via the portal could potentially cause delays and lead to greater H&S risks being resolved quickly.	J Rospo Building Contractors Ltd	£59,455.12	29/10/2022	Full competitive process cannot be undertaken due to extreme urgency



Service	Contract Name	Reason for Waiver	Contractor	Value of total Contract	Date (S151 Officer)	Category
	Trove Court Water Tank Relining Contract	The proposed works are due to continuously leaking tanks. One tank is currently decommissioned, however, the second tank is now also leaking and it is considered that two tanks are needed to be kept operational. This has become an urgent requirement to fix and therefore a direct award is needed to resolve the issues.	Pumps & Motors UK Limited	£21,970.95	14/11/2022	Full competitive process cannot be undertaken due to extreme urgency
	Condition Survey For Northdown House	For continuity of repair costs, it is considered prudent to instruct the same contractor to carry out the condition surveys as had undertaken recent connected surveys, however, it was not known about at the time of procuring other work, this would also be required.	Powell Williams LLP	£15,150.00	18/11/2022	Limited market
	High Street Heritage Action Zone/ Future High Street Fund	Due to specific timeframes to be met for the funding, changing market conditions, unforeseen circumstances and stakeholders across the two schemes, there is a need to fast track the requirement. At the time of the grant funding, these circumstances could not have been predicted. In addition, as an Authority with no known guarantee that we would be awarded the funding, we could not previously commence additional preliminary work that may have resulted in abortive costs.	Jan Kattein Architects Limited	£82,463.00	29/11/2022	Unforeseen additional requirements identified during contract
	Private Home Survey Stock Modelling Report	The council is under a mandatory duty to keep housing conditions in the private sector under review. A specialist supplier has developed a unique software, which meets all TDC requirements and is not available via any other supplier, therefore a direct award was required.	Metastreet Limited	£25,000.00	13/12/2022	Nature of requirement is specialist
	Agent appointment for marketing and sale of property of Loggia, Westbrook, Margate	Soft market testing was undertaken and the market was found to be limited with only two responses, therefore, carrying out a competitive process via the Portal would not be efficient. The waiver is to Direct award to the supplier who demonstrated value for money.	Sibley Pares (Taylor Riley) Ltd	£19,765.00	19/12/2022	Limited market
	Re-Render of Parapet Walls at Park Lodge (Montefiore Avenue, Ramsgate)	Whilst a replacement was being undertaken, further works were identified as damaged due to recent water damage and therefore there was an urgency to repair damage asap to prevent further damage. The contractor appointed under a previous waiver, however, went into administration on the commencement date and therefore it was necessary to direct award to another supplier who could complete the works asap.	Premier Property and Construction Limited	£384,162.00	20/12/2022	Full competitive process cannot be undertaken due to extreme urgency
	Roofing Coating Emergency Works - Margate Harbour Arm	The property's roof has recently experienced excessive water leakage to the tenanted units below. There are immediate potential Health and Safety Risks related to water damage and therefore, it was requested to direct award to a supplier that could meet the full requirements and urgent timescales to resolve the issues.	Mears	£18,433.33	23/12/2022	Full competitive process cannot be undertaken due to extreme urgency
	Canon Plotter Machine and Service and Maintenance Contract	Council has been notified that the current plotter is no longer able to be supported after December 2022. Market engagement has been undertaken determining that it would be more efficient and cost-effective going forward to purchase a new machine. The current provider was able to offer a discount, which could not be matched by any of the other quotes received within the market engagement undertaken and therefore a waiver was agreed to direct award. TDC T&C were also being waived.	Canon	£31,000.00	03/01/2023	Full competitive process cannot be undertaken due to extreme urgency

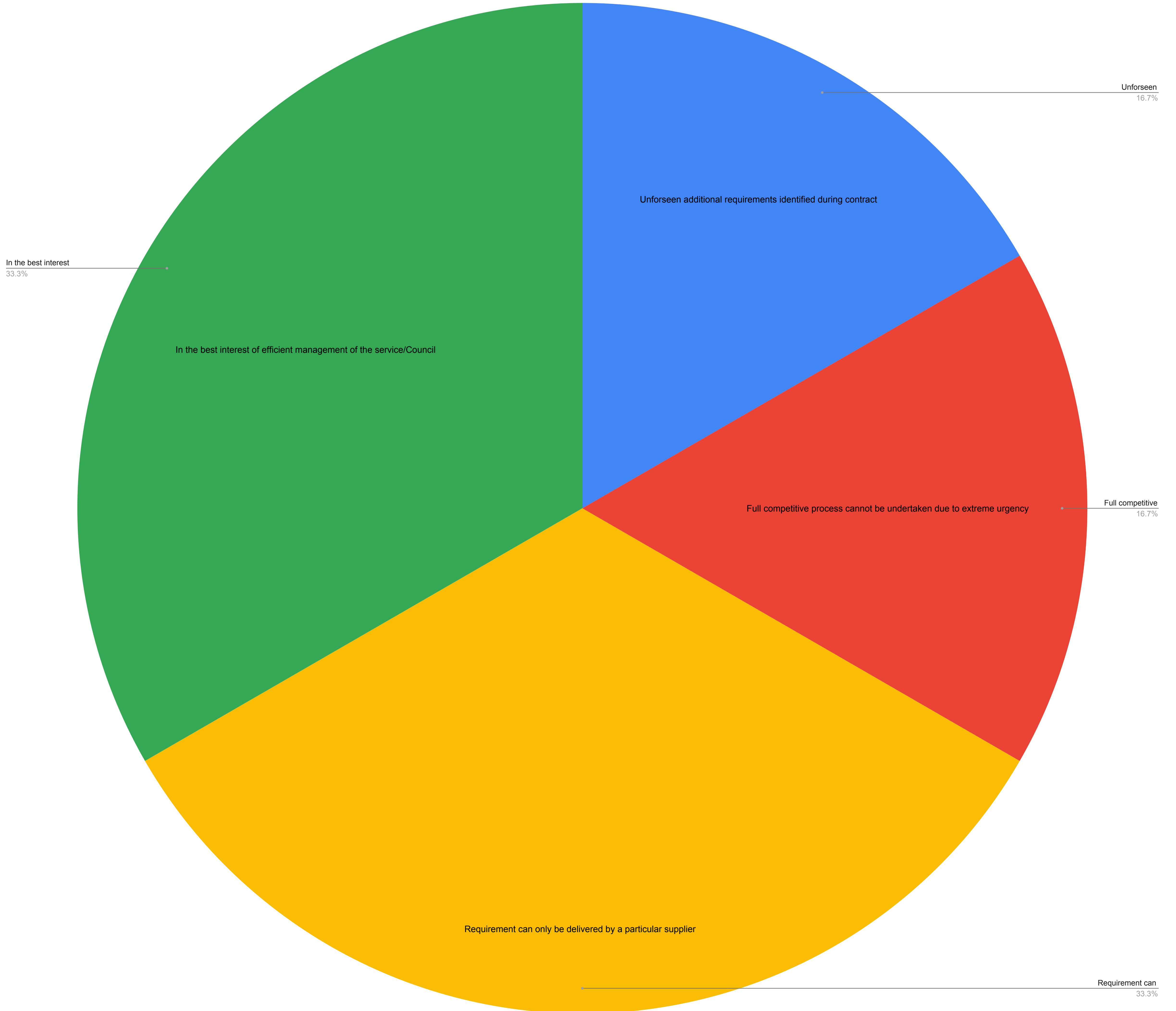
Service	Contract Name	Reason for Waiver	Contractor	Value of total Contract	Date (S151 Officer)	Category
	Treasury Consultancy	Market engagement was undertaken, however, it was determined that there were only two consultancy firms that could deliver the requirement and therefore, using a competitive process via the Portal would not be efficient. Both suppliers were invited to Quote, however, only one response received. A waiver was therefore requested to waive the financial threshold procedures, due to not being able to achieve three quotes. Due to the nature of the requirement, there was potential for the supplier to not be willing to accept TDC Standard Clauses, therefore, TDC T&C were also included to be waived should this happen.	Link Treasury Services Limited	£31,050.00	19/01/2023	Limited market
	Tenancy Fraud Consultancy	Market testing has been undertaken and have confirmed that the required service is only able to be carried out with the identified supplier, due to most Local Authorities having an in-house team to carry out the service. A direct award was therefore the only option.	Ashford Borough Council (ABC)	£84,300.00	08/02/2023	Nature of requirement is specialist
	Roofing Coating Emergency Works - Winter Gardens	The main roof to the units on the Harbour Arm have recently experienced excessive water leakage to the tenanted units below. There are immediate potential Health and Safety Risks will be related to water damage and therefore, it was requested to direct award to a supplier that could meet the full requirements and urgent timescales to resolve the issues.	Gerlack & Thorne	£10,925.00	14/02/2023	Full competitive process cannot be undertaken due to extreme urgency
	Kitchen and Bathroom (Intrim) Refurbishment Contract	Current supplier went into administration. A framework option was reviewed to appoint a supplier via a compliant route, however, suppliers approached declined. A direct award therefore requested to appoint a supplier to complete the most urgent works from the previous 22/23 programme and remaining works would be moved to 23/24 programme which will be undertaken via a competitive Tender process.	B Ball Contractors LTD	£210,000.00	14/02/2023	Full competitive process cannot be undertaken due to extreme urgency
	East Pier, Ramsgate Harbour Concrete Repair Consultancy Contract	Works must commence by April 23 ready for the summer Tourist period and it has also been identified that there are immediate potential H&S risks. In order to meet the tight programme a direct award was needed.	The Concrete and Corrosion Consultancy Practice Ltd	£14,900.00	14/02/2023	Full competitive process cannot be undertaken due to extreme urgency
	Structural Insurance Policy, 9 properties, Kingston & Lancaster Close, Newington Ramsgate.	The previous contractor in place went into administration leaving the site prematurely, a few weeks from full completion. The contract required Structural Defect Warranties to be provided for all properties in order for the Council to meet its obligations for new build properties and as part of contract obligations for the schemes partial funder. Design and construction milestones were met by the contractor, however, the contractor left the site prior to final certificates being issued and once this was identified, the insurer would not issue certificates retrospectively for the works that had been completed without additional costs. An competitive quote was therefore, sought from an alternative insurer who could meet the requirements quickly and direct award requested.	AHCI Limited	£22,300.00	17/02/2023	Full competitive process cannot be undertaken due to extreme urgency
	Photocopier Leasing with Support and Maintenance (RM6174 - Multifunctional Devices (MFDs))	This waiver is being requested to waiver TDC Terms & Conditions only, due to the nature of the requirement and TDC Standard Clauses not being the most appropriate for an ICT related purchase. The procurement is to be undertaken via the compliant Framework under a direct award.	Canon (UK) Limited	£55,000.00	16/03/2023	TDC Terms and Conditions not being used

Service	Contract Name	Reason for Waiver	Contractor	Value of total Contract	Date (S151 Officer)	Category
	Built Environment Cloud System (Planning, Land Charges & GMS)	This waiver is being requested to waive TDC Terms & Conditions and Sealing as a Deed only, due to the nature of the requirement and TDC Standard Clauses not being the most appropriate for an ICT related purchase. The procurement is to be undertaken via the compliant Framework under a direct award, due to the requirement being intrinsically linked to a system already within the Council.	IDOX	£250,000.00	29/03/2023	TDC Terms and Conditions not being used
	Thanet Local Cycling & Walking Implementation Plan (LCWIP)	The Council received funding for the work to be undertaken, however, to undertake a competitive process in terms of the pre-procurement elements advised that would be needed prior to the ITQ process and within the ITQ process, would take additional time and impact being able to have a supplier in place by the contract start date needed in order to ensure the requirement is delivered and grant funding spent by the deadline provided by the grant funder. The intended supplier has carried out the work previously and will provide continuity of the information and save the Council additional money, as they will not need to undertake all the background work that would be necessary for another supplier to undertake.	Sustrans	£47,000.00	30/03/2023	Impact on delivering requirements by funding deadline
<b>REJECTED</b>	Corporate asset valuation	Waiver not approved as the previous contract was non-compliant, being that it was not procured as per CSO Financial Threshold Procedures and had no waiver in place. A competitive procurement will therefore be carried out in advance of the new contract expiry date.	Wilks Head and Eve			Waiver Rejected
<b>CORPORATE GOVERNANCE</b>						
<b>OPERATIONAL SERVICES</b>						
	Purchase of Mobile Elevating Work Platform (MEWP) (Cherry Picker)	Second-hand vehicles are not able to be procured via the usual procurement processes, therefore two additional quotes were requested to benchmark from other second-hand retailers to demonstrate value for money.	Access Platform Sales Ltd	£20,150.00	12/05/22	Second-hand purchase
	Shower Blocks for the Port of Ramsgate Traveller Compound area	A continued provision of showers for the Port at Ramsgate, Traveller Compound is needed. Due to continued legal challenges, the contract has been extended on a rolling 4 week basis and we need to provide the requirement and cannot know with any certainty how long the provision will be needed, it will therefore be difficult to carry out a competitive ITQ process and could be redundant by the time it is completed. Direct awarding to the current supplier to continue the provision is the most appropriate solution.	Algeco UK Ltd (formerly Elliotts Ltd)	£32,203.08	24.06.22	Full competitive process cannot be undertaken due to extreme urgency
	Replacement of Hydraulic Rams (Flapagate - Ramsgate Harbour)	Since the initial refurbishment, both the flapgate and lifting bridge have suffered failures and it is not an acceptable risk to continue to rely on the secondary method of water level retention. There is therefore an extreme urgency to progress a direct award to the 4 proposed suppliers that it has established can undertake the work quickly.	Hydraulic and Engineering Services Ltd. Uplands Engineering Ltd Sealift Diving Ltd Great West Autos Ltd.	£74,500.00	06/07/22	Full competitive process cannot be undertaken due to extreme urgency
	Supply of Two Workboats at the Port of Ramsgate	A competitive exercise was carried out, only 2 submissions received, waiver required to waive the minimum 3 quotes needed to be compliant with CSO's	R N Cannon and Sons Ltd	£48,000.00	01/09/22	Less than 3 bids achieved

Service	Contract Name	Reason for Waiver	Contractor	Value of total Contract	Date (S151 Officer)	Category
	Refuse Collection Vehicles	The purchase of two 26Tonne Refuse Collection Vehicles was made via a compliant Framework under a Direct award, however, due to the nature of the purchase TDC T&C would not be able to be used. Due to the value being 100k and above, the waiver is also requesting to waive the requirement to Seal the contract as a deed, to expedite the process.	Dennis Eagle Limited	£376,630.00	22/09/22	TDC Terms and Conditions not being used
	Dockmaster Vehicle	Due to the nature of the purchase, this is not something that can easily be purchased via a competitive ITQ process or using TDC T&C and therefore, a direct award is the most appropriate solution.	Estuary Cars Ltd	£15,000.00	06/12/12	Second-hand purchase
	LED lighting for Urgent Replacements	<b>Waiver (Refreshed)</b> A competitive Tender has been undertaken, however, bids received were cost prohibitive. With a large number of high value outages between November and January, it has been identified that some LED lighting now needs immediate repair for safety reasons.	Ovenden Allworks	£95,000.00	26/01/23	Full competitive process cannot be undertaken due to extreme urgency
	Port of Ramsgate - Berth 4/5 Electrical Installation	The electrical installation is critical to the readiness of the berth and hand over to the customer and it is therefore imperative that this work is programmed quickly to mitigate contractual costs associated with the unavailability of the berth.	E Saunders (Margate) Ltd	£60,000.00	08/02/23	Full competitive process cannot be undertaken due to extreme urgency
	Mechanical Maintenance Dredging - Port of Ramsgate	The current contract was terminated due to the supplier no longer being able to deliver the contract without a variation of an RPI uplift included, due to market conditions changing and increased costs. Although the Council was willing to accommodate an uplift, it was unable to justify the amount requested and therefore, following legal guidance, the decision was taken to terminate the contract. This waiver was requesting to appoint an interim supplier for a one-off dredging provision, prior to undertaking a competitive Procurement with the market for the requirement.	Jenkins Marine Ltd	£60,930.00	31/03/23	Full competitive process cannot be undertaken due to extreme urgency
<b>EAST KENT SERVICES</b>						

Service	Contract Name	Reason for Waiver	Contractor	Value of total Contract	Date (\$151 Officer)	Category
<b>CHIEF EXECUTIVE</b>						
	Ramsgate Harbour : Conservation Management Plan to support levelling up funded projects	In addition to work already being undertaken by the appointed supplier via a compliant Dynamic Purchasing System route to the market, it has recently been identified by a Stakeholder that a Conservation Management Plan is required to support all the projects within the surrounding areas of the Ramsgate Harbour listings. This requirement was not known about at the time the original contract was commissioned, however, would have been included in the initial project had the Council been aware of its requirement. The waiver was requesting to add this additional work to the current contract, with a supplier who has the skills required and significant background knowledge as well as continuity of approach and information, which will reduce costs and help achieve value for money.	Curl La Tourelle Head Architects	£14,995.00	22/05/2023	Unforeseen additional requirements identified during contract
<b>DEPUTY CHIEF EXECUTIVE'S DEPT</b>						
	Unoccupied property security - Winter Gardens - Waiver Refresh No3	The Waiver is for the continued security provision at the winter gardens for another 12 months. To go out to appoint a different supplier via a competitive process could incur a potential period of time the security provision is not provided, increased costs and risk of further damage to the building to put up and take down current security measures.	Citiguard	£69,421,44.00	27/04/2023	Full competitive process cannot be undertaken due to extreme urgency
	Harbour Arm UKPN New Electricity Supply	This Waiver is for a direct award to a supplier for a new electricity supply to be able to deliver the current/future electricity supply requirements for the Harbour Arm. The current supply via Droit House is no longer fit for purpose with the increasing energy demand for users on the Harbour Arm and has resulted in instances of loss of power to all connected due to overloading and increase Health & Safety risks. The supplier is the only supplier in the region who can deliver the requirement due to exclusive rights to install new metered electrical supplies to properties both domestic and commercial.	UK Power Networks	£60,450.51	17/05/23	Requirement can only be delivered by a particular supplier
<b>CORPORATE GOVERNANCE</b>						
<b>OPERATIONAL SERVICES</b>						

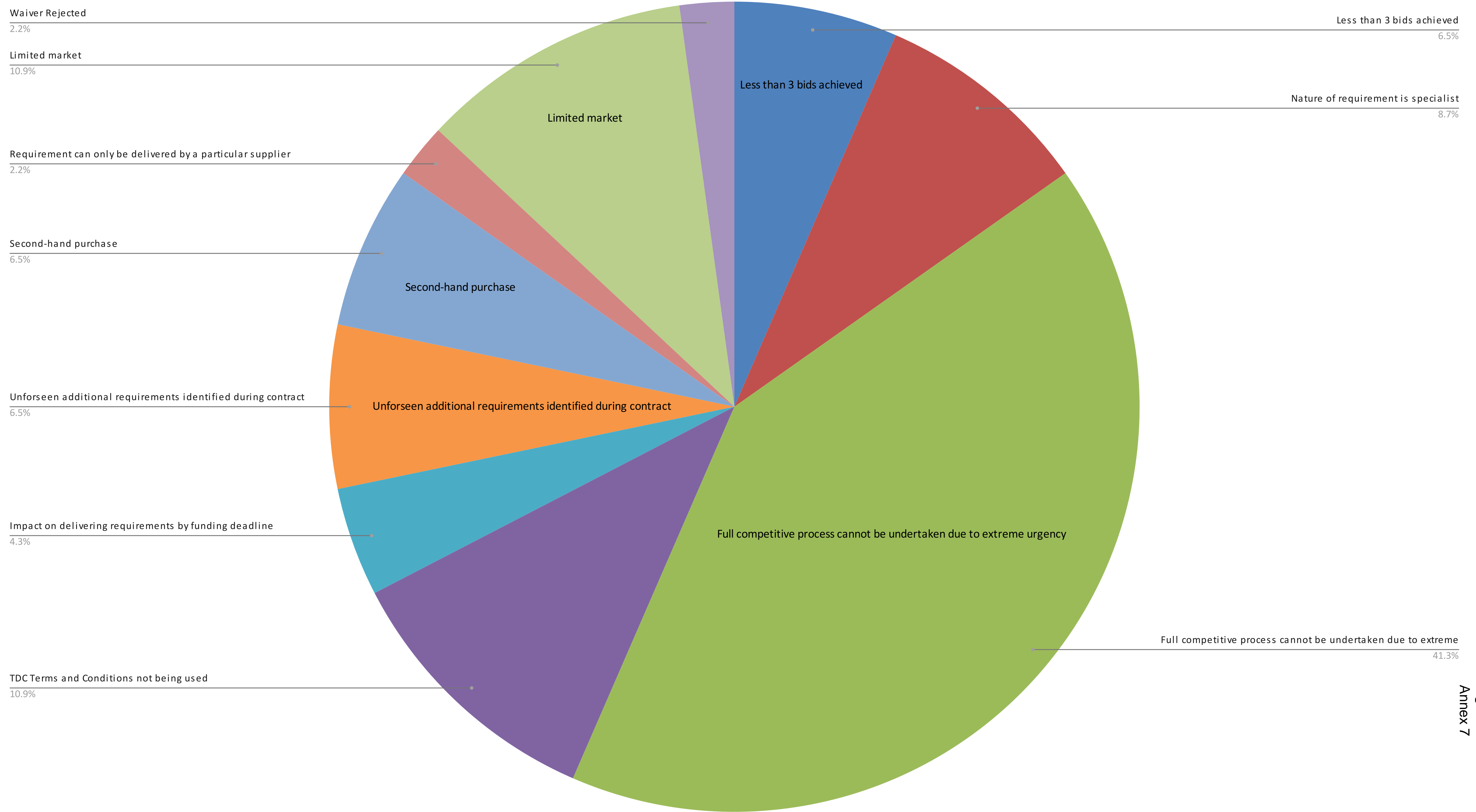
Service	Contract Name	Reason for Waiver	Contractor	Value of total Contract	Date (S151 Officer)	Category
	Electricity SMART Metering Solution - Licensing, Support and Cloud Hosting	The introduction of the Electricity SMART Metering Solution was agreed during the Star Chamber process, to upgrade the existing smart metered system currently in place. The proposed supplier was identified as there is no initial cost of equipment upgrade, which would reduce costs and the equipment is warranted for 5 years. It was considered there was also a risk if the upgrade was not implemented in that the present obsolete system becomes defective and customers would be able to access unmetered electricity. Going with another supplier would increase costs as the Council would have to pay additional costs for the equipment.	Meter-Macs Ltd	£158,490.00	27/04/2023	In the best interest and most expedient to the efficient management of the service/Council
	Legal Work relating to Port Of Ramsgate	The waiver is for a direct award to a previous supplier who provided initial advice and a proposal to inform a report agreed at cabinet, to progress the Port delivery project. With the tight timescales for delivery and the specific nature of this project being complex, external advice would be required anyway in order to facilitate if it had been delivered in-house. Agreement was, therefore, given for the work to be commissioned externally on this occasion, with a supplier who has demonstrated understanding of TDC requirements and specific experience and capability in the nature of work required (maritime/port/procurement and legal aspects).	Ashford LLP	£142,730.00	10/05/2023	In the best interest and most expedient to the efficient management of the service/Council
	4 x Walk Behind Sweepers	The specific equipment can only be provided by one supplier. No compliant routes to the market could be found, therefore, this waiver is for a direct award to the identified supplier who can provide the equipment.	Commercial Services Trading Ltd - Supplier of vehicle is Addex Group (Gatwick)	£98,378.98	31/05/2023	Requirement can only be delivered by a particular supplier
<b>EAST KENT SERVICES</b>						



This page is intentionally left blank



# Appendix 7 - Category of Waivers 2023-2024 (April to June)



This page is intentionally left blank

## ANNUAL GOVERNANCE STATEMENT 2022-23

<b>Governance and Audit Committee</b>	26th July 2023
<b>Report Author</b>	Sameera Khan - Interim Head of Legal & Monitoring Officer
<b>Portfolio Holder</b>	Councillor Rick Everitt - Leader of the Council
<b>Status</b>	For decision
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No
<b>Ward:</b>	All

### Executive Summary:

The report is intended to provide the Governance and Audit Committee with the draft Annual Governance Statement 2022/23 since my appointment as the Interim Head of Legal and Monitoring Officer.

### Recommendation(s):

The committee agrees to the Annual Governance Statement 2022/23, which will be shared with our external auditors for amendment and comment by them before publication.

### Corporate Implications

#### Financial and Value for Money

There are no financial implications arising directly from this report.

#### Legal

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires the council to conduct a review at least once a year of the effectiveness of its internal control system and include a statement reporting on the review with any published statement of accounts. Regulation 6(1)(b) of the Regulations requires that the statement is the Annual Governance Statement.

There are no legal implications arising directly from this report. However, failure to comply with statutory timescales may have legal implications.

#### Risk Management

There are no risks associated with this report.

## **Corporate**

The Annual Governance Statement is a corporate document and should be owned by all senior officers and authority members. Failure to accept the AGS will diminish the council's governance arrangements.

## **Equality Act 2010 & Public Sector Equality Duty**

Members are reminded of the requirement under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

The AGS support the public sector equality duty directly or indirectly.

## **1.0 Introduction and Background**

- 1.1 The annual governance statement (AGS) is a statutory document which explains the processes and procedures in place to enable the council to carry out its functions effectively.
- 1.2. The statement follows a review of the council's governance arrangements and includes an action plan to address any significant governance issues identified.
- 1.3 The Governance and Audit Committee will consider this draft AGS and assurance gathering process. The AGS will then be audited, and the Monitoring Officer will make any necessary changes before final publication.

## 2.0 The Draft Annual Governance Statement (AGS)

- 2.1. The AGS, which is attached in Annex 1, to this report should reflect the corporate governance environment of the council as detailed in the adopted Local Code of Corporate Governance. In essence, the AGS is the formal statement that recognises, records and publishes the council's governance arrangements.
- 2.2 The AGS is a key corporate document, and the Leader and Chief Executive have joint responsibility as signatories for its accuracy and completeness. To ensure that the AGS accurately reflects our Governance Framework, several sources of assurance are gathered to feed into the preparation of the document.

## 3 Next Steps

- 3.1 The Annexe report attached to this report will be published once approved and signed off as part of the council's corporate governance.

Contact Officer: Sameera Khan - Interim Head of Legal & Monitoring Officer  
Reporting to: **Chris Blundell (Director of Finance)**

### Annex List

Annexe 1: Annual Governance Statement 2022/23

### Background Papers

### Corporate Consultation

**Finance: Chris Blundell (Director of Finance)**

**Legal: Sameera Khan (Interim Head of Legal & Monitoring officer)**

This page is intentionally left blank



# Thanet District Council Draft Annual Governance Statement 2022-2023

July 2023

## Scope of responsibility

Thanet District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money allocated to it is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare and publish an Annual Governance Statement.

## The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council directs and controls its activities and how it leads, engages with and accounts to the community it serves. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The internal control system is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risks of failure to achieve the Council's aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The internal control system is based on an ongoing process designed to identify, prioritise and manage the risks to achieve the Council's aims and objectives.

## The Governance Framework

The Council's Governance Framework addresses how the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business focuses on its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan. The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Corporate Management Team (CMT), which comprises the Chief Executive, Corporate



# Agenda Item 8

## Annex 1

Directors and Directors. The Corporate Governance Code sets out the controls in full and can be found at:

<https://democracy.thanet.gov.uk/documents/s75835/Annex%201%20Local%20Code%20of%20Corporate%20Governance%20March%202022.pdf>



## Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of the Monitoring Officer and Section 151 Officer, who has responsibility for the development and maintenance of the governance environment;
- the review of the effectiveness of the Council's Internal Audit Arrangements 2022/23, as provided by the East Kent Audit Partnership;
- comments made by the external auditors and other review agencies and inspectorates;
- The Audit & Governance Committee's review that the elements of the governance framework are in place and effective, to ensure compliance with the principles.

The following Annual reports form part of that review:-

# Agenda Item 8

## Annex 1

- Annual report of the Standard Committee;
- Annual report of the Overview and Scrutiny Panel
- Annual report of the Head of Internal Audit
- Annual report of the Governance and Audit Committee

In accordance with section 3.7 of the Code of Practice on Local Authority Accounting for 2022/23, the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government.

The Council's Monitoring Officer is legally responsible for looking into matters of potential unlawfulness within the Council. In 2022/23. There was no constitutional review undertaken by the constitutional working party as IMO recommendations as well as s24 review was in progress.

The Annual Reports from the Standards Committee, Overview and Scrutiny Panel and Governance and Audit Committee were considered by Council on 30 March 2023 and have also been considered in preparing this statement which can be found under the following links.

### **Annual Report of the Overview and Scrutiny Panel**

<https://democracy.thanet.gov.uk/documents/s80717/Annual%20OSP%20Report%20-%20Google%20Docs.pdf>

### **Annual Report of the chair of the Standards committee**

<https://democracy.thanet.gov.uk/documents/s80687/Chair%20Of%20Standards%20Committee%20report%202023%20-%20Google%20Docs.pdf>

### **Annual Report of the Chair of Governance and Audit Committee**

<https://democracy.thanet.gov.uk/documents/s80689/GA%20Covering%20Report%202022-23%20-%20Google%20Docs.pdf>

## **Council**

Councillor Ash Ashbee was first elected as a Leader of the Council and formed a Conservative Cabinet in June 2021. She continued to lead her party as a Leader of the Group until March 2023.

The Council has a Conservative Leader and Cabinet, the largest group. The Council remains in no overall control with 27 Conservatives, 16 Labour, 6 Greens and Independents, 5 Thanet Independents and 2 Independents.

The Council's Corporate Statement and supporting Core Business Objectives for 2019-2023 can be found at the link below. There is likely to be a new administration after the local election in May 2023. The core business objective will therefore be revised in accordance with the new administration.

<https://democracy.thanet.gov.uk/documents/s66020/Corporate%20Statement%202019-2024.pdf>

### Internal Audit

The primary objective of Internal Audit is to provide independent assurance to Members, the Chief Executive, Directors and the Section 151 Officer on the adequacy and effectiveness of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to members is to:

- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- Present a summary of the internal audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
- Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS), and report the results of the Internal Audit quality assurance programme.
- Confirm annually that EKAP is organisationally independent, whether there have been any resource limitations or instances of restricted access.

The EKAP delivered 103.49% of the agreed audit plan days to TDC. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against the targets. It is the opinion of the Head of Audit that sufficient work has been undertaken to be able to support an opinion for 2022-23.

No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This opinion is intended to provide assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

The opinion for Risk Management confirmed that arrangements for the Council's risk management framework are effective.

The internal auditors are independent of the management of the Council and have direct access to the Chair of the Governance and Audit if required. They provide a regular update to the Committee at each quarterly meeting and may attend any special meetings that may be convened during the year.

### External Audit

The external audit work of the Council is undertaken by Grant Thornton UKLLP. The main duties are governed by section 15 of the Local Government Finance Act 1982, and the Local Audit and Accountability Act 2015 section 4

Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. This is considered the Governance and Audit Committee.

The Council in the final stages of concluding its 2020/21 accounts and audit process and this culminated in the final external audit opinion being presented to the Governance and Audit Committee meeting in July 2023. It is confirmed that the Council has received an unqualified audit opinion and final details and sign off arrangements are being concluded.

The production of the council's draft 2021/22 accounts are nearing completion and it is anticipated that they will be published in August 2023, with the 2022/23 accounts to follow shortly thereafter.

### Overview and Scrutiny Panel

Links to the Panel's annual report to Council on 30th March 2023 can be found here. In total there were 10 meetings of the O&S Panel.

19th April 2022;

<https://democracy.thanet.gov.uk/documents/g5956/Public%20reports%20pack%2019th-Apr-2022%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>

26th May 2022;

<https://democracy.thanet.gov.uk/documents/g5957/Public%20reports%20pack%2026th-May-2022%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>

21st July 2022;

<https://democracy.thanet.gov.uk/documents/g6182/Public%20reports%20pack%2021st-Jul-2022%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>;

30th August 2022;

<https://democracy.thanet.gov.uk/documents/g6183/Public%20reports%20pack%2030th-Aug-2022%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>

25th October 2022;

<https://democracy.thanet.gov.uk/documents/g6184/Public%20reports%20pack%2025th-Oct-2022%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>

22nd November 2022 - the meeting was postponed.

24th November 2022;

<https://democracy.thanet.gov.uk/documents/g6378/Public%20reports%20pack%2024th-Nov-2022%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>

17th January 2023;

<https://democracy.thanet.gov.uk/documents/g6186/Public%20reports%20pack%2017th-Jan-2023%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>

16th February 2023;

<https://democracy.thanet.gov.uk/documents/g6187/Public%20reports%20pack%2016th-Feb-2023%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>

14th March 2023.

<https://democracy.thanet.gov.uk/documents/g6188/Public%20reports%20pack%2014th-Mar-2023%2019.00%20Overview%20Scrutiny%20Panel.pdf?T=10>

Members welcomed and noted the reports including the various presentation by the committee.

## Governance and Audit Committee

The Committee continues to discharge its responsibilities to provide independent assurance on the adequacy of the council's risk management framework and the associated control environment and in providing robust scrutiny and challenge of the Authority's financial performance.

Links to the Panel's annual report to Council on 30th March 2023 can be found here. In total there were 4 meetings of the Governance and Audit Committee.

27th July 2022;

<https://democracy.thanet.gov.uk/documents/g6197/Public%20reports%20pack%2027th-Jul-2022%2019.00%20Governance%20Audit%20Committee.pdf?T=10;>

28th September 2022;

<https://democracy.thanet.gov.uk/documents/g6200/Public%20reports%20pack%2028th-Sep-2022%2019.00%20Governance%20Audit%20Committee.pdf?T=10;>

30th November 2022;

[/https://democracy.thanet.gov.uk/documents/g6203/Public%20reports%20pack%2030th-Nov-2022%2019.00%20Governance%20Audit%20Co;](https://democracy.thanet.gov.uk/documents/g6203/Public%20reports%20pack%2030th-Nov-2022%2019.00%20Governance%20Audit%20Co;)

8th March 2023

<https://democracy.thanet.gov.uk/documents/g6206/Public%20reports%20pack%2008th-Mar-2023%2019.00%20Governance%20Audit%20Committee.pdf?T=10;>

Members welcomed and noted the reports

## Standards Committee

Links to the committee's annual report reported to Council on 30th March 2022 can be found here:

The Standard Committee scheduled their 4 meetings out of which three were cancelled due to lack of business. There was consequently only one meeting which was held on 10th November 2022.

31st May 2022 - cancelled;

13th September 2022 - cancelled;

10th November 2022;

<https://democracy.thanet.gov.uk/documents/g6202/Public%20reports%20pack%2010th-Nov-2022%2019.00%20Standards%20Committee.pdf?T=10>

9th March 2023 - Cancelled

Members welcomed and noted the report.

### **New Members of the committee**

There were no new members appointed during the period of the 2022/23 municipal year.

### **Training**

Democratic Services has maintained training provisions for councillors in providing the usual induction training programme for new councillors, regular planning committee training, training on the Code of Conduct and Standards etc.

## **Constitutional Review Working Party (CRWP)**

The Constitutional Review Working Party did not meet during the period of 2022/23 as there was specific IMO recommendation which needed to be implemented by the Interim Monitoring Officer.

In order to undertake the full review of the constitution and to ensure that the IMO's recommendations were reviewed, endorsed and adopted in full, Bevan Britton was appointed to work alongside the Interim Monitoring Officer. This work will continue to form part of the council's constitutional review in the preceding year.

## **General Purpose Committee**

There were a number of GPC held during the year. The first was held on 5th July 2022 to appoint two interim Statutory officers. In total there were 6 General Purposes Committee held during the period, one of which was cancelled.

Given the IMO's recommendation and s24 review it was necessary to take on interim to lead the council. A new Interim Chief Executive and Interim Monitoring Officer was appointed by the GPC which was endorsed by Council.

In November 2022, GPC commenced the review of its HR policies as Phase 1 which included the following:-

Final Absence Management Policy and Procedure;

Final Bullying and Harassment Policy and Procedure;

Final Disciplinary Policy and Procedure;

Final Grievance Policy and Procedure;

Final Performance Management Policy and Procedure;

Final some other substantial reason policy and procedure;

Final Whistleblowing Policy

Since the HR function had been brought back inhouse, it had become necessary to review the HR polices which included a number of polices recommended for review by the IMO in his report. The policies also dealt with vexatious complaints as well as ensuring that best practice was built into these key polices for the council.

The GPC in January 2023 also set out the proposal for the Senior Management structure with a detailed timescale for recruitment of Directors and other Senior officers of the council.

### Corporate risks

The Governance and Audit Committee regularly receives reports on the Corporate Risk Register (CRR), a framework through which the council are required to monitor and manage its corporate risks.

Following numerous internal and external factors, a full review was needed to reflect the changes to Thanet District Council.

Quarterly Internal Audit report provided the council with regular updates on the new audits carried out by Internal East Kent Audit Partnerhsip. The Internal Audit Charter and Draft Internal Audit Plan further provided the council with the Audit Charter for the next 3 years as well as for the 2023-24.

Details were fully presented to G&A committee in March 2023 which can be found here.

<https://democracy.thanet.gov.uk/documents/g6206/Public%20reports%20pack%2008th-Mar-2023%2019.00%20Governance%20Audit%20Committee.pdf?T=10>

### Ombudsman Complaints

The Ombudsman received 27 complaints and took the following decision on them.

The decision of the Ombudsman	Reason,	No of cases,
Upheld	Maladministration & injustice	3
Upheld	Fault & Injustice	8



Upheld	Maladministration & injustice - no further action as satisfactory remedy provided by the organisation	1
Not upheld	No Fault	1
Closed after initial enquiries	No further action	12
Closed after initial enquiries	Out of Jurisdiction	2

The Ombudsman did not issue any public reports against the Council in the year.

## Independent Monitoring Officer's Report

### **Employment matters**

A number of employment matters are outstanding during the year 2021-22 which were all concluded but 2 which will be ongoing in 2022-23 and 2024.

### **Appointment of Independent Monitoring Officer (IMO)**

The previous Annual statement outlined in details the recommendations of the IMO.

A full report of the IMO can be found below:

<https://www.thanet.gov.uk/wp-content/uploads/2022/05/Lessons-Learnt-Report-Public-Summary.pdf>

The fundamental recommendation from the Auditors was to commission a report from an independent monitoring officer from another Council who would look into these issues. Quinton Baker from Hertfordshire County Council was appointed.

Mr Baker's produced this report in May 2022, and since then this report had been considered by council, with the recommendations being approved.

The conclusions reached by the IMO in 2021 were not comfortable for the council, highlighting significant disruption in Council/Officer relations as well as relations between senior officers and the need to thoroughly review staffing procedures including establishing good working relationship between officers and members. The recommendations also included revising various HR policies and procedures for the Council.



# Agenda Item 8

## Annex 1

As part of the constitutional review Beven Briton was appointed by the council to work alongside the Interim Monitoring Officer of the Council a project which will continue in year 2023/24.

An action plan was produced to keep track of work undertaken to date which can be found under:-

<https://democracy.thanet.gov.uk/documents/s80721/Annex%201%20IMO-%20Google%20Sheets.pdf>

## IPCO inspection

The Council was subject to IPCO inspection in 2022 which as part of the inspection made several recommendations for improvement.

Apart from reviewing the council RIPA policy which had not been reviewed since 2018 there were recommendations for training of key officers, including Senior members. The retention, review and destruction of material obtained through the use of covert powers is required under the safeguard chapters of the Home Office and is a legal requirement.

There were formal training provided to all Senior officers of the council including key personnel who would be authorising the covert surveillance if necessary. The policy of the council was initially reviewed and endorsed by the G&A committee in July 2022 which will be updated in 2023.

## Approval of the Annual Governance Statement

The governance arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.

Signed:

Colin Carmichael (Interim Chief Executive) Interim Chief Executive

Councillor Rick Everitt - Leader of the Council.

Date: 26th July 2023

# Agenda Item 8

## Annex 1

## Quarterly Internal Audit Update Report

<b>Governance &amp; Audit Committee</b>	26 July 2023
<b>Report Author</b>	Head of Internal Audit
<b>Portfolio Holder</b>	Cllr Rob Yates, Cabinet Member Corporate Services.
<b>Status</b>	For Information
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No

### Executive Summary:

This report provides Members with a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st May 2023.

### Recommendation(s):

1. That the report be received by Members.
2. That any changes to the agreed 2023-24 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved.

### Corporate Implications

#### Financial and Value for Money

There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2023-24 budgets.

#### Legal

The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

#### Risk Management

A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non completion of the audit plan	Medium	Low	Review of the audit plan on a regular basis.

Non implementation of agreed audit recommendations	Medium	Low	Review of recommendations by Audit & Governance Committee and Audit escalation policy.
Non completion of the key financial system reviews	Medium	Medium	Review of the audit plan on a regular basis. A change in the External Audit requirements reduces the impact of non-completion on the Authority

## Corporate

Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

## Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no equity or equalities issues arising from this report.

## Corporate Priorities

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

## 1.0 Introduction and Background

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st May 2023.

- 1.2 For each audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to the relevant member of the Senior Management Team, as well as the manager for the service reviewed.
- 1.3 Follow-up reviews are performed at an appropriate time, according to the priority of the recommendations, timescales for implementation of any agreed actions, and the risk to the Council.
- 1.4 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 1.5 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Appendix 2 to the EKAP report.
- 1.6 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.7 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report was submitted to the last meeting of this Committee.

## **2.0 Summary of Work**

- 2.1 There have been seven internal audit assignments completed during the period and five follow -ups.

Contact Officer: Christine Parker, Head of the Audit Partnership, Ext. 42160  
Simon Webb, Deputy Head of Audit, Ext 7189

Reporting to: Chris Blundell; Director of Corporate Services

### **Annex List**

Annex 1: East Kent Audit Partnership Update Report – 26-07-2023

### **Background Papers**

# Agenda Item 9

Internal Audit Annual Plan 2023-24 - Previously presented to and approved in March 2023 at Governance and Audit Committee meeting

Internal Audit working papers - Held by the East Kent Audit Partnership

## **Corporate Consultation**

**Finance:** Chris Blundell; Director of Corporate Services

**Legal:** Sameera Khan, Interim Head of Legal & Monitoring Officer

**QUARTERLY INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP**

**1.0 INTRODUCTION AND BACKGROUND**

This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st May 2023.

**2.0 SUMMARY OF REPORTS**

Service / Topic		Assurance level	No. of Recs.	
2.1	Environmental Health Protection - Contaminated Land, Air and Water Quality	Substantial	C H M L	0 0 0 0
2.2	EKS/Civica - Debtors	Substantial	C H M L	0 0 0 2
2.3	Refuse Collection	Reasonable	C H M L	0 0 6 1
2.4	Value Added Tax	Reasonable	C H M L	0 1 1 2
2.5	Absence Management: <ul style="list-style-type: none"> <li>● Annual Leave</li> <li>● Sick Leave</li> <li>● Flexi Leave</li> </ul>	Reasonable Limited Limited	C H M L	0 6 1 1
2.6	Licensing	Reasonable/No	C H M L	1 4 5 1
2.7	Car Parking & Enforcement	No	C H M L	2 8 0 0

**2.1 Environmental Health Protection - Contaminated Land, Air and Water Quality - Substantial Assurance**

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by the Council in the following areas of environmental protection:

- Air Quality Management and Air Quality Monitoring;
- Contaminated land;
- Polluting Industrial Processes (Pollution prevention and control regime); and
- Drinking Water

2.1.2 Summary of findings

This audit has been undertaken to provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council complies with its statutory responsibilities under the various legislation governing Environmental Protection and therefore also manages the risks to the public associated with Environmental Protection and also.

The primary findings giving rise to the Substantial assurance opinion are as follows:

- Air quality monitoring arrangements are considered to be in accordance with regulations.
- The Council monitors air quality across the whole of the District.
- Where air quality monitoring results show that objectives for air quality are either unlikely to be met, or not being met, the Council takes action to introduce an Air Quality Management Area (AQMA) at the relevant locations.
- An up to date Contaminated Land Strategy is in place.
- Contaminated Land officers should get sight of all planning applications so that they can be checked against the Contaminated Land register.
- The Council maintains and publishes a register listing all Part B operators permitted by the Council under the Environmental Permitting Regulations 2016.
- Visits are undertaken at the appropriate intervals to permitted establishments under the Environmental Permitting Regulations 2016 with the outcome of all visits being suitably documented.

**2.2 EKS/Civica Debtors – Substantial Assurance**

2.2.1 Audit Scope

To ensure that the processes and procedures used by CIVICA UK are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls regarding debtors.

2.2.2 Summary of findings



# Agenda Item 9

## Annex 1

The recovery of Sundry Debts is covered by the Local Government Act 1972, the Accounts and Audit Regulations 2011, The Harbours Act 1964 and the Late Payment of Commercial Debts Regulations 2002. Sundry debts relate to all monies owed to Local Authorities other than Council Tax, Business Rates and Housing Benefit overpayments. The collection of sundry debts has been outsourced to Civica.

This audit review has focused on the role carried out by Civica UK and not the elements of the debtors process carried out by Officers at each council.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Established processes are in place for the sundry debtor process carried out by the Corporate Income Team within Civica.
- Performance is regularly and accurately reported by Civica to the partner Councils.
- Debts are only written off after all available recovery methods have been exhausted.

Scope for improvement was however identified in the following areas:

- Although the Income Management Policy is reviewed on a regular basis, consideration should be given to putting in a change control / version history document as part of the policy that confirms the date of any changes, who has approved them and also that the council's websites have been updated with the revised policy each year.
- There are issues with the reporting to Members and the appropriate committees at Dover and Thanet Councils regarding annual reports and write offs. EK Services are aware of this and are addressing these issues.

### **2.3 Refuse Collection – Reasonable Assurance**

#### 2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council provides an efficient and effective refuse collection service to residents across the district in accordance with approved service standards and prevailing legislation.

#### 2.3.2 Summary of findings

The refuse collection service currently employs 74 staff split between 28 drivers, 43 loaders and 3 supervisors to undertake weekly collections to around 68,000 properties across the district. This is predicted to rise to around 79,000 properties by 2030.

The primary findings giving rise to the Reasonable assurance opinion are as follows:

- Current collection rounds were found to maximise the use of the vehicle fleet.

# Agenda Item 9

## Annex 1

- Collection rounds are kept under constant review to prevent instances of vehicle overloading.
- The Council benchmarks its performance and working practices against other local authorities.
- Accurate records are kept detailing vehicle weights and the amounts being tipped so that instances of vehicle overloading can continue to be reduced.
- Expenditure on agency staff and overtime payments to employees is kept under review and wherever possible, the use of agency staff is kept as low as practical while also maintaining an effective service to residents.
- Suitable procedures are in place to ensure that all accidents and near misses are recorded.
- Suitable KPIs are in place and being regularly reported.

Scope for improvement was however identified in the following areas:

- The Council should plan for funding to be in place to purchase new refuse freighters in line with new property completions and the subsequent increasing number of properties requiring a waste collection.
- Service Standards for the Waste Collection service are currently out of date and should be renewed as soon as practical under the newly elected administration.
- A costed Action Plan should be put in place and approved by the newly elected administration detailing how the Council will increase recycling rates to 65% by 2035.
- The number of missed bins, in streets where a collection was not completed due to access restrictions, should be included in missed bin performance data (currently not the case).
- Meetings of the Manston Road Health and Safety Committee should re-commence as soon as practical.

### **2.4 VAT – Reasonable Assurance**

#### 2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that VAT is completely and correctly accounted for in a timely manner in accordance with the prevailing legislation.

#### 2.4.2 Summary of Findings

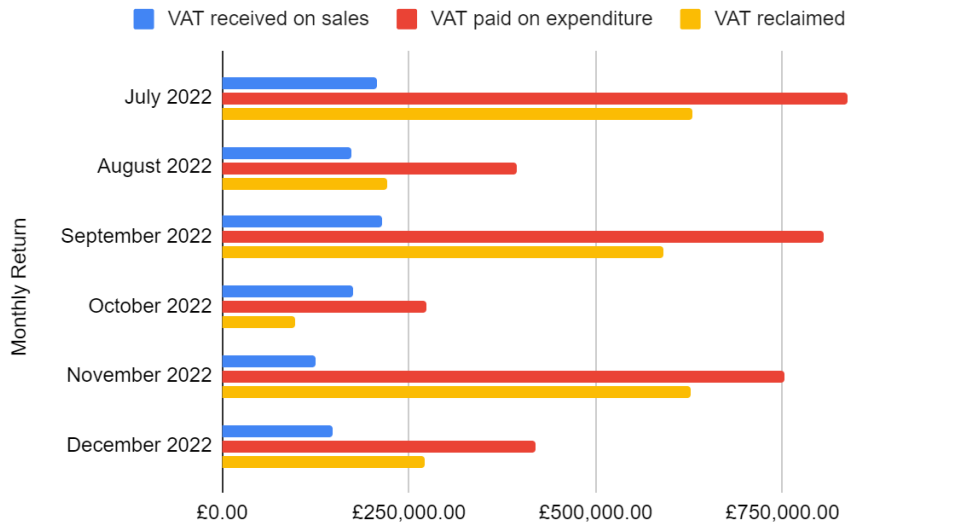
VAT is a tax on income from products and services sold by VAT-registered organisations. Due to the nature of business the Council usually accounts for less VAT on income received than it gets charged on expenditure. The net effect is very often a debit in the VAT control account each month which is the figure used to calculate the VAT due to the Council from HMRC. The Council has a responsibility to ensure VAT calculations are accurate and evidence is retained for at least six years plus the current tax year in case HMRC wants to inspect the accuracy of VAT returns.

# Agenda Item 9

## Annex 1

Management prepares and submits a VAT return to HMRC on a monthly basis. This audit focused on the last six monthly VAT returns submitted from July 2022 to December 2022, details of which are summarised below: -

### VAT Summary Data



The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- There are good procedures in place that help with VAT control and resilience;
- Accountancy controls and processes in place are good;
- The VAT returns are supported by sufficient evidence;
- There are suitable partial exemption calculation procedures in place;
- Oversight and authorisation over VAT returns are sufficient; and
- Land and Property that the Council has opted to tax is being taxed correctly.

Scope for improvement was however identified in the following areas:

- Non-accountancy officers are making some mistakes with the treatment of some VAT on income and expenditure transactions. Management needs to correct these and tighten controls over checking and training.

## 2.5 Absence Management - Reasonable/Limited/Limited Assurance

### 2.5.1 Audit Scope

To provide assurance that staff absences are valid and authorised by management either in advance or in the case of sickness immediately after the event. To ensure that staff resources are adequately controlled and managed.

### 2.5.2 Summary of Findings

At the point of the audit there were 543 employees employed by Thanet District Council. The staff handbook states that *'in order to ensure that the Council's most*

# Agenda Item 9

## Annex 1

*valuable assets, its employees, are able to contribute successfully towards the strategic direction of the Council and to achieve their full potential, the Council needs an effective framework for the recruitment, retention, deployment and development of its entire staff.'*

The Council has an Absence Management Policy and Procedure, an Annual Leave Entitlement Policy, a Flexible Working Hours (Flexi-time) Policy and a Flexible Working Policy in place which form part of a framework for managing absence across the Council. See below absence management figures taken from the East Kent People system: -

	<b>Headcount</b>	<b>Days lost (sickness)</b>	<b>Sickness Absence Per FTE</b>
<b>2019/20</b>	FTE 459	2,250.50	4.90
<b>2020/21</b>	FTE 443	2,238	5.05
<b>2021/22</b>	FTE 498	2,852	5.72

Management can place Limited Assurance on the system of control in operation for the management of sickness absence and time management and Reasonable Assurance on the system of control for the management of annual leave and flexi leave.

The primary findings giving rise to the Limited Assurance opinion in this area are as follows:

- The absence management policy suite still refers to EKHR and there are some policies that must be revisited and reviewed as a priority;
- There is a lack of consistency in the way in which sickness absence is managed and recorded with non-compliance with policy requirements identified across several service areas;
- Managers are not automatically notified if employee sickness triggers are hit and these triggers are being missed by managers in accordance with policy requirements;
- The process for recording absences relating to covid is inconsistent;
- Sickness reporting to senior managers and elected members could be improved; and
- The Flexible Working Hours Policy is too ambiguous and essentially allows managers to put in place whatever time recording systems they want to which is causing inconsistency of approach and poor record keeping.

Effective control, giving rise to the partial Reasonable Assurance opinion was however evidenced in the following areas:

- There are policies and guidance in place for employee absence management;
- There were pockets of good practice demonstrated when examining sickness absences;
- For long term sickness employee 'keep in touch days' and the use of Occupation Health was good; and
- Annual leave is very well managed within the East Kent People system.

### Management Response

The Head of HR would like to thank the audit team for both their collaborative approach and depth of review. I am in agreement with the findings of the absence audit and transferring HR back in house has enabled an increased focus and HR support on the application of the absence policy and process.

As Head of HR I am committed to addressing the recommendations outlined in the audit. A number of initiatives have already been undertaken to address some of the findings and others will be addressed over the next 3 to 6 months.

### **2.6 Licensing - Reasonable/ No Assurance**

#### 2.6.1 Audit Scope

To ensure that Licences are issued correctly to applicants who qualify for the various licensing categories, the information is recorded accurately and the income receivable by the Council is collected correctly and on a timely basis in line with the procedures laid down.

#### 2.6.2 Summary of Findings

The aim of the licensing function and its supporting policies have four key objectives for the district which are:

1. The prevention of crime and disorder
2. Public safety
3. The prevention of public nuisance
4. The protection of children from harm.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Day to day established processes and procedures are in place to support the licensing function from an administration point of view.
- Established monthly budget monitoring processes and reporting are in place along with regular meetings between the Technical Support Manager and Accountancy.
- Although there is a considerable amount of information on the Thanet District Council in respect of the licensing function this could be reviewed to make it more user friendly and information is easier to find (i.e. fees and charges).

The primary findings giving rise to the No Assurance opinion in this area are as follows:

- There is no evidence to support a cost neutral exercise having been carried out that would then feed into the calculation of the fees and charges.
- The setting of the fees and charges should be calculated each year taking into account the cost neutral exercise that should be carried out at the same time. Any surplus from the previous year should be used to reduce the new fees and

# Agenda Item 9

## Annex 1

charges. A blanket standard % increase (i.e. 10%) should not be applied to the fees and charges.

- Clarification should be sought in respect of the role of the Licensing Board in approving the fees and charges to ensure that its terms of reference are up to date and it is carrying out its duties correctly. It should be noted that fees and charges are currently being approved through the established processes that have been in place for many years.
- An exercise to ensure that all staff across the departments have in place the correct delegated authority should be carried out on a regular basis.
- Supporting policies for the licensing function need to be brought up to date.

### **Management Response**

We welcome the findings of the audit and are progressing well with the agreed actions.

#### **Head of Neighbourhoods**

### **2.7 Car Parking & Enforcement - No Assurance**

#### **2.7.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that:

- Car park machine income (on-street and off-street), is adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information.
- Income due to the Council from PCNs is adequately monitored and reconciled to expected income and that income trends are monitored for management information.

#### **2.7.2 Summary of Findings**

This audit has been undertaken to provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council car parking enforcement function is working effectively and in accordance with the requirements of the Traffic Management Act 2004. It has also been undertaken to ensure that income generated from car parking is adequately monitored and reconciled.

The primary findings giving rise to the No Assurance opinion are as follows:

- The Council has not published an Annual Parking report for 21/22; it therefore is not complying with the Traffic Management Act 2004.
- The Council is not complying with its Data Retention schedule for PCN related information as it is holding information relating to 57,549 PCNs which should have been deleted; it therefore is not complying with GDPR regulations.
- Not all areas where parking is being charged for were listed in the Fees and Charges for 22/23.
- Management do not undertake analytical reviews of income being generated by the parking function to identify trends or underperforming car parks or residential permit areas. Similarly no analytical reviews take place around PCNs.

# Agenda Item 9

## Annex 1

- Insufficient information is being added to the PCN system to adequately explain the reasons for cancelling PCNs.
- There is no evidence in place to show that Senior Officers are reviewing PCNs cancelled or written off.
- No reports of PCN write offs have been submitted to the Council's S151 Officer in accordance with the Council's constitution.
- No performance indicators are in place for the parking enforcement function.

There is no Service Risk Register in place for the Car Parking service. Review of fees displayed on machines, signage next to machines and also the Ringo website established that fees for hourly charges are aligned with Fees and Charges but Fees and Charges state that a linear increase in fees of 10 pence for every 10 minute increment is applied. However testing established this is not to be the case for both parking machines and Ringo where it was identified that the incremental increases vary between 20 pence and 40 pence per 10 minute increment rather than the 10p as approved in Fees and charges. The result of this being that charges are not aligned with the approved fees and charges.

Discussions with the Director of Neighbourhoods established that the budgeted FTE is for 11 CEOs. Unfortunately, problems recruiting new CEOs have meant that at present there are only 5 CEOs in post. Management already recognise that this is insufficient to effectively enforce parking restrictions in all parking areas across the District and intend to undertake further recruitment exercises in 23/24.

Procedures were found to be in place and working effectively in the following areas:

- Staff involved in the car parks system are aware of, and have copies of, the relevant regulations, legislation and procedures.
- All PCNs tested were found to have been correctly issued and have sufficient evidence in place to support the issuing of the PCN.
- Sound procedures were found to be in place to reconcile income from parking machines and PCNs.
- Suitable procedures are in place to ensure that evidence is being provided to support residential and business permits.
- Permits are not issued until the correct fee has been paid.

### **Management Response**

I welcome the findings of the audit and am working to implement the recommendations in a timely manner.

**Head of Neighbourhoods**

### **3.0. FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

- 3.1 As part of the period's work, five follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. The review completed during the period under review is shown in the following table.

# Agenda Item 9

## Annex 1

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding after follow-up	
a)	Thanet Community Lotto	Limited	Limited	C	1	C	1
				H	5	H	3
				M	8	M	4
				L	0	L	0
b)	Housing Repairs & Maintenance	Limited	Reasonable	C	0	C	0
				H	4	H	0
				M	5	M	0
				L	5	L	0
c)	Museums	Limited	Limited	C	0	C	0
				H	3	H	3
				M	4	M	2
				L	0	L	0
d)	Safeguarding	Reasonable	Reasonable	C	0	C	0
				H	5	H	1
				M	1	M	0
				L	5	L	2
e)	Dog Warden & Street Scene Enforcement:	Reasonable	Reasonable	C	1	C	1
	Dog Warden	Reasonable	Reasonable	H	1	H	0
	Fly Tipping	No	No	M	3	M	1
	Littering	No	No	L	0	L	0

3.2 Details of any individual Critical and High priority recommendations yet to be implemented at the time of follow-up are included at Appendix 3 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance and Audit Committee.

The purpose of escalating high-priority recommendations which have not been implemented is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

Thanet Community Lottery - The Council has taken action to replace the sole licensing holder, however there are a number of actions still outstanding that are a requirement of good governance and best practice. These include: -



# Agenda Item 9

## Annex 1

- Adopting six pre-written template policies which have been shared with the Council by the External Lottery Manager (Gatherwell) largely to help protect children and vulnerable people and protect the Council from crime and disorder.
- Adopting a policy or procedure for allocating the Thanet Community Fund.
- Arranging training sessions for licensing holders.
- Adding the Director of Communications (HT) as an additional licensing holder to help improve resilience.
- Updating the scheme of delegation to include responsibilities for the Thanet Community Lotto.

**Management Response** - It is unfortunate that since the initial Audit, staff turnover and interim arrangements have had a significant impact on our ability to deal with outstanding recommendations.

While 6 of the recommendations in this report have been fully implemented and 1 partially implemented, there are 7 that still require further input from one key individual, namely the Director of Law and Democracy. With the review of Governance now completed and the Corporate Management Team restructure set to be implemented 1 April 2023, we will be able to recruit to this currently vacant position with a view to moving these recommendations through to completion in the forthcoming year.

External Training has been procured through VIXIO who have provided our Gambling training since inception. At present 4 staff members who are either involved with the Lottery or who are anticipated to have involvement have been signed up for a variety of training, including Licence Conditions and Codes of Practice and Anti Money Laundering.

**Museums** - As part of the 2022/23 audit plan a full audit review of Museums was to be undertaken, however, in the early stages of the review process Audit hit a stumbling block on establishing the management and reporting lines of these assets. This leads us to conclude that since the last audit process undertaken in 2016 no improvements have been made and a degree of uncertainty remains over their past, present and future management.

After a meeting between Heads of Service and Directors and in order to take this forward, it was decided that the Director of Regeneration has taken this under their management control, therefore the Head of Audit thought it beneficial to undertake a further progress review to provide an updated position statement to members.

At an audit meeting held on 25 January 2023 it was established that a Strategic Museum Review is going to be commissioned (Consultancy led) to provide Corporate Management Team and Members with a formulated plan, based upon the industry standard and best practice, with regards to management of such unique assets so that a Strategic Decision can be made. A project proposal is currently being written with a view to have this finalised and with CMT. This was not provided to Audit as part of this review process and a date to have the proposal with CMT was not given. (Updated 10.07.23 - "this was agreed, the procurement exercise has been completed and the consultancy team has been engaged" - Head of Regeneration and Growth).

Internal Audit has now concluded reviewing and testing of the following to provide a position statement on the current management arrangements in place:

# Agenda Item 9

## Annex 1

- The agreed management actions resulting from the audit review finalised in September 2016,
- The follow-up actions to the June 2017 progress report; and
- The Expected Controls to be in place.

Based upon the findings of this review, 31 ideas for improvement have been provided for management to consider in order to mitigate against any short term risks pending the Governance Review.

The final report issued 22 September 2016 contained 7 agreed management actions to reduce the identified risks at that time, the follow-up review issued on 08 June 2017 reported on their progress.

The Final Audit Report concluded that management can place Limited Assurance on the system of internal controls in operation; however, many of the issues which have been identified as part of this review are still outstanding from previous audits and are historical issues that require decisions to be made at a senior level of management within the Council as to how to move them forward. It should be noted that Dickens House is generally run to a satisfactory standard on a day to day basis with the Community Development Officer overseeing the operation from a distance and not being involved in the day to day running of it. The primary findings giving rise to the Limited Assurance opinion in this area are as follows:

- There is still no formal agreement in place for the Friends of Margate Museum to run the museum and they are yet to sort out the required processes and application to become a registered charity despite having started the process well over a year ago.
- Decisions need to be made as to the way to best run Dickens House Museum in the future (e.g. set up a trust to run it?). The previous audit in 2012 reported that it was the Council's long term goal to set up a management trust for Dickens House Museum. This is however a sensitive subject and to date little progress has been made.
- The cataloguing of artefacts at the various locations is still to be completed thus raising issues about the valuation of the artefacts for insurance purposes and a lack of clarity as to whether or not any items have gone missing over time as no proper records have been in place.

The follow-up review further concluded that the Council's Museums process had moved forward in that the charitable status has been obtained in respect of the Margate Museums Trust. However the Memorandum of Understanding is still outstanding and the cataloguing of pictures and artefacts at the Museum and at Dickens House have not been completed.

### **Management Response**

#### **Head of Regeneration and Growth.**

e) Dog Warden and Street Scene enforcement - The completion and publication of a new Code of Practice along with the Stray Dogs register now means that the Council is considered to be complying with legislation relating to Stray Dogs. The development of

# Agenda Item 9

## Annex 1

a Service Level Agreement with a kennelling provider now also ensures that the Council has a greater level of assurance around capacity to accommodate stray dogs which are collected.

At the time of the original audit, the Council had no ongoing enforcement function around littering. This is still considered to be the case and therefore the assurance rating relating to Littering remains as No Assurance. The decision to re-introduce an ongoing littering enforcement function is outside the gift of the Service and considered to be a decision needing to be made at a Corporate level.

### **4.0 WORK-IN-PROGRESS:**

4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: External Funding Protocol, Garden Waste, Payroll, CSO Compliance, Cyber-Security, and Insurance & Inventories of Assets.

### **5.0 CHANGES TO THE AGREED AUDIT PLAN:**

5.1 The 2023-24 internal audit plan was agreed by Members at the meeting of this Committee on 8th March 2023.

5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer or their nominated representative to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments are made to the plan during the course of the year as some high profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 1.

### **6.0 FRAUD AND CORRUPTION:**

There are no known instances of fraud or corruption being investigated by the EKAP to bring to Members' attention at the present time.

### **7.0 UNPLANNED WORK:**

All responsive assurance / unplanned work is summarised in the table contained at Appendix 1.

### **8.0 INTERNAL AUDIT PERFORMANCE**

8.1 For the two-month period to 31st May 2023, 58.37 chargeable days were delivered against the target for the year of 348 days which equates to 16.77% plan completion.

8.2 The financial performance of the EKAP is on target at the present time.

# Agenda Item 9

## Annex 1

- 8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures.
- 8.4 The EKAP audit maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service.

### **Attachments**

- Appendix 1 Progress to 31st May 2023 against the agreed 2023-24 Audit Plan.
- Appendix 2 Definition of Audit Assurance Statements & Recommendation Priorities
- Appendix 3 Summary of Critical and High priority recommendations not implemented at the time of follow-up.
- Appendix 4 Summary of services with Limited / No Assurances yet to be followed up.
- Appendix 5 Balanced Scorecard of Performance Indicators for EKAP

# Agenda Item 9

## Annex 1

### APPENDIX 1

#### PROGRESS AGAINST THE AGREED 2023-24 AUDIT PLAN THANET DISTRICT COUNCIL

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-05-2023	Status and Assurance Level
<b>FINANCIAL GOVERNANCE:</b>				
Capital	10	10	0	Quarter 3
Treasury Management	10	10	0	Quarter 3
External Funding Protocol	10	10	0	Work-in-Progress
Insurance & Inventories of Portable Assets	10	10	6.74	Finalised - Substantial
<b>HOUSING SYSTEMS:</b>				
Homelessness	10	10	0.93	Work-in-Progress
Void Property Management	10	10	0	Quarter 4
Rent Setting, Accounting & Debt Management	10	10	3.56	Quarter 2
Tenancy Fraud	10	10	0	Work-in-Progress
Resident Involvement	10	10	0	Quarter 3
Anti-Social Behaviour	5	5	0	Quarter 3
HRA Business Plan	10	10	1.96	Work-in-Progress
<b>GOVERNANCE RELATED:</b>				
Scheme of Officer Delegations	10	10	0	Quarter 4
Performance Management	10	10	0	Quarter 3
Corporate Advice/ CMT	2	2	0	Ongoing
s.151 Officer Meetings & Support	9	9	2.45	Ongoing
Governance & Audit Committee Meetings and Report Preparation	12	12	3.51	Ongoing
2024-25 Audit Plan & Preparation Meetings	9	9	0	Ongoing
<b>HR RELATED:</b>				
Payroll	3	3	0	Work-in-Progress
<b>COUNTER FRAUD:</b>				
Counter Fraud & Corruption	10	10	0	Quarter 4

## Agenda Item 9 Annex 1

<b>ICT RELATED:</b>				
Change Controls	15	15	0	Quarter 4
Network Security	10	10	0	Quarter 3
Cyber-Security	10	10	1.52	Work-in-Progress
<b>SERVICE LEVEL:</b>				
CSO Compliance	10	10	0.18	Quarter 2
Community Safety	10	10	0	Quarter 3
Environmental Protection Service Requests	10	10	9.01	Work-in-Progress
Grounds Maintenance	12	12	0	Quarter 3
Ramsgate Harbour Accounts	5	5	0	Quarter 4
Planning Applications, Income & s.106	10	10	0.19	Work-in-Progress
Building Control	10	10	0	Quarter 4
Your Leisure	10	10	0	Quarter 3
VICs	10	10	0	Quarter 3
Garden Waste	10	10	5.3	Work-in-Progress
Refuse Collection	10	10	8.66	Finalised - Reasonable
Climate Change	5	5	0	Quarter 4
Employee Health & Safety	10	10	5.88	Work-in-Progress
<b>OTHER:</b>				
Liaison With External Auditors	1	1	0.27	Ongoing
Follow-up Reviews	15	15	0.41	Ongoing
<b>FINALISATION OF 2022-23 AUDITS:</b>				
Absence Management	5	5	0.23	Finalised - Reasonable/ Limited
Car Parking & Enforcement			5.09	Finalised - No
Ramsgate Harbour Accounts			2.48	Finalised
<b>RESPONSIVE ASSURANCE:</b>				
None to Date				
<b>TOTAL</b>	<b>348</b>	<b>348</b>	<b>58.37</b>	<b>16.77%</b>

**PROGRESS AGAINST THE AGREED 2023-24 AUDIT PLAN  
EAST KENT SERVICES**

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual Days to 31/05/2023</b>	<b>Status and Assurance Level</b>
<b>EKS REVIEWS:</b>				
Housing Benefits Administration	15	15	0.11	Quarter 2
Housing Benefits Testing	20	20	0.27	Quarter 1
Council Tax Reduction Scheme	15	15	0.10	Quarter 3
Customer Services	15	15	0	Quarter 4
<b>OTHER:</b>				
Corporate/ Committee	4	4	1.43	Ongoing
Follow Up	2	2	0.04	Ongoing
<b>FINALISATION OF 2022-23 AUDITS:</b>				
Debtors	2	2	1.45	Finalised - Substantial
Data Management	1	1	1.01	Draft Report
<b>TOTAL</b>	<b>74</b>	<b>74</b>	<b>4.42</b>	<b>5.97%</b>

**Definition of Audit Assurance Statements & Recommendation Priorities**

Cipfa Recommended Assurance Statement Definitions:

**Substantial assurance** - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**Reasonable assurance** - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

**Limited assurance** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

**No assurance** - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

EKAP Priority of Recommendations Definitions:

**Critical** – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation’s ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

**High** – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

**Medium** – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

**Low** – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.



**SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS NOT IMPLEMENTED AT THE TIME OF FOLLOW-UP – APPENDIX 3**

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<i>Thanet Community Lotto - February 2023:</i>		
<p>Critical - CMT should review the full range of conditions on the initial licence granted by the Gambling Commission in 2017 and introduce the following policies which are template policies provided by the reputable external lottery manager (Gatherwell) and were provided to the Council for consideration and adoption: -</p> <ul style="list-style-type: none"> <li>- Children and Vulnerable person protection policy;</li> <li>- Fair and Open Gambling Policy;</li> <li>- Implementation Procedures Policy;</li> <li>- Protection from Source of Crime &amp; Disorder Policy;</li> <li>- Remote Technical Standards Policy; and</li> <li>- Social Responsibility in Gambling Policy.</li> </ul>	<p>Recommendation Accepted.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>Director of Law and Democracy (EC) / Acting S151 Officer (MS) - September 2022</p>	<p>The audit report was scheduled to be discussed at CMT on 6/12/2022 due to competing priorities and time constraints the audit recommendations outstanding were not discussed. This has been added to the CMT forward plan to be discussed and a decision to be made within the next month.</p> <p><b>Recommendation Outstanding with Intent to Action. Revised Implementation Date April 2023.</b></p>
<p>Senior Management must adopt a policy or procedure and publish this online that transparently sets out the process for allocation and distribution of the Thanet Community Fund. Management must also acknowledge that the details published online suggest that organisations can ‘apply for this fund’ once ‘the fund has built up’.</p>	<p>Recommendation accepted.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>Director of Law and Democracy (EC) / Acting S151 Officer (MS) - July 2022</p>	<p>The audit report was scheduled to be discussed at CMT on 6/12/2022 due to competing priorities and time constraints the audit recommendations outstanding were not discussed. This has been added to the CMT forward plan to be discussed and a decision to be made within the next month.</p> <p><b>Recommendation Outstanding with Intent to Action. Revised Implementation Date April 2023.</b></p>

<p>Senior Management should organise external training sessions on the Thanet Lottery and the Council's licensing obligations as a lottery provider, as part of a formal training regime for all key staff involved in managing the lottery including all existing and future licensees.</p> <p>N.B. The Gambling Commission have recommended Gatherwell be approached to deliver this training as a reputable external lottery provider and a stakeholder with a vested interest in the continuation and success of the Thanet Community Lottery.</p>	<p>Recommendation accepted.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>Director of Law and Democracy (EC) / Acting S151 Officer (MS) - July 2022</p>	<p>The audit report was scheduled to be discussed at CMT on 6/12/2022 due to competing priorities and time constraints the audit recommendations outstanding were not discussed. This has been added to the CMT forward plan to be discussed and a decision to be made within the next month.</p> <p><b>Recommendation Outstanding with Intent to Action. Revised Implementation Date April 2023.</b></p>
<p>The Scheme of Delegation (Resources) should be specifically revisited and updated to include responsibilities for the Thanet Lotto, before the Section 151 Officer (CB) and the Director of Communications (HT) are added to the licence.</p>	<p>Recommendation accepted.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>Director of Law and Democracy (EC) / Acting S151 Officer (MS) / Director of Communications (HT) - July 2022</p>	<p>The Scheme of Delegation has not yet been updated. This needs to be updated to include responsibilities for the Thanet Lotto.</p> <p><b>Recommendation Outstanding with Intent to Action. Revised Implementation Date April 2023.</b></p>
<p><i>Museums - March 2023:</i></p>		
<p>There should be a formal contract/agreement defining the responsibilities and the expected service to be provided for the running of the museum. (i.e. formal management arrangements between the Council and The Friends of Margate Museum).</p>	<p>Service Level Agreement to be agreed between TDC and Friends of Museum once Friends have registered with Charities Commission which is underway</p> <p><b>Proposed Completion Date / Responsibility</b></p> <p>Feb 2017/ Community Regeneration Officer (KW)</p>	<p>The Margate Museums Trust received Charitable status on 15 May 2017. The Memorandum of Understanding is being worked on with Legal and with the recent loss of Head of Service this has created a delay in this being completed. (The previous lease agreement with East Kent Maritime Trust is dated 08/12/00, and ran for 21 years starting 01 Jun 1994 - this therefore expired on 31 May 2015.</p>

		<b>Recommendation Outstanding with Intent to Action.</b>
Discussions at a senior level within the Council need to be held to decide the best way forward for Dickens House and how it is to be run in future (e.g. setting up a management trust).	<p>Cabinet Decision Sept 2016 will allow Dickens House to be registered as a Trust and short term management issues to be resolved</p> <p><b>Proposed Completion Date / Responsibility</b></p> <p>Short term management proposals to be implemented by May 2017</p> <p>Community Regeneration Officer (KW)</p>	<p>Discussions at a senior level have taken place. The short term management issues are not costing the Council money but we are not maximising the full potential of this asset. We are working on a brief to Legal, and a budget is being sought.</p> <p><b>Recommendation Outstanding with Intent to Action.</b></p> <p>This control weakness is no further forward. The Curator has left and the Caretaker is due to retire. In the short term, funding has been secured to recruit a Visitor Services Manager to manage this asset.</p>
A timetable should be put in place to complete the artefact schedules at all locations as without them there is no way of knowing if any artefacts are missing and also if the valuations for insurance purposes are correct.	<p>Grant funding secured to catalogue the collection</p> <p><b>Proposed Completion Date / Responsibility</b></p> <p>Collection to be catalogued by Sept 2017 / Community Regeneration Officer (KW)</p>	<p>In 2017 Grant funding for £33k was accessed from HLF for the Margate Museum. A project called Picture Margate was delivered from Jan-Sept 2017 for cataloguing the pictures. A database system was purchased/ licensed for the cataloguing and the volunteers were using it and will be able to continue to use the database after the end of the HLF project.</p> <p>This project is not being delivered at Dickens House. The group of volunteers are no longer working on the archiving because they wanted a TDC employee to be working on the project alongside them. To facilitate the continuation of this and as part of the governance of the museums TDC are bidding for HLF resilient</p>

		<p>heritage grant to review the collections. This will include the provision of a project officer.</p> <p>Audit Comments - The project has ended. Details of spend and final evaluation report are held with Finance - total spend was £22,898</p> <p><b>Recommendation Outstanding with Intent to Action.</b></p>
<i>Safeguarding - March 2023:</i>		
Discuss the form submission with the Digital team to ensure a reconciliation process can occur between submission, receipt and logging onto M3.	<p>Confirmed with Digital Team - this cannot be done until the new case management system is in place.</p> <p>Proposed completion: Jan 2023 Responsibility: Community Services Manager</p>	<p>Process and procedures will not change until the new system has been purchased, installed and tested. Therefore at the time of follow-up M3 remains the recording system for safeguarding concerns and there is no reconciliation occurring between submission, receipt and recording.</p> <p><b>Recommendation Outstanding with Intent to Action.</b></p>
<i>Dog Warden and Street Scene Enforcement - June 2023:</i>		
The Council should review its objective in the 2019-2023 Corporate Statement of maintaining a Zero Tolerance policy for Littering and / or how this is to be achieved as currently no enforcement activity is being undertaken.	<p>2023 Fixed Penalty Notice Books adapted for inclusion of littering FPN</p> <p><b>Proposed completion date and responsibility:</b></p> <p>Completed Enforcement &amp; Multi Agency Task Force Manager</p>	<p><b>Audit Findings</b></p> <p>Fixed Penalty Notice Books have been adapted for inclusion of littering FPN but no decision has been made regarding enforcement of the zero tolerance policy on littering.</p> <p><b>Partially Implemented</b></p>

**SERVICES GIVEN LIMITED / NO ASSURANCE LEVEL YET TO BE REVIEWED – APPENDIX 4**

<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Follow-up Action Due</b>
Dog Warden / Fly Tipping / & Litter Enforcement	March 2023	Reasonable/ Reasonable/ No	Spring 2023
Complaints Monitoring	March 2023	No	Spring 2023
Absence Management	July 2023	Reasonable/ Limited	Autumn 2023
Licensing	July 2023	Reasonable/ No	Autumn 2023
Car Parking & Enforcement	July 2023	No	Autumn 2023

## BALANCED SCORECARD

<u>INTERNAL PROCESSES PERSPECTIVE :</u>	<u>2023-24 Actual Quarter 1</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2023-24 Actual</u>	<u>Original Budget</u>
Chargeable as % of available days	86%	90%	Reported Annually		
			• Cost per Audit Day	£	£403.37
			• Direct Costs	£	£521,918
Chargeable days as % of planned days			• + Indirect Costs (Recharges from Host)	£	£10,530
CCC	16.88%	25%	• - 'Unplanned Income'	£	Zero
DDC	29.04%	25%			
TDC	23.09%	25%			
FHDC	21.68%	25%			
EKS	9.46%	25%			
Overall	22.3%	25%	• = Net EKAP cost (all Partners)	£	£532,448
Follow up/ Progress Reviews;					
• Issued	17	-			
• Not yet due	23	-			
• Now due for Follow Up	31	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Partial			

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2023-24 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2023-24 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 1</b>		<b>Quarter 1</b>		
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>18</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>61%</b>	<b>60%</b>
<b>Number of completed questionnaires received back;</b>	<b>5</b>		<b>Percentage of staff holding a relevant higher-level qualification</b>	<b>50%</b>	<b>50%</b>
	<b>= 28 %</b>		<b>Percentage of staff studying for a relevant professional qualification</b>	<b>0%</b>	<b>N/A</b>
<b>Percentage of Customers who felt that;</b>			<b>Number of days technical training per FTE</b>	<b>1.5</b>	<b>3.5</b>
<ul style="list-style-type: none"> <li>● Interviews were conducted in a professional manner</li> <li>● The audit report was 'Good' or better</li> <li>● That the audit was worthwhile.</li> </ul>	<b>100%</b>	<b>100%</b>	<b>Percentage of staff meeting formal CPD requirements (post qualification)</b>	<b>50%</b>	<b>50%</b>
	<b>96%</b>	<b>90%</b>			
	<b>98%</b>	<b>100%</b>			

This page is intentionally left blank



## Internal Audit Annual Report 2022-23

<b>Governance &amp; Audit Committee</b>	26 July 2023
<b>Report Author</b>	Head of Internal Audit
<b>Portfolio Holder</b>	Cllr Rob Yates, Cabinet Member Corporate Services.
<b>Status</b>	For Information
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No

### Executive Summary:

This report provides a summary of the work undertaken by the East Kent Audit Partnership to support the annual opinion. The report includes the Head of Audit Partnership's opinion on the overall adequacy and effectiveness of the system of governance, risk management and internal control in operation and informs the Annual Governance Statement for 2022-23, together with details of the performance of the EKAP against its targets for the year ending 31<sup>st</sup> March 2023.

### Recommendation(s):

1. That Members note the Opinion of the Head of Audit Partnership.
2. That Members receive the Annual Report detailing the work of the EKAP and its performance to underpin the 2022-23 opinion.

### Corporate Implications

#### Financial and Value for Money

There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2022-23 budgets.

#### Legal

The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

#### Risk Management

A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non completion of sufficient work to form an opinion	Medium	Low	Review of the audit plan on a regular basis.
IA impact not adding value, demonstrated through management not implementing agreed audit recommendations	Medium	Low	Review of recommendations by Governance & Audit Committee and Internal Audit escalation policy.
Non compliance with Internal Auditing Standards and best practice which support the Annual Governance Process	Medium	Low	Review of the effectiveness of IA on a regular basis. Provide an annual opinion on Corporate Governance, Risk Management and Internal Control.

## Corporate

Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

## Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no equity or equalities issues arising from this report.

## Corporate Priorities

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

## 1.0 Introduction and Background

- 1.1 The primary objective of Internal Audit is to provide independent assurance to Members, the Chief Executive, Directors and the Section 151 Officer on the adequacy and effectiveness of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to members is to:
- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
  - Present a summary of the internal audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
  - Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement.
  - Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
  - Comment on compliance with the Public Sector Internal Audit Standards (PSIAS), and report the results of the Internal Audit quality assurance programme.
  - Confirm annually that EKAP is organisationally independent, whether there have been any resource limitations or instances of restricted access.

## 2.0 Summary of Work

- 2.1 The report attached as Annex 1 therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2022-23 for Thanet District Council, and provides an overall opinion on the system for governance, risk management and internal control based on the audit work undertaken throughout the year, in accordance with best practice. In providing this opinion, this report supports the Annual Governance Statement.
- 2.2 The EKAP delivered 103.49% of the agreed audit plan days to TDC. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against the targets. It is the opinion of the Head of Audit that sufficient work has been undertaken to be able to support an opinion for 2022-23.
- 2.3 No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This opinion is intended to provide assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

Contact Officer: Christine Parker, Head of the Audit Partnership, Ext. 42160  
Simon Webb, Deputy Head of Audit, Ext 7189

Reporting to: Chris Blundell; Director of Corporate Services - Section 151 Officer

### Annex List

Annex 1: East Kent Audit Partnership Annual Report 2022-23

## **Background Papers**

Internal Audit Annual Plan 2022-23 - Previously presented to and approved in March 2022 at Governance and Audit Committee meeting

Internal Audit working papers - Held by the East Kent Audit Partnership

## **Corporate Consultation**

**Finance:** Chris Blundell; Director of Corporate Services - Section 151 Officer

**Legal:** Sameera Khan, Interim Head of Legal & Monitoring Officer

## Internal Audit Annual Report for Thanet District Council 2022-23

### 1. Introduction

The Public Sector Internal Audit Standard (PSIAS) defines internal audit as:

*“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the approved Audit Charter. The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council’s review of the system of internal control in operation throughout the year.

This report is a summary of the year, a snapshot of the areas at the time they were reviewed and the results of follow up reviews to reflect the actions taken by management to address the control issues identified. The process that the EKAP adopts regarding following up the agreed recommendations will bring any outstanding high-risk areas to the attention of members via the quarterly reports, and through this annual report if there are any issues outstanding at the year-end.

### 2. Objectives

The majority of reviews undertaken by Internal Audit are designed to provide assurance on the operation of the Council’s internal control environment. At the end of an audit, we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice. Other work undertaken, includes the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services for which they are responsible. The annual audit plan is informed by special investigations and anti-fraud work carried out as well as the governance processes and risk management framework of the Council.

A key aim of the EKAP is to deliver a professional, cost effective, efficient, internal audit function to the partner organisations. The EKAP aims to have an enabling role in raising the standards of services across the partners through its unique position in assessing the relative standards of services across the partners. The EKAP is also a key element of each councils’ anti-fraud and corruption system by acting as a deterrent to would be internal perpetrators.

The four partners are all committed to the principles and benefits of a shared internal audit service and have agreed a formal legal document setting out detailed arrangements. The statutory officers from each partner site (the s.151 Officer) together form the Client Officer Group and govern the partnership through annual meetings. The shared arrangement for EKAP also secures organisational independence, which in turn assists EKAP in making conclusions about any resource limitations or ensuring there are no instances of restricted access.

### 3. Internal Audit Performance Against Targets

#### 3.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 7.23.

### **3.2 Performance against Targets**

The EKAP is committed to continuous improvement and has various measures to ensure the service can strive to improve. The performance measures and indicators for the year are shown in the balanced scorecard of performance measures at Appendix 5. The measures themselves were reviewed by the Client Officer Group at their annual meeting and no changes were made.

### **3.3 Internal Quality Assurance and Performance Management.**

All internal audit reports are subject to review, either by the relevant EKAP Deputy Head of Audit or the Head of the Audit Partnership; all of whom are Chartered Internal Auditors. In each case this includes a detailed examination of the working papers, action and review points, at each stage of report. The review process is recorded and evidenced within the working paper index and in a table at the end of each audit report. Detailed work instructions are documented within the Audit Manual. The Head of Audit Partnership collates performance data monthly and, together with the monitoring of the delivery of the agreed audit plan carried out by the relevant Deputy Head of Audit, regular meetings are held with the s.151 Officer. The minutes to these meetings provide additional evidence to the strategic management of the EKAP performance.

### **3.4 External Quality Assurance**

The external auditors, Grant Thornton, conducted a review in February 2021 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP. See also 3.6.1 below.

### **3.5 Liaison between Internal Audit and External Audit**

Liaison with the audit managers from Grant Thornton for the partner authorities and the EKAP is undertaken largely via email to ensure adequate audit coverage, to agree any complementary work and to avoid any duplication of effort. The EKAP has not met with any other review body during the year in its role as the Internal Auditor to Thanet District Council. Consequently, the assurance, which follows is based on EKAP reviews of Thanet District Council's services.

### **3.6 Compliance with Professional Standards**

3.6.1 The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some actions are required to achieve full compliance which EKAP will continue to work towards. There is, however, currently no appetite with the Client Officer Group to undertake an External Quality Assessment of the EKAP's level of compliance, relying on a review by the s.151 officers of the self-assessment. Consequently, the EKAP can say that it partially conforms with PSIAS and this risk is noted in the AGS.

3.6.2 The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

3.6.3 The EKAP as required by the standards has demonstrated that it achieved the Core Principles in three key ways. Firstly, by fulfilling the definition of Internal Auditing which is the statement of fundamental purpose, nature and scope of internal auditing. The definition is authoritative guidance for the internal audit profession (and is shown at paragraph 1 above). Secondly by demonstrating that it has been effective in achieving its mission showing that it; -

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

And thirdly by complying with The Code of Ethics, which is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. The Rules of Conduct describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Core Principles into practical applications and are intended to guide the ethical conduct of internal auditors. Throughout 2022-23 the EKAP has been able to operate with strong independence, free from any undue influence of either officers or Members.

### 3.7 Financial Performance

Expenditure and recharges for year the 2022-23 are all in line with the Internal Audit cost centre hosted by Dover District Council. The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this, efficiencies have been gained through forming the partnership. The partnership councils have each received a refund of a share of £7,136.76 based on the number of days per partner in the overall plan. This has also reduced the cost per audit day. (See Appendix 5 for full details).

## 4 Overview of Work Done

The original audit plan for 2022-23 included a total of 28 projects. EKAP has communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects undertaken continued to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (8) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects (3) to come forward in the plan and to finalise (6) projects from the 2021-22 plan. The total number of projects completed was 27, with 1 being work in progress at the year-end to be finalised in April.

## Review of the Internal Control Environment

### 4.1 Risks

During 2022-23, 167 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being Critical, High, Medium, or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
Critical	13	8%
High	75	45%
Medium	51	30%
Low	28	17%
<b>TOTAL</b>	<b>167</b>	<b>100%</b>

Naturally, more emphasis is placed on recommendations for improvement regarding critical and high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and members' attention through Internal Audit's quarterly update reports. During 2022-23 the EKAP has raised and escalated thirty-five recommendations to the quarterly Governance Committee meetings. Across the year a total of 167 recommendations were agreed, and 53% were in the Critical or High-Risk categories.

### 4.2 Assurances

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix 1 for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively, and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where critical and high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the twenty-one pieces of completed work for Thanet District Council, together with the finalisation of the six 2021-22 audits is as follows:

*NB: the percentages shown are calculated on finalised reports with an assurance level*

Assurance	No.	Percentage of Completed Reviews
Substantial	3	13%
Reasonable	7	29%
Limited	5	21%
No	9	37%
Not Applicable	3	-
Work in Progress at Year-End	1	-

*NB: 'Not Applicable' is shown against special investigations or work commissioned by management that did not result in an assurance level.*

Taken together 42% of the reviews account for substantial or reasonable assurance. There have been an unprecedented number of No assurance (or partial No assurance) reviews and taken together, 58% of the reviews were Limited or No assurance.

There were nine reviews completed on behalf of EK Services and the assurances for these audits were – six Substantial, no Reasonable, one (partially) Limited, two Not Applicable, one review was work in progress at the year-end and none were Deferred. Information is provided in Appendix 3.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. The results of any follow up reviews yet to be undertaken will be reported to the Committee at the appropriate time.



### 4.3 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up/progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and (for high risk) to test whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- “closed” as they have been successfully implemented, or
- “closed” as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) “closed” as management has decided to tolerate the risk, or the circumstances have since changed, or
- (for critical or high risks only) escalated to the audit committee.

At the conclusion of the follow up review the overall assurance level is re-assessed.

The results for the follow up activity for 2022-23 are set out below. The shift to the right in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of governance, risk and internal control in operation throughout the year.

Total Follow Ups undertaken 17	N/A	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
<b>Original Opinion</b>	3	1	6	6	1
<b>Revised Opinion</b>	2	1	3	9	2

There were seven reviews with an original no or limited assurance; four of which remained no or limited after follow up (shown in the following table). These were escalated to the Governance & Audit Committee during the year, together with thirty-five critical or high-risk recommendations that were outstanding at the time of follow up.

Area Under Review	Original Assurance (Date to G&A Cttee)	Follow Up Result (Date to G&A Cttee)
Street Cleansing	No (March 2022)	No (September 2022)
Commercial Let Properties & Concessions	Limited (July 2022)	Limited (September 2022)
Equality & Diversity	Limited (March 2022)	Limited (September 2022)
Thanet Community Lotto	Limited (September 2022)	Limited (July 2023)

Consequently, the areas with fundamental issues of note arising from the audits and follow up undertaken in 2022-23 have been resolved, or escalated to the Governance and Audit Committee, during the year.

Reviews previously assessed as providing a (partially) Limited or No Assurance that are yet to be followed up are shown in the table at 5.2 below. The progress reports for these will be reported to the Committee at the meeting following completion of the follow up.

#### **4.4 Special Investigations and Fraud Related Work**

The prevention and detection of fraud and corruption is the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently, the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst some responsive assurance work was carried out during the year at the request of management, there were no fraud investigations conducted by the EKAP on behalf of Thanet District Council in 2022-23.

The EKAP is named in the Council's whistleblowing policy as a route to safely raise concerns regarding irregularities, for which EKAP manages the Hotline (24-hour answer machine service) 01304 872198.

The internal audit team will build on its data analytical skills and will continue to develop exploring the opportunity to discover fraud and error by comparing different data sets and matching data via the use of specialist auditing software.

#### **4.5 Completion of Audit Plan**

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews, responsive work and reviews resulting from any special investigations or management requests. 341.53 audit days were completed for Thanet District Council during 2022-23 which represents 103.49% plan completion.

The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31<sup>st</sup> March each year there is undoubtedly some "work in progress" at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year.

Thanet District Council contributed 60 days from its original plan as its share in this three-way arrangement to form the EKS Audit Plan. As EKS is hosted by TDC, the EKS Annual Report in its full format is presented to the TDC - Governance & Audit Committee and is attached as Appendix 3.

### **5 Overall Opinion 2022-23**

It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion. Having completed 103.49% of the planned days, there is sufficient underpinning evidence to provide my opinion for 2022-23, as follows;

#### **5.1 Corporate Governance**

Corporate Governance is defined as being the structure of rules, practices and processes that direct and control the Council. To support the Head of Audit's Opinion the EKAP undertakes specific reviews (on a rotational basis) aligned to these processes as a part of the Audit Plan. The audit plan included three reviews against which the evidence-based opinion would be formed for 2022-23. The review of Officers' Code of Conduct resulted in Substantial Assurance, the arrangements for Thanet Community Lottery gained a Limited Assurance and the review of Complaints Monitoring was allocated a No Assurance. The planned review of Project

Management was deferred to accommodate a post implementation review of a project (Berth 4-5) which resulted in a No Assurance opinion. The recommendations agreed by management more broadly also address the current lack of a formal Project Management Framework.

My opinion to 31<sup>st</sup> March, is that there are significant matters affecting confidence in the Governance Arrangements for the Council. This view is set against the backdrop of the increased number of No Assurance opinions concluded this year, and the trend that many of the service reviews with a partially limited assurance were split because the service was operating well, but the governance around the setting of policy, service standards, compliance with regulations were found to be missing or out of date. Thus, attention to the governance aspects of these service areas was lacking, at the time of the review.

In parallel to the work of the independent internal auditors, the Council has reported to Full Council on the implementation of the recommendations from the Independent Monitoring Officer's Report. These matters now implemented need to become embedded before I am able to test them for their effectiveness, and some of this is dependent on the new structure and officer posts being filled, meanwhile I am unable to conclude anything other than confidence remains low in this area.

### 5.2 Internal Control

The Head of Audit Partnership is satisfied the Council can place assurance on the aspects of the systems of control tested and in operation during 2022-23. The results show 42% of the Assurances given during the year provide Substantial and Reasonable Assurance. There have been some very positive results in areas where improvement has been achieved, such as Recruitment and Food Safety.

There are, however, a higher than usual number of operational areas where Limited or No assurances have been raised 42% (see definitions on appendix 1). Furthermore, four reviews showed little progress at the time of follow up and were escalated to the Committee during the year, along with 35 critical or high priority outstanding recommendations. For two of these reviews the Committee received an update from Management to indicate subsequent progress made (Street Cleansing and Commercial Let Properties & Asset Management), the Committee should however be encouraged to receive a similar update on the risks identified for the other two reviews lacking progress (Equality & Diversity and Thanet Community Lottery).

The ten reviews assessed during the year as providing a (partially) Limited or No Assurance that are yet to be followed up are shown in the table below. The progress reports for these will be reported to the Committee at the meeting following completion of the follow up. 58% of the 24 assurance reviews completed received a (partially) Limited or No assurance, which is higher than is usual. Management has agreed an action plan of internal control improvements for each review.

Area Under Review	Original Assurance (Date to Committee)	Progress Report Due
Dog Warden, Fly Tipping & Litter Enforcement	Reasonable /No March 2023	Quarter 1 2023-24
Complaints Monitoring	No March 2023	Quarter 1 2023-24
Absence Management	Reasonable/ Limited July 2023	Quarter 2 2023-24

# Agenda Item 10

## Annex 1

Licensing	Reasonable/ No March 2022	Quarter 2 2023-24
Planned Maintenance - Contract Letting & Management	No July 2023	Quarter 2 2023-24
East Kent Opportunities	No July 2023	Quarter 2 2023-24
Museums	Limited July 2023	This review was a Second Follow up
Income, Bank Reconciliation & Cash Collection	Substantial/ Limited September 2022	Quarter 1 2023-24
Post Implementation Review of Berth 4-5 Project Management	No Cabinet March 2023	Quarter 3 2023-24
Car Parking Enforcement	No July 2023	Quarter 3 2023-24

There have been occasions during the year where our work has been hampered due to difficulties in gaining responses from management and would seem to be a symptom of a lack of capacity for management.

For some of these areas, reports over successive EKAP Audit Cycles have concluded low assurances. Revealing little or no sustained progress, despite agreed action plans being set out. These matters are escalated through our reports to the Governance and Audit Committee; however, the issues remain outstanding and are not improving. Previous Internal Audit Annual Reports have highlighted the risk of a turnover of staff affecting the continuity of the agreement and implementation of control improvements. Some areas, which are Corporate Objectives for the Council, are again affected by turnover, and often utilise the engagement of interim managers. The outcome though is a trend that EKAP is identifying at an operational level, staff are doing a very good job in delivering services, but controls over setting service standards, keeping policies up to date, managing performance against targets are all areas either missing or falling behind to the detriment of the overall governance arrangements. This trend is declining, the process of escalating internal control issues affecting Corporate Objectives are not being addressed over successive years, leading to further decline in governance in some areas. The four areas remaining Limited or No Assurance after follow up for this year are detailed at paragraph 4.3. Attention is drawn again to these issues. The breadth and number of low level assurances yet to be followed up as listed above are also an issue for concern.

In accordance with good governance, it is expected that my opinion is reflected in the Annual Governance Statement and that this Committee should be confident to be able to escalate any outstanding issues and concerns regarding Governance, Risk Management, or Internal Control they may have, and to ensure improvements in the overall system of internal controls are made. This challenge needs to become more robust and effective to management to turnaround the findings evidenced by the work of EKAP.

### 5.3 Risk Management

The Council maintains a corporate risk register. The Governance & Audit Committee are responsible for overseeing the risk management framework. Each quarter the Committee reviews the Corporate Risks and considers the report of the Director of Corporate Services - s.151 Officer. The previous independent EKAP review of the Risk Management review

concluded a Reasonable Assurance, and the Council has updated the Risk Management Strategy and made improvements to the risk register presented to this Committee. The Head of Audit Partnership is satisfied the Council's risk management arrangements are working effectively.

### **6. Management Response**

- 6.1 Firstly management wishes to formally recognise the value that the Internal Audit function provides TDC and also thank Christine Parker and her team for their hard work, dedication and contribution to the Council over the past 12 months.
- 6.2 Management accepts and acknowledges the opinion of the Head of Internal Audit in reaching her conclusions on the Council's corporate governance, internal control and risk management arrangements. However, management wishes to stress and highlight some of the context within which these findings have arisen.
- 6.3 It has been well publicised that TDC has encountered issues and shortcomings in some of its corporate governance arrangements in prior years and in response the Council has been focussed on successfully delivering both the external auditor's statutory recommendations and those of the Independent Monitoring Officer. It should be noted that considerable progress has been made in this area, and there will be a focus on finalising this activity.
- 6.4 As the Head of Internal Audit has rightly pointed out, there has been limited capacity within the organisation's corporate management team over the past twelve months or so; with the Council's previous entire top tier of management leaving the organisation over the space of a few months during 2021 and 2022. This has undoubtedly limited the capability to fully respond to and implement the range of internal audit recommendations over this period of time, as such it is not a surprise to management that there have been shortfalls in the operation of the Council's internal control environment during this time.
- 6.5 Finally, during the pandemic it was necessary for Internal Audit to focus on more straightforward audit activities and some of the more challenging audit areas were subsequently deferred to the 2022/23 audit plan. As such, given the audit plan for last year contained a higher proportion of challenging audit areas this also can be attributed to explain in part why there has been an increase in the number of audits receiving a lower level of assurance.
- 6.6 Nonetheless, the Council remains committed to implementing these recommendations and is confident that with a new management team appointed the 2023/24 annual report will reflect this commitment and present a far more positive position.

**Chris Blundell**  
**Director of Corporate Services**

### Definition of Audit Assurance Statements & Recommendation Priorities

#### Cipfa Recommended Assurance Statement Definitions:

**Substantial assurance** - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**Reasonable assurance** - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

**Limited assurance** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

**No assurance** - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

#### EKAP Priority of Recommendations Definitions:

**Critical** – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

**High** – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

**Medium** – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

**Low** – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

**Performance against the Agreed 2022-23  
Thanet District Council Audit Plan**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-23	Status and Assurance Level
<b>FINANCIAL GOVERNANCE:</b>				
Car Parking & Enforcement	10	10	7.40	Finalised - No
VAT	10	10	11.11	Finalised - Reasonable
<b>HOUSING SYSTEMS:</b>				
Housing Allocations	10	10	0	Deferred
HMO Licensing	10	10	10.22	Finalised - Substantial
Tenant Health & Safety	10	10	0	Deferred
Leasehold Services	12	12	0	Deferred
Capital Programme/ Planned Maintenance	12	12	29.91	Finalised - No
Contract Letting Procurement Process	10	10		
<b>GOVERNANCE RELATED:</b>				
Digital/ Cloud Computing	10	10	12.00	Finalised - Reasonable
Officers' Code of Conduct	10	10	9.02	Finalised - Substantial
Complaints Monitoring	10	10	11.18	Finalised - No
Project Management	10	0	0	Deferred
Corporate Advice/CMT	2	2	5.26	Finalised
s.151 Officer Meetings and Support	9	9	12.34	Finalised
Governance & Audit Committee Meetings & Report Preparation	12	12	15.18	Finalised
Audit Plan & Preparation Meetings	9	9	11.94	Finalised
<b>HR RELATED:</b>				
Absence Management - Sickness, Annual & Flexi Leave	12	12	11.8	Finalised – Reasonable /Limited
<b>COUNTER FRAUD:</b>				
Counter Fraud & Corruption	10	10	0	Postponed to 23-24
<b>SERVICE LEVEL:</b>				
Safeguarding	10	10	13.91	Finalised - Reasonable

## Agenda Item 10 Annex 1

Community Safety	10	10	0	Postponed to 23-24
CCTV	10	10	10.42	Finalised - No
Dog Warden & Environmental Crime	10	10	10.19	Finalised - Reasonable/No
Food Safety	10	10	10.08	Finalised - Substantial/No
Pollution/Contaminated Land	10	10	11.20	Finalised - Substantial
Business Continuity / Emergency Planning	10	0	0	Deferred
Licensing	10	10	13.99	Finalised - Reasonable/No
Museums	10	10	8.15	Finalised - Limited
Ramsgate Harbour Accounts	5	5	0.07	Work-in-Progress
East Kent Opportunities	10	10	9.53	Finalised - No
Waste Vehicle Fleet Mgmt.	13	13	14.82	Finalised - Reasonable
Climate Change	5	5	4.74	Finalised - N/A
Employee Health and Safety	10	0	0	Postponed to 23-24
<b>OTHER:</b>				
Liaison With External Auditors	1	1	0.22	Finalised
Follow-up Reviews	15	25	27.53	Finalised
<b>FINALISATION OF 2021-22 AUDITS:</b>				
Repairs & Maintenance	5	5	1.02	Finalised - Limited
Income, Bank Rec. & Cash Collection			9.51	Finalised - Substantial/ Limited
Maritime			1.29	Finalised - Reasonable
Recruitment			11.04	Finalised - Reasonable
Risk Management			1.9	Finalised - Reasonable
Thanet Community Lotto			11.11	Finalised - Limited
<b>RESPONSIVE ASSURANCE:</b>				
Corporate Leak Investigation	0	1	1.15	Finalised – N/A
PIR - Berth 4-5	0	20	19.73	Finalised – No
Staff Matter	0	2	2.57	Finalised – N/A
<b>TOTAL</b>	<b>330</b>	<b>330</b>	<b>341.53</b>	<b>103.49%</b>



**Internal Audit Annual Report for EK SERVICES 2022-23**

**1. Introduction/Summary**

The main points to note from this report are that the agreed programme of audits has been completed with one project being finalised as work in progress at 31<sup>st</sup> March 2023. The majority of reviews have given a substantial assurance and there are no major areas of concern that would give rise to a qualified opinion.

**2. Overview of Work Done**

The original audit plan for 2022-23 included a total of 8 projects. There were nine reviews completed, and a special investigation to assist the DWP in a joint investigation was added. There was a review of ICT Network Security which had commenced (shown as work in progress) but was subsequently deferred. The function has transferred from April 1<sup>st</sup> 2023 back to the partner councils, this review will be built into future plans for each individual council going forward. The number of days in the EKS Audit Plan for 2023-24 have been adjusted accordingly.

**3. Review of the Internal Control Environment**

**3.1 Risks and Assurances**

During 2022-23, twenty-one recommendations were made in the agreed final audit reports for EK Services. These are analysed as being Critical, High, Medium, or Low risk in the following table:

<b>Risk Criticality</b>	<b>No. of Recommendations</b>	<b>Percentage</b>
Critical	0	0%
High	6	29%
Medium	6	29%
Low	9	42%
<b>TOTAL</b>	<b>21</b>	<b>100%</b>

Naturally, more emphasis is placed on recommendations for improvement regarding critical and high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Councillors' attention through Internal Audit's quarterly update reports to the three relevant audit committees. During 2022-23 none of the above recommendations were escalated to the quarterly Audit Committee meetings. Across the year a total of 21 recommendations were agreed, and whilst 29% were in the High-Risk category, none require further escalation at this time.

Internal Audit applies one of four 'assurance opinions' to each review, this provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively, and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

# Agenda Item 10

## Annex 1

The summary of Assurance Levels issued on the nine pieces of work finalised for EK Services over the course of the year is as follows:

*NB: the percentages shown are calculated on finalised reports with an assurance level*

Assurance	No.	Percentage of Completed Reviews
Substantial	6	86%
Reasonable	0	0%
Limited	1	14%
No	0	-
Not Applicable	2	-
Work in Progress at Year-End	1	-

*NB: 'Not Applicable' is shown against quarterly benefit checks and the responsive review.*

86% of the reviews account for substantial assurance. There was one review assessed as having a partially Limited assurance, and this will be followed up in 2023-24.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. The results of any follow up reviews yet to be undertaken will therefore be reported via the quarterly update report to the audit committees at the appropriate time.

The review assessed as providing a partially Limited assurance (Data Management) is due to be followed up in 2023-24, The review contains seven recommendations, two are the responsibility of EKS; two are DDC, two are TDC, and one is joint TDC/DDC. The results of which will be reported to the Audit Committees during the year.

### 3.2 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow-up progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- “closed” as they are successfully implemented, or
- “closed” as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) “closed” as management has decided to tolerate the risk, or the circumstances have since changed.

At the conclusion of the follow up review the overall assurance level is re-assessed. As Internal Audit are tasked to perform one progress report per original audit and bring those findings back, it is at this juncture that any outstanding high risks are escalated to the Governance and Audit Committee via the quarterly update report.

Four follow up reports were carried out for EK Services during the year. The results for the follow up activity for 2022-23 will continue to be reported at the appropriate time. The results in

the following table show the original opinion and the revised opinion after follow up to measure the impact that the EKAP review process has made on the system of internal control.

Total Follow Ups undertaken 4	N/A	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
<b>Original Opinion</b>	0	0	0	0	4
<b>Revised Opinion</b>	0	0	0	0	4

There are no fundamental issues of note arising from the audits undertaken in the year.

### **3.3 Special Investigations and Fraud Related Work**

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently, the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. During the year 2022-23 there have been no fraud investigations conducted by the EKAP on behalf of EK Services. However, some time was incurred by EKAP in a joint investigation with the DWP in respect of some attempted fraudulent grant applications, that were made. The DWP are leading on taking the findings forward, the EKAP has provided statements for evidence shared with them.

### **3.4 Completion of Strategic Audit Plan**

The EKAP completes a rolling programme of work to cover a defined number of days each year. As at the 31<sup>st</sup> March each year there is undoubtedly some “work in progress” at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. The EKAP delivered 98.98% of the agreed audit plan days across the Partnership. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against targets. It is the opinion of the Head of Audit that sufficient work has been undertaken to be able to support an opinion for 2022-23.

The analysis in Annex A shows the individual reviews that were completed during the year. As at 31<sup>st</sup> March 2023 the EKAP had delivered 117.94 days against the revised target of 128 (92.14%).

## **4. Significant issues arising in 2022-23**

From the work undertaken during 2022-23, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager’s opinion that costs outweigh the risk, this has not occurred during the year.

The EKAP has been commissioned to perform only one follow up, there is one review previously assessed as providing a partially Limited Assurance that is yet to be followed up (Data Management).

**5. Overall Conclusion**

The work of Internal Audit and this report contribute to the overall internal control environment operating within EK Services, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts for each partner council. It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

Based on the work of the EKAP on behalf of EK Services during 2022-23, the overall opinion is that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

Annex A to EKS Annual Report

**Performance against the Agreed 2022-23  
East Kent Services Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual days to 31/03/2023	Status and Assurance Level
<b>EKS REVIEWS:</b>				
Business Rates	15	15	14.97	Finalised - Substantial
Housing Benefit DHPs	15	15	13.73	Finalised - Substantial
Housing Benefit Testing	15	16	16.51	Finalised - N/A
Debtors	15	10	15.61	Finalised - Substantial
ICT – Data Management	15	15	8.47	Finalised – Reasonable/ Limited
ICT – Network Security	15	15	5.00	Work-in-Progress
KPIs	5	7	7.04	Finalised - Substantial
Payroll	18	18	17.60	Finalised - Substantial
<b>OTHER:</b>				
Corporate/Committee	8	5	6.59	Finalised
Follow Up	6	6	2.86	Finalised
<b>FINALISATION OF 2021-22 AUDITS:</b>				
ICT Procurement & Disposal	1	1	1.22	Finalised - Substantial
<b>RESPONSIVE ASSURANCE:</b>				
Joint DWP Investigation	0	5	8.34	Finalised – N/A
<b>Total</b>	<b>128</b>	<b>128</b>	<b>117.94</b>	<b>92.14%</b>

**EKAP Balanced Scorecard – 2022-23**

<b><u>INTERNAL PROCESSES PERSPECTIVE</u></b>	<b><u>2022-23 Actual</u></b>	<b><u>Target</u></b>	<b><u>FINANCIAL PERSPECTIVE:</u></b>	<b><u>2022-23 Actual</u></b>	<b><u>Original Budget</u></b>
	<b>Quarter 4</b>		<b>Reported Annually</b>		
<b>Chargeable as % of available days</b>	<b>89%</b>	<b>90%</b>	<ul style="list-style-type: none"> <li>• <b>Cost per Audit Day</b></li> </ul>	<b>£373.33</b>	<b>£378.73</b>
<b>Chargeable days as % of planned days</b>			<ul style="list-style-type: none"> <li>• <b>Direct Costs</b></li> </ul>	<b>£488,433</b>	<b>£489,397</b>
<b>CCC</b>	<b>94.03%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• <b>+ Indirect Costs (Recharges from Host)</b></li> </ul>	<b>£10,530</b>	<b>£10,530</b>
<b>DDC</b>	<b>99.61%</b>	<b>100%</b>		<b>£6,172.75</b>	<b>Zero</b>
<b>TDC</b>	<b>103.49%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• <b>- 'Unplanned Income'</b></li> </ul>		
<b>FHDC</b>	<b>99.35%</b>	<b>100%</b>			
<b>EKS</b>	<b>92.14%</b>	<b>100%</b>			
<b>Overall</b>	<b>98.89%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• <b>= Net EKAP cost (all Partners)</b></li> </ul>	<b>£492,790.25</b>	<b>£499,927</b>
<b>Follow up/ Progress Reviews;</b>					
<ul style="list-style-type: none"> <li>• <b>Issued</b></li> </ul>	<b>53</b>	<b>-</b>			
<ul style="list-style-type: none"> <li>• <b>Not yet due</b></li> </ul>	<b>25</b>	<b>-</b>			
<ul style="list-style-type: none"> <li>• <b>Now due for Follow Up</b></li> </ul>	<b>28</b>	<b>-</b>			
<b>Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)</b>	<b>Partial</b>	<b>Partial</b>			

Annex 1  
Agenda Item 10

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2022-23 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2022-23 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 4</b>		<b>Quarter 4</b>		
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>68</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>61%</b>	<b>60%</b>
<b>Number of completed questionnaires received back;</b>	<b>42</b>		<b>Percentage of staff holding a relevant higher-level qualification</b>	<b>50%</b>	<b>50%</b>
	<b>= 61 %</b>		<b>Percentage of staff studying for a relevant professional qualification</b>	<b>0%</b>	<b>N/A</b>
<b>Percentage of Customers who felt that;</b>			<b>Number of days technical training per FTE</b>	<b>4.35</b>	<b>3.5</b>
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul>	<b>100%</b>	<b>100%</b>	<b>Percentage of staff meeting formal CPD requirements (post qualification)</b>	<b>50%</b>	<b>50%</b>
	<b>96%</b>	<b>90%</b>			
	<b>98%</b>	<b>100%</b>			

## Updated RIPA Policy 2023

**Governance and Audit Committee** 26th July 2023

**Report Author** Sameera Khan - Interim Head of Legal

**Portfolio Holder** Councillor Rick Everitt, Leader of the Council

**Status** For Decision

**Classification:** Unrestricted

**Ward:** All

### Executive Summary:

A report to update the Committee about amendments to the Policy on the Regulation of Investigatory Powers Act (RIPA) and to report on activity this year.

### Recommendation(s):

The Committee is recommended to:

- 1 Adopt the amended Policy in Appendix 1
- 2 Note the letter from IPCO, the recommendations and actions
- 3 Sign off the letter from IPCO and recommendations
- 4 Note the report of activity during the year

### Corporate Implications

#### Financial and Value for Money

There are no financial implications to the report. The report is about an update to Policy and to inform members about the recent inspection visit from IPCO.

#### Legal

The Council has powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to undertake covert surveillance within enforcement if necessary. Powers under the Act are overseen by the Investigatory Powers Commissioners Office (IPCO).

#### Risk Management

The Council is subject to regular inspections by IPCO and must maintain an up-to-date policy and procedures for managing RIPA, even if the Council's use of the available powers is minimal.

## Corporate

The Council must have in place an up-to-date policy and procedures to comply with the regulations, good governance and its duties under the Act. The Policy is one of several policies and procedures that the council has in place, which demonstrates its compliance with the legislation.

## Equality Act 2010 & Public Sector Equality Duty

There are no equalities implications.

## Corporate Priorities

This report relates to the following corporate priorities: -

- *Communities*

### 1.0 Introduction and Background

1.1 The Council has powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to undertake certain types of directed surveillance for enforcement.

1.2 Directed surveillance is defined in section 26(2) RIPA as follows:

“Surveillance is directed for this Part if it is covert but not intrusive and is undertaken—

- (a) for a specific investigation or a specific operation;
- (b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation); and
- (c) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under this Part to be sought for the carrying out of the surveillance.”

1.3 Local authorities can only undertake directed surveillance under RIPA that is not intrusive (e.g. involves entry onto property etc.)

1.4 Local authorities can also use a “Covert Human Intelligence Source” (“CHIS”) under RIPA. These are defined in section 26(8) RIPA as follows:

“For this Part a person is a covert human intelligence source if—

- (a) he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);



- (b) he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
- (c) he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.”

1.5 Members should note that it is the Council’s Policy not to exercise the available powers under RIPA unless absolutely necessary. Most of the Council’s surveillance is overt (open) as opposed to covert (hidden). However, there have been occasions in the last few years where authorisations have been given for directed surveillance. The use of a CHIS is even more rare and would only be applicable in the case, for example, for carrying out test purchases.

1.6 Members should also note that authorisations are subject to application and approval by the magistrates’ court and are strictly time limited. Extensions to approvals are also subject to the magistrates’ approval.

## 2.0 The Current Situation

2.1 The Policy was last updated in 2018 and a further updated copy was approved by G&A committee in September 2022 following the Commissioner (IPCO) - visit to the Council in April 2022.

2.2 This was the first in-person inspection since before the pandemic. The Commissioner reviewed the Council’s draft updated Policy and procedures and made various recommendations. The updated Policy is at Annex 1 which has addressed the recommendations of the Commissioner together with its implementation date.

2.3 The recommendations in the follow-up letter and actions that the Council has taken/will take are as follows:

Recommendation	Action taken/proposes	Date completed
To adopt the draft Policy.	Report and draft policy presented to G&A Committee for adoption	Adopted in September 2022 with an update presented to committee on 26/7/2023
To identify the Senior Responsible Officer, authorising officers and the RIPA Gatekeeper following the departure of a number of key staff	It is recommended that the Interim Monitoring Officer becomes the Senior Responsible Officer (SRO) and that the Chief Executive and all Directors are authorising officers (AOs). Mr Eden Geddes, Enforcement and Multi Task Force Agency Manager, has	Adopted in July 2023

	<p>been acting as RIPA Gatekeeper for some time and has agreed to continue in this role. The Gatekeeper role manages and oversees the RIPA processes and liaises with the Senior Responsible Officer and Authorising Officers</p>	
<p>That all key personnel, including the SRO and AOs, require refresher training to ensure that they are up to date with the processes contained within the amended policy and the content of the latest Codes of Practice. I also recommend focusing on the key element of how Council staff make use of the internet and social media during investigations.</p>	<p>Relevant Training to be identified and organised by the SRO in conjunction with the RIPA Gatekeeper and HR</p>	<p>All relevant staff including the CMT members were provided with formal training in May 2023.</p> <p>Anyone missing the training will be able to take advantage of the online EM Lawshare training.</p>
<p>To re-establish the Central Record of authorisations, which will now be retained within the Legal Services Team under the control of the SRO. All RIPA material, that is the Central Record of authorisations, applications, authorisations, reviews and cancellations, and</p>	<p>Central Record of authorisations has already been established within legal Services and will be maintained in accordance with the Council's document retention policy.</p> <p>The retention policy will be reviewed to make sure it complies with the requirement in the commissioner's letter.</p>	<p>June 2022 and ongoing. The central record will be the responsibility of the SRO, assisted by the Legal Services Administrator and in conjunction with the RIPA Gatekeeper</p> <p>All centrally held records were reviewed and a new action plan has been established to ensure there are either destroyed or retained. - June 2023</p>

<p>any material obtained as a result of surveillance or CHIS activity, is subject to the Data Safeguards chapters contained within both the Surveillance and CHIS Codes of Practice.</p> <p>These safeguards apply to the handling, retention, review and deletion (RRD) of RIPA material and require that you take active steps to ensure all material is held in accordance with your document retention policy.</p>		
<p>To ensure that documentation is completed correctly - for example, on the authorisation forms to provide as full information as possible and not simply to repeat template wording, including.</p> <p>The commissioner's suggestions recommended including photographs etc and to full evidence of proper consideration to the impact of each deployment and the rights of the people it was aimed at detecting, or those affected through collateral intrusion.</p>	<p>Training to be provided to those people completing the authorisation forms and guidance will also be given by the Gatekeeper who will review all requests for authorisations.</p> <p>The review by the SRO and the legal team - who will be responsible for applying to the magistrates' court for authorisation, will also be a secondary check on the quality of the documentation</p>	<p>July 2023 training was provided by an independent trainer in May 2023.</p>

<p>Surveillance must always cease when it is no longer justifiable, which requires ongoing assessment rather than the arbitrary observation of a deadline.</p> <p>it is no longer justifiable, which requires ongoing assessment rather than the arbitrary observation of a deadline.</p>	<p>Training and guidance completed the forms by the RIPA Gatekeeper and the SRO/legal team</p>	<p>July 2023 training was provided by an independent trainer in May 2023.</p>
---	--	---

2.4 A copy of the Commissioner’s letter is included at Annex 2 for members’ information.

2.5 An update has already been provided to the Commissioner which has been endorsed by which appears in Annexe 3 for members' information.

2.6 Members are also asked to note that in the year 2022-23, the Council has not undertaken any investigations which have been subject to RIPA approvals.

### 3.0 Options

4.1 The committee is asked to approve the adoption of the updated Policy and agree its publication

4.2 To note the report of RIPA activity in the last year and finally to note the recommendations and actions arising out of the Commissioner’s visit.

4.3 There is no alternative option unless members wish to recommend additional actions and/or changes to the Policy.

### 4.0 Next Steps

4.1 If the Policy is approved, it will be updated and published on the intranet, together with the revised details of the SRO, authorising officers and RIPA Gatekeeper. Training will be provided annually with policy being updated as well on an annual basis to reflect any changes in legislation.

4.2 The next commissioner’s inspection will be undertaken in 2025 which will evaluate all the above recommendations and its implementation in detail.

Contact Officer: Sameera Khan (Interim Head of Legal & Monitoring Officer)  
Reporting to: Chris Blundell, Director of Corporate Services & S151 Officer

### Annex List

Annex 1: Updated RIPA Policy July 2023

Annex 2: Letter from the Commissioner (IPCO) dated 8 April 2022

Annex 3: Letter from the Commissioner (IPCO) dated 21st June 2023

## **Corporate Consultation**

**Finance:** Matt Sanham, Head of Finance

**Legal:** Sameera Khan (Interim Head of Legal & Monitoring Officer)

This page is intentionally left blank



# **Regulation of Investigatory Powers Act (RIPA) Policy**

**July 2023**

## Contents

<b>Section</b>		<b>Page</b>
1.	Introduction to RIPA 2000	3
2.	Definitions	4 - 8
3.	The Use of a Covert Human Intelligence Source (CHIS)	9 - 14
4.	Authorisation of Surveillance	15 - 23
5.	Social Networking Sites (SNS)	24 - 26
6.	Non-RIPA Surveillance Activity	27 - 28
7.	Complaints	29
<b>Appendix</b>	<b>Appendix content</b>	
1	Standard Form – Application for authorisation to carry out Directed surveillance	30 - 35
2	Standard Forms – Application for renewal of a Directed Surveillance Authorisation	36 - 39
3	Standard Forms – Cancellation of a Directed Surveillance Authorisation.	40 - 41
4	Standard Forms – Review of a Directed Surveillance Authorisation.	42 - 44
5	List of Senior Authorising Officers Authorising Officers, Senior Responsible Officer and RIPA Monitoring Officer	45
6	RIPA Management Structure	46
7	Flow Chart for Directed Surveillance and CHIS	47
8	Additional Notes for the Use and Management of CHIS	48
9	CHIS Awareness Diagram	49



## 1. Introduction

### Regulation of Investigatory Powers Act 2000

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory framework for the operation of certain intrusive investigative techniques, to provide for compliance with the Human Rights Acts 1998. The main purpose of the Act is to ensure that individuals' rights are protected whilst allowing law enforcement and security agencies to do their jobs effectively and act proportionately.
- 1.2 The policy should be read in conjunction with the Home Office Codes of Practice on covert surveillance and covert human intelligence sources; acquisition and disclosure of communications data, and any guidance issued by the Investigatory Powers Commissioner's Office (IPCO)
- 1.3 As a local authority, Thanet District Council ("The council") is only authorised to carry out Directed Surveillance and use Covert Human Intelligence Sources (CHIS), in accordance with section 28 and section 29 of RIPA. This Policy covers the use of Directed Surveillance and the deployment of Covert Human Intelligence Sources by the Council.
- 1.4 Directed Surveillance is surveillance that is covert, is conducted for the purposes of a specific investigation or operation, is likely to result in the obtaining of private information about a person and is conducted otherwise than by way of an immediate response to events.
- 1.5 A person is a Covert Human Intelligence Source ('CHIS') if they establish or maintain a personal or other relationship and they covertly use the relationship to obtain information or provide access to any information to another person or they covertly disclose information obtained through that relationship or as a consequence of the existence of that relationship.
- 1.6 This document will focus on the provisions of Part II of RIPA (as amended by the Protection of Freedoms Act 2012 (POFA) that cover the use and authorisation of directed surveillance and the steps that must be taken by Council Officers to comply with the Act.
- 1.7 The Council will not normally authorise the use of a CHIS. However, in the rarest of circumstances, an investigation may require the use of a CHIS, and in this case, officers should seek the proper authorisation in accordance with this policy.
- 1.8 It should be noted that any use of activities under RIPA will be as a last resort and council policy is not to undertake such activities unless absolutely necessary.
- 1.9 The provisions of RIPA do not cover authorisation for the use of overt CCTV surveillance systems. The Council operates an overt policy of providing signage information for all overt CCTV cameras within public places, ensuring the public are aware of their operation and who is responsible for the system.

## 2. Definitions

### 2.1 What is Surveillance?

Surveillance is:

- Monitoring, observing or listening to persons, their movements, their conversations or their other activities or communications
- Recording anything monitored, observed or listened to in the course of surveillance
- Surveillance by or with the assistance of appropriate surveillance device(s).

Surveillance can be overt or covert.

### 2.2 Overt Surveillance

2.2.1 Most of the surveillance carried out by the Council will be done overtly – there will be nothing secretive, clandestine or hidden about it. In many cases, officers will be behaving in the same way as a normal member of the public and/or will be going about Council business openly.

2.2.2 Similarly, surveillance will be overt if the subject has been told it will happen (e.g. where a noisemaker is warned (preferably in writing) that noise will be recorded if the noise continues, or where an entertainment licence is issued subject to conditions, and the licensee is told that officers may visit without notice or identifying themselves to the owner/proprietor to check that the conditions are being met).

### 2.3 Covert Surveillance

2.3.1 Covert Surveillance is defined in Section 26 RIPA as follows:

“Surveillance is covert if, and only if, it is carried out in a manner that is calculated to ensure that persons who are subject to the surveillance are unaware that it is or may be taking place”.

2.3.2 General observation forms part of the duties of many enforcement officers. Such observation may involve the use of equipment or merely reinforce normal sensory perceptions, such as binoculars or the use of cameras, where this does not involve systematic surveillance of an individual. It forms part of the everyday functions of law enforcement or other public bodies. This form of activity will not usually be regulated under the provisions of RIPA.

2.3.3 The installation of CCTV cameras for the purpose of generally observing activity in a particular area with signage is not surveillance which requires authorisation. Members of the public are aware that such systems are in use, for their own protection and to prevent crime.

Authorisation may be required if a CCTV camera is being used for a specific type of surveillance.

Part II of RIPA applies to the following conduct:

Directed surveillance

Intrusive surveillance

The conduct and use of covert human intelligence sources

## 2.4 Directed Surveillance Section 26(2) RIPA

2.4.1 Surveillance will be covert where it is carried out in a manner calculated to ensure that the person or persons subject to the surveillance are unaware that it is or may be taking place.

2.4.2 Directed surveillance is conducted where it involves the observation of a person or persons with the intention of gathering **private information** to produce a picture of a person's life, activities or associations. However, it does not include covert surveillance carried out by way of an immediate response to events or circumstances which, by their very nature, could not have been foreseen. For example, enforcement officers would not require authorisation to conceal themselves and observe a suspicious person who they come across in the course of their normal duties. However the longer the observation continues, the less likely it would be considered to be an immediate response.

## 2.5 Intrusive Surveillance – Section 26(3) RIPA

2.5.1 Local Authorities cannot conduct intrusive surveillance involving entry on or interference with property or with wireless telegraphy as regulated by the Regulation of Investigatory Powers Act 2000.

2.5.2 Surveillance is intrusive only if it is covert surveillance that is carried out in relation to anything taking place on residential premises or in any private vehicle. This kind of surveillance may take place by means either of a person or device located inside residential premises or a private vehicle of the person who is subject to the surveillance or by means of a device placed outside that consistently provides a product of equivalent quality and detail as a product which would be obtained from a device located inside.

2.5.3 Therefore, the use of a device is only “intrusive” if it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the residential premises or in any private vehicle. Thus, an observation post outside the premises, which provides a limited view and no sound of what is happening inside the premises, would not be considered intrusive surveillance.

2.5.4 The covert recording of suspected noise nuisance where the intention is only to record excessive noise levels from adjoining premises and the recording device is calibrated to record only excessive noise levels constitutes neither directed nor intrusive surveillance. In such

circumstances, the perpetrator would normally be regarded as having forfeited any claim to privacy, and an authorisation may not be necessary.

### 2.6 Covert Human Intelligence Source (CHIS) – Section 26(8) RIPA

A person is a covert human intelligence source (CHIS) if:

- he establishes or maintains a personal or other relationship with a person for the *covert purpose* of facilitating one or both of the following;
- he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
- he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.

In establishing or maintaining a relationship, a *covert purpose* exists where the relationship is conducted in such a manner that it is calculated to ensure that one of the parties to the relationship is unaware of its purpose.

Further information about the use of CHIS is dealt with in the next section of this policy.

### 2.7 Private Information

“Private information”, in relation to a person, includes any information relating to his private or family life.

As a result, private information is capable of including any aspect of a person’s private or personal relationship with others, such as family and professional or business relationships.

Information which is non-private may include publicly available information such as books, newspapers, journals, TV and radio broadcasts, newswires, websites, mapping imagery, academic articles, conference proceedings, business reports, and more. Such information may also include commercially available data where a fee may be charged, and any data which is available on request or made available at a meeting to a member of the public.

### 2.8 Private Vehicle

“Private Vehicle” means any vehicle that is used primarily for the private purpose of the person who owns it or of a person otherwise having the right to use it. This does not include a person whose right to use the vehicle derives only from his having paid, or undertaken to pay, for the use of the vehicle and its driver for a particular journey. A vehicle includes any vessel, aircraft or hovercraft.

### 2.9 Confidential Material

This consists of

# Agenda Item 11

## Annex 1

- **Matters subject to legal privilege** - for example, oral and written communications between a professional legal adviser and his client or any person representing his client, made in connection with the giving of legal advice to the client or in contemplation of legal proceedings and for the purposes of such proceedings, as well as items enclosed with or referred to in such communications. Communications and items held with the intention of furthering a criminal purpose are not subject to legal privilege where there is evidence that the professional legal adviser intends to hold or use them for a criminal purpose.
- **Confidential personal information** - which is information held in confidence concerning an individual (living or dead) who can be identified from it, and relating to a) his physical or mental health or b) to spiritual counselling or other assistance given or to be given, and which a person has acquired or created in the course of any trade, business, profession or other occupation, or for the purposes of any paid or unpaid office. It includes oral and written information and also communications as a result of which personal information is acquired or created. Information is held in confidence if:

It is subject to a restriction on disclosure or an obligation of secrecy contained in existing or future legislation

**Confidential journalistic material** - which includes material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence, as well as communications resulting in information being acquired for the purposes of journalism and held subject to an undertaking.

- Confidential constituent information is information relating to communications between a Member of Parliament and a constituent in respect of constituency business. Again, such information is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation.

### 2.10 Collateral Intrusion

This is interference with the privacy of a person other than the surveillance subject.

- 2.12.1 Before authorising applications for directed surveillance, the authorising officer should also take into account the risk of obtaining private information about persons who are not subjects of the surveillance activity.
- 2.12.2 Measures should be taken, wherever practicable, to avoid or minimise the unnecessary intrusion into the privacy of those who are not the intended subjects of the surveillance activity. Where such collateral intrusion is unavoidable, the activities may still be authorised, provided the intrusion is considered proportionate to what is sought to be achieved. The same proportionality tests apply to the likelihood of collateral intrusion as to intrusion into the privacy of the intended subject of the surveillance.

**2.11 Authorising Officer**

This is the person designated, for the purpose of the Act, to grant authorisation for directed surveillance.

**2.12 The Investigatory Powers Commissioners Office (IPCO)**

IPCO is responsible for reviewing our activities carried out under RIPA 2000. All authorities are subject to review and inspection. Inspection will cover policy and procedures as well as individual investigations.

### 3. The use of a Covert Human Intelligence Source (CHIS)

#### 3.1 The use of Covert Human Intelligence Sources

Authorisation for the use and conduct of a source is required prior to any tasking, i.e. an assignment given to the source. There will normally be two persons involved in the process of the authorisation of the person carrying out the covert activity. There will be the person who completes and signs the application form by which authorisation is applied for and the Authorising Officer (legal advice must be sought via the Council's RIPA Gate-keeper before embarking on a CHIS authorisation) to whom the form must be submitted for consideration.

Where confidential material is likely to be acquired then the Authorising Officer must be the Head of Paid Service, or in his/her absence the person acting as the Head of Paid Service Officer..

The test is set out in Section 29(2) RIPA and is listed for convenience in the authorisation. Included in the requirements under Section 29 are that sufficient arrangements must be made to ensure that the source is independently managed, records are kept of the use made of the source, and that the identities of the source are protected from those who do not need to know it (see below).

#### 3.2 Authorising a CHIS

3.2.1 This is similar to the authorisation of directed surveillance. Firstly, the authorisation must be *necessary* on the same ground as for directed surveillance, for the purpose of preventing or detecting crime or preventing disorder.

3.2.2 Secondly, the authorised conduct or use of the source must be proportionate to the goal sought. In this connection, and on the question of proportionality, it may be considered that the chances of collateral intrusion are particularly significant in the case of the use or conduct of CHIS. The Home Office Code of Practice recommends that the application includes a risk assessment for collateral intrusion.

3.2.3 As with the authorisation of directed surveillance, the forms themselves set out clearly what information is required from the applicant and also from the Authorising Officer in order to give a valid authorisation. (Both the person applying for the authorisation and the Authorising Officer must complete the forms in handwriting).

3.2.4 The authorisation process for use of a CHIS must be approved by a Justice of the Peace, which necessitates making an application to the Magistrates Court. (See paragraph 3.6 for further detail).

3.2.5 The Authorising Officer must be satisfied that arrangements exist for the proper oversight and management of the source that satisfy the requirements of section 29(5) of the Act and such other requirements as may be imposed by order made by the Secretary of State.

### **3.3 Covert Human Intelligence Sources may only be authorised if the following arrangements are in place:**

Section 29(5) requires:

- that there will at all times be an officer within the local authority who will have day to day responsibility for dealing with the source on behalf of the authority, and for the source's security and welfare (section 29(5)(a));
- that there will at all times be another officer within the local authority who will have general oversight of the use made of the source (section 29(5)(b));
- that there will at all times be an officer within the local authority who has responsibility for maintaining a record of the use made of the source (section 29(5)(c));
- that the records relating to the source maintained by the local authority will always contain particulars of all matters specified by the Secretary of State in Regulations.

(The current regulations are The Regulation of Investigatory Powers (Source Records) Regulations 2000). These particulars are:

- (a) the identity of the source;
- (b) the identity, where known, used by the source;
- (c) any relevant investigating authority other than the authority maintaining the records;
- (d) the means by which the source is referred to within each relevant investigating authority;
- (e) any other significant information connected with the security and welfare of the source;
- (f) any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (d) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;
- (g) the date when, and the circumstances in which, the source was recruited;
- (h) the identities of the persons who, in relation to the source, are discharging or have discharged the functions mentioned in section



# Agenda Item 11

## Annex 1

29(5)(a) to (c) of the Act (see bullet points above) or in any order made by the Secretary of State under section 29(2)(c);

- (i) the periods during which those persons have discharged those responsibilities;
  - (j) the tasks given to the source and the demands made of him in relation to his activities as a source;
  - (k) all contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
  - (l) the information obtained by each relevant investigating authority by the conduct or use of the source;
  - (m) any dissemination by that authority of information obtained in that way; and
  - (n) in the case of a source who is not an undercover operative, every payment, benefit or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority
- that records maintained by the local authority that disclose the identity of the source will not be available to persons except to the extent that there is a need for access to them to be made available to those persons.

These requirements make it very unlikely that an investigation could involve the use of CHIS without there having been prior planning within the investigating department/section. It is important to realise that it may well be a member of staff of the department and, indeed, an investigator him or herself, who becomes the source, depending on the manner of working used. It is not only persons outside the employ of the local authority who may be used as a source. If it is intended to make use of CHIS, then appropriate and specific training should be arranged for the officers responsible for the functions under section 29(5) (a) to (c) of the Act and also for any officer of the Council who is to be the CHIS.

It is very important that the two forms of authorisation are not confused, because of the important welfare provisions listed above attaching to the CHIS. Whilst those requirements are detailed and specific, it is recognised that they fall into line with the approach that the Council takes for the welfare of its staff. The Council recognises a duty of care to its covert sources and it is important that a risk assessment and management approach is taken with regard to the welfare of the source. The risks to the source may not only be physical but also psychological, for example, relating to stress caused by the very activity itself.

It must be made clear that the source is not also engaging in criminal activity (excluding activity that would be criminal but is rendered lawful by authority under the Act – e.g. the lawful interception of communications).

### 3.4 Children as Juvenile CHIS and vulnerable adults as CHIS.

This is governed by the Regulation of Investigatory Powers (Juveniles) Order 2000.

Special safeguards apply to the authorisation of children as CHIS. These safeguards recognise that children are likely to be more vulnerable than adults due to their age and level of maturity, and that enhanced protections are appropriate to ensure their safety and welfare.

A person under 16 cannot be used as CHIS if the relationship that would be covertly used is between the juvenile and his/her parent or person with parental responsibility for him/her. (Whether or not a person who is not a parent has parental responsibility for a child may only be determined by having sight of documentation, e.g. a court order providing for that person to have parental responsibility. Further, a person may have parental responsibility for a juvenile, even though they no longer live together).

The Regulations also provide in the case of a source under 16 that there is at all times a person within the local authority responsible for ensuring that an appropriate adult (parent or guardian, any other person who has assumed responsibility for the juvenile's welfare, or where there are no such persons, any responsible person over 18 who is not a member or employee of the local authority – therefore a local authority social worker is *not* eligible to act as appropriate adult) is present at meetings between the juvenile source and any person representing the investigating authority.

Where the source is under 18, authorisation may not be granted or renewed unless there has been made or updated a risk assessment sufficient to demonstrate that the nature and magnitude of any risk of physical injury or psychological distress to the juvenile arising out of his or her use as a source has been identified and evaluated.

The need to safeguard and promote the best interests of the child is a primary consideration in all such CHIS deployments, both when deciding whether to grant the authorisation and during the conduct of any subsequent operation.

The Authorising Officer must have considered the risk assessment and satisfied him/herself that the risks are justified and have been properly explained to and understood by the source. The Authorising Officer must also be clear whether or not the covert relationship is between the juvenile and any relative, guardian or person who has assumed responsibility for his/her welfare and, if it is, has given particular consideration to whether the authorisation is justified (“necessary” and “proportionate”) in the light of that fact.

The Code of Practice on Covert Human Intelligence Sources also makes provision for vulnerable persons.

Special safeguards apply to the authorisation of a vulnerable adult as a CHIS.

A vulnerable adult is a person aged 18 or over who by reason of mental disorder or vulnerability, other disability, age, or illness, is or may be unable to take care of themselves or unable to protect themselves against significant harm or exploitation.

Where it is known or suspected that an adult may be vulnerable, they should only be authorised to act as a CHIS in exceptional circumstances.

As with confidential information, the authorisation of the Head of Paid Service, or the person acting as the Head of Paid Service in their absence, is required to use a juvenile or vulnerable person as a source.

With juveniles and vulnerable persons, particular emphasis must be placed on the operation of the provisions for the source's welfare.

The Investigatory Powers Commissioner must be informed within seven working days of a CHIS authorisation of a vulnerable adult or a juvenile source.

### **3.5 What Conduct of a CHIS is Authorised by an Authorisation?**

- any conduct that is comprised in any such activities as are *specified or described* in the authorisation; and
- any conduct by or in relation to the source *specified or described* in the authorisation;
- which is carried out for the purposes of or in connection with the investigation or operation that is *specified or described*.

### **3.6 Judicial Approval of CHIS authorisations**

- 3.6.1 Local authorities must obtain an order from a Justice of the Peace to approve the grant or renewal of an authorisation. If the Justice of the Peace is satisfied that the statutory tests have been met and that the use of the technique is necessary and proportionate, he/she will issue an order approving the grant or renewal for the use of the technique as described in the application.
- 3.6.2 The requirements to internally assess necessity and proportionality, complete the RIPA authorisation/application forms and seek approval from an Authorising Officer remain. Therefore, there is a three-stage process. First, advice and URN will need to be obtained from the Council's RIPA Gatekeeper. Secondly, an authorisation must be obtained from an Authorising Officer. Thirdly, approval of the authorisation must be obtained from a Justice of the Peace. This involves applying to a Magistrates Court.
- 3.6.3 A Justice of the Peace will only give approval to the granting of an authorisation for use of a CHIS if they are satisfied that:
- at the time the Authorising Officer granted the authorisation, there were reasonable grounds for believing that the authorisation was necessary and that the activity being authorised was proportionate, that arrangements existed that satisfied section 29(5) (see paragraph 3.3), that the Authorising Officer was a designated person for the purposes of section 29 of RIPA, that the grant of the authorisation was not in breach of any restrictions imposed by virtue of section 29(7)(a) or 30(3) of RIPA, that any other conditions provided for by any Order were satisfied; and

- that there remain reasonable grounds for believing that the necessary and proportionate tests are satisfied and that any other requirements provided for by Order are satisfied.

### **3.7 CHIS Record Keeping**

Records should be kept as prescribed by the Code of Practice (please see paragraph on Records and Documentation above). Where a source wearing or carrying a surveillance device is invited into residential premises or a private vehicle and records activity taking place inside those premises or vehicles, authorisation for use of that covert source should be obtained in the usual way.

The source should not use an invitation into residential premises or private vehicles as a means of installing equipment. If equipment is to be used other than in the presence of the covert source, an intrusive surveillance authorisation is necessary, which cannot be granted by the local authority.

## 4. Authorisation

### 4.1 Authorisation of Surveillance

- 4.1.1 In practical terms, if you consider that you might wish to carry out directed surveillance or deploy a CHIS as part of an investigation (or even if you are not certain whether the activities that you are proposing require a RIPA authorisation), please ensure that you seek advice from the Council's RIPA Gate-keeper and/or legal services early on and consult the Monitoring Officer as appropriate.
- 4.1.2 Authorisation of the use of certain covert powers, including the use of directed surveillance, will only have effect once an order approving the authorisation has been granted by a Justice of the Peace. This is an additional step after assessing necessity and proportionality, completing the RIPA application forms and seeking authorisation from an Authorising Officer.
- 4.1.3 Authorising Officers will be nominated by the Monitoring Officer following the Monitoring Officer being satisfied they are appropriately trained to undertake the task.
- 4.1.4 Written authorisations must be completed whenever an investigation involves the use of Directed Surveillance. This provides lawful authority to carry out covert surveillance. Authorisation must be sought before surveillance is undertaken.
- 4.1.5 All applications for authorisation of Directed Surveillance must be in writing and record:
- the grounds on which authorisation is sought (i.e. for the prevention and detection of crime and disorder only); NB The power to authorise surveillance exists only for the prevention and detection of crime and disorder and no other purpose
  - an assessment of the Directed Surveillance Crime Threshold. Directed surveillance can only be authorised under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months imprisonment. (There are certain specified offences related to the underage sale of alcohol, tobacco or nicotine-inhaling products which are exempt from the directed surveillance crime threshold. However, investigation of these offences does not form part of the District Council's functions).
  - consideration of why the Directed Surveillance is proportionate to what it seeks to achieve;
  - that other options for the gathering of information have been considered and that Directed Surveillance is necessary

# Agenda Item 11

## Annex 1

- the identity or identities, where known, of those to be the subject of Directed Surveillance;
- the action to be authorised and level of authority required;
- an account of the investigation or operation;
- an explanation of the information which it is desired to obtain as a result of the authorisation;
- any potential for collateral intrusion;
- the likelihood of acquiring any confidential material.

Both the person applying for the authorisation and the Authorising Officer must complete the forms in handwriting.

Standard Document: See Appendix 1 – Surveillance Application Form

- 4.1.6 The Directed Surveillance Crime Threshold means that the Council may continue to authorise the use of Directed Surveillance in more serious cases provided the other tests are met (i.e. that it is necessary and proportionate and that prior approval from a Justice of the Peace has been obtained). However, it also means that the Council may not authorise the use of Directed Surveillance to investigate disorder that does not involve criminal offences or to investigate low level offences, which may include, for example, littering, dog control and fly-posting.
- 4.1.7 Those carrying out the covert surveillance should inform the Authorising Officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or are covered by the authorisation in some other way. In some cases, the original authorisation may not be sufficient and consideration should be given to whether a separate authorisation is required.
- 4.1.8 Any person giving an authorisation should first be satisfied that the authorisation is **necessary** on particular grounds and that the surveillance is **proportionate** to what it seeks to achieve. It is important that sufficient weight is attached to consider whether the surveillance required is proportionate. These concepts of “necessity” and “proportionality” occur regularly throughout human rights law and RIPA and they must be considered afresh in the case of each authorisation of surveillance. Therefore this will involve balancing the intrusiveness of the surveillance on the subject and others who might be affected by it against the need for the surveillance in operational terms. The surveillance will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All surveillance should be carefully managed to meet the objective in question and must not be arbitrary or unfair.
- 4.1.9 When proportionality is being assessed, the following elements should be considered:

# Agenda Item 11

## Annex 1

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or harm;
- explaining how and why the methods adopted will cause the least possible intrusion on the subject and others
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result; and
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

4.1.10 The Authorising Officer must be able to produce evidence that the relevant issues have been considered for monitoring purposes, for example, a note of the documents and information available to the officer at the time the authorisation is given, together with a note of the date and time authorisation was given. It is essential that the Authorising Officer considers each request for an authorisation on its merits and a rubber stamping approach must never be used.

4.1.11 An authorisation should not be sought or obtained where the sole purpose of the authorisation is to obtain legally privileged material. However, an authorisation may be appropriate for other purposes but which, incidentally, catches legally privileged material.

4.1.13 Particular consideration should be given to collateral intrusion on or interference with the privacy of persons other than the subject(s) of surveillance. Such collateral intrusion or interference would be a matter of greater concern in cases where there are special sensitivities, for example, in cases of premises used by lawyers or for any form of medical or professional counselling or therapy.

4.1.15 Directed surveillance undertaken by the Council requires the written approval of a post holder identified in 4.1.17 of this document.

4.1.16 Authorising officers should not normally be responsible for authorising operations in which they are directly involved,

4.1.17 The following table identifies appropriate authorisation levels in the Council's staffing structure.

Type of Request		Authorising Officer
1	Written authorisation to conduct investigations using Directed Surveillance.	CEX, Corporate Director, Service Director as Authorising Officers
2	Written authorisation to conduct investigations using Directed Surveillance likely to obtain confidential information.	CEX only or in their absence, or (in their absence) the person acting as the Head of Paid Service

NB For the avoidance of doubt, only those Officers outlined above **and** designated and certified (and also notified to the Monitoring Officer) to be

“Authorising Officers” for the purpose of RIPA can authorise “Directed Surveillance”.

### 4.1.18 **Judicial approval**

- a) Where an Authorising Officer has granted an authorisation (for Directed Surveillance, the authorisation is not to take effect until a Justice of the Peace has made an order approving the grant of the authorisation. Therefore, any Authorising Officer who proposes to approve an application for the use of directed surveillance must immediately inform the Monitoring Officer, who will then make arrangements for an application to be made by the Council’s lawyers or an appropriate officer to the Magistrates Court for an order to approve the authorisation to be made.
- b) A Justice of the Peace will only give approval to the granting of an authorisation for Directed Surveillance if they are satisfied that:
  - at the time the Authorising Officer granted the authorisation, there were reasonable grounds for believing that the authorisation was necessary and that the surveillance being authorised was proportionate, that the Authorising Officer was a designated person for the purposes of section 28 of RIPA, that the grant of the authorisation was not in breach of any restrictions imposed by virtue of section 30(3) of RIPA, that any other conditions provided for by any Order were satisfied; and
  - that there remain reasonable grounds for believing that the necessary and proportionate tests are satisfied.
- c) If a Magistrates’ Court refuses to approve the grant of the authorisation, then it may make an order to quash that authorisation.

4.1.19 No activity permitted by the authorisation granted by the Authorising Officer may be undertaken until the approval of the Magistrates Court of that authorisation has been obtained.

4.1.20 Authorising Officers must be aware that each authorisation (or renewal of an authorisation) will be subject to judicial approval.

4.1.21 There is no need for a Justice of the Peace to consider either cancellations or internal reviews.

4.1.22 The Council will provide the Justice of the Peace with a copy of the original RIPA authorisation form and the supporting documents setting out the case. This forms the basis of the application to the Justice of the Peace and should contain all information that is relied upon. In addition, the Council will need to provide the Justice of the Peace with a partially completed judicial application/order form, which is shown for information at Appendix 6 of this Policy. The flowchart at Appendix 7 shows the procedure for making an application to a Justice of the Peace seeking an Order to approve the grant of a RIPA authorisation or notice.



### 4.2 Duration of authorisations

- 4.2.1 A written authorisation for directed surveillance will cease to have effect at the end of a period of three months beginning with the day on which it took effect unless otherwise directed by the court at the time of authorising the application.

### 4.3 Renewals

- 4.3.1 If at any time before an authorisation ceases to have effect, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, he/she may approve a renewal in writing for a further period of three months, beginning with the day when the authorisation would have expired but for the renewal.

Authorisations may be renewed more than once, provided they continue to meet the criteria for authorisation.

- 4.3.2 All requests for the renewal of an authorisation for Directed Surveillance must record:

- whether this is the first renewal or every occasion on which the authorisation has been renewed previously;
- the information required in the original request for an authorisation, as listed in section 4.1.5 above together with;
  - (a) any significant changes to the information in the previous authorisation;
  - (b) why it is necessary to continue with the surveillance;
  - (c) the content and value to the investigation or operation of the information so far obtained by the surveillance;
  - (d) an estimate of the length of time the surveillance will continue to be necessary.

Standard Document: See Appendix 2 – Surveillance Renewal form

- 4.3.3 Applications for renewals should not be made until shortly before the original authorisation period is due to expire but officers must take account of factors which may delay the renewal process (eg. intervening weekends or the availability of the Authorising Officer and a Justice of the Peace to consider the application).

### 4.4 Cancellations

- 4.4.1 The Authorising Officer must cancel an authorisation if he/she is satisfied that the Directed Surveillance no longer meets the criteria for authorisation. When cancelling an authorisation, an Authorising Officer

# Agenda Item 11

## Annex 1

must ensure that proper arrangements have been made for the activity's discontinuance, including the removal of technical equipment and directions for the management of the product.

Standard Document: See Appendix 3 – Surveillance Cancellation form.

4.4.2 Authorisations for Directed Surveillance, and any subsequent renewals and cancellations, are subject to review by the Government-appointed Investigatory Powers Commissioner.

### 4.5 Reviews

4.5.1 Authorising Officers will review all "Directed Surveillance" applications and authorisations. The results of a review should be recorded on the appropriate form and kept in the central record of authorisations. The Authorising Officer should determine how often the review should take place. This should be done as frequently as is considered necessary and practicable, but not later than once a month following the date of authorisation, sooner where the surveillance provides access to confidential material or involves collateral intrusion.

4.5.2 Reviews of authorisation for Directed Surveillance must record:

- any significant changes to the information in the previous authorisation;
- why it is necessary to continue with the surveillance;
- the content and value to the investigation or operation of the information so far obtained by the surveillance;
- an estimate of the length of time the surveillance will continue to be necessary.

Standard Document: See Appendix 4 – Monthly Review Form

### 4.6 Records and Documentation

4.6.1 All documentation regarding Directed Surveillance should be treated as confidential and should be kept accordingly.

4.6.2 Records should be maintained for a period of at least five years from the ending of the authorisation. Where it is believed that the records could be relevant to pending or future criminal proceedings, they should be retained for a suitable period commensurate to any subsequent review.

4.6.3 If there is any reason to believe that the results obtained during the course of the investigation might be relevant to that investigation or to another investigation or to pending or future civil or criminal proceedings then it should not be destroyed but retained in accordance with established disclosure requirements. Particular attention is drawn to the requirements

# Agenda Item 11

## Annex 1

of the Code of Practice issued under the Criminal Procedure and Investigations Act 1996, which requires that material should be retained if it forms part of the unused prosecution material gained in the course of an investigation or which may be relevant to an organisation.

- 4.6.4 Authorising Officers are reminded of the importance of safeguarding confidential and sensitive information. They must also ensure compliance with the appropriate data protection requirements and any relevant codes of practice produced by individual authorities in the handling and storage of material. Where material is obtained by surveillance, which is wholly unrelated to a criminal or other investigation or to any person who is subject of the investigation, and there is no reason to believe it will be relevant to future civil or criminal proceedings, it should be destroyed immediately. Consideration of whether or not unrelated material should be destroyed is the responsibility of the Authorising Officer.
- 4.6.5 Each Service Department undertaking Directed Surveillance must ensure that adequate arrangements are in place for the secure handling, storage and destruction of material obtained through the use of covert surveillance.
- 4.6.6 There is nothing in RIPA, which prevents results obtained through the proper use of the authorisation procedures from being used on other Council Department Investigations.

However, the disclosure outside of surveillance results obtained by means of covert surveillance and its use for other purposes should be authorised only in the most exceptional circumstances. Before doing so the Authorising Officer must be satisfied that the release of material outside of the Council, complies with and meets Human Rights Act requirements.

- 4.6.7 The Director is responsible for ensuring that arrangements exist for ensuring that no information is stored by the authority, except in so far as is necessary for the proper discharge of its functions. Such persons are also responsible for putting arrangements in place to ensure that no information is disclosed except in specified circumstances e.g. where it is necessary for the proper discharge of the authority's functions, for the purpose of preventing or detecting serious crime for the purpose of any criminal proceedings.
- 4.6.8 A copy of all authorisations must be sent to the Council's RIPA Gatekeeper, so that there is a central record maintained.,

Authorisation forms are also open to inspection by IPCO.

### **4.7 Monitoring of Authorisations**

Information must be supplied to the Council's RIPA Gatekeeper using the forms attached to this guidance. The Gatekeeper will maintain a Central Register of all forms completed by the Authorising Officer.

A review will be carried out regularly to ensure all forms have been sent for inclusion in this Central Register.

Authorising Officers are required to ensure that:-

- Authorisations have been properly cancelled at the end of the period of surveillance
- Surveillance does not continue beyond the authorised period
- Current authorisations are regularly reviewed
- At the anniversary of each authorisation, the destruction of the results of surveillance operations has been considered
- At the fifth anniversary of each authorisation the destruction of the forms of authorisation, renewal or cancellation has been considered.
  - Authorising officers, through the Data Controller, must ensure compliance with the appropriate data protection requirements under the Data Protection Act 2018

The Gate-keeper/Monitoring Officer will:

- Monitor the authorisations to ensure correct procedure has been followed
- Receive and investigate complaints by members of the public who reasonably believe they have been adversely affected by surveillance activities carried out by the Council.

The Investigatory Powers Commissioners Officer (IPCO) has a duty to keep under review the exercise and performance of the Council of its surveillance powers. The Investigatory Powers Commissioners Office will regularly inspect the Council and may carry out spot checks unannounced.

#### 4.8 Material acquired under RIPA - Review, Retention & Destruction (RRD)

All material obtained under a RIPA authorisation must be reviewed to determine if it needs to be retained or destroyed. Covertly obtained material can be retained if there are 'relevant grounds' for doing so or destroyed if the material acquired is no longer needed.

If an initial decision is made to retain the material, then a rolling three-year review period will be used to consider whether the material should be retained or destroyed.

All covertly obtained must be managed in accordance with the relevant Code of Practice.

IPCO has also introduced their Data Assurance Programme, which will form part of all future inspections undertaken by them. The purpose of the IPCO Data Assurance Programme applies to data obtained under the Investigatory Powers Act (IPA) 2016 and the Regulation of Investigatory Powers Act (RIPA) 2000 and which is, therefore, the subject of oversight by IPCO. This programme is intended

to promote compliance with the IPA and RIPA and the Codes of Practice and with other legal obligations, including the Data Protection Act (DPA) 2018.

IPCO has set six areas which will be inspected upon and the council will ensure that these are all considered when undertaking the covert activity. These are:

1. Review the safeguarding obligations in the relevant Code of Practice for any powers used by your authority.
2. Ensure that internal safeguard policies for retaining, reviewing and disposing of any relevant data are accurate and up-to-date.
3. Ensure that the authorising officer for your authority has a full understanding of any data pathway used for RIPA or IPA data.
4. Ensure that all data obtained under IPA and RIPA is clearly labelled and stored on a data pathway with a known retention policy.
5. Review the wording of safeguards in any applications to obtain data under IPA and RIPA and ensure that they accurately reflect the retention and disposal processes at your authority.
6. Review whether data obtained under previous authorisations is being retained for longer than is necessary and, if appropriate, consider disposing of retained data.

Responsibility for ensuring that material is managed correctly rests with the Authorising Officer that granted the authorisation or in the event they are no longer performing that role, the person that took over their role.

### **4.9 Refusals**

All refusals to grant authority to undertake Directed Surveillance must be recorded and retained for inspection.

### **4.10 Breach of RIPA**

Evidence gathered where RIPA has not been complied with may not be admissible in Court and could lead to a challenge under Article 8 of the Human Rights Act.

Any perceived breach of this policy or the RIPA procedures should be reported to the Monitoring Officer in order that he/she may notify the Investigatory Powers Commissioner immediately (see following)

## 5. Social Networking Sites (SNS)

5.1 The Home Office Revised Code of Practice on Covert Surveillance and Property Interference, published in 2018, provides the following guidance in relation to online covert activity:

*5.2 ‘The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered. The following guidance is intended to assist public authorities in identifying when such authorisations may be appropriate.*

*The internet may be used for intelligence gathering and/or as a surveillance tool. Where online monitoring or investigation is conducted covertly for the purpose of a specific investigation or operation and is likely to result in the obtaining of private information about a person or group, an authorisation for directed surveillance should be considered, as set out elsewhere in this code. Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be needed (paragraphs 4.10 to 4.16 of the Covert Human Intelligence Sources code of practice provide detail on where a CHIS authorisation may be available for online activity).*

*In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place. Use of the internet itself may be considered as adopting a surveillance technique calculated to ensure that the subject is unaware of it, even if no further steps are taken to conceal the activity. Conversely, where a public authority has taken reasonable steps to inform the public or particular individuals that the surveillance is or may be taking place, the activity may be regarded as overt and a directed surveillance authorisation will not normally be available.*

*As set out below, depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings.*

*Where information about an individual is placed on a publicly accessible database, for*

# Agenda Item 11

## Annex 1

*example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information.*

*Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online.'*

5.3 It is recognised that the use of SNS can provide useful information for council staff carrying out investigations. These investigations may relate to the various enforcement functions within the council, for example, fraud, planning enforcement, licensing or environmental health/crime.

5.4 SNS can take many forms. This makes defining SNS difficult, however, there are some facets which will be common to all forms of SNS. They will always be a web-based service that allows individuals and/or businesses to construct a public or semi-public profile. Beyond this, SNS can be very diverse but will often have some, or all, of the following characteristics:

- The ability to show a list of other users with whom they share a connection, often termed “friends” or “followers”;
- The ability to view and browse their list of connections and those made by others within the system;
- Hosting capabilities allowing users to post audio, photographs and/or video content that is viewable by others; and
- Take the form of community-based web sites, online discussion forums, chatrooms and other social spaces online.

5.5 Current examples of the most popular forms of SNS, and therefore the most likely to be of use when conducting investigations into alleged offences, include: Facebook; Twitter; YouTube; Instagram; LinkedIn; and Google.

5.6 The Council may utilise SNS when conducting investigations into alleged offences. Whilst the use of SNS to investigate an alleged offence is not automatically considered covert surveillance, its misuse when conducting investigations can mean that it crosses over into the realms of covert and/or directed surveillance, even when that misuse is inadvertent. It is, therefore, crucial that the Home Office Code of Practice and provisions

within the RIPA, as they relate to covert and directed surveillance, are always followed when using SNS information in investigations.

5.7 It is the aim of this Policy to ensure that investigations involving the use of SNS are done so lawfully and correctly so as not to interfere with an accused's human rights and to protect officers carrying out the investigation, and to ensure where RIPA authorisation if required, is obtained in advance of the evidence being gathered.

5.8 When it is discovered that an individual under investigation has set their SNS account to private, Council officers should not attempt to circumvent those settings under any circumstances. Such attempts would include, but are not limited to:

- sending "friend" or "follow" requests to an individual for the purpose of gathering information;
- setting up or using bogus Social Media profiles to gain access to the individual's private profile,
- contacting the individual through any form of instant messaging or chat function requesting access or information,
- asking family, friends, colleagues or any other third party to gain access on their behalf, or otherwise using the SNS accounts of such people to gain access;
- or any other method which relies on the use of subterfuge or deception.

5.9 A distinction is made between one-off and persistent viewing of an individual's SNS profile. Under Part II of RIPA, authorisation must be sought in order to carry out directed surveillance against an individual. Whilst one-off visits are unlikely to be considered "directed surveillance" for the purposes of RIPA, persistent viewing or frequent visits may cross over into becoming "directed surveillance" requiring RIPA authorisation. A person's SNS profile should not, for example, be routinely monitored on a daily or weekly basis in search of updates, as this will require RIPA authorisation. Similarly, if an officer intends to engage with others online without disclosing their identity a CHIS (Covert Human Intelligence Source) authorisation may be needed. For further guidance on these points, officers should contact the Council's SRO.

5.10 Regardless of whether the Social Media profile belonging to a suspected offender is set to public or private, it should only ever be used for the purposes of evidence gathering. Interaction or conversation of any kind should be avoided at all costs, and at no stage should a Council officer seek to make contact with the individual through the medium of social media. Any contact that is made may lead to accusations of harassment or, where a level of deception is employed by the officer, entrapment, either of which would be detrimental or potentially fatal to any future prosecution that may be considered.



## 6. Non-RIPA Surveillance Activity

6.1 As mentioned earlier in this policy, RIPA applications can only be made for directed surveillance where:

- it is for the purpose of preventing or detecting crime; and
- that crime is punishable by at least 6 months imprisonment or relates to the sale of tobacco, nicotine inhaling products or alcohol to underage children.
- In all other cases, an authorisation for directed surveillance under RIPA cannot be obtained.

6.2 This section sets out the procedure to be followed where the staff propose to undertake surveillance to investigate a criminal offence which cannot be authorised under RIPA.

It does not cover surveillance carried out for other purposes, such as part of an investigation into an employment issue. In such cases, advice should be sought from HR or Legal Services.

6.3 Surveillance which is authorised under section 27 of RIPA as part of an investigation, will be deemed lawful for all purposes.

Surveillance which is conducted outside of the RIPA regime is not in itself unlawful, but its admissibility can be questioned. It is, therefore, important that staff consider why the surveillance is required, whether or not the information can be obtained in some other way and how the surveillance can be conducted in order to minimise the intrusion into the privacy of those who are not the intended subjects of the surveillance activity.

It is only where the matter being investigated falls outside of RIPA that the procedure in this section of the policy can be followed. Even where this policy is followed, it is important to remember that the Council's actions could be challenged both by claiming that the evidence obtained through non-RIPA surveillance is inadmissible or that the Council has infringed a person's human rights. This could lead to action being against the Council in the civil courts or lead to a complaint being made to the Investigatory Powers Tribunal.

It is therefore very important that non-RIPA surveillance is only considered in appropriate cases and this policy is followed.

6.4 As local authorities can only authorise use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol, tobacco or nicotine inhaling products this means that any offence which does not fit into this cannot be authorised under RIPA.

As a result, most breaches of planning notices cannot be investigated using RIPA-authorized surveillance, nor can anti-social behaviour, dog fouling or littering.

6.5 The procedure for obtaining authorisation for non-RIPA directed surveillance is the same as applying for authorisation under RIPA, except there is no requirement to obtain judicial approval and staff should follow the policy set out above in this policy for full

# Agenda Item 11

## Annex 1

details of how to apply for authorisation. The applicant must make it clear on the form that the application is for 'NON-RIPA DIRECTED SURVEILLANCE'.

To ensure there is an alignment of processes, all material that is obtained under a non-RIPA authorisation will be managed in exactly the same way as material that has been obtained under a RIPA authorisation.

## 7. Complaints

### 7.1 Procedure

The Council will maintain the standards set out in this guidance and the current Codes of Practice. IPCO has the responsibility for monitoring and reviewing the way the Council exercises the powers and duties conferred by the Act.

Contravention of the RIPA Act may be reported to the Investigatory Powers Tribunal (IPT). The IPT is an independent tribunal. It decides complaints under the Regulation of Investigatory Powers Act 2000 (RIPA) and claims under the Human Rights Act 1998 (HRA). It considers allegations of unlawful intrusion by public bodies, including the Security and Intelligence Agencies (SIAs), the Police and local authorities.

[www.ipt-uk.com](http://www.ipt-uk.com)

However, before making such a reference, any person who reasonably believes they have been adversely affected by surveillance activity by or on behalf of the Council may complain to the Monitoring Officer, who will investigate the complaint. A complaint concerning a breach of this Policy and Guidance document should be made using the Council's own internal complaints procedure.

**APPENDIX 1**

**BEFORE COMPLETING THESE FORMS YOU MUST TALK TO THE COUNCIL'S RIPA GATE-KEEPER**

**PART II OF THE REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000**

**APPLICATION FOR AUTHORISATION TO CARRY OUT DIRECTED SURVEILLANCE**

<b>Public Authority</b> <i>(including full address)</i>		
<b>Name of Applicant</b>	<b>Department</b>	
<b>Full Address</b>		
<b>Contact Details</b>		
<b>Investigation/Operation Name (if applicable)</b>		
<b>Investigating Officer (if a person other than the applicant)</b>		
<b>DETAILS OF APPLICATION</b>		
<b>1. Give position of Authorising Officer</b>		
<b>2. Describe the purpose of the specific operation or investigation.</b>		

**3. Has the Directed Surveillance crime threshold been reached? How? Please specify the offence that is being investigated.**

**4. Describe in detail the surveillance operation to be authorised and expected duration, including any premises, vehicles or equipment (e.g. camera, binoculars, recorder) that may be used.**

**5. The identities, where known, of those to be subject of the directed surveillance.**

- Name:
- Address:
- DOB:
  
- Other information as appropriate:

**6. Explain the information that it is desired to obtain as a result of the directed surveillance.**

7. Explain why this directed surveillance is necessary for the purpose of preventing or detecting crime or of preventing disorder (Section 28(3)(b) RIPA).

*(This is the only statutory ground available to local authorities upon which applications for directed surveillance may be authorised – SI 2010/521).*

**(Code paragraphs 3.3 and 5.8)**

8. Supply details of any potential collateral intrusion and why the intrusion is unavoidable. (Bear in mind Code paragraphs 3.8 to 3.11)

**Describe precautions you will take to minimise collateral intrusion.**

**9. Explain why this directed surveillance is proportionate to what it seeks to achieve. How intrusive might it be on the subject of surveillance or on others? And why is this intrusion outweighed by the need for surveillance in operational terms or can the evidence be obtained by any other means? (Code paragraph 3.4 to 3.7)**

**10. Confidential information. (Code paragraphs 4.1 to 4.31)  
Indicate the likelihood of acquiring any confidential information:**

**11. Applicant's Details.**

<b>Name</b>		<b>Tel No</b>	
<b>Position</b>		<b>Date</b>	
<b>Signature</b>			

**12. Authorising Officer's Statement.**

I hereby authorise directed surveillance defined as follows: (*Why is the surveillance necessary? Whom is the surveillance directed against? Where and When will it take place? What surveillance activity/equipment is sanctioned? How is it to be achieved?*)

**13. Explain why you believe the directed surveillance is necessary. (Code paragraphs 3.3 and 5.8)**

**Explain why you believe the directed surveillance to be proportionate to what is sought to be achieved by carrying it out. (Code paragraph 3.4 to 3.7 )**



<b>14. (Confidential Information Authorisation) Supply detail demonstrating compliance with Code paragraphs 4.1 to 4.31.</b>			
<b>Date of first review</b>			
<b>Programme for subsequent reviews of this authorisation: (Code paragraph 3.23 and 3.24). Only complete this box if review dates after first review are known. If not or inappropriate to set additional review dates then leave blank.</b>			
<b>Name</b>		<b>Position</b>	
<b>Signature</b>		<b>Date and time</b>	
<b>Expiry date and time (eg authorisation granted on 1 April 2022 – expires on 30 June 2022, 23:59)</b>			

**PART II OF THE REGULATION OF INVESTIGATORY  
POWERS ACT (RIPA) 2000**

**APPLICATION FOR RENEWAL OF A DIRECTED  
SURVEILLANCE AUTHORISATION**  
(Please attach the original authorisation)

<b>Public Authority</b> <i>(including full address)</i>			
<b>Name of Applicant</b>		<b>Department</b>	
<b>Full Address</b>			
<b>Contact Details</b>			
<b>Investigation/Operation Name (if applicable)</b>			
<b>Renewal Number</b>			

<b>DETAILS OF RENEWAL</b>	
<b>1. Renewal numbers and dates of any previous renewals.</b>	
<b>Renewal Number</b>	<b>Date</b>

**2. Detail any significant changes to the information as listed in the original authorisation as it applies at the time of the renewal.**

--

**3. Detail any significant changes to the information as listed in the original authorisation as it applies at the time of the renewal.**

--

**4. Detail why the directed surveillance is still proportionate to what it seeks to achieve.**

--

**5. Indicate the content and value to the investigation or operation of the information so far obtained by the directed surveillance.**

--

**6. Give details of the results of the regular reviews of the investigation or operation.**

--

7. Applicant's Details			
Name		Tel No	
Position		Date	
Signature			

8. Authorising Officer's Comments. <u>This box must be completed.</u>

9. Authorising Officer's Statement.
-------------------------------------

Agenda Item 11  
Annex 1

I, [insert name], hereby authorise the renewal of the directed surveillance operation as detailed above. The renewal of this authorisation will last for 3 months unless renewed in writing.

This authorisation will be reviewed frequently to assess the need for the authorisation to continue.

Name .....	Position
------------	----------

Signature	Date
-----------	------

Renewal From:	Time:	Date:	
---------------	-------	-------	--

<b>Date of first review.</b>	
<b>Date of subsequent reviews of this authorisation</b>	

**APPENDIX 3  
PART II OF THE REGULATION OF INVESTIGATORY  
POWERS ACT (RIPA) 2000**

**CANCELLATION OF A DIRECTED  
SURVEILLANCE AUTHORISATION**

<b>Public Authority</b> <i>(including full address)</i>			
<b>Name of Applicant</b>		<b>Department</b>	
<b>Full Address</b>			
<b>Contact Details</b>			
<b>Investigation/Operati on Name (if applicable)</b>			

<b>DETAILS OF CANCELLATION</b>
<b>1. Explain the reason(s) for the cancellation of the authorisation:</b>

<b>2. Explain the value of surveillance in the operation:</b>

<b>3. Authorising Officer's statement.</b>				
I, [insert name], hereby authorise the cancellation of the directed surveillance investigation/operation as detailed above.				
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Name (Print) .....</td> <td style="width: 50%; border: none;">Position .....</td> </tr> <tr> <td style="border: none;">Signature .....</td> <td style="border: none;">Date .....</td> </tr> </table>	Name (Print) .....	Position .....	Signature .....	Date .....
Name (Print) .....	Position .....			
Signature .....	Date .....			

<b>4. Time and Date of when the Authorising Officer instructed the surveillance to cease.</b>			
<b>Date:</b>		<b>Time:</b>	

<b>5. Authorisation cancelled</b>	<b>Date:</b>	<b>Time:</b>
-----------------------------------	--------------	--------------

**APPENDIX 4  
PART II OF THE REGULATION OF INVESTIGATORY  
POWERS ACT (RIPA) 2000**

**REVIEW OF A DIRECTED  
SURVEILLANCE AUTHORISATION**

<b>Public Authority</b> <i>(including full address)</i>			
<b>Name of Applicant</b>		<b>Department</b>	
<b>Full Address</b>			
<b>Contact Details</b>			
<b>Operation Name</b>			
<b>Date of authorisation or last renewal</b>		<b>Expiry date of authorisation or last renewal</b>	
		<b>Review Number</b>	

<b>DETAILS OF REVIEW</b>	
<b>1. Explain the reason(s) for the cancellation of the authorisation:</b>	
<b>Review Number</b>	<b>Date</b>



**2. Summary of the investigation/operation to date, including what private information has been obtained and the value of the information so far obtained.**

--

**3. Detail the reasons why it is necessary to continue with the directed surveillance.**

--

**4. Explain how the proposed activity is still proportionate to what it seeks to achieve.**

--

**5. Detail any incidents of collateral intrusion and the likelihood of any further incidents of collateral intrusions occurring**

--

**6. Give details of any confidential information acquired or accessed and the likelihood of acquiring confidential information**

--

7. Applicant's Details			
<b>Name</b>		<b>Tel No</b>	
<b>Position</b>		<b>Date</b>	
<b>Signature</b>			

8. Review Officer's Comments, including whether or not the directed surveillance should continue.

9. Authorising Officer's Statement.				
<p>I, [insert name], hereby agree that the directed surveillance investigation/operation as detailed above [should/should not] continue [until its next review/renewal][it should be cancelled immediately].</p>				
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Name</td> <td style="width: 50%; border: none;">Position</td> </tr> <tr> <td style="border: none;">Signature .....</td> <td style="border: none;">Date</td> </tr> </table>	Name	Position	Signature .....	Date
Name	Position			
Signature .....	Date			

<b>10. Date of next review.</b>	
---------------------------------	--

# Agenda Item 11

## Annex 1

### Appendix 5 – List of Senior Authorising Officers Authorising Officers, Senior Responsible Officer and RIPA Monitoring Officer

Post Title	Current Post Holder	RIPA post	Contact Details
Head of Paid Service	Colin Carmichael	Senior Authorising Officer / Senior Responsible Officer	Tel - <a href="tel:01843577008">01843 577008</a> Call phone (01843 577008)  <a href="#">Cecil Street Margate, CT9 1XZ</a>
Director of Corporate Services & S151 officer	Chris Blundell	Authorising Officer/ Senior Authorising Officer in the absence of the Head of Paid Service	Tel - <a href="tel:01843577722">01843 577722</a> Call phone (01843 577722)  <a href="#">Cecil Street Margate, CT9 1XZ</a>
Head of Legal Services & Monitoring Officer	Ingrid Brown	RIPA Monitoring Officer	Tel - <a href="tel:01843577455">01843 577455</a>  <a href="#">Cecil Street Margate, CT9 1XZ</a>
Head of Neighbourhoods	Penny Button	Authorising Officer	Tel - 01843 577 425  <a href="#">Cecil Street Margate, CT9 1XZ</a>
Enforcement & Multi Agency Task Force Manager)	Eden Geddes (Enforcement & Multi Agency Task Force Manager)	Authorising Officer	Tel - 01843 577608  <a href="#">Cecil Street Margate, CT9 1XZ</a>

# Appendix 6 - RIPA MANAGEMENT STRUCTURE

## Directed Surveillance

Court



**Authorising Officers**

**Colin Carmichael**  
Head of Paid Service

**Chris Blundell**  
Director of Corporate Services

**Penny Button**  
Head of Neighbourhoods

**Eden Geddes**  
Enforcement & Multi Agency Task Force Manager)



Applying Officer

Ingrid Brown - Head of Legal & Monitoring Officer  
RIPA Monitoring Officer

## CHIS

Court



**Colin Carmichael**  
Head of Paid Service

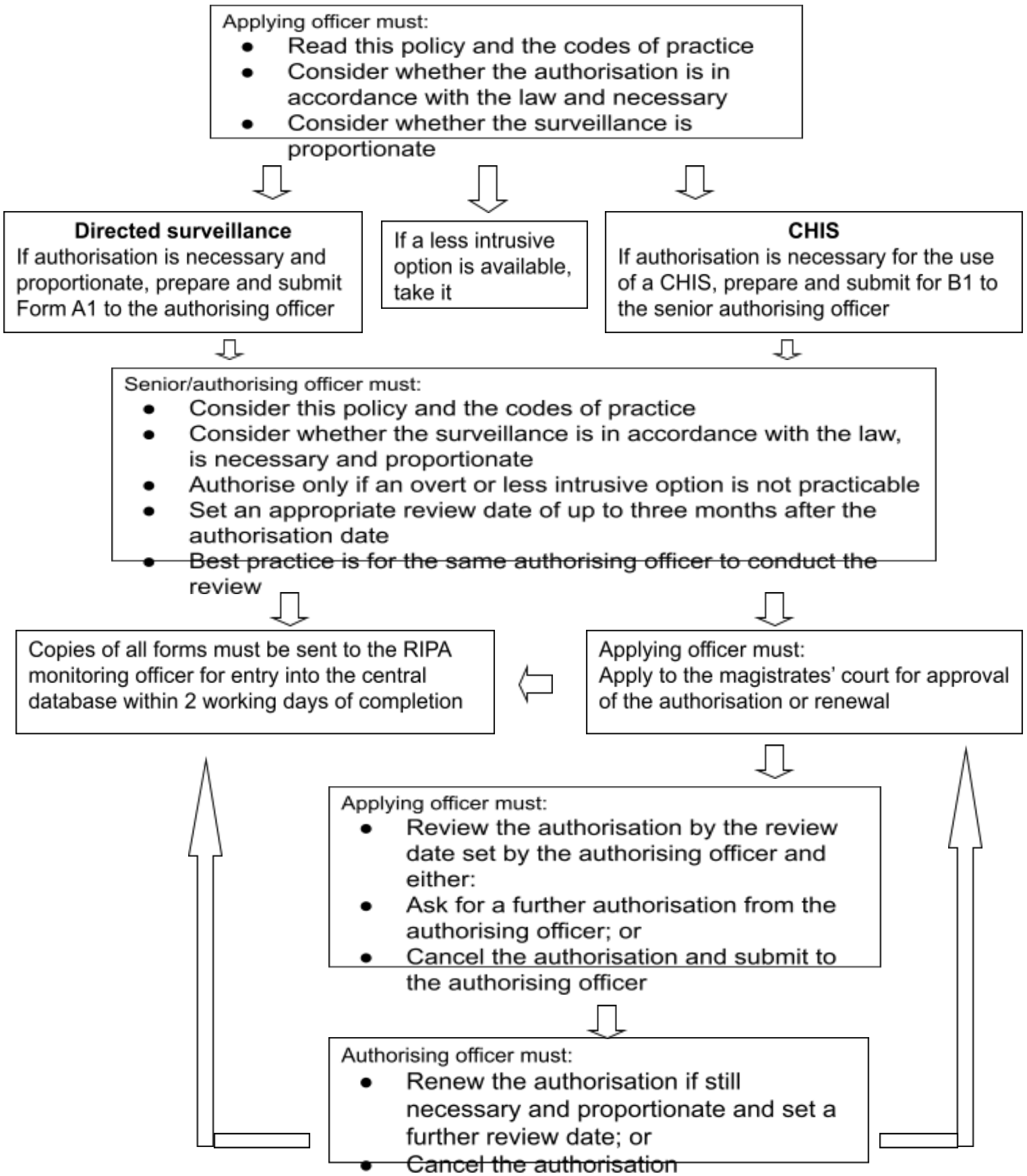
Or

**Chris Blundell**  
Director of Corporate Services



Applying Officer

Appendix 7 – Flow Chart for Directed Surveillance and CHIS



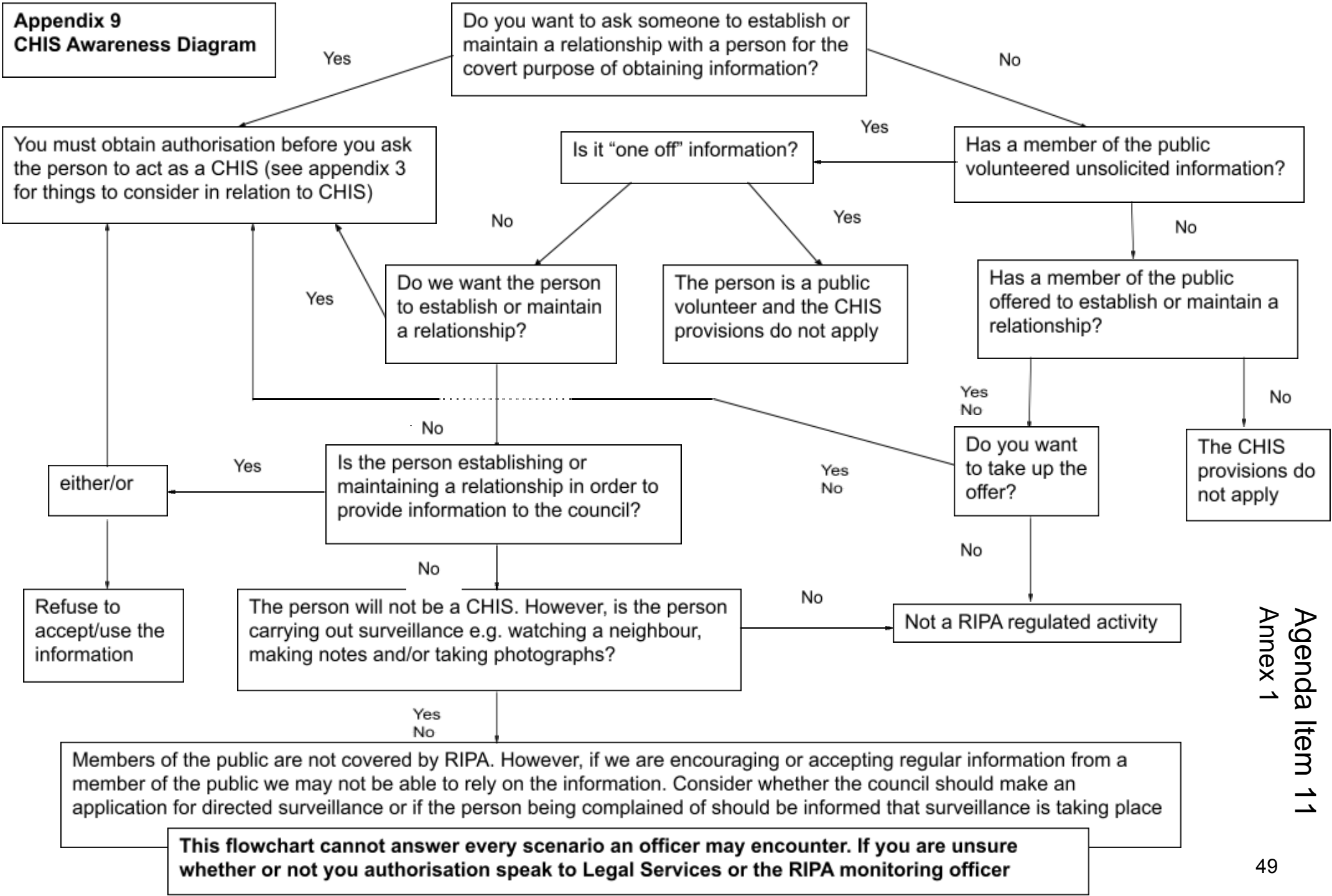
Applying officer – the person who makes a request to use RIPA powers;  
 Authorising officer – the person who considers whether or not to grant an authorisation;  
 Senior authorising officer – the senior person who considers whether or not to grant an authorisation for the use of a CHIS

### Appendix 8 – Additional Notes for the Use and Management of a CHIS

#### Tasking

- 1 “Tasking” is the assignment given to the CHIS by the persons defined in sections 29(5) (a) and (b) of RIPA, asking him/her to obtain information, provide access to information or to otherwise act incidentally, for the benefit of the relevant public authority.
- 2 Authorisation for the use or conduct of a CHIS must be obtained prior to any tasking where such tasking requires the CHIS to establish or maintain a personal or other relationship for a covert purpose.
- 3 The person referred to in section 29(5) (a) of RIPA will have day to day responsibility for:
  - Dealing with the CHIS on behalf of the Council
  - Directing the day to day activities of the CHIS
  - Recording the information supplied by the CHIS, and
  - Monitoring the CHIS’s security and welfare
- 4 The person referred to in section 29(5) (b) of the 2000 Act will be responsible for the general oversight of the use of the CHIS.
- 5 The authorisation should not be drawn so narrowly that a separate authorisation is required each time the CHIS is tasked. The authorisation could cover the broad terms of the CHIS’s task.
- 6 The persons mentioned in paragraphs 3 and 4 above must take great care to ensure that actions are recorded in writing and must also keep the authorisation under review to ensure that it covers what the CHIS is actually doing. During the course of a task, unforeseen events may occur which mean that the authorisation may need to be cancelled and applied for again.
- 7 The Corporate Director – Strategy as Head of Paid Service of the Council has the power to appoint officers to act under s29(5)(a) and (b) of RIPA.
- 8 In relation to health and safety, before tasking a CHIS, the relevant Officers will ensure that a risk assessment is carried out which determines the risk to the CHIS and to others in carrying out the task. The ongoing security and welfare of the CHIS after the task has been completed should also be considered.
- 9 Further advice on good practice is contained within the CHIS [Code of Practice](#).

**Appendix 9  
CHIS Awareness Diagram**



Agenda Item 11  
Annex 1





PO Box 29105, London

Ms Madeline Homer  
Chief Executive Thanet  
District Council *By email*

8 April 2022

Dear Ms Homer,

**IPCO Surveillance and CHIS Inspection of Thanet District Council  
Regulation of Investigatory Powers Act 2000 (RIPA)**

*Please be aware that IPCO is not a “public authority” for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: [info@ipco.org.uk](mailto:info@ipco.org.uk)), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.*

Your Council was originally due to be the subject of a remote inspection, however owing to your significant previous use of RIPA powers, including a rejected application and associated non-RIPA authorisation for internal surveillance, the decision was made to conduct a physical visit. This inspection has been delayed by the Covid pandemic but finally took place on Monday 28<sup>th</sup> March 2022 and was facilitated by the Senior Responsible Officer for RIPA matters, Estelle Culligan – Director of Law and Democracy, and Eden Geddes - Head of the Thanet Multi-Agency Task Force.

The last inspection, a desktop examination of your processes, was conducted in late 2017 and resulted in no recommendations. Between 2017 and 2019, RIPA powers to authorise directed surveillance were used on nine occasions, and a non-RIPA process once. All relevant material was sent to Mrs Athorn by email in advance of the inspection. The visit to your Council provided an opportunity to debrief the content of these, with the following a summary of the feedback:

- i. Operation Urban was an investigation into the conduct of civil enforcement officers concerning their activities while on duty. A directed surveillance application was initially authorised on the 11<sup>th</sup> October 2017, but was rejected at the court approval stage on the 23<sup>rd</sup> of the same month because the operation did not relate to a ‘core function’ of the Council, in accordance with paragraph 3.35 of the Covert Surveillance and Property Interference Code of Practice (the Code).
- ii. The application lacked background information, such as how the allegations had arisen, what investigative activity had been conducted so far, and a justification as to why the personnel concerned had been selected. The necessity and proportionality were equally as brief and failed to conform to the standard required by the Code.



# Agenda Item 11

## Annex 2

A draft RIPA policy document, setting out how covert investigatory powers may be applied for and authorised, has been in draft format since the last inspection in 2017. I understand that this document is now under formal review, with a view to it being finalised and published. The final draft will be presented to Members via the Governance and Audit Committee during the next meeting in July. It is suggested that for transparency, a copy of this letter also be submitted for their awareness<sup>1</sup>.

In her capacity as Acting Senior Responsible Officer, Ms Culligan's intention is to identify the most appropriate senior personnel to be designated as Authorising Officers, replacing staff who have left the Council. Mr Geddes has also indicated his contentment to act as Gatekeeper, having had some knowledge of RIPA processes from a former role in another council. All key personnel, including the SRO and AOs, require refresher training to ensure that they are up to date with the processes contained within the amended policy and the content of the latest Codes of Practice. I also recommend focusing on the key element of how Council staff make use of the internet and social media during investigations.

Efforts have been made to re-establish the Central Record of authorisations, which will now be retained within the Legal Services Team under the control of the SRO. All RIPA material, that is the Central Record of authorisations, applications, authorisations, reviews and cancellations, and any material obtained as a result of surveillance or CHIS activity, is subject to the Data Safeguards chapters contained within both the Surveillance and CHIS Codes of Practice. These safeguards apply to the handling, retention, review and deletion (RRD) of RIPA material and require that you take active steps to ensure all material is held in accordance with your document retention policy.

In order to provide reassurance that RIPA material is retained in a compliant manner, and that you have the necessary policies and procedures for RRD in place, I will require confirmation in your response to this letter that such a review has been completed.

I am very appreciative of the way [REDACTED] was welcomed on the day of the inspection. She was left with the impression that there is a willingness to re-establish processes to ensure that the Council returns to a compliant state.

I would be grateful if you could respond to this letter within two months, and provide me with an Action Plan which sets out how you plan to address the areas requiring improvement, and the related timescales set for this, as well as updating me on any matters that have, by then, been dealt with.

If you have any feedback about the inspection process, I am always pleased to receive it.

Yours sincerely,



**The Rt. Hon. Sir Brian Leveson**  
The Investigatory Powers Commissioner

---

<sup>1</sup> Please note that if this letter is to be made publicly available, you should seek a redacted version from my Office.

This page is intentionally left blank



Investigatory Powers  
Commissioner's Office

PO Box 29105, London

Mr Colin Carmichael  
Chief Executive  
Thanet District Council

By email - [colin.carmichael@thanet.gov.uk](mailto:colin.carmichael@thanet.gov.uk)

21/06/2023

Dear Mr Carmichael,

**IPCO Surveillance and CHIS Inspection of Thanet District Council  
Regulation of Investigatory Powers Act 2000 (RIPA)**

*Please be aware that IPCO is not a “public authority” for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: [info@ipco.org.uk](mailto:info@ipco.org.uk)), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.*

Your Council was subject of an IPCO inspection in March 2022 at a time when a different Chief Executive and Senior Responsible Officer were in place. I am aware that you were provided with a copy of the findings shortly after your interim appointment last July, and my Chief Inspector has been in correspondence with Ms Sameera Khan, your Interim Head of Legal Services, over the past year. As you may recall, I was keen to see that the compliance failures identified by [REDACTED], IPCO Inspector, during her visit, had been appropriately addressed.

Whilst it has taken some time to resolve all the issues identified, I am pleased to note that Ms Khan ensured that your Elected Members signed off an updated RIPA Policy in July 2022, and are to do so again, as required annually, next month. I am also very pleased to note that RIPA training, which is essential to ensure that all employees at Thanet know when RIPA might be called into play, either through formal authorisation or as an unintended consequence, has now been delivered, with plans to ensure this is maintained as an ongoing commitment.

The retention, review and destruction of material obtained through the use of covert powers is required under the Safeguards Chapters of the Home Office Codes of Practice for Surveillance and CHIS. Ms Khan has tried to identify whether any product from the Council's last use of the powers, several years ago, has been retained, but to no avail. If any is eventually found, then after this period of time, destruction will be required. I am pleased to see that a policy and procedure is now in place for any future use of covert powers, to ensure the Safeguards are applied.

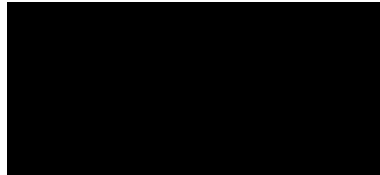
# Agenda Item 11

## Annex 3

Whilst your Council may not use the powers available to it under RIPA on a regular basis, it is important to ensure that staff awareness of the topic, and robust internal governance, are carried forward. I ask that you, as Chief Executive, take a personal interest and provide the necessary assistance to your Senior Responsible Officer for RIPA to ensure compliant standards are maintained.

On that basis, I am content that Thanet will not need to be inspected by IPCO again until 2025. If you or Ms Khan require any assistance before then, please feel free to contact my Office.

Yours sincerely,



The Investigatory Powers Commissioner

## Annual Treasury Management Review 2022/23

**Governance & Audit Committee** 26 July 2023

<b>Report Author</b>	Chris Blundell, Director of Corporate Services and Section 151 Officer
<b>Portfolio Holder</b>	Councillor Rob Yates, Cabinet Member for Corporate Services
<b>Status</b>	For Decision
<b>Classification</b>	Unrestricted
<b>Previously Considered by</b>	N/A
<b>Ward</b>	Thanet Wide

### Executive Summary:

This report summarises treasury management activity and prudential/ treasury indicators for 2022/23. However, the council's 2020/21, 2021/22 and 2022/23 accounts have not yet been audited and hence the figures in this report are subject to change. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

*“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions;  
the effective control of the risks associated with those activities; and  
the pursuit of optimum performance consistent with those risks.”*

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the 2022/23 year-end position for treasury activities.

Key reporting items to consider include:

- 2022/23 capital expenditure on long term assets was £16.2m (2021/22: £12.7m), against a budget of £49.8m.
- The council's gross debt, also called the borrowing position, at 31 March 2023 was £19.9m (31 March 2022: £20.2m).
- The council's underlying need to borrow to finance its capital expenditure, also called the Capital Financing Requirement (CFR), was £52.2m at 31 March 2023 (31 March 2022: £51.7m).
- Therefore it can be reported the council has complied with the requirement to hold less gross debt than its CFR.
- The maximum debt held by the council during 2022/23 was £20.2m, which was well within the statutory authorised limit of £96.0m.

- At 31 March 2023 the council's investment balance was £60.6m (31 March 2022: £51.3m).
- A marked reduction in GF capital receipts over the last few years, which has implications for funding the future capital programme.

## **Recommendation(s):**

That the Governance & Audit Committee:

1. Notes the actual 2022/23 prudential and treasury indicators in this report;
2. Makes comments as appropriate on this Annual Treasury Management Report for 2022/23;
3. Recommends this report to council for approval.

## **Corporate Implications**

### **Financial and Value for Money**

The financial implications are highlighted in this report.

## **Legal**

Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the council's finances. For this council, this is the Director of Corporate Services and Section 151 Officer, and this report is helping to carry out that function.

## **Risk Management**

Risk management is as per the provisions of the annual Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

## **Corporate**

Failure to undertake this process will impact on the council's compliance with the Treasury Management Code of Practice.

## **Equalities Act 2010 & Public Sector Equality Duty**

There are no equity and equalities implications arising directly from this report, but the council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

It is important to be aware of the council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by council.

## **CORPORATE PRIORITIES**

This report relates to the following corporate priorities: -



- Growth
- Environment
- Communities.

## 1. Introduction and Background

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

*“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions;*

*the effective control of the risks associated with those activities; and*

*the pursuit of optimum performance consistent with those risks.”*

- 1.2. The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council’s low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.3. The second main function of the treasury management service is the funding of the council’s capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that the council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any existing debt may also be restructured to meet council risk or cost objectives.

## 2. Reporting Requirements

- 2.1. This council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 2.2. During 2022/23 the minimum reporting requirements were that the full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 10/02/2022):  
<https://democracy.thanet.gov.uk/documents/s75310/Treasury%20Mgmt%20Strategy%202022-23%20Council.pdf>
  - a mid-year treasury update report (Council 08-12-2022):

<https://democracy.thanet.gov.uk/documents/s79524/Council%20%20Dec%2022%20-%20Mid%20Year%20Report%20Council%202022-23.pdf>

- an annual review following the end of the year describing the activity compared to the strategy (this report).
- 2.3. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the 2022/23 year-end position for treasury activities and highlights compliance with the council's policies previously approved by members.
- 2.4. This council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full council. Member training on treasury management issues was last undertaken on 24 March 2022 in order to support members' scrutiny role, and further training will be arranged as required. The council's external treasury management advisor is Link Group, Treasury Solutions (Link).
- 2.5. The council's 2020/21, 2021/22 and 2022/23 accounts have not yet been audited and hence the figures in this report are subject to change

### 3. The Council's Capital Expenditure and Financing

- 3.1. The council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the council's borrowing need; or
  - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure for the General Fund (GF) and the Housing Revenue Account (HRA) and how this was financed.

	2021-22 Provisional Actual £'000	2022-23 Budget £'000	2022-23 Provisional Actual £'000
Capital expenditure - GF	7,425	41,658	12,055
Capital expenditure - HRA	5,301	8,140	4,099
<b>Capital expenditure - Total</b>	<b>12,726</b>	<b>49,798</b>	<b>16,154</b>
<b>Financed by:</b>			
Capital receipts	933	3,936	1,159
Capital grants	5,660	32,637	7,104
Revenue and reserves	4,978	8,708	5,940
Borrowing	1,155	4,517	1,951

<b>Total</b>	<b>12,726</b>	<b>49,798</b>	<b>16,154</b>
--------------	---------------	---------------	---------------

- 3.2. Full details of capital expenditure and explanations of variances from budget will be reported within the Financial and Performance Monitoring Year-End Report to Cabinet. The council is committed to tackling the significant level of slippage in the capital programme as per the following extract from section 5 of the council's Capital Strategy document:

*“Slippage will not be an acceptable norm. Capital schemes will be at risk of having their council funding re-directed should there be delays that cannot be substantiated (schemes that are externally funded may require more flexibility however).”*

#### 4. The Council's Overall Borrowing Need

- 4.1. The council's underlying need to borrow to fund its capital expenditure is termed the Capital Financing Requirement (CFR). The CFR can be thought of as the outstanding debt that still needs to be repaid in relation to the capital assets (buildings, vehicles etc) that the council has purchased or invested in. It can also be helpful to compare it to the outstanding balance that is still payable on a loan or a mortgage, in this case we are considering how much of the council's debt still needs to be paid for.
- 4.2. Part of the council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB], or the money markets) or utilising temporary cash resources within the council.
- 4.3. **Reducing the CFR** – the council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. 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-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
- 4.4. The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
  - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 4.5. The Council's 2022/23 MRP Policy (as required by DLUHC Guidance) was approved as part of the Treasury Management Strategy Report for 2022/23 on 10 February 2022.

- 4.6 The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes any PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against any such schemes as a borrowing facility is included in the contract.

CFR - GF	31 March 2022 Provisional Actual £'000	31 March 2023 Budget £'000	31 March 2023 Provisional Actual £'000
Opening balance	28,449	23,165	23,165
Add unfinanced capital expenditure (as above)	627	3,936	1,867
Less MRP/VRP*	(5,911)	(1,111)	(1,110)
Less PFI & finance lease repayments	0	0	0
Closing balance	23,165	25,990	23,922

CFR - HRA	31 March 2022 Provisional Actual £'000	31 March 2023 Budget £'000	31 March 2023 Provisional Actual £'000
Opening balance	28,236	28,514	28,514
Add unfinanced capital expenditure (as above)	528	581	84
Less MRP/VRP*	(250)	(285)	(286)
Less PFI & finance lease repayments	0	0	0
Closing balance	28,514	28,810	28,312

\* Includes voluntary application of capital receipts

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

- 4.7 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the council should ensure that its gross external borrowing (borrowing undertaken with financial institutions or external organisations) does not, except in the short term, exceed the total of the CFR in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years.
- 4.8 This essentially means that the council is only borrowing to fund capital expenditure and is not borrowing to support revenue expenditure. Under statutory requirements councils are not allowed to borrow to fund their revenue budget activities.

- 4.9 By assessing this indicator over four years it allows the council some flexibility to borrow in advance of its immediate capital needs in 2022/23. The table below highlights the Council’s gross borrowing position against the CFR and shows that the council has complied with this prudential indicator, as the council’s gross debt of **£19.9m** is less than the **£52.2m** CFR at 31 March 2023.

	<b>31 March 2022 Provisional Actual £'000</b>	<b>31 March 2023 Budget £'000</b>	<b>31 March 2023 Provisional Actual £'000</b>
CFR GF	23,165	25,990	23,922
CFR HRA	28,514	28,810	28,312
<b>Total CFR</b>	<b>51,679</b>	<b>54,800</b>	<b>52,234</b>
Gross borrowing position	(20,216)	(48,157)	(19,882)
Underfunding of CFR	31,463	6,643	32,352

- 4.10 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the council does not have the power to borrow above this level.
- 4.11 **The operational boundary** – the operational boundary is the expected borrowing position of the council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 4.12 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.
- 4.13 The table below shows that during 2022/23 the Council’s maximum gross debt position was **£20.2m** and therefore it has maintained gross borrowing within its authorised limit and operational boundary.

	<b>2022/23 £000</b>
Authorised limit	96,000
Maximum gross borrowing position during the year	20,216
Operational boundary	86,000
Average gross borrowing position	20,018

	<b>2022/23 %</b>
Financing costs as a proportion of net revenue stream - GF	TBA*

Financing costs as a proportion of net revenue stream -HRA	TBA*
--	------

\*2022/23 accounts in preparation and figures not yet available

## 5. Treasury Position as at 31 March 2023

5.1. The council's treasury management 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 member reporting detailed above, and through officer activity detailed in the council's Treasury Management Practices. At the end of 2022/23 the council's treasury position (excluding any borrowing for PFI and finance leases) was as follows:

	31 March 2022 Principal £'000	Rate/ Return %	Average Life Years	31 March 2023 Principal £'000	Rate/ Return %	Average Life Years
<b>Gross Debt Position</b>						
GF debt	7,629	3.44%	15.7	7,295	3.50%	15.5
HRA debt	12,587	4.24%	8.8	12,587	4.36%	8.1
<b>Total debt (all fixed rate)</b>	<b>20,216</b>	<b>3.95%</b>	<b>11.4</b>	<b>19,882</b>	<b>4.04%</b>	<b>10.8</b>
<b>CFR compared to Gross Debt</b>						
GF CFR	23,165			23,922		
HRA CFR	28,514			28,312		
<b>Total CFR</b>	<b>51,679</b>			<b>52,234</b>		
<b>Under- borrowing</b>	<b>31,463</b>			<b>32,352</b>		
<b>Net Debt / Investment</b>						
Total debt	20,216	3.95%	11.4	19,882	4.04%	10.8
Total investments	(51,308)	0.10%		(60,599)	2.28%	
<b>Net debt / (investment)</b>	<b>(31,092)</b>			<b>(40,717)</b>		

5.2. This table shows that, as previously stated, gross debt was £19.882m and the CFR was £52.234m at the end of 2022/23. This means the Council is in an under borrowed position of £32.352m, as external gross debt is less than the CFR.

## Agenda Item 12

- 5.3. This table also shows that the council's investments totalled £60.599m at the 2022/23 year end and therefore was in a net investment position, as investments held exceeded gross debt by £40.717m.
- 5.4. As at 31 March 2023, all of the debt is from the Public Works Loan Board (PWLB), which is a facility operated by the UK Debt Management Office on behalf of HM Treasury and provides loans to local authorities, apart from a market loan of £4.5m principal at 4.19% with an average life of 0.5 years.
- 5.5. The maturity structure of the debt portfolio, or the timeline of when the council's debt is repayable, was as follows:

	31 March 2022 actual £000	2022/23 upper limits £000	31 March 2023 actual £000
Under 1 year	4,834	9,941	4,759
1 year to under 2 years	259	9,941	2,487
2 years to under 5 years	2,662	9,941	262
5 years to under 10 years	2,356	9,941	2,356
10 years to under 20 years	7,185	9,941	7,098
20 years to under 30 years	1,920	9,941	1,920
30 years to under 40 years	0	9,941	0
40 years to under 50 years	1,000	9,941	1,000
50 years and above	0	9,941	0
<b>Total debt</b>	<b>20,216</b>		<b>19,882</b>

- 5.6. The following table shows the value of the type of investments the council was holding at year-end. All investments at the 2021/22 and 2022/23 year-end were for under one year.

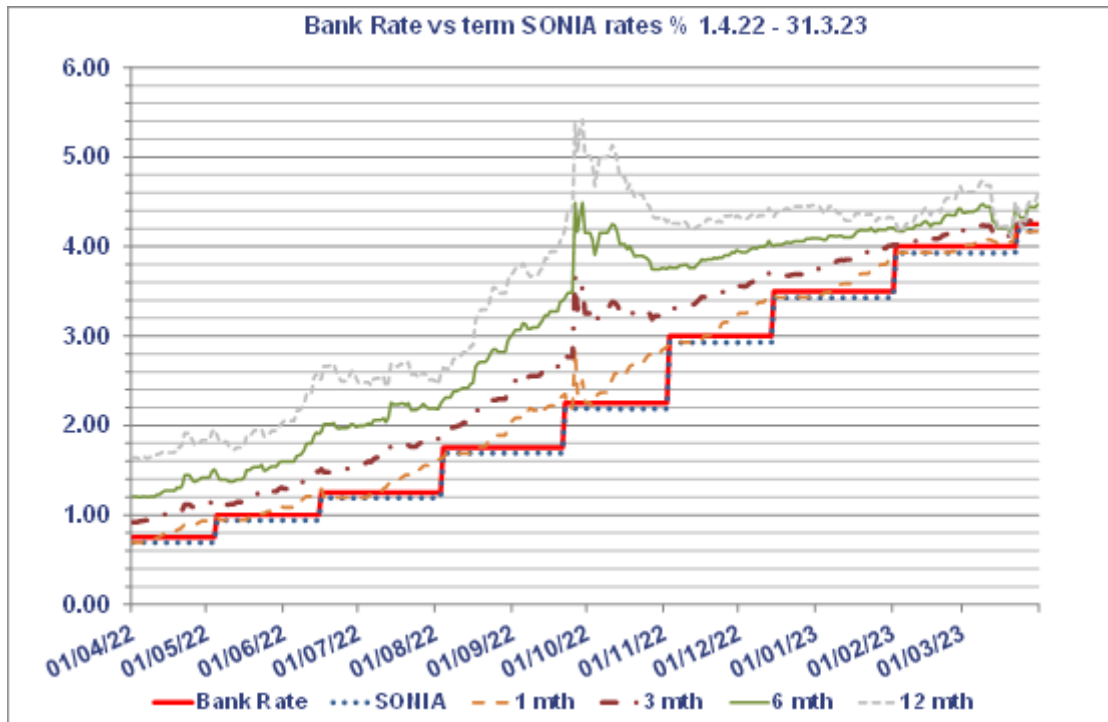
	31 March 2022 actual £000	31 March 2022 actual %	31 March 2023 actual £000	31 March 2023 actual %
Banks - Instant Access	30	0.06	30	0.05
Banks - Notice Accounts	4,055	7.90	4,055	6.69
Banks - Fixed Term Deposits	100	0.19	2,000	3.30
Money Market Funds	46,124	89.90	53,512	88.31
Bond Funds	999	1.95	1,002	1.65
<b>Total Treasury Investments</b>	<b>51,308</b>	<b>100.00</b>	<b>60,599</b>	<b>100.00</b>



**6. The Strategy for 2022/23**

**6.1. Investment strategy and control of interest rate risk**

6.1.1. The following chart tracks the Bank of England base rate of interest and the Sterling Overnight Index Average (SONIA) during 2022/23.



6.1.2 Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not necessarily transitory, and that tighter monetary policy was called for.

6.1.3 Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the expectation of a further one or two increases in 2023/24.

6.1.4 The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

6.1.5 With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and



less than a year in duration) became more actively used. This Council does not invest in equity or property funds, and the bond fund it uses is classified as a short duration fund.

6.1.6 Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

6.1.7 Nonetheless, while the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Great Financial Crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

## 6.2. **Borrowing strategy and control of interest rate risk**

6.2.1. During 2022/23, the council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

6.2.2. A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. The Council sought to avoid taking on long-term borrowing at elevated levels and has focused on a policy of internal borrowing.

6.2.3. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

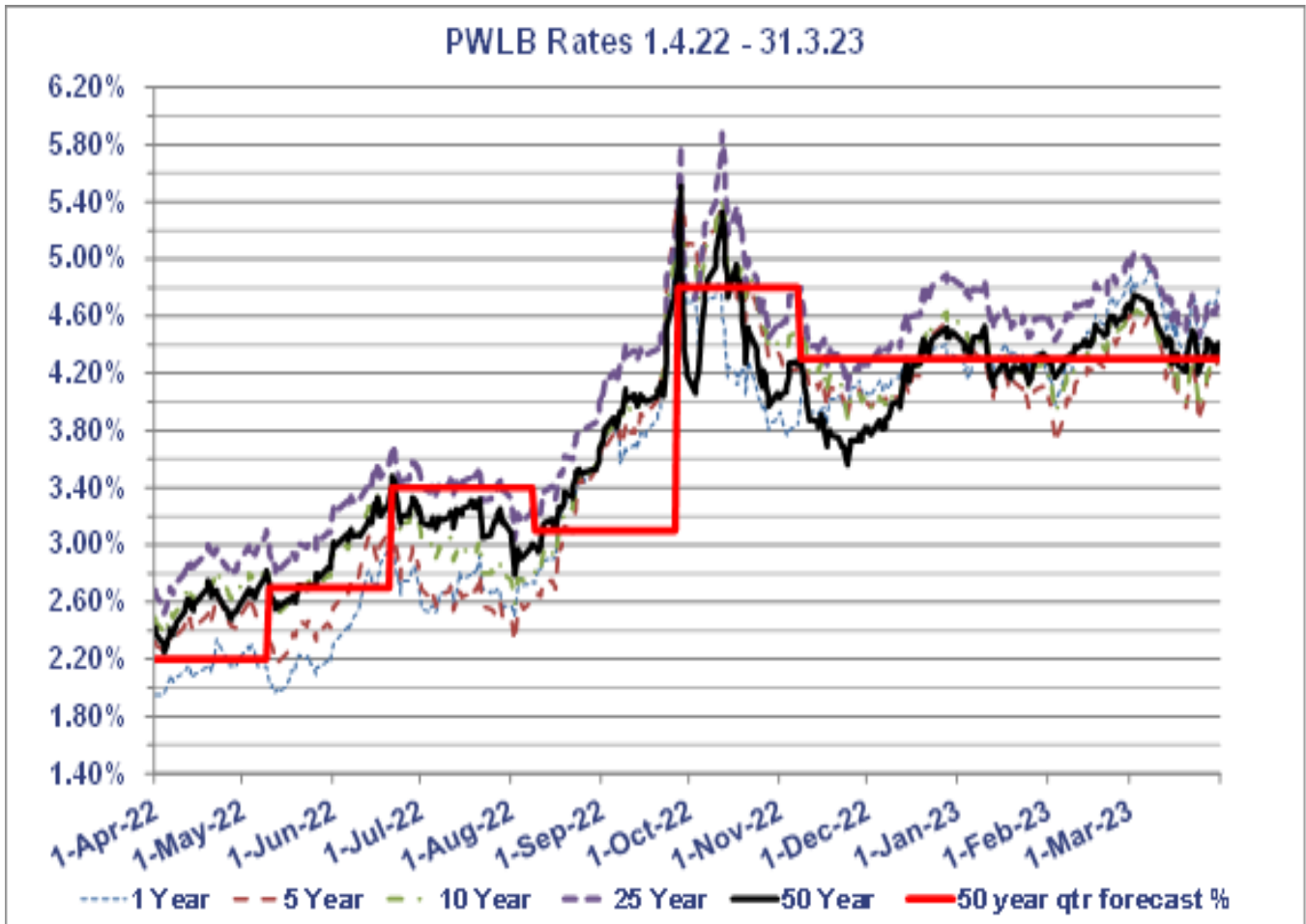
6.2.4. Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected (e.g. perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks), then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

6.2.5 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. The CPI measure of inflation was above 10% in the UK by the end of 2022/23 but is expected to fall back by year end. Nonetheless, there remain significant risks to that central forecast.

Link Group Interest Rate View 27.03.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
<b>BANK RATE</b>	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10



6.2.6 PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

6.2.7 However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, by the financial year-end the FOMC, ECB and Bank of England

were all being challenged by persistent inflation exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

- 6.2.8 Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2022. At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, with the 1 year being the highest and 6-7.5 years being the lowest yield.
- 6.2.9 Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- 6.2.10 There may be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England's 2% target.
- 6.2.11 As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.
- 6.2.12 The Bank of England is also embarking on a process of Quantitative Tightening, but the scale and pace of this has already been affected by the Truss/Kwarteng "fiscal experiment" in the autumn of 2022 and more recently by the financial market unease with some US (e.g., Silicon Valley Bank) and European banks (e.g., Credit Suisse). There is expected to be a gradual reduction of the Bank's original £895bn stock of gilt and corporate bonds, selling it back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is unknown as at 31 March 2023.
- 6.3. **Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2022/23 (approved by the Council on 10 February 2022) was revised during 2022/23 in the mid-year treasury update report (approved by the Council on 8 December 2022).

## 7. **Borrowing Outturn for 2022/23**

- 7.1. **Borrowing** – Due to investment concerns, both counterparty risk and comparatively low investment returns, no borrowing was undertaken during the year.
- 7.2. **Borrowing in advance of need** - The council has not borrowed more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed.

7.3. **Rescheduling** – No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7.4. **Repayments** – The council repaid £0.334m of maturing debt using investment balances, as below:

Lender	Principal £'000	Interest Rate	Repayment Date
Salix	4	0.00%	01-04-22
PWLB	43	3.08%	25-04-22
PWLB	50	2.48%	27-05-22
PWLB	72	1.28%	20-06-22
PWLB	43	3.08%	24-10-22
PWLB	50	2.48%	28-11-22
PWLB	72	1.28%	20-12-22
<b>Total</b>	<b>334</b>		

7.5. **Summary of debt transactions** – The average interest rate on the debt portfolio increased from 3.95% to 4.04% during the year. This was due to the repayment of maturing debt as shown above.

## 8. Investment Outturn for 2022/23

8.1. **Investment Policy** – the council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the council on 10 February 2022. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

8.2. The investment activity during the year conformed to the approved strategy, and the council had no liquidity difficulties.

8.3. **Resources** - the council’s cash balances comprise revenue and capital resources and cash flow monies. The council’s core cash resources comprised as follows:

Balance Sheet Resources	31 March 2022 Provisional £000	31 March 2023 Provisional £000
GF Balance	2,011	TBA*
Earmarked Reserves	21,502	TBA*

HRA Balance	6,364	TBA*
Capital Receipts Reserve	7,396	8,222
Major Repairs Reserve	15,014	TBA*
Capital Grants Unapplied	43	TBA*
<b>Total Usable Reserves</b>	<b>52,330</b>	<b>TBA*</b>

\*2022/23 accounts in preparation and figures not yet available

#### 8.4. **Investments held by the council**

- The council maintained an average balance of £58.428m of internally managed funds.
- The internally managed funds earned an average rate of return of 2.28%.
- The comparable performance indicator to the end of 2023 was the average 7 day SONIA compounded rate which was 2.19%.
- This compares with an original budget assumption of £35m investment balances earning an average rate of 0.50%.
- Total investment income was £1,333k compared to a budget of £175k.

8.5. **Investments held by fund managers** – the council does not use external fund managers on a discretionary basis for any part of its investment portfolio.

### 9. **Investment risk benchmarking**

9.1. The following investment benchmarks were set in the council's 2022/23 annual treasury strategy:

9.1.1. **Security** - The council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio (excluding unrated investments).

9.1.2. **Liquidity** – in respect of this area the council seeks to maintain:

- Liquid short term deposits of at least £10m available with a week's notice.
- Weighted average life benchmark is expected to be in the range of 0 to 1 years, with a maximum of 5 years.

9.1.3. **Yield** - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day SONIA compounded rate.

9.1.4. The council kept to the above benchmarks during 2022/23.

### 10. **Fair Value of Investments (IFRS 9)**

- 10.1 Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse all unrealised fair value movements resulting from pooled investment funds to 31<sup>st</sup> March 2025. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.
- 10.2 As at 31 March 2023, the Council had £1m in a pooled investment fund accounted for at fair value, with an unrealised fair value gain of £24k.

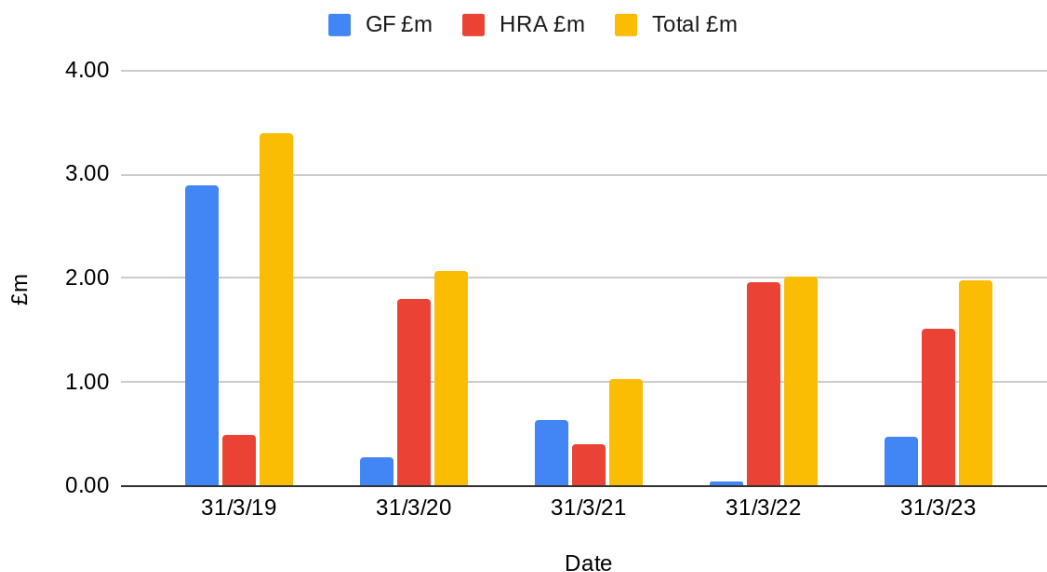
## 11. International Financial Reporting Standard 16 (IFRS 16)

- 11.1 The implementation of IFRS16 (bringing almost all lease liabilities onto the balance sheet together with the corresponding 'right of use' assets) has been delayed once more to 2024/25.

## 12. Capital Receipts

- 12.1 The chart below shows a 5 year summary of net capital receipts. It excludes the 2020/21 and 2021/22 capital receipts from the Dreamland disposal, as these have been used to reduce the council's capital financing requirement (CFR) rather than finance the future capital programme.

### Net Capital Receipts - GF/HRA (5 Year Summary)



- 12.2 As can be seen from this chart, there has been a marked reduction in GF capital receipts over the last few years, which has implications for funding the future capital programme.

## **13. Capital Financing**

- 13.1 The 2022/23 accounts are in preparation and figures are not yet available to compare the council's CFR (showing how much of the council's capital / long-term assets had yet to be funded) against its Capital Adjustment Account (showing how much had effectively been paid off or funded) and its Revaluation Reserve (showing the aggregate increase in value of these assets since acquisition by the council).

## **14. Options**

- 14.1 The recommended option (to ensure regulatory compliance as set out in section 1 of this report) is that the Governance & Audit Committee:
- Notes the actual 2022/23 prudential and treasury indicators in this report.
  - Makes comments as appropriate on this Annual Treasury Management Report for 2022/23.
  - Recommends this report to Council for approval.
- 14.2 Alternatively, the Governance & Audit Committee may decide not to do this and provide reason(s) why.

## **15. Disclaimer**

- 15.1 This report is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. Neither Thanet District Council nor any of its officers or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein (such information being subject to change without notice) and shall not be in any way responsible or liable for the contents hereof and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. Any opinions, forecasts or estimates herein constitute a judgement and there can be no assurance that they will be consistent with future results or events. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

Contact Officer: Chris Blundell, Director of Corporate Services & Section 151 Officer

Reporting to: Colin Carmichael, Interim Chief Executive

### **Annex List**

**Annex 1:** Report Guidance

**Annex 2:** Abbreviations and Definitions

**Annex 3:** The Economy and Interest Rates

### **Corporate Consultation Undertaken**



# Agenda Item 12

**Finance:** n/a

**Legal:** Sameera Khan, Interim Head of Legal & Monitoring Officer

This page is intentionally left blank

## **ANNUAL TREASURY MANAGEMENT REVIEW 2022/23**

### **Annex 1: Report Guidance**

#### Borrowing Need

This section includes the council's debt and Capital Financing Requirement (CFR) split between its General Fund (GF) and Housing Revenue Account (HRA). The HRA is a 'ring-fenced' account for local authority housing.

The CFR represents the council's aggregate borrowing need (the element of the capital programme that has not been funded). The council's debt should not normally be higher than its CFR as explained in the report.

#### Public Works Loan Board - PWLB

PWLB is the Public Works Loan Board which is a statutory body operating within the UK Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

The council has the following types of fixed rate loan with the PWLB:

- Annuity: fixed half-yearly payments to include principal and interest.
- Equal Instalments of Principal: equal half-yearly payments of principal together with interest on the outstanding balance.
- Maturity: half-yearly payments of interest only with a single payment of principal at the end of the term.

#### Financing Costs as a Proportion of Net Revenue Stream

This shows (separately for HRA and GF) the percentage of the council's revenue stream that is used to finance the CFR (net interest payable and Minimum Revenue Provision (MRP)).

MRP is the annual resource contribution from revenue which must be set against the CFR so that it does not increase indefinitely.

#### Borrowing and Investments

Borrowing limits – there are various general controls on the council's borrowing activity (operational boundary, authorised limit and maturity profiles).

General controls on the council's investment activity, to safeguard the security and liquidity of its investments, include:

- Creditworthiness of investment counterparties.
- Counterparty money limits.
- Counterparty time limits.
- Counterparty country limits.

This page is intentionally left blank

**ANNUAL TREASURY MANAGEMENT REVIEW 2022/23**

**Annex 2: Abbreviations and Definitions**

<b>Basis Point</b>	One hundredth of one percentage point so, for example, 100 basis points (otherwise known as bps or bips) is 1%.
<b>CE</b>	Capital Economics - is the economics consultancy that provides Link Group, Treasury Solutions, with independent economic forecasts, briefings and research.
<b>CFR</b>	Capital Financing Requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.
<b>CPI</b>	Consumer Price Inflation – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.
<b>DLUHC</b>	The Department for Levelling Up, Housing and Communities - the Government department that directs local authorities in England.
<b>ECB</b>	European Central Bank - the central bank for the Eurozone.
<b>EU</b>	European Union.
<b>EZ</b>	Eurozone - those countries in the EU which use the euro as their currency.
<b>Fed</b>	The Federal Reserve, often referred to simply as "the Fed," is the central bank of the United States. It was created by Congress to provide the nation with a stable monetary and financial system.
<b>FOMC</b>	The Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members -- the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.
<b>FTSE 100</b>	The Financial Times Stock Exchange 100 Index - a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation.

# Agenda Item 12

## Annex 2

<b>GDP</b>	Gross Domestic Product – a measure of the growth and total size of the economy.
<b>G7</b>	The group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.
<b>Gilts</b>	Gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt (unless a gilt is index linked to inflation). While the coupon rate is fixed, the yields will change inversely to the price of gilts, i.e. a rise in the price of a gilt will mean that its yield will fall.
<b>HRA</b>	Housing Revenue Account.
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.
<b>MPC</b>	The Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.
<b>MRP</b>	Minimum Revenue Provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR (the total indebtedness of a local authority).
<b>PFI</b>	Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.
<b>PWLB</b>	Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.
<b>QE/QT</b>	Quantitative Easing (QE) – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, like government bonds (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. This is called quantitative tightening (QT). The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may

# Agenda Item 12

## Annex 2

threaten to gather too much momentum if action is not taken to 'cool' the economy.

- RPI** The Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.
- SONIA** The Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.
- S&P 500** Standard & Poor's 500 Index - a share index of 500 of the largest companies listed on US stock exchanges
- TMSS** The annual Treasury Management Strategy Statement report that all local authorities are required to submit for approval by the full council before the start of each financial year.
- VRP** A Voluntary Revenue Provision to repay debt, in the annual budget, which is additional to the annual MRP charge (see above definition).

This page is intentionally left blank



**ANNUAL TREASURY MANAGEMENT REVIEW 2022/23**

**Annex 3: Link’s Review of the Economy and Interest Rates (issued by Link on 6 April 2023)**

**1. UK**

1.1 Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

1.2 Market commentators’ misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200 basis points in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extraordinarily tight, making it an issue of fine judgement as to how far monetary policy needs to tighten.

	<b>UK</b>	<b>Eurozone</b>	<b>US</b>
<b>Bank Rate</b>	4.25%	3%	4.75%-5%
<b>GDP</b>	0.1% q/q Q4 (4.1% y/y)	0.1% q/q Q4 (1.9% y/y)	2.6% Q4 Annualised
<b>Inflation</b>	10.4% y/y (Feb)	6.9% y/y (Mar)	6.0% y/y (Feb)
<b>Unemployment Rate</b>	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

1.3 Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen’s passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

1.4 Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

1.5 The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by

# Agenda Item 12

## Annex 3

c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

- 1.6 Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.
- 1.7 In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17<sup>th</sup> of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.
- 1.8 As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.
- 1.9 Link's economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.
- 1.10 The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.23. Notwithstanding the £'s better run of late, 2023 could see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.
- 1.11 As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20<sup>th</sup> February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20<sup>th</sup> February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest

# Agenda Item 12

## Annex 3

rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

### **2. USA**

- 2.1 The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.
- 2.2 In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.
- 2.3 As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

### **3. EU**

- 3.1 Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

This page is intentionally left blank