Thanet District Council

Statement of Accounts

2010/11

June 2011

thanet
district council

Contents

Explanatory Foreword

Introduction

The purpose of this foreword is to provide the reader with an understanding of the accounting statements, a review of the Council's financial performance in 2010/11 and an explanation of the overall financial position.

Accounting Statements

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

The statements comprise:

The Core Statements

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

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

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

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

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

The Supplementary Financial Statements

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

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

Changes in Presentation and Accounting Policies

The annual statements of the public sector have previously been prepared using accounting policies based on UK Generally Accepted Accounting Practice (UK GAAP). In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, the Government announced in March 2007 that the public sector would adopt International Financial Reporting Standards (IFRS). Local authorities are required to produce their accounts on an IFRS basis for the first time in 2010/11. This has also resulted in the Council having to restate its balance sheet as at 1 April 2009 on an IFRS basis so that it shows meaningful comparative data.

IFRS imposes significant additional reporting and disclosure requirements. The main changes for this authority's accounts are summarised below:

- It has been necessary to review all leases where the Council is either the lessor or lessee. Land has had to be treated separately from buildings under property leases. The IFRS definition of a lease is wider than that applied under UK GAAP and covers all contracts that depend on the use of an asset. The judgment as to whether a lease is a finance lease or an operating lease is more subjective under IFRS. More arrangements are now classified as finance leases which means more assets have been brought onto the balance sheet and more long term liabilities have been recognised. This in turn has had implications for the calculation of the Capital Financing Requirement, the Minimum Revenue Provision (MRP) policy and calculation, as well as for the Council's prudential indicators.
- IFRS has introduced different requirements for the valuation of assets which has impacted on the measurement basis and frequency of valuations.
- The definition of investment assets is quite strict and these assets now require more frequent valuations. Consequently, some £9m of investment property has now been reclassified as "non operational land and buildings" in the restated balance sheet as at 1 April 2009. Gains and losses on the revaluation of investment property are no longer retained in the Revaluation Reserve on the balance sheet but are reflected in the Comprehensive Income and Expenditure Account under "financing and investment income and expenditure" and reversed out to the Capital Adjustment Account on the balance sheet to ensure there is no impact on the taxpayer.
- Assets that have been identified for disposal but are not expected to be sold within twelve months of the balance sheet date are now classed as surplus assets under the balance sheet heading "Property, Plant and Equipment". Only those assets expected to be sold within one year can now be classified as held for sale.

- Government grant income used to finance the acquisition or enhancement of non current assets is no longer deferred and released to the General Fund over the life of the asset but is recognised immediately as “non specific grant income” in the Comprehensive Income and Expenditure Account and is then reversed out via the Capital Adjustment Account so that there is no impact to the taxpayer.
- Similarly, any capital grants and contributions received with conditions on their use are released to the General Fund in the same way once the conditions have been satisfied. Where conditions are yet to be met, the grants are held on the balance sheet under “Capital Grants Receipts in Advance”.
- Cash equivalents are now shown with cash balances in the balance sheet. Cash equivalents are short term investments that are readily convertible to cash within three months of the date of acquisition.
- Authorities are required to analyse their financial performance in the Comprehensive Income and Expenditure Statement using the service analysis in the Best Value Accounting Code of Practice. However, a note to the accounts is now required under IFRS to show income and expenditure on the same basis as internal management reporting. The note also has to reconcile to the figures in the Comprehensive Income and Expenditure Statement.
- The number of disclosures required as notes to the core financial statements have increased significantly under IFRS.

A series of new and revised accounting policies are now required to satisfy the conditions of the Code:

- asset componentisation – the recognition of separate elements of major assets that have significant value in relation to the total cost of the asset, or that have different useful lives.
- asset impairment – more detailed accounting treatment for each class of asset where the recoverable amount of that asset is below the balance sheet value (carrying amount).
- employee benefit costs – the requirement to account for accumulated compensated absences (untaken annual and flexi leave and lieu time at the year end) in the year the benefit is earned.
- segmental reporting – the requirement to disclose information on income and expenditure segments based on the authority’s internal management reporting reconciled to the format in the Comprehensive Income and Expenditure Account (based on the Best Value Accounting Code of Practice BVACOP) in the notes to the accounts.
- group accounts.- the broader definition of group relationships under the Code where the ability to exert a significant influence on a body that the authority has an interest in can give rise to the necessity to publish group accounts.

Context for the 2010/11 Accounts

Corporate Aims and Objectives

The Council’s aspirations have been distilled down into the following four areas:

Prosperity – attracting sustainable employment, especially by supporting tourism and the green economy;

Place – keeping Thanet beautiful by making the place clean, green and a healthy place to be;

People – working together to make Thanet safe and improve the quality of life for all;

Performance – delivering services we are proud of that make a difference and provide value for money for our residents.

The Council's budget allocates the resources available to meet these objectives. As the local government landscape continues to move, so will the Council's priorities be continually reviewed and where appropriate revised.

Current Economic Climate

The current economic climate and that of recent years has had considerable impact on the Council, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. The Council has seen reduced investment receipts following a prolonged suppression in the Bank of England base rate to an historic low of 0.5%. A number of income streams have also been affected by the economic downturn, particularly planning fees, building control and land charge income, port income, car parking and green waste income. The Council has had to try to cut down its spending to mitigate the impact of these reductions. It has imposed a recruitment freeze, cut back on discretionary spending and has challenged managers to find efficiency savings.

The Council has also seen a reduction in its area based and specific grant streams and is facing significant cuts in its Formula Grant, the likes of which have never been seen before by this council. The Council is facing a cut of 5.3% in 2011/12 (after receipt of transitional grant) which increases to 16.9% in 2012/13. This compares to an increase of 1.1% in 2010/11. A range of saving options have been developed to try to mitigate the impact of these cuts and enable the Council to set a balanced budget over the life of its Medium Term Financial Plan (2011 to 2015). These include a corporate restructure which will deliver substantial savings whilst also addressing the migration of substantial numbers of staff into shared services; working with neighbouring authorities via shared services across a number of service areas to deliver savings through mass economies of scale, whilst enabling best practice to be shared; and service efficiencies and reductions, particularly within non-priority services.

The Council has reviewed its level of reserves, taking account of the financial risks that could pose a threat to the authority over the medium term and also in light of the cuts in future funding. The Council has set its optimal level of general reserves at 10% of the net revenue budget. The general reserves were only at 9% at the start of 2010/11 but as detailed below, the revenue outturn has enabled these reserves to be replenished to the 10% optimal level. In addition to the general reserve, a number of earmarked reserves exist. These are sums set aside for specific purposes and essentially allow funds to be saved over a number of years for large and often one-off items of expenditure, thereby smoothing the impact on Council Tax. The need for these reserves is reviewed regularly. The outturn for 2010/11 has enabled a number of contributions to be made to earmarked reserves as outlined later in the Explanatory Foreword.

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

The Council has reviewed its asset valuations in line with appropriate guidance. The Council's social housing is valued on a basis called 'Existing Use Value – Social Housing' to which an adjustment factor is applied to reflect the fact that the property is used as social housing as determined by guidance issued by the Department for Communities and Local Government. This year there has been a significant reduction in the adjustment factor applied, falling from 45% to 32%, due to growth in vacant possession values, falling yields in the private rented market and continued rent restructuring in the public sector. This has contributed to a £38m impairment in the value of the housing stock. In the General fund, operational land and buildings have been impaired by £1.1m to reflect a fall in value.

Summary of the 2010/11 financial year

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

Revenue Outturn

As highlighted above, the current economic climate has had a considerable impact on the Council's financial position, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. However, the Council has monitored its budget position very closely throughout the year and by imposing a vacancy freeze, controlling discretionary spending and identifying in-year efficiency savings, has delivered an underspend against budgeted spend .This has enabled the Council to bring the General Fund balances up to the recommended 10% of net revenue budget level and to make the required transfers to earmarked reserves as planned in the budget and during in-year budget monitoring.

In February 2010 the Council approved a net revenue budget for 2010/11 of £23.055m. This resulted in an increase of £5.04 (2.46%) to the Band D rate over the previous year.

	2010/11 Gross Expenditure £'000s	2010/11 Gross Income £'000s	2010/11 Net Expenditure £'000s	2010/11 Net Original Budget £'000s	2010/11 Variance £'000s
Net Cost of Services	**173,344**	**(112,943)**	**60,401**	**63,016**	**(2,615)**
Precepts paid to Parish Councils			757	-	757
Payments to the Housing Capital Receipts Pool			279	279	-
Gains/losses on disposal of fixed assets			2,155	2,155	-
Other Operating Expenditure			**3,191**	**2,434**	**757**
Interest payable and similar charges			1,504	-	1,540
Impairment of Financial Instruments			136	54	82
Pension interest costs			7,985	8,066	(81)
Expected return on pension assets			(5,576)	(5,576)	0
Interest receivable & investment income			(157)	(154)	(3)
Gains/losses on trading undertakings			76	76	-
Changes in the fair value of Investment Properties			(1,494)	(1,494)	-
Gains/losses on disposal of Investment Properties			653	656	-
Gains/losses on Investment Properties			-	-	-
Finance & Investment Inc Expenditure			**1,795**	**3,715**	**(1,920)**
Income from the Collection Fund			(10,586)	(9,829)	(757)
Distribution from NDR Pool			(11,622)	(11,622)	-
Non-ringfenced government grants			(1,688)	(1,688)	-
Capital grants & contributions			(4,603)	(4,603)	-
Taxation & Non Specific Grant Income			**(28,499)**	**(27,742)**	**(757)**
(Surplus)/Deficit on Provision of Services			**38,220**	**39,333**	**(1,113)**

Cabinet received regular budget monitoring information throughout the year. The last report in March 2011, based on information to the end of February, showed a projected underspend on the General Fund for the year of £301k. Further efficiency savings of £266k across a number of service areas were subsequently reported to the Corporate Management Team based on budget monitoring for March. The total projected underspend was therefore £567k. Further savings were identified at year end of £548k, mainly in respect of monies set aside for volatile budgets, such as interest payable and receivable, insurance and pensions, which were subsequently not required and also where spending against some budgets has now slipped into 2011/12. The final outturn for the year therefore shows a total underspend of £1,115k. Every effort during the year was made to make savings to ensure monies could be set aside to help relieve future budget pressures. This was achieved via a recruitment freeze, cutting back on discretionary spending and delaying spending where possible.

The underspend has enabled General Fund balances to be replenished by £101k to take them up to the level recommended by Members of 10% of the net revenue budget, this in not reflected in the table overleaf. General Fund Balances at 31 March 2011 now stand at £2.177m (10% of the 2011/12 net budget requirement of £21.771m). A further £145k has been set aside as a contingency for 2011/12 to meet unexpected demands outside of the Council's control.

A number of contributions to earmarked reserves have been made from the year-end underspend. These are detailed in the following table:

Movement on Reserves

	£'000s
Slippage Reserve: To set aside sums at year end to meet ad hoc and specified liabilities on the General Fund which, due to timing difficulties, cannot be spent until after the 31 March.	196
Priority Improvement Reserve: Monies have been set aside for one-off projects and for pump priming investment into service improvements.	466
Accommodation Reserve: Monies have been set aside to replace the Council chamber intercom system.	50
Insurance Risk Management Reserve: The Council is aware that insurance premiums for property and public liability cover are to increase due to an increase in the level of claims in these areas. An additional sum has therefore been set aside to meet this expected increase.	50
Maritime Reserve: Monies have been set aside to fund the balance on the breakwater project and to fund other works required at the Port and Harbour.	250
	1,012

In addition, in year savings of £300k were generated within Environmental Services, predominately relating to the waste service, and these have been transferred to reserves to meet future service pressures and to support the maintenance of waste and maritime vehicles. An additional sum of £250k over and above the above mentioned sums has also been transferred from the Customer Services Reserve to the Maritime Reserve to support pressures within the Maritime service area.

Material or unusual charges or credits to the Accounts

HM Revenue and Customs have carried out a review of the Council's Fleming claims. As a result the Council has received £994k (net of commission). Of this £316k relates to leisure services, £210k to excess car parking charges, £20k to bulky waste, £5k to cemeteries, £211k to theatre admissions, £10k to museums and £222k to sports courses. These have been credited against the appropriate service lines in the Comprehensive Income and Expenditure Statement.

During the later part of 2010/11, the Council approved a corporate restructure to deliver significant savings to help balance the budget for 2011/12 and the medium term. The corporate structure was implemented from 1 April 2011, however, notices of posts at risk were issued in 2010/11 and therefore the associated costs of redundancies have been reflected in the 2010/11 accounts. These costs total £694k and have been debited to the appropriate service lines in the Comprehensive Income and Expenditure Statement.

Major Changes to Services

A shared service arrangement has been developed between this council and Canterbury City Council and Dover District Council across a number of services, namely: Revenues and Benefits, ICT and Customer Services. This will enable savings to be delivered through staff reductions and mass economies of scale, whilst also enabling best practice to be shared across all three authorities and providing a structure that has greater resilience than currently. Staff in these service areas were transferred across to Thanet District Council's terms and conditions with effect from 1 February 2011. This council is acting as the host authority, meaning that the transactions in relation to the arrangement are passed through the Council's financial management system. Building Control and Housing Options (housing applications, housing waiting list and homelessness prevention) are currently planned to go into the shared service arrangement during 2011/12 and it is hoped that in the fullness of time, this arrangement will be extended across a number of other service areas.

Responsibility for housing management functions across the East Kent authorities of Canterbury City Council, Dover District Council, Shepway District Council and Thanet District Council have been delegated to East Kent Housing Limited with effect from 1 April 2011. This will enable the delivery of excellent customer service whilst also realising greater efficiencies and savings for reinvestment back into the housing service. It should also ensure the longer term resilience for the individual Housing Revenue Accounts.

As detailed earlier, significant cuts in government funding are planned in 2011/12 and 2012/13. In order to respond to this, the Council needs to make substantial savings. As staffing costs comprise the largest element of the Council's controllable expenditure, it is inevitable that a large proportion of the required savings will need to come from staffing cuts. In addition, the shared service arrangements outlined above will result in over 200 staff leaving the direct management of the Council. The Council has therefore had to reconfigure its officer structure to ensure it is fit for purpose both now and for the future. A review of the whole corporate structure was approved by Full Council in January 2011 with an implementation date of 1 April 2011. It is anticipated that this restructure will deliver savings of approximately £1m in 2011/12. As discussions with staff at risk as a result of the restructure were held in the latter part of 2010/11, the associated costs of redundancies and actuarial strain have been reflected in the 2010/11 accounts. These costs total £694k.

Housing Revenue Account

The increase in the Housing Revenue Account balance for the year was £1.004m. The Council had budgeted to take £525k to reserves. The main reasons for the variance is an increase of £100k in Contributions to Expenditure due to a more robust approach on the pursuit of Rechargeable Repairs; a reduction in the amount of disturbance grants paid against that estimated of £86k; a reduction in the proportion of capital charges to the HRA due to interest rates of £134k; and an increase on interest received on balances of £45k. The reduced capital charges to the HRA resulted in a greater pay-over for Housing Subsidy of £139k against that budgeted.

The variance of £479k is detailed below:

Comparison of Budget to Final Outturn – Major Variances

	£'000s
Reduction in repairs expenditure	(70)
Reduction in homeloss/disturbance Payments	(86)
Increased Electricity Costs	17
Reduced Insurance Costs	(67)
Increased Contributions to Expenditure	(100)
Increased Housing Subsidy payable	139
Reduction to Revenue Contributions to Capital Expenditure	(75)
Reduction in Capital Charges	(134)
Reduction in Contributions/Grants	(54)
Reduction in employee costs	(82)
Increased bad debt provision	78
Increase in interest received on balances	(45)
	(479)

The accumulated HRA reserve balance at 31 March 2011 is £9.022m. The balance provides flexibility for delivery of the Housing Business Plan which has recently been reviewed.

In April 2011 a shared service organisation was established to manage the council housing of all of the East Kent Local authorities. Each council will continue to determine its own HRA Business Plan and its stock investment priorities. The annual planned maintenance budgets will also continue to be determined by each council as part of its existing constitutional and budget processes.

The Government is continuing with the proposals to reform the Housing finance system with effect from 2012/13. It is proposing to allow local housing authorities to opt out of the HRA Subsidy System, provided they can become self-financing from rental income and other direct service charges. Councils will effectively 'buy out' of the existing subsidy system. The income and costs of running the HRA over the next 30 years have been assessed by the Government and the difference has been used to establish each authority's HRA value. In most cases, this will be more than the HRA debt currently supported by the subsidy system and therefore these authorities will need to make a payment to the Government. However, for this council, this is less than the current HRA subsidy debt and therefore the Government will make a payment to the Council to clear the debt difference. Draft settlement figures will be published in November 2011.

Capital Expenditure

The Capital Programme has also been affected by the national economic situation, particularly in regard to the Council's ability to generate capital receipts to fund the programme. As a consequence, schemes have been deferred to later years and spend slowed down to ensure the programme could be funded.

Total expenditure on capital items, including grants and loans, amounted to £10.037m, of which £7.239m was met by capital grants, £0.025m from revenue resources, £0.755m from capital receipts, £0.613m from capital reserves and £1.405m from borrowing.

The capital programme is currently over-committed for 2011/12 due to a shortfall in capital receipts during 2010/11. The programme will therefore need to be revised in light of the reduced funding. As at 31 March 2011, capital receipts of £1.9m were carried forward of which £2.1m had been expected to fund the 2011/12 programme. Unapplied capital grants of £88k and a balance of £694k on the Capital Project Reserve have been carried forward, of which £655k is committed in 2011/12.

The main items of capital expenditure are set out below:

	£'000s
Fixed Assets	
Council Dwellings	4,330
General Fund assets	3,252
Expenditure not resulting in assets	2,455
Total Capital Expenditure	**10,037**

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

- Cremator works – a sum of £1.4m is required for major works to the crematorium to ensure they are environmentally compliant by the statutory deadline of 2012.
- Disabled Facilities – these are provided to residents as a financial contribution for adaptations to their homes. Funding of £1m will be provided by the Department of Communities and Local Government with the Council providing additional funding of £100k. If the authority exceeds the budgeted capital receipts, this scheme will have the highest priority and will be given additional resources up to £300k.
- Coastal protection works – grant funding of £4m has been awarded from the Environment Agency for coast protection works within Margate Old Town.
- Dreamland project – this project aims to create a park of thrilling historic rides. It will include the restoration of the Scenic Railway to operational status and restore the exterior of the cinema building. The Council has been successful in bidding for funding for this project from the Sea Change Programme (£3.7m) and from the Heritage Lottery Fund (£3m). It is hoped that further funding of £1.2m will be awarded from the Heritage Lottery Fund and English Heritage. The Council is putting £3m of its own resources towards this project.

Other projects are planned in relation to restoring the Military Road Arches and for electrical sub-station works at the Port and Harbour.

Material Acquisitions/New Assets

The following new assets have been recognised in the balance sheet as at 31 March 2011:

- A new warehouse has been recognised on the balance sheet at a value of £1.015m following the acquisition by London Array.
- The Embassy Hotel was purchased during the year and is held at a value of £126k.
- The life station at the Port has now been recognised as an asset on the balance sheet at a value of £398k (this was previously included as part of the overall Port valuation).
- The Dreamland development has been recognised as an asset under construction at year-end with a value of £1.148m.

Treasury Management

During 2010/11, the Council complied with all its legislative and regulatory requirements with regard to its treasury activities. The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through regular reporting to Members and through officer activity detailed in the Council's Treasury Management Practices.

As at 31 March 2011, the Council had £12.7m in investments. As a result of the continuing difficulties in economic conditions, interest rates remained at historic lows. The Council maintained an average balance of £23.995m of internally managed funds. The internally managed funds earned an average rate of 0.76%. This compares with a budget assumption of £19.5m investment balances earning an average rate of 1.00%.

Concerns over the security of financial institutions continued, resulting in a cautious approach, whereby investments continued to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates. The treasury strategy has therefore been to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk. Borrowing has only been undertaken during the year to fund net unfinanced capital expenditure and naturally maturing debt. This borrowing amounted to £2m. The Council's total debt outstanding as at 31 March 2011 was £26.6m. The overall position of the debt activity resulted in a fall in the average interest rate by 1.75%, representing a net General Fund saving of £149k per annum.

In order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council must not borrow to support revenue expenditure. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the unfinanced capital expenditure for the year and prior years' unfinanced capital expenditure which has not yet been paid for by revenue or other resources. The Council's unfinanced capital expenditure for 2010/11 is shown in the following table:

2009/10 Actual £'000s		**2010/11 Estimate £'000s**	**2010/11 Actual £'000s**
5,715	Non-HRA capital expenditure	13,974	5,707
3,065	HRA capital expenditure	4,884	4,330
8,780	**Total capital expenditure**	**18,858**	**10,037**
	Resourced by:		
684	Capital receipts	1,826	755
3,722	Capital grants	10,893	7,239
1,556	Capital reserves	2,605	613
4	Revenue	229	25
2,815	**Unfinanced capital expenditure**	**3,305**	**1,405**

The Council's CFR as at 31 March 2011 was £43.864m, calculated as follows:

31 March 2010 Actual £'000s	**CFR**	**31 March 2010 Original Indicator £'000s**	**31 March 2011 Actual £'000s**
40,889	Opening balance	43,133	43,133
2,815	Add unfinanced capital expenditure (as above)	3,305	1,405
(569)	Less MRP/*	(797)	(674)
(2)	Less PFI and finance lease payments	-	-
43,133	**Closing balance**	**45,641**	**43,864**

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

Net borrowing should not, except in the short term, have exceeded the CFR for 2010/11 plus the expected changes to the CFR over 2011/12 and 2012/13. Net borrowing as at 31 March 2011 was £13.9m (total debt outstanding of £26.6m less total investments of £12.7m) and therefore, the Council has not exceeded its CFR.

Pensions Liability

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

Thanet's net liability on the Kent County Council Pensions Fund as at 31 March 2011 is £52.3m (£83.2m as at 31 March 2010), giving a significant decrease in liability of £30.9m. £12.8m of this reduction relates to the decision by the Government to change the index used to up-rate pensions from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). The remaining reduction is made up of actuarial gains (£25.5m) less in year movements of £7.4m.

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

The movement to the Fund is set out in more detail in note 39 to the Core Financial Accounts. The total liability has an impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary

Provisions

The Council has legal cases in progress in respect of the concessionary fares bus scheme. These relate to appeal redetermination and additional capacity claims. A provision has been made for the estimated costs of £605k pending the outcome of the cases and judicial reviews. It is expected that all cases and decisions will be resolved within 2011/12.

Material Events after the Reporting Date

At Cabinet on 29th April 2010, Members approved that if the current land owner of the Dreamland site is unable or unwilling to transfer the site, then a Compulsory Purchase Order (CPO) pursuant to Section 226 of the Town and Country Planning Act 1990 would be made. This was duly served on the land owners on 3rd June 2011.

Approval

In accordance with the Accounts and Audit (England) Regulations 2011, the Governance and Audit Committee approved the 2010/11 Statement of Accounts on 29 September 2011.

Signed : Date:

Chair of the Governance and Audit Committee

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

Statement of Responsibilities for the Statement of Accounts

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

The Authority's Responsibilities

The Authority is required:

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

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

Chief Executive & Section 151 Officer's Responsibilities

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

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

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

The Statement of Accounts gives a true and fair view of the financial position of Thanet District Council as at 31 March 2011 and of its income and expenditure for the year ended on that date.

Sue McGonigal CPFA
Chief Executive & Section 151 Officer
Date: 30 June 2011

Independent Auditors Report to the Members of Thanet District Council

The Final Accounts Audit will commence on 21 July 2011. The report will be inserted on completion of the Final Accounts Audit.

The Final Accounts Audit will commence on 21 July 2011. The report will be inserted on completion of the Final Accounts Audit.

Movement in Reserves Statement

For the Year Ended 31 March 2010	General Fund Balance £'000s Note 7	Ear-marked GF Reserves £'000s Note 8	Housing Revenue Account £'000s Note 7	Capital Receipts Reserve £'000s Note 23A	Major Repairs Reserve £'000s Note 3 to the HRA	Capital Grants Un-applied £'000s Note 23	Total Usable Re-serves £'000s Note 23	Unusable Reserves £'000s Note 24	Total Authority Reserves £'000s
Balance at 1 April 2009	**2,076**	**6,817**	**7,974**	**373**	**1,194**	**210**	**18,644**	**115,592**	**134,236**
Surplus or (deficit) on provision of services	(7,402)	-	(1,917)	-	-	-	(9,319)	-	**(9,319)**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(26,846)	**(26,846)**
Total Comprehensive Expenditure and Income	**(7,402)**	**-**	**(1,917)**	**-**	**-**	**-**	**(9,319)**	**(26,846)**	**(36,165)**
Adjustments between accounting basis & funding basis under regulations	8,699	-	1,967	771	(1,358)	20	10,099	(10,099)	**-**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**1,297**	**-**	**50**	**771**	**(1,358)**	**20**	**780**	**(36,945)**	**(36,165)**
Transfers to/from Earmarked Reserves	(1,297)	1,150	(6)	-	2,301	-	2,148	(2,148)	**-**
Increase/ Decrease (movement) in Year	**-**	**1,150**	**44**	**771**	**943**	**20**	**2,928**	**(39,093)**	**(36,165)**
Balance at 31 March 2010 carried forward	**2,076**	**7,967**	**8,018**	**1,144**	**2,137**	**230**	**21,572**	**76,499**	**98,071**

For the Year Ended 31 March 2011	General Fund Balance £'000s	Earmarked GF Reserves £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Total Usable Reserves £'000s	Unusable Reserves £'000s	Total Authority Reserves £'000s
	Note 7	Note 8	Note 7	Note 23A	Note 3 to the HRA	Note 23	Note 23	Note 24	
Balance at 1 April 2010	**2,076**	**7,967**	**8,018**	**1,144**	**2,137**	**230**	**21,572**	**76,499**	**98,071**
Surplus or (deficit) on provision of services	(316)	-	(37,904)	-	-	-	(38,220)	-	**(38,220)**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	34,345	**34,345**
Total Comprehensive Expenditure and Income	**(316)**	**-**	**(37,904)**	**-**	**-**	**-**	**(38,220)**	**34,345**	**(3,875)**
Adjustments between accounting basis & funding basis under regulations	1,993	-	38,824	80	(2,026)	-	38,871	(38,871)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,677**	**-**	**920**	**80**	**(2,026)**	**-**	**651**	**(4,526)**	**(3,875)**
Transfers to/from Earmarked Reserves	(1,576)	1,040	84	700	2,291	(142)	2,397	(2,397)	**-**
Increase/ Decrease (movement) in Year	**101**	**1,040**	**1,004**	**780**	**265**	**(142)**	**3,048**	**(6,923)**	**(3,875)**
Balance at 31 March 2011 carried forward	**2,177**	**9,007**	**9,022**	**1,924**	**2,402**	**88**	**24,620**	**69,576**	**94,196**

Comprehensive Income and Expenditure Account

31 March 2010 Expenditure £'000s	Income £'000s	Net £'000s		31 March 2011 Expenditure £'000s	Income £'000s	Net £'000s
			Gross expenditure, gross income and net expenditure on continuing operations			
26,341	6,154	20,187	Cultural, Environmental, Regulatory and Planning Services	26,788	7,634	19,154
9,941	8,878	1,063	Highways & Transport Services	12,956	7,989	4,967
67,123	64,883	2,240	Housing Services	70,723	68,347	2,376
11,841	11,105	736	Housing Revenue Account	46,152	11,280	34,872
18,315	16,479	1,836	Central Services to the Public	19,210	17,345	1,865
2,880	261	2,619	Corporate & Democratic Core	2,936	347	2,589
203	-	203	Non-distributed costs	(5,422)	-	(5,422)
136,644	**107,760**	**28,884**	**Cost of Services**	**173,343**	**112,942**	**60,401**
		717	Other Operating Expenditure	Note 9		3,191
		5,510	Financing and Investment Income and Expenditure	Note 10		3,127
		(25,792)	Taxation and Non-Specific Grant Income	Note 11		(28,499)
		9,319	**(Surplus) or Deficit on Provision of Services**			**38,220**
		(2,101)	Surplus or Deficit on revaluation of non current assets			(8,789)
		28,947	Actuarial (gains)/losses on pension assets/liabilities			(25,556)
		26,846	**Other Comprehensive Income and Expenditure**			**(34,345)**
		36,165	**Total Comprehensive Income and Expenditure**			**3,875**

Balance Sheet as at 31 March

Restated 1 April 2009 £'000s	Restated 31 March 2010 £'000s			31 March 2011 £'000s	31 March 2011 £'000s
		Property, Plant & Equipment	Note 12		
122,501	120,416	Council Dwellings		84,499	
45,387	41,316	Other land and buildings		39,471	
4,971	4,219	Vehicles, plant, furniture and equipment		3,433	
11,394	11,191	Infrastructure		11,481	
1,539	1,682	Community assets		-	
-	-	Assets under construction		1,148	
1,234	1,179	Surplus assets not held for sale		3,121	
21,624	21,568	**Investment Property**	Note 13	21,822	
-	-	**Intangible Assets**	Note 14	-	
-	-	**Long Term Investments**		-	
1,440	742	**Long Term Debtors**	Note 18	59	
210,090	**202,313**	**Long Term Assets**			**165,034**
-	1,750	**Short Term Investments**		-	
150	161	**Inventories**	Note 16	211	
15,033	15,676	**Short Term Debtors**	Note 18	17,289	
(2,701)	(3,060)	**Impairment Provision**	Note 18	(3,387)	
7,924	7,727	**Cash and cash equivalents**	Note 19	13,515	
300	690	**Assets held for sale (< 1year)**	Note 20	737	
20,706	**22,944**	**Current Assets**			**28,365**
8,556	2,486	**Short Term Borrowing**		-	
11,722	8,637	**Short Term Creditors**	Note 21	10,773	
-	-	**Provisions**	Note 22	605	
20,278	**11,123**	**Current Liabilities**			**11,378**
18,646	24,646	**Long Term Borrowing**	Note 15	27,101	
53,679	86,583	**Other Long Term Liabilities**	Note 39/40	55,434	
3,957	4,834	**Capital Grants Receipts in Advance**	Note 33	5,290	
76,282	**116,063**	**Long Term Liabilities**			**87,825**
134,236	**98,071**	**Net Assets**			**94,196**
		Represented By:			
		Usable Reserves	Note 23		
2,076	2,076	General Fund		2,177	
6,817	7,967	Earmarked Reserves	Note 8	9,007	
7,974	8,018	Housing Revenue Account		9,022	
373	1,144	Capital Receipts Reserve	Note 23A	1,924	
1,194	2,137	Major Repairs Reserve	Note 23	2,402	
210	230	Capital Grants Unapplied	Note 23	88	
		Unusable Reserves	Note 24		
4,017	5,983	Revaluation Reserve	Note 24A	7,626	
(125)	(126)	Accumulated Absences Reserve	Note 24G	(97)	
(53,678)	(83,165)	Pensions Reserve	Note 24E	(52,249)	
164,043	153,143	Capital Adjustment Account	Note 24B	114,221	
1,384	710	Deferred Capital Receipts	Note 24D	38	
(49)	(46)	Collection Fund Adjustment Account	Note 24F	37	
134,236	**98,071**	**Total Reserves**			**94,196**

Signed: Sue McGonigal CPFA

Date: 30 June 2011 Section 151 Officer

Cash Flow Statement

Restated 2009/10 £'000s			2010/11 £'000s	2010/11 £'000s
9,319	**Net (surplus) or deficit on the provision of services**			**38,220**
(11,266)	Adjust net surplus or deficit on the provision of services for noncash movements		(42,923)	
(906)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 25	(3,798)	
(2,853)	**Net cash flows from Operating Activities**			**(8,501)**
3,050	Investing Activities	Note 26	2,713	
-	Financing Activities	Note 27	-	
197	**Net increase or decrease in cash and cash equivalents**	Note 19		**(5,788)**
7,924	Cash and cash equivalents at the beginning of the reporting period			7,727
7,727	**Cash and cash equivalents at the end of the reporting period**			**13,515**

Notes to the Core Financial Accounts

1. Accounting Policies

General

The accounts have previously been prepared in accordance with 'The Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice' (SORP)' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In tandem with the introduction of the concept of Best Value into local authorities, CIPFA also published the 'Best Value Accounting Code of Practice' (BVACOP). This Code complemented the SORP and both the SORP and BVACOP were based on UKGAAP reporting requirements and were recognised by statute as representing 'proper accounting practice'.

With effect from the Financial year commencing April 2010, Local Authorities are required to produce their annual financial statements in accordance with International Financial Reporting Standards (IFRS) requirements. CIPFA has produced a "Code of practice on local authority accounting in the United Kingdom 2010/11" (The Code), based on IFRS, to assist practitioners in preparing the annual financial statements in the required format. The IFRS standards apply from the 2010/11 financial year, the reporting criteria require comparative figures to be provided for 2009/10 and this in turn necessitated restatement of the balance sheet position as at 1 April 2009 and at 31 March 2010.

In general the Council is required to apply its accounting policies determined under IFRS retrospectively to determine the opening IFRS balance sheet. The changes required to comply with IFRS impact on the following areas, Non-current (Fixed) assets, Intangible assets, Impairment, Stocks, Employee benefits, Reserves, Government Grants, Leases, Group accounts, Segmental Reporting and some minor amendments.

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

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

Qualitative Characteristics of Financial Information

Relevance

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

Reliability

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

Comparability

Comparative figures have been included to allow performance to be compared with a prior period.

Comprehensibility

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

The Explanatory Foreword on pages 4 – 14 sets out the local authority financial reporting framework and the key aspects of the authority's financial performance and standing.

Materiality

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

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

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

- The item's nature, in relation to:

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

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

Accounting Concepts

Accruals

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

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

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

Going Concern

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

Primacy of Legislation

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

Accounting Policies and Estimation Techniques

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

Overheads

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

Departments	-	Time spent by staff
Buildings	-	Employee numbers
Computing	-	Actual use and employee numbers

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

Value Added Tax

In accounting for VAT, we comply with the SSAP5, Accounting for Value Added Tax and VAT is excluded from the main accounting statements unless it is not recoverable. The Council's partial exemption status is reviewed on an annual basis.

Government and Non Government Grants and Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the

Comprehensive Income and Expenditure Statement and then reversed to the Capital Adjustment Account once the Council is satisfied that all grant conditions have been complied with. This ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer. The change to IFRS removes the requirement to amortise the grant received over the life of the asset.

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

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and Area Based Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure.

Any contributions received under S106 agreements where developers are required to pay sums to the Council as a consequence of planning permission being granted are initially included in the Comprehensive Income and Expenditure Statement. Contributions applied to offset service revenue expenditure are credited to the service and contributions for capital works are included in the taxation and non-specific grant income line in the in the Comprehensive Income and Expenditure Statement and then taken to the Useable Reserves section of the balance sheet.

Area Based Grant

Area Based Grant (ABG) is a non-ring fenced grant, upon which no conditions have been imposed as to its use, therefore ensuring full local control over how the funding can be used.

As ABG is a general grant, monies received during the year are included within the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Intangible Assets

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

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

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

Non-Current Assets (formerly Fixed Assets)

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: All expenditure on the acquisition, creation or enhancement of Non Current assets has been capitalised on an accruals basis. Expenditure on Non Current assets is capitalised, provided that the asset yields benefit to the Council and the services it provides, for a period of more than one financial year. Subsequent expenditure on Non Current assets is capitalised in accordance with IAS 16. This excludes expenditure on routine repairs and maintenance of Non Current assets, which is charged directly to service revenue accounts.

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

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

b) Investment Properties

c)Intangible Assets, (see separate Accounting Policy).

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

a. **Land and 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. **Infrastructure Assets** – Historical costs net of depreciation.

d. **Vehicles, Plant and Equipment** – The lower of net current replacement cost or net realisable value.

e. **Community Assets** – Historic cost.

f. **Non-operational Assets** – The lower of net current replacement cost and net realisable value.

g. **Investment Properties -** normally open market value

Net current replacement cost is assessed as:

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

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

Revaluation - Revaluations of Non Current assets are undertaken on a 5-year rolling programme, revaluing approximately one fifth of the Authority's assets annually. Council Dwellings are revalued annually using the Beacon principle. Identified material changes to asset valuations will be adjusted in the interim period, as they occur.

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

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

Investment Property - Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Components: The IFRS 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 proposes to account for components for assets with a gross book value in excess of £1m and where any individual component has a value in excess of £100,000. The component proposals for the HRA dwelling stock differ from that above. Guidance allows for the ongoing use of the MRA as a proxy for depreciation and if the Council continues this policy it is allowed to defer the application of component accounting to the dwelling stock. The Housing Finance system is likely to change from April 2012 and this accounting policy will need to be reviewed at that time. The requirement to implement Component accounting commences on 1 April 2010 and only applies to properties valued after that date or where there has been significant capital expenditure in respect of the individual asset.

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

Where impairment losses are identified, the accounting entries are

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

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

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

Disposals: Income from the disposal of Non current assets is accounted for on an accruals basis.

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

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

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

Council Dwellings	The Major Repairs Allowance (MRA) is used as a proxy for depreciation.
Infrastructure	Up to 40 years
Other Buildings	Specifically determined by Estates Officer
Vehicles	Up to 12 years
Plant	Up to 20 years
Surplus assets	Up to 40 years

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

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

Where an item of Property, Plant and Equipment asset 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).

A review of depreciation policy in connection with the Council dwelling stock was carried out in 2009/10 when it was decided that the Major Repairs Allowance would be used as a proxy for depreciation. This was reviewed as part of the IFRS transition arrangements along with proposed changes to the Housing Finance System. It was decided that no changes were required.

Non-current assets held for sale

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

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

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.

Charges to Revenue for Non-Current Assets

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

a) Depreciation attributable to the assets used by the relevant service

b) Impairment losses on Non-current assets where there are no accumulated gains in the Revaluation Reserve against which they can be written off

c) Amortisation of intangible assets attributable to the service.

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

Revenue Expenditure Funded from Capital under Statute

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

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 SSAP9, Stocks and Long-term contracts, require stocks to be shown at the lower of actual cost or net realisable value. The stock at the printing unit is measured at average cost of stock held as it is considered that the financial effect of the different treatment is not material.

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

Long Term contracts are defined as “contracts entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods” The Council makes a disclosure in the notes to the Core Financial Statements in respect of any capital contracts meeting this definition.

Debtors and Creditors

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

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

Interest payable has been accrued to 31 March 2010 on all loans outstanding at that date. Interest on short-term investments due, but not received as at 31 March 2010 has also been accrued where this is material.

Instalments of interest on Housing Act advances and deferred payments are brought into account on the day they fall due for payment, irrespective of the period to which they relate.

Housing Revenue Account gross rent income is brought into account for the full year irrespective of debit and collection dates.

Provisions

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

Reserves

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

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

The IFRS standards require details of Reserves to be reported in the Movement in Reserves Statement, a new table in the core Financial Statements. The Statement of Accounts also clearly separates the useable and non-useable reserves in the Financing section of the balance sheet.

Provision for Bad and Doubtful Debts (Impairment)

Provisions are made for bad and doubtful statutory debts and these are charged to the appropriate revenue account. In accordance with the CIPFA guidelines, for Council Tax and Business Rate debts, the older the debt the greater the provision, although depending on specific circumstances this may not be applied. Debts relating to garage rents and former tenant arrears are subject to a flat rate percentage based on historical trends. All other HRA related debts over £2,500 are analysed and a provision made depending on individual circumstances, with the exception of leaseholder accounts as the Housing Act states that tenants should not subsidise Leaseholders, therefore no bad debt provision is made within the HRA. Housing benefit overpayment debt provision is subject to a range of specific percentages dependant on whether the debt is to be collected from ongoing benefit.

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

Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into various types:

- Loans and receivables - Assets that have fixed or determinable payments not linked to market price
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

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

Where assets are identified as impaired (in the case of trade debtors where there is a likelihood the payments due will not be made as a result of past events) the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement under the heading "Interest Payable and Similar charges".

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

Leases

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

Where the Council is a Lessee:

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

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

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

Where the Council is a Lessor:

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

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

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

Pensions

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.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2007 and this has been used to update the service cost figures. The effects of the valuation carried out on the 31 March 2010 will be implemented on 1 April 2011.

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, employees turnover rates and projections of earnings for current employees.

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

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

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

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

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

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

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

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

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 Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

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

Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement.

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

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

Exceptional Items and Prior Period Adjustments

Exceptional items are ones that are material in terms of the Council’s overall expenditure and not expected to recur frequently or regularly.

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

Contingent Assets/Liabilities

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

A Contingent asset (gain) arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent 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.

Events After the Balance Sheet Date

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

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

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

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

Group Accounts

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

- The authority has an interest in another body and that body is delivering a service or carrying on a trade or business of its own;

- The authority has access to benefits and exposure to risks inherent in realising those benefits;
- The authority controls the majority of equity capital or equivalent voting rights or appoints the majority of the governing body;
- The authority exercises or has the right to exercise dominant influence, and;

During 2010/11 the Council had progressed preparations for the transfer of the management of the HRA dwelling stock to an Arms Length Management Organisation along with similar arrangements from Canterbury, Dover and Shepway Councils. It is considered that this arrangement will constitute a Group Accounting arrangement as the Council will "own" 25% of the new organisation However although the new ALMO was incorporated during 2010/11 it was not officially "live" until April 2011 and is not expected to prepare its own accounts for the period to March 2012, until the summer of that year. It would only be at this point that the Council could produce group accounts.

Apart from this arrangement the Council has determined that it has no interests in subsidiaries, associates or joint ventures of a material nature, but has a Joint Arrangement, not an Entity (JANE) with Kent County Council (East Kent Opportunities LLP). In accordance with IAS 28 the Council has accounted for its share of the assets, liabilities, and income and expenditure within its own single entity accounts, but consider that including the Council's share of the liability owed to Kent County Council for the cost of construction of the Spine road as a deferred liability instead of imputed cash provides more transparency. In addition the Council's share of EKO's landholdings are included in these accounts at the Council's own land valuation as this is considered more appropriate.

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). From 1 April 2009 the Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between this amount and the amount required by regulation is taken to the Collection Fund Adjustment Account, and is included as a reconciling item in the Movement in Reserves Statement to negate the effect on the taxpayer. Council Tax is collected on an agency basis, so the Balance sheet reflects debtor/creditor position between the Council and major preceptors, since the cash paid to preceptors in the year is not the share of actual cash collected from council taxpayers.

With effect from 1 April 2009 it is recognised that National Non-domestic Rates are collected by billing authorities for the Government on an agency basis. The recognition of ratepayers arrears/overpayments and impairment allowance for doubtful debts are no longer appropriate in the authority's Balance sheet, and are now consolidated into a debtor/creditor for amounts due to/from Government departments.

Investments

Short-term investments are shown in the Balance Sheet as 'Current Assets' at the actual sums lent.

Employee Costs

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

Segmental Reporting

A segment is a component of the Council's service activity which can be distinguished separately as providing services either by nature of the business or to particular areas of the community. The Council's primary reporting format during the year is by Directorate but traditionally the Statement of Accounts has been prepared in BVACOP format. The Council is only required to report Segments that constitute a significant proportion of the Council's total business but detailed information has been prepared for all activities as this provides more meaningful data.

Changes in Accounting Policy

The 2009 SORP required Local Authorities to amend their accounting arrangements and so their accounting policies in respect of Council Tax and Business rates (NNDR) These changes had been introduced for the 2009/10 Statement of Accounts along with amendments arising from a review of the existing policies. The implementation of IFRS requires further changes to Accounting Policies and these have been reflected in this document.

Cash and Cash Equivalents

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

2. Accounting Standards issued, Not Adopted

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The authority estimates that the value of its heritage assets from its insurance records is £891k as at 31 March 2011. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £891k, i.e. a revaluation gain.

	2010/11 £'000s
Heritage Assets previously recognised	-
Heritage Assets recognised for the first time at valuation as at 1 April 2010	871
Increase in valuations during year	20
Carrying value as at 31 March 2011	**891**

3. Critical Adjustments in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The development of the Dreamland site has begun during 2010/11 and a sum of £1.15m has been spent to date, however ownership of the asset still resides with private owners. The authority has three ways in which it currently controls the site on which the assets reside:
    1) The Council has served an urgent works notice on the Cinema and has proceeded to undertake the urgent works;
    2) The Council has served a Compulsory Purchase Order pursuant to Section 226 of the Town and Country Planning Act 1990 in respect of the site;
    3) Planning policy ensures that the site where the money has been spent can only be used as an amusement park.

  The works to date have therefore been treated as capital expenditure and are shown in the accounts as 'assets under construction'.
- The Council has entered into a development agreement with SFP Ventures (UK) Limited (SFP) for the Pleasurama site. The Council is the freehold owner of the property. The developer has agreed to carry out development works on the property in accordance with the agreement. The Council have granted leases to SFP and will transfer the freehold interest when the works have been completed. As the leases are long term (199 years) and the intention is to transfer the freehold assets, any sales will be treated as a disposal. An overage payment will be due from the developer on the sale of each unit developed on

the site. These payments will be treated as capital receipts. However, due to the economic downturn in the property market, it is not possible to foresee when the overage payments may materialize and therefore a contingent liability has been shown within the accounts.

- The Council is the freehold owner of Ramsgate Port. London Array Limited have been given permission by the Council to construct a new operating maintenance facility, fuelling facility and pontoon to ensure the success of their wind farm project. London Array have licences in respect of two temporary sites used to facilitate the main construction works and to hold materials and equipment. As these are both short term licences with no transfer of title, these have been treated as operational leases.
- The breakwater at the Harbour has been enhanced in 2010/11 and now has moorings attached to it which are rented out to boat owners. Although the main purpose of the breakwater is to act as a coastal defence, it also has other uses. It has therefore been considered inappropriate to classify this as an infrastructure asset as the definition of an infrastructure asset is one that has no practical prospect of being applied for alternative uses. Instead, it has been treated as an operational asset under property, plant and equipment. This is on the basis of it having a physical substance and being held for rental to others. It is also held for the provision of goods and services as the Port would not be able to deliver a service without the breakwater being there.
- An embedded lease review has been carried out on all contracts over £75k. In the main, contracts relate to repairs and maintenance works carried out on the Council's own assets by external contractors or to the buying in of services such as security and cleaning services, and plant and equipment purchase. It has been concluded that no embedded leases exist.
- The Council has in excess of 200 investment property leases. Therefore, only those leases with a term of 20 years or more, and/or an asset value of more than £75k have been subject to a lease review. This totals 21 leases, all of which have been reviewed in detail using the finance lease flowchart to determine whether they should be classified as a finance or operating lease.

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £341k for every year that useful lives had to be reduced
Provisions	The Authority has made a provision of £605k in respect of an appeal redetermination and additional capacity claims for concessionary fares. A recent appeal decision has increased the amount payable to the service provider by 21.2% and alongside other Kent authorities, the Council is going through a judicial review process in response to this decision. It is not yet known what the outcome of this process will be.	A decrease in the claim of 21% would have the affect of reducing the provision by £128k.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.2m and an increase of one year to the mortality rate would result in a decreased pension liability of £5.7m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £3.5m as

		a result of estimates being corrected as a result of experience and decreased by £20.7m attributable to updating of the assumptions
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £1,087.8k. A review of balances suggested that an impairment of doubtful debts of 100% would be made for those debts over 1 year old, 50% for those debts over 6 months old and full recovery has been assumed for those debts under 6 months old. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an impairment of doubtful debts of 10% for those debts under 6 months old (total £630.4k) would require an additional £63k to be set aside as an allowance
Asset Values	The Council has in excess of 200 investment properties. An annual valuation of all these assets is not practical, therefore only those assets with a value over £100k are valued annually with the remainder valued on a rolling 5 year basis.	Investment assets totaling £5.293m have not been revalued in 2010/11. In general, the asset valuations for investment properties have gone down by 4% in 2010/11. If the same reduction were to be applied to those investment properties not revalued, then this would require an adjustment of £873k to the asset valuation

5. Material Items of Income and Expense

The Council's social housing is valued on a basis called 'Existing Use Value – Social Housing' to which an adjustment factor is applied to reflect the fact that the property is used as social housing as determined by guidance issued by the Department for Communities and Local Government. This year there has been a significant reduction in the adjustment factor applied, falling from 45% to 32%, due to growth in vacant possession values, falling yields in the private rented market and continued rent restructuring in the public sector. This has contributed to a £38m impairment in the value of the housing stock.

6. Post Balance Sheet Events

EK Housing

EK Housing (EKH) is the trading name for the East Kent ALMO that has been set up jointly with Canterbury, Dover, Shepway and Thanet Councils to manage the housing stock for all four authorities. Up until the East Kent ALMO commenced trading on 1 April 2011, Thanet

District Council had been the accountable body over the last few years during the review and set up of the new organisation.

EKH was incorporated with companies house on 11 January 2011 as a private company limited by guarantee. Each of the authorities holds equal shares in the company and has equal control over the entity. EKH did not become a live entity and begin trading until 1 April 2011, when staff from all authorities transferred into the new ALMO under TUPE arrangements.

Dreamland CPO

At Cabinet on 29 April 2010, Members approved that if the current land owner is unable or unwilling to transfer the site described, Officers be authorised to draft and make a Compulsory Purchase Order (CPO) pursuant to Section 226 of the Town and Country Planning Act 1990, this was duly served on the land owners on 3 June 2011.

Marks and Spencer

As at 31 March 2011 the Council held £697,510.23, on the 8 April 2011 SEEDA requested that the unnused proportion of the grant be returned to them. The Council had not breached any grant conditions in relation to the grant, but under the terms of the grant agreement with SEEDA, unused monies are due to be repaid at the request of SEEDA plus interest accrued.

7. 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.

2009-10	General Fund Balance £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable reserves £'000s
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	7,976	2,538	-	-	-	(10,514)
Movements in the market value of investment properties	(489)	-	-	-	-	489
Amortisation of intangible assets	87	-	-	-	-	(87)
Capital grants and contributions applied	(336)	-	-	-	-	336
Revenue expenditure funded from capital under statute	862	-	-	-	-	(862)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	(76)	(139)	-	-	-	215
Statutory provision for the financing of capital investment	(569)	-	-	-	-	569
Capital expenditure charged to revenue	(1)	(4)	-	-	-	(5)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the CI&E Statement	(20)	-	-	-	20	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	-	-	1,757	-	-	(1,757)
Use of the CRR to finance new capital expenditure	-	-	(685)	-	-	685
Use of the CRR to finance the payments to the Government capital receipts pool	301	-	(301)	-	-	-
Adjustments primarily involving the Major Repairs Reserve						
Use of the MRR to finance new capital expenditure	-	-	-	(1,358)	-	(1,358)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the CI&E Statement are different from those chargeable in the year in accordance with statute	(1)	-	-	-	-	1
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	5,486	119	-	-	-	(5,605)
Employer's pension contributions and direct payments to pensioners payable in the year	(4,518)	(547)	-	-	-	5,065
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(3)	-	-	-	-	3
Total Adjustments	**8,699**	**1,967**	**771**	**(1,358)**	**20**	**(10,099)**

2010-11	General Fund Balance £'000s	Housing Revenue Account £'000s	Capital Receipts Reserve £'000s	Major Repairs Reserve £'000s	Capital Grants Unapplied £'000s	Movement in Unusable reserves £'000s
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	11,968	37,058	-	41	-	(49,067)
Movements in the market value of investment properties	(1,469)	(25)	-	-	-	1,494
Amortisation of intangible assets	-	-	-	-	-	-
Capital grants and contributions applied	(2,950)	-	-	-	-	2,950
Revenue expenditure funded from capital under statute	(57)	-	-	-	-	57
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E Statement	45	2,098	-	-	-	(2,143)
Statutory provision for the financing of capital investment	(674)	-	-	-	-	674
Capital expenditure charged to revenue	-	(25)	-	-	-	25
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the CI&E Statement	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	-	-	1,126	-	-	(1,126)
Contribution to disposal cost of capital sales	12	-	(12)	-	-	-
Use of the CRR to finance new capital expenditure	-	-	(755)	-	-	755
Use of the CRR to finance the payments to the Government capital receipts pool	279	-	(279)	-	-	-
Adjustments primarily involving the Major Repairs Reserve						
Use of the MRR to finance new capital expenditure	-	-	-	(2,067)	-	2,067
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the CI&E Statement are different from those chargeable in the year in accordance with statute	-	-	-	-	-	-
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	9	(269)	-	-	-	260
Employer's pension contributions and direct payments to pensioners payable in the year	(5,087)	(13)	-	-	-	5,100
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income credited to the CI&E Statement is different from that calculated for the year in accordance with statute	(83)	-	-	-	-	83
Total Adjustments	**1,993**	**38,824**	**80**	**(2,026)**	**-**	**(38,871)**

8. Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

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	1 April 2010 £'000s	Transfers Between Reserves £'000s	Revenue Appropriations £'000s	31 March 2011 £'000s
Insurance Risk Management	39		50	89
Capital Projects	475	147	72	694
Local Development Framework	329		48	377
General Fund Repairs	108	(50)	81	139
Slippage Fund - GF	500	(50)	278	728
Slippage Fund – HRA	85		(36)	49
Information Technology	233		21	254
Environmental Action Plan	188		41	229
Office Accommodation	130	50	(117)	63
Housing and Planning Delivery Grant	182		(121)	61
Cremator Works	470	(120)	149	499
Decriminalisation	146		(35)	111
Priority Improvement	302		462	764
Corporate Plan	260	30	(111)	179
LABGI	505	(30)	(104)	371
Customer Services	527	(250)	295	572
Area Based Grants	1,791		(73)	1,718
Vehicle Maintenance	300		250	550
Council Election	31		60	91
Homelessness	96		3	99
Renewal Reserve	13		20	33
Performance Reward Grant	192	142	(72)	262
Maritime	865	(340)	31	556
VAT Reserve	-		299	299
Pensions Earmarked	200		20	220
	7,967	**(471)**	**1,511**	**9,007**

Revenue Appropriations	1,511
Funding for Capital Programme	(613)
Capital Grants Unapplied	142
Contributions from Reserves as per Movement in Reserves Statement on page 19	**1,040**

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

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

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

Local Development Framework – Due to the variable profile of spend on this activity and the variable cost in relation to consultation and inspection, it is proposed that any underspend be set aside in this reserve to be drawn against as required.

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

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

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

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

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

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

Housing and Planning Delivery Grant – To set aside money to finance future activities relating to the Housing and Planning Delivery Grant.

Cremator Works – The Council has an obligation to be environmentally compliant by the year 2012. Major works to the crematorium facilities are needed in order to meet this requirement and a reserve has been established to ensure that sufficient monies are put aside so that the required works can be carried out.

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

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

Corporate Plan – Anticipated slippage on the Corporate Plan growth is carried forward on this reserve, to enable the activities within the Plan to be adequately funded.

LABGI – The Local Authority Business Growth Incentive (LABGI) scheme was introduced in 2005 and the scheme was set up to provide an incentive for Councils to promote sustainable economic growth in their area by encouraging local business growth. This additional funding is not ring-fenced and can be spent on the Council's own priorities. This balance will remain on reserve until required for a specific project.

Customer Services Fund – This reserve is for concessionary fares and housing benefit subsidy. Due to the volatility of these two activities and the tight financial constraints which preclude the budgets being set at a level that would be sufficient for upper activity levels, it is prudent to set aside underspends that arise in these areas as a contingency for future years.

Area Based Grants – Any underspend against the Area Based Grant funding is set aside in an earmarked reserve to be utilised in future years.

Vehicle Maintenance – This reserve has been set up to hold contributions in relation to the refurbishment of the waste and maritime vehicles. This will be a rolling programme to be funded over the next few years.

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

Homelessness – This is the balance of unspent grant allocated to the Rent Deposit scheme operated by TDC. This scheme is ongoing and so funding will continue to be drawn down over future years.

Renewal Reserve – This is a saving account for specific purposes based on the average annual amount required e.g. for the cost of CRB checks.

Performance Reward Grant – The Council has unspent Performance Reward Grant monies of £262k at year end. It is proposed to use these monies on future East Kent working. The monies held in this reserve will therefore be used to minimise the demands on the General Fund, while remaining in line with the original aims of the grant.

Maritime Reserve – This is to be used to fund anticipated works at the Port and Harbour including the additional costs associated with the Breakwater project at the Port of Ramsgate.

VAT Reserve - This reserve has been set up to hold funds reimbursed in relation to our Fleming claim and will be used to cover any one off cost deemed appropriate, in 2010/11 funds were used to meet the associated cost of the restructure.

Pensions Earmarked Reserve - Due to the uncertainty around Pensions, savings identified in 2009/10 and 2010/11 were transferred into a Pension Reserve, in order to mitigate future risk around pensions (approved by Cabinet 11 February 2010).

9. Other Operating Expenditure

2009/10 £'000s		**2010/11 £'000s**
631	Parish Council Precepts	757
-	Levies	-
301	Payments to the Housing Capital Receipts Pool	279
(215)	(Gains)/losses on the disposal of non-current assets	2,155
717	**Total**	**3,191**

The treatment of specified housing capital receipts changed in 2004/05 and a proportion of these receipts have to be paid into a Government pool for redistribution. In total the Council paid £278,933 into the pool for 2010/11, with the majority of the payment resulting from payment of 75% of the proceeds from the sale of council houses.

10. Financing and Investment Income and Expenditure

2009/10 £'000s		2010/11 £'000s
2,077	Interest Payable and Similar Charges	1,505
146	Impairment of Financial Instruments	136
3,899	Pensions interest cost and expected return on pensions assets	2,409
(83)	Interest Receivable and similar income	(157)
77	(Gain)/Loss on Trading Operations (see below)	76
(117)	Income and Expenditure on investment properties	653
(489)	Changes in fair value of investment properties	(1,495)
5,510	**Total**	**3,127**

Trading Operations

Under accounting definitions the Council operates trading operations, relating to the Building Control service.

The following table shows the details of the income and expenditure of the trading operations:

2009/10 (Surplus)/Deficit £'000s	Trading Service	2010/11 Expenditure £'000s	2010/11 Income £'000s	2010/11 (Surplus)/Deficit £'000s
77	Building Control	372	(296)	76
77		**372**	**(296)**	**76**

Building Control	2008/09 (Surplus)/Deficit £'000s	2009/10 (Surplus)/Deficit £'000s	2010/11 (Surplus)/Deficit £'000s
Turnover	(358)	(300)	(296)
Expenditure	376	377	372
Surplus	**18**	**77**	**76**

11. Taxation and Non-Specific Grant Income

2009/10 £'000s		2010/11 £'000s
10,162	Council Tax Income	10,586
10,695	Non Domestic Rates	11,622
4,580	Non Ring Fenced Government Grants (see note 33).	1,688
355	Capital Grants and Contributions (see note 33)	4,603
25,792	**Total**	**28,499**

12. Property, Plant and Equipment

	Council Dwellings £'000s	Other Land and Buildings £'000s	Vehicles, Plant and Equipment £'000s	Infra-structure Assets £'000s	Community Assets £'000s	Assets under construction	Surplus Property	Total £'000s
As at 1 April 2009	**122,163**	**42,770**	**7,318**	**15,397**	**1,539**	**-**	**-**	**189,187**
IFRS Adjustments	288	8,686	73	-	-	-	1,233	10,280
Restated 1 April 2009	**122,451**	**51,456**	**7,391**	**15,397**	**1,539**	**-**	**1,233**	**199,467**
Additions	2,940	769	288	188	230	-	-	**4,415**
Disposals	(262)	-	-	-	-	-	-	**(262)**
Reclassifications	-	(400)	-	-	-	-	-	**(400)**
IFRS Adjustments	59	349	-	-	-	-	(359)	**49**
Revaluation and Restatements	-	1,281	-	-	-	-	-	**1,281**
IFRS Revaluation Adjustments	-	(2,336)	-	-	-	-	293	**(2,043)**
Downward Revaluation and Impairment	(4,772)	(3,210)	(15)	-	-	-	-	**(7,997)**
IFRS Impairment Adjustments	-	-	-	-	-	-	35	**35**
Gross Asset Valuation	**120,416**	**47,909**	**7,664**	**15,585**	**1,769**	**-**	**1,202**	**194,545**
Depreciation b/fwd	-	6,129	2,420	4,003	-	-	-	12,552
IFRS Dep b/fwd adj	-	(60)	-	-	-	-	-	(60)
Depreciation 2009/10	2,301	451	1,018	391	87	-	-	4,248
Write out HRA Depreciation	(2,301)	(171)	-	-	-	-	-	(2,472)
IFRS Adjustment	-	244	7	-	-	-	23	274
Gross Depreciation c/fwd	**-**	**6,593**	**3,445**	**4,394**	**87**	**-**	**23**	**14,542**
Net Book Value:								
Balance Sheet amount at 31 March 2010	**120,416**	**41,316**	**4,219**	**11,191**	**1,682**	**-**	**1,179**	**180,003**
Balance Sheet amount at 31 March 2009	**122,501**	**45,387**	**4,971**	**11,394**	**1,539**	**-**	**1,234**	**187,026**

	Council Dwellings £'000s	Other Land and Buildings £'000s	Vehicles, Plant and Equipme-nt £'000s	Infra-structure Assets £'000s	Community Assets £'000s	Assets Under Construc-tion £'000s	Surplus Property £'000s	Total £'000s
As at 1 April 2010	**120,416**	**47,909**	**7,664**	**15,585**	**1,769**	**-**	**1,202**	**194,545**
Additions	4,138	1,532	275	917	74	1,148	350	**8,434**
Disposals	-	(2)	-	-	-		(36)	**(38)**
Reclassifications	(2,705)	(1,896)	-	-	-		1,801	**(2,800)**
IFRS Adjustments	-	-	-	-	-	-	-	**-**
Revaluation and Restatements	1,554	1,010	-	-	-	-	40	**2,604**
IFRS Revaluation Adjustments	-	-	-	-	-	-	-	**-**
Downward Revaluation and Impairment	(38,904)	(6,311)	-	-	(74)	-	(184)	**(45,473)**
IFRS Impairment Adjustments	-	-	-	-	-	-	-	**-**
Other Charges	**-**	**-**	**-**	-	(1,769)	**-**	**-**	**(1,769)**
Gross Asset Valuation	**84,499**	**42,242**	**7,939**	**16,502**	**-**	**1,148**	**3,173**	**155,503**
Depreciation b/fwd	-	6,593	3,445	4,394	87	-	23	14,542
IFRS Dep b/fwd adj	-	-	-	-	-	-	-	-
Depreciation 2010/11	2,332	1,795	1,057	413	-	-	25	5,622
Write out Accumulated Depreciation on Revaluation	(2,332)	(5,866)	-	-	-	-	-	(8,198)
IFRS Adjustment	-	-	-	-	-	-	-	-
Other depreciation adjustments	-	249	5	213	(87)	-	4	384
Gross Depreciation c/fwd	**-**	**2,771**	**4,507**	**5,020**	**-**	**-**	**52**	**12,350**
Net Book Value:								
Balance Sheet amount at 31 March 2011	**84,499**	**39,471**	**3,432**	**11,482**	**-**	**1,148**	**3,121**	**143,153**
Balance Sheet amount at 31 March 2010	**120,416**	**41,316**	**4,219**	**11,191**	**1,682**	**-**	**1,179**	**180,003**

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

Capital Commitments

As at 31 March 2011, there are no capital commitments in relation to acquisition of property, plant and equipment in 2011/12.

Effects of Changes in Estimates

In 2010/11, the Authority made a material changes to its accounting estimates for Property, Plant & Equipment depreciation. The change in accounting policy was such that depreciation will now be applied to the asset in the year it is recognised (as opposed to the following year), unless the asset is acquired at the end of the financial year and the depreciation is material. As a result of this accounting policy change there was an additional charge of depreciation amounting to £0.385m to adjust the accumulated depreciation of assets accordingly.

In 2010/11 the port and harbour asset valuation had to be componetised as a requirement under IFRS. This resulted in the recognition of a new asset, the Life Station onto the asset register and as such the annual depreciation charge increased by £0.015m against that budgeted. As part of this componentisation, the useful lives for the assets were also revised which resulted in a further increase in depreciation of £0.030m against that budgeted.

Revaluations

The Asset Valuations in these accounts have been prepared by our internal Estates Surveyor, Julie Steere, Bsc (Hons) MRICS, Chartered Surveyor. The valuations were produced in accordance with guidelines issued by CIPFA, and in accordance with the Royal Institute of Chartered Surveyors current guidance notes for Asset Valuation.

The basis for Council Dwellings valuations is Existing Use Value for Social Housing (EUV-SH). Under this method the vacant possession value of the dwellings is reduced to 32% (45% in 2009-10) 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 2011.

The basis of valuation for General Fund assets is detailed in the statement of accounting policies which can be found in Note 1. There is a rolling programme where at least 20% of the assets are re-valued annually. The date of valuation for General Fund assets is 1 April 2010.

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.

Capital Expenditure and Financing

The total capital expenditure relating to Property, Plant and Equipment in 2010/11 amounted to £7.598m. The majority of this was in relation to Council Dwellings and Estates (£4.330m) which was funded through supported borrowing (£1.703m), the Major Repairs Allowance (£2.067m), capital grants (£0.535m) and capital receipts (£0.025m). This expenditure was mostly for capital repairs to enhance assets or extend their useful lives.

Other Land and Buildings and Assets under Construction both had the next largest capital expenditure (£1.046m and £1.148m respectively). This capital expenditure was funded by capital grants and contributions (£1.319m), use of capital reserves (£0.569m) and through use of capital receipts (£0.277m). The expenditure again related mostly to works to enhance assets or prolong their economic useful life, however there was also an acquisition of £0.125m included for future redevelopment.

A total of £0.971m of capital expenditure was incurred on Infrastructure assets. The expenditure was funded almost completely by capital receipts (£0.969m) and the rest from capital reserves. This expenditure was incurred in replacing the Margate coastal defences.

The capital expenditure for Vehicles, Plant and Equipment related to the purchase of new assets, such as new playground equipment, the SOS trailer and a new electrical sub-station at the port. The total capital expenditure was £0.232m, funded by capital receipts

(£0.093m), capital reserves (£0.042m), and capital grants and contributions (£0.097m). The remaining capital expenditure for Property, Plant and Equipment was incurred by Community Assets for capital works required at allotments and playgrounds. These were all funded by capital receipts.

13. Investment Property

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

2009/10 £'000s		2010/11 £'000s
(1,083)	Rental Income from Investment property	(1,118)
966	Direct operating expenses arising from investment property	1,801
(117)	**Net Gain/Loss**	**683**

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

2009/10 £'000s		2010/11 £'000s
21,624	Balance at start of the year	21,568
-	Additions	1,015
-	Purchases	-
-	Construction	-
127	Subsequent Expenditure	172
(500)	Disposals	(279)
(1,676)	Net gains/losses from fair value adjustments	(724)
(250)	Reclassifications	70
2,243	IFRS Adjustments	-
-	Other Changes	-
21,568	**Balance at end of the year**	**21,822**

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

14. Movement in Intangible Assets

Expenditure relates to the development of various projects including Document Image Process/Workflow and planning software. Council policy is to write down intangible assets to the relevant service revenue account in the year that they occur and hence there is no movement of intangible assets during the financial year 2010/11.

15. Financial Instruments Balances

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

	Long-Term		Current	
	31 March 2009/10 £'000s	**31 March 2010 £'000s**	**31 March 2009/10 £'000s**	**31 March 2010 £'000s**
Borrowings	24,646	23,646	2,000	3,000
Trade creditors	-	-	4,132	4,837
Deferred liabilities	3,418	3,185	-	-
+ Accrued interest	-	-	486	455
+/- Accounting adjustments	-	-	-	-
Financial liabilities at amortised cost (1)	28,064	26,831	6,618	8,292
Financial liabilities at fair value through the I&E (2)	-	-	-	-
Total financial liabilities	**28,064**	**26,831**	**6,618**	**8,292**
Short term investments	-	-	1,750	-
Cash and Cash Equivalents	-	-	7,727	13,515
Trade debtors	-	-	6,451	3,985
Car Loans	6	-	-	1
Mortgages	43	37	-	2
+ Accrued interest on investments	-	-	6	11
+/- Accounting adjustments	-	-	-	-
Loans and receivables at amortised cost (1)	49	37	15,934	17,514
Available -for-sale assets	-	-	-	-
Financial assets at fair value through the I&E (2)	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total financial assets	**49**	**37**	**15,934**	**17,514**

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. Further details of this contingent liability can be found in note 41. Should payment under the guarantee become probable, the amount of the liability will need to be determined under FRS 12. As it is not probable that payment by the authority will be required, the guarantee has been recognised as a contingent liability only and as such it has not been recognised as a current or long term liability in the above table.

Note 4 - The Council has made two small soft loans to individuals as part of a mortgage protection scheme at less than market rates (soft loans). For further details on these loans please see note 24C.

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:

2009/10			**2010/11**	
Financial Liabilities Liabilities measured at amortised cost	**Financial Assets Loans and receivables**		**Financial Liabilities Liabilities measured at amortised cost**	**Financial Assets Loans and receivables**
£'000s	**£'000s**		**£'000s**	**£'000s**
2,077	-	Interest expense	1,505	-
-	-	Losses on derecognition	-	-
-	146	Impairment Losses	-	136
2,077	**146**	**Interest payable and similar charges**	**1,505**	**136**
-	(83)	Interest income	-	(157)
-	-	Gains on derecognition	-	-
-	**(83)**	**Interest and investment income**	**-**	**(157)**
2,140		**Net (gain)/loss for the year**	**1,483**	

Investment property income is now reflected under Financing and Investment Income and Expenditure on the face of the Consolidated Income & Expenditure Statement.

Fair Value of Assets and Liabilities carried at Amortised Cost

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2010 Carrying Amount £'000s	31 March 2010 Carrying Amount £'000s		31 March 2011 Carrying Amount £'000s	31 March 2011 Fair Value £'000s
22,574	22,574	PWLB debt	22,543	23,882
4,558	4,558	Other debt	4,558	5,063
27,132	**27,132**	**Total debt**	**27,101**	**28,945**
3,418	3,418	Deferred liabilities	3,185	3,185
4,132	4,132	Trade creditors	4,837	4,837
34,682	**34,682**	**Total Financial Liabilities**	**35,123**	**36,967**

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

31 March 2010 Carrying Amount £'000s	31 March 2010 Fair Value £'000s		31 March 2011 Carrying Amount £'000s	31 March 2011 Fair Value £'000s
6	6	Car Loans (employee)	1	1
9,209	9,209	Money market loans < 1 year	13,525	13,525
43	43	Mortgages	39	39
6,451	6,451	Trade debtors	3,985	3,985
15,709	**15,709**	**Total Loans and Receivables**	**17,550**	**17,550**

The differences are attributable to fixed interest instruments receivable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2011. This increases the fair value of financial liabilities and raises the value of loans and receivables.

For the bond holding the differences are attributable to fixed interest loans receivable being held by the authority whose interest rate is lower than the prevailing rate estimated to be available at 31 March 2011.

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

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

16. Inventories

		Balance at start of year £'000s	Purchases £'000s	Recognised as an expense in the year £'000s	Written Off balances £'000s	Reversals of write offs in previous years £'000s	Balance at year end £'000s
Museum Stock	2010/11	2	3	3	-	-	2
	2009/10	2	4	4	-	-	2
Dane Park Stores	2010/11	10	20	21	-	-	9
	2009/10	10	22	22	-	-	10
Stationery Stores	2010/11	4	19	20	-	-	3
	2009/10	5	20	21	-	-	4
Waste Stock	2010/11	136	447	393	-	-	190
	2009/10	123	249	236	-	-	136
VIC Stock	2010/11	9	5	7	-	-	7
	2009/10	10	5	6	-	-	9
Total	**2010/11**	**161**	**494**	**444**	**-**	**-**	**211**
	2009/10	**150**	**300**	**289**	**-**	**-**	**161**

17. Construction Contracts

As at 31 March 2011 the Authority had three construction contracts in progress: the construction of a new Breakwater at Ramsgate Harbour by Marinetek UK, the building of 5 New Homes by Jenner (Contractors) Ltd and the Margate Coast Protection. The value of work completed at 31 March 2011 has been established using a stage of completion methodology based on architects'/surveyors' certificates obtained at the year-end. The amount due to the parties at 31 March 2011 is as follows:

	Breakwater £'000s	New Homes £'000s	Margate Coast Protection £'000s
Costs incurred to date			
Revenue recognised			
Before 1 April 2010	-	-	-
During 2010/11	573	701	669
Advances received	(403)	(611)	(211)
Gross amount due	**170**	**90**	**458**
Comprising:			
Amounts not billed	149	80	454
Retentions	21	10	4

18. Debtors

Restated 2009/10 £'000s	Amounts falling due in one year	2010/11 £'000s
-	NHS	-
1,256	Council Tax	1,444
4,459	Central Government bodies	4,357
-	Public Corporations and trading funds	-
1,966	Other Local Authorities	2,967
7,995	Other Entities and Individuals	8,521
(3,060)	Less Impairment Provision	(3,387)
12,616		**13,902**

The main increase in Other Local Authority debtors reflects the money owing from Dover District Council and Canterbury City Council for hosting East Kent Shared Services (£1.78m for Revenue and Benefits, IT and Customer Services).

Long Term Debtors

Long term debtors - other consists of income anticipated from right to buy mortgages of £37k (£43k 2009/10), charitable loans of £8k (£2k 2009/10) and home safety loans £14k (£24k 2009/10). Income owed as at 31 March 2010 for Manston Road allotments (£667k) and car loans (£6k) was received during 2010/11.

19. Cash and Cash Equivalents

31 March 2010 £'000s		31March 2011 £'000s	Movement 2010-11 £'000s
(274)	Cash held by the Authority	(813)	(539)
(953)	Bank current accounts	(1,902)	(949)
(6,500)	Short Term deposits	(10,800)	(4,300)
(7,727)	**Total cash and cash equivalents**	**(13,515)**	**(5,788)**

20. Current Assets Held for Sale

31 March 2010 £'000s		31 March 2011 £'000s
300	**Balance Outstanding at start of year**	**690**
289	Assets newly classified as held for sale:	2,989
103	Revaluation gains	-
(35)	Impairment Adjustments	(57)
-	Disposals	(2,986)
33	Other Movements	101
690	**Balance Outstanding at year end**	**737**

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.

The impairments for Current Assets Held for Sale were to reverse the cost of capital expenditure for Eurokent as although the works enhanced the asset they did not affect the value of the asset.

21. Creditors

Restated 2009/10 £'000s	Amounts falling due in one year	2010/11 £'000s
-	NHS	-
292	Council Tax	293
1,292	Central Government bodies	652
585	Public Corporations and trading funds	1,113
1,556	Other Local Authorities	3,150
4,912	Other Entities and Individuals	5,565
8,637		**10,773**

The main increase in Other Local Authority creditors reflects the money owed to Dover District Council and Canterbury City Council for hosting East Kent Shared Services (£1.78m for Revenue and Benefits, IT and Customer Services).

22. Provisions

	Outstanding Legal Cases £'000s	Other Provisions £'000s	Total £'000s
Balance as at 1 April 2010	-	-	-
Additional Provisions made in 2010/11	605	-	605
Amounts used in 2010/11	-	-	-
Unused amounts reversed in 2010/11	-	-	-
Unwinding of discounting in 2010/11	-	-	-
Balance at 31 March 2011	605	-	605

The Authority has Concessionary Bus scheme legal cases in progress for past years Appeal Redetermination and Additional Capacity claims. Provision has been made for the estimated costs of £605,012.66 pending the outcome of the outstanding cases and Judicial reviews. It is expected that all cases and decisions will be resolved within 2011/12.

23. Usable Reserves

	Restated 1 April 2010 £'000s	Transfers Between Reserves £'000s	Revenue Movements £'000s	31 March 2011 £'000s
Usable Capital Receipts Reserve	1,144	780	-	1,924
Major Repairs Reserve	2,137	265	-	2,402
General Fund Balance	2,076	403	(302)	2,177
Housing Revenue Account Balance	8,018	38,922	(37,918)	9,022
Capital Grant Unapplied Reserve	230	(142)	-	88
Earmarked Reserves	7,967	1,040	-	9,007
	21,572	**41,268**	**(38,220)**	**24,620**

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

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

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

Capital Grant Unapplied Reserve – accumulated funds in respect of Performance Reward Grant. The movement in the year represents money moving between the capital and revenue elements of Performance Reward Grant as per the board that allocates this funding to local priorities.

Earmarked Reserves - see Note 8.

23A. Usable Capital Receipts Reserve

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

From 1 April 2004 Local Authorities are required to pay across to Central Government the amounts that were previously set aside relating to Housing Revenue Account (HRA) dwelling sales (75%) and HRA other sales (50%). These are known as Housing Pooled Capital Receipts. The treatment of specified housing capital receipts changed in 2004/05 and a proportion of these receipts have to be paid into a Government pool for redistribution. In total the Council paid £278,932 into the pool for 2010/11, with the majority of the payment resulting from payment of 75% for the proceeds from the sale of council houses.

2009/10 £'000s		2010/11 £'000s
373	Balance at 1 April	1,144
1,756	Capital Receipts in year	1,833
(684)	Capital Receipts applied during the year	(755)
(301)	Housing Pooled Capital Receipts	(279)
-	Cost of sales/Right to buy admin costs	(19)
1,144	Balance at 31 March	**1,924**

24. Unusable Reserves

Restated 2009/10 £'000s		2010/11 £'000s
5,983	Revaluation Reserve	7,626
153,143	Capital Adjustment Account	114,221
-	Financial Instruments Adjustment Account	-
710	Deferred Capital Receipts Reserve	38
(83,165)	Pensions Reserve	(52,249)
(46)	Collection Fund Adjustment Account	37
(126)	Accumulated Absences Account	(97)
76,499	**Total Unusable Reserves**	**69,576**

24A. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. 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.

Restated 2009-10 £'000s		2010-11 £'000s
4,017	**Balance as at 1 April**	**5,983**
1,738	Upward revaluation of assets	2,604
(256)	Downward revaluation of assets and impairment losses charged to the reserve	(777)
489	Reclassification of Investment properties	-
91	Gains through acquisition/recognition of non-current assets in the year	1,096
6,079	Surplus or deficit arising on revaluation of non-current assets	8,906
(84)	Difference between fair value depreciation and historical cost depreciation	540
(12)	Accumulated gains on assets disposed of	(1,820)
(96)	Amount written off to the Capital Adjustment Account	(1,280)
5,983	**Balance as at 31 March**	**7,626**

24B. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Restated 2009-10 £'000s		2010-11 £'000s
164,043	**Balance at 1 April**	**153,143**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,372)	Charges for depreciation and impairment of non-current assets	(44,577)
(8,205)	Revaluation losses on Property, Plant and Equipment	(5,910)
-	Amortisation of intangible assets	-
(481)	Revenue expenditure funded from capital under statute	57
(1,222)	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	(3,304)
		99,409
54	Write out of accumulated depreciation	5,130
624	Adjusting amounts written out of the Revaluation Reserve	2,022
152,441	Net written out amount of the cost of non-current assets consumed in the year	106,561
	Capital Financing applied in the year:	
685	Use of the Capital Receipts Reserve to finance new capital expenditure	755
165	Use of the Capital Projects Reserve	613
1,358	Use of the Major Repairs Reserve to finance new capital expenditure	2,067
336	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,950
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
569	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	674
5	Capital Expenditure charged against the General Fund and HRA balances	25
(2,416)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	576
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
153,143	**Balance at 31 March 2011**	**114,221**

24C. Financial Instrument Adjustment Account

The authority has 2 small soft loans in respect of the mortgage protection scheme. As the total impaired cost for these small loans is only £1,105 over the next 4 years these charges have been deemed below the de minimis levels and therefore immaterial. No accounting entries have been undertaken to reflect the impairment although the authority has still undertaken an evaluation to ascertain the amount of subsidisation that has taken place.

24D. Deferred Capital Receipts Reserve

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

1 April 2010 £'000s		Income £'000s	Expenditure £'000s	31 March 2011 £'000s
43	Mortgages	5	-	38
667	Manston Road Allotments	667	-	-
710		**672**	**-**	**38**

24E. Pensions Reserve

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

2009/10 £'000s		2010/11 £'000s
53,678	Balance as at 1 April	83,165
28,947	Actuarial (gains) or losses on pension assets and liabilities	(25,556)
(5,065)	Employers contributions payable in the year	(5,100)
5,605	Reversal of items relating to retirement benefits debited to the (surplus) or deficit on the provision of services in the Comprehensive Income and Expenditure account	(260)
83,165	**Balance as at 31 March**	**52,249**

24F. Collection Fund Adjustment Account

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

2009-10 £'000s		2010-11 £'000s
(49)	**Balance at 1 April**	(46)
3	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	83
(46)	**Balance at 31 March**	**37**

24G. Accumulated Absences Account

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

2009-10 £'000s		2010-11 £'000s
125	**Balance at 1 April**	**127**
(125)	Settlement or cancellation of accrual made at the end of the preceding year	(127)
127	Amounts accrued at the end of the current year	97
2	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(30)
127	**Balance at 31 March**	**97**

25. Cash Flow Statement - Operating Activities

2009/10 £'000s	Operating Activities	2010/11 £'000s
83	Interest Received	157
(2,077)	Interest Paid	(1,504)
1,088	Proceeds from the sale of property, plant investment property and intangible assets	(5,459)
(906)	**Total Operating activities**	**(3,798)**

26. Cash Flow Statement - Investing Activities

2009/10 £'000s	Investing Activities	2010/11 £'000s
3,757	Purchase of Property, plant and equipment, investment property and intangible assets	6,970
3,918	Purchase of short term and long term investments	(215)
87	Other Payments for investing activities	-
(1,093)	Proceeds from the sale of property, plant investment property and intangible assets	(1,807)
(51)	Proceeds from short term and long term investments	(79)
(3,568)	Other receipts from investing activities	(2,156)
3,050	**Net cash flows from Investing activities**	**2,713**

27. Cash Flow Statement - Financing Activities

2009/10 £'000s	Financing Activities	2010/11 £'000s
(8,000)	Cash Receipts of short and long term borrowing	(2,000)
8,000	Repayments of short and long term borrowing	2,000
-	**Net cash flows from Financing activities**	**-**

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the 2009/10 is as follows:

2009/10 Service Information	**Chief Executive £'000s**	**Deputy Chief Executive £'000s**	**Comm-unity Services £'000s**	**Customer Services £'000s**	**Environ-mental Services £'000s**	**Regen-eration Services £'000s**
Fees, Charges and Other Service Income	(82)	(113)	(1,005)	(2,885)	(5,128)	(8,594)
Interest and Investment Income	-	-	-	-	(1)	-
Government Grants	(88)	(186)	(437)	(75,128)	(153)	(501)
Recharges	(26)	(143)	(135)	-	(93)	-
Total Income	**(196)**	**(442)**	**(1,577)**	**(78,013)**	**(5,375)**	**(9,095)**
Employee expenses	564	3,915	2,450	3,668	6,834	3,941
Other Operating expenses	824	1,665	1,930	76,924	6,171	4,705
Total Expenditure	**1,388**	**5,580**	**4,380**	**80,592**	**13,005**	**8,646**
Cost of Services	**1,192**	**5,138**	**2,803**	**2,579**	**7,630**	**(449)**

	Corporate Accounting £'000s	Total of General Fund Services £'000s	HRA £'000s	Comprehensive Income and Expenditure Account £'000s
Fees, Charges and Other Service Income	(11,309)	**(29,116)**	(11,105)	**(40,221)**
Interest and Investment Income	(40)	**(41)**	(42)	(83)
Government Grants	-	**(76,493)**	-	(76,493)
Recharges	(428)	**(825)**	-	(825)
Total Income	**(11,777)**	**(106,475)**	**(11,147)**	**(117,622)**
Employee expenses	(17)	**21,355**	1,333	22,688
Other Operating expenses	13,350	**105,569**	5,200	110,769
Total Expenditure	**13,333**	**126,924**	**6,533**	**133,457**
Net Cost of Services	**1,556**	**20,449**	**(4,614)**	**15,835**

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

Reconciliation to Cost of Services in Comprehensive Income & Expenditure Account	**2009/10 £'000s**
Cost of Services Analysis	15,835
Amounts not reported to Management (incl. in cost of services)	13,467
Amounts reported to Management not in cost of services	(418)
Cost of Services in Comprehensive Income & Expenditure Account	**28,884**

Reconciliation to Subjective Analysis 2009/10

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

	Service Analysis by Directorate	**Amounts not reported to Management**	**Amounts not included in the cost of services**	**Allocation of recharges to HRA**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Fees Charges and Other Service Income	(40,221)	1	(1,379)	-
Interest and Investment Income	(83)	-	(83)	-
Income from Council Tax	-	-	-	-
Government Grants	(76,493)	(3,419)	-	-
Recharges to HRA	(826)	-	-	826
Recharges to Balance Sheet	-	(142)	-	-
Other Income	-	-	-	-
Total Income	**(117,623)**	**(3,560)**	**(1,462)**	**826**
Employee Expenses	22,690	-	-	(389)
Other Operating Expenses	110,768	3,250	1,236	(269)
Support Services	-	-	540	(168)
Capital and Financing charges	-	13,777	104	-
Interest Payments	-	-	-	-
Precepts and Levies	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-
Gain or Loss on the Disposal of Non-current assets	-	-	-	-
Other Expenditure	-	-	-	-
Total Expenditure	**133,458**	**17,027**	**1,880**	**(826)**
Surplus or deficit on the provision of services	**15,835**	**13,467**	**418**	**-**

	Cost of Services £'000s	Corporate Amounts £'000s	Total Comprehensive Income and Expenditure £'000s
Fees Charges and Other Service Income	**(38,841)**	(1,379)	**(40,220)**
Interest and Investment Income	**-**	(83)	**(83)**
Income from Council Tax	**-**	(10,162)	**(10,162)**
Government Grants	**(79,912)**	(15,631)	**(95,543)**
Recharges to HRA	**-**	-	**-**
Recharges to Balance Sheet	**(142)**	-	**(142)**
Other Income	**-**	(4,157)	**(4,157)**
Total Income	**(118,895)**	**(31,412)**	**(150,307)**
Employee Expenses	**22,301**	-	**22,301**
Other Operating Expenses	**112,513**	472	**112,985**
Support Services	**(708)**	909	**201**
Capital and Financing charges	**13,673**	105	**13,778**
Interest Payments	**-**	2,077	**2,077**
Precepts and Levies	**-**	631	**631**
Payments to Housing Capital Receipts Pool	**-**	301	**301**
Gain or Loss on the Disposal of Non-current assets	**-**	(215)	**(215)**
Other Expenditure	**-**	7,567	**7,567**
Total Expenditure	**147,779**	**11,847**	**159,626**
Surplus or deficit on the provision of services	**28,884**	**(19,565)**	**9,319**

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the 2010/11 is as follows:

2010/11 Service Information	Chief Executive £'000s	Deputy Chief Executive £'000s	Community Services £'000s	Customer Services £'000s	East Kent Shared Services £'000s	Environmental Services £'000s
Fees, Charges and Other Service Income	(572)	(158)	(1,501)	(2,560)	(2,043)	(5,514)
Interest and Investment Income	-	-	-	-	-	(1)
Government Grants	(736)	(220)	(600)	(80,723)	-	(86)
Recharges	(14)	(98)	(117)	-	-	(93)
Total Income	**(1,322)**	**(476)**	**(2,218)**	**(83,283)**	**(2,043)**	**(5,694)**
Employee expenses	1,101	3,491	2,831	3,104	2,330	7,231
Other Operating expenses	2,108	1,977	2,132	82,557	705	5,634
Total Expenditure	**3,209**	**5,468**	**4,963**	**85,661**	**3,035**	**12,865**
Cost of Services	**1,887**	**4,992**	**2,745**	**2,378**	**992**	**7,171**

	Regeneration Services £'000s	Corporate Accounting £'000s	Total of General Fund Services £'000s	HRA £'000s	Comprehensive Income and Expenditure Account £'000s
Fees, Charges and Other Service Income	(7,915)	(79)	**(20,342)**	(11,270)	**(31,612)**
Interest and Investment Income	-	(61)	**(62)**	(95)	**(157)**
Government Grants	(463)	-	**(82,828)**	(10)	**(82,838)**
Recharges	-	(423)	**(745)**	-	**(745)**
Total Income	**(8,378)**	**(563)**	**(103,977)**	**(11,375)**	**(115,352)**
Employee expenses	4,501	(6,408)	**18,181**	1,166	**19,347**
Other Operating expenses	4,436	8,233	**107,782**	4,821	**112,603**
Total Expenditure	**8,937**	**1,825**	**125,963**	**5,987**	**131,950**
Net Cost of Services	**559**	**1,262**	**21,986**	**(5,388)**	**16,598**

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

Reconciliation to Cost of Services in Comprehensive Income & Expenditure Account	**2010/11 £'000s**
Cost of Services Analysis	16,598
Amounts not reported to Management (incl. in cost of services)	51,035
Amounts reported to Management not in cost of services	(7,232)
Cost of Services in Comprehensive Income & Expenditure Account	**60,401**

Reconciliation to Subjective Analysis 2010/11

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

	Service Analysis by Directorate £'000s	**Amounts not reported to Management £'000s**	**Amounts not included in the cost of services £'000s**	**Allocation of recharges to HRA £'000s**
Fees Charges and Other Service Income	(31,611)	-	(1,414)	-
Interest and Investment Income	(157)	-	(157)	-
Income from Council Tax	-	-	-	-
Government Grants	(82,838)	(2,222)	-	-
Recharges to HRA	(746)	-	-	746
Recharges to Balance Sheet	-	(67)	-	-
Other Income	-	-	-	-
Total Income	**(115,352)**	**(2,289)**	**(1,571)**	**746**
Employee Expenses	19,347	-	-	(387)
Other Operating Expenses	112,603	10,037	7,310	(240)
Removal of recharged amounts in Other Operating Expenses	-	(7,861)	-	-
Support Services	-	(243)	644	(119)
Capital and Financing charges	-	51,391	849	-
Interest Payments	-	-	-	-
Precepts and Levies	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-
Gain or Loss on the Disposal of Non-current assets	-	-	-	-
Other Expenditure	-	-	-	-
Total Expenditure	**131,950**	**53,324**	**8,803**	**(746)**
Surplus or deficit on the provision of services	**16,598**	**51,035**	**7,232**	**-**

	Cost of Services £'000s	Corporate Amounts £'000s	Total Comprehensive Income and Expenditure £'000s
Fees Charges and Other Service Income	**(30,197)**	(1,414)	**(31,611)**
Interest and Investment Income	**-**	(157)	**(157)**
Income from Council Tax	**-**	(10,586)	**(10,586)**
Government Grants	**(85,060)**	(17,913)	**(102,973)**
Recharges to HRA	**-**	-	**-**
Recharges to Balance Sheet	**(67)**	-	**(67)**
Other Income	**-**	(7,070)	**(7,070)**
Total Income	**(115,324)**	**(37,140)**	**(152,464)**
Employee Expenses	**18,960**	-	**18,960**
Other Operating Expenses	**115,090**	417	**115,507**
Removal of recharged amounts in Other Operating Expenses	**-**	-	**(7,861)**
Support Services	**(7,861)**	1,006	**-**
Capital and Financing charges	**(1,006)**	855	**51,397**
Interest Payments	**50,542**	1,505	**1,505**
Precepts and Levies	**-**	757	**757**
Payments to Housing Capital Receipts Pool	**-**	279	**279**
Gain or Loss on the Disposal of Non-current assets	**-**	2,155	**2,155**
Other Expenditure	**-**	7,985	**7,985**
Total Expenditure	**175,725**	**14,959**	**190,684**
Surplus or deficit on the provision of services	**60,401**	**(22,181)**	**38,220**

29. On Street Parking Services

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

2009/10 £'000s		2010/11 £'000s
	Net Cost of Service	
(133)	Brought Forward	(146)
1,001	Gross Expenditure	927
11	Movement in Provision for unpaid fines	19
(1,025)	Gross Income	(911)
(146)	Balance Carried Forward	**(111)**

30. Members' Allowances

2009/10 £'000s		2010/11 £'000s
367	Allowances	343
4	Expenses	3
371	Total	**346**

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

31. Remuneration of Employees

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

2009/10 Number of Staff		**Remuneration Band**	**2010/11 Number of Staff**	
Total	**Left during year**	**£**	**Total**	**Left during year**
5	-	50,000 – 55,000	5	-
3	-	55,001 – 60,000	3	-
5	-	60,001 – 65,000	5	-
1	-	65,001 – 70,000	1	-
2	1	70,001 – 75,000	2	-
1	-	75,001 – 80,000	1	-
-	-	80,001 – 85,000	-	-
-	-	85,001 – 90,000	3	-
5*	-	90,001 – 95,000	2	-
-	-	95,001 – 100,000	-	-
-	-	100,001 – 105,000	-	-
-	-	105,001 – 110,000	-	-
1	-	110,001 – 115,000	-	-
-	-	115,001 – 120,000	1	-

* Note - these employees received a pay award that was backdated to the previous year but that was paid in 2009/10

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year for 2009-10.

Post Holder	Salary (incl. fees & allowances) £	Benefits in Kind £	Total Remun. Excl. pension conts 2009-10 £	Pension contributions £	Total Remun. Incl. pension conts 2009-10 £
Chief Executive	119,059	5,000	124,059	18,417	**142,476**
Deputy Chief Executive	45,601	2,414	48,015	6,815	**54,830**
Dir. of Finance and Corporate Services (Chief Financial Officer)	90,445	4,201	94,646	12,753	**107,399**
Dir. of Customer Services and Business Transformation	90,445	4,201	94,646	12,753	**107,399**
Dir. of Community Services	89,269	4,201	93,470	12,587	**106,057**
Dir. of Economic Development and Regeneration	88,345	4,201	92,546	12,457	**105,003**
Dir. of Environmental Services	88,090	4,201	92,291	12,421	**104,712**
Head of Legal and Democratic Services	72,088	3,519	75,607	10,164	**85,771**
Head of Maritime	25,406	1,317	26,723	3,582	**30,305**
Total	**708,748**	**33,255**	**742,003**	**101,949**	**843,952**

Note 1: The Deputy Chief Executive left the Council during September 2009, his annualised salary was £95,001.

Note 2: The Head of Maritime left the Council during September 2009, his annualised salary was £57,267.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year for 2010-11.

Post Holder	Salary (incl. fees & allowances) £	Other Cash Benefits £	Total Remun. Excl. pension conts 2010-11 £	Pension contributions £	Total Remun. Incl. pension conts 2010-11 £
Chief Executive	118,353	5,000	123,353	16,684	**140,037**
Dept C Exec & Dir. of Finance and Corporate Services (Chief Financial Officer)	90,099	4,356	94,455	12,637	**107,092**
Dir. of Economic Development and Regeneration	84,219	4,000	88,219	11,848	**100,067**
Dir. of Environmental Services	84,029	4,000	88,029	11,848	**99,877**
Head of Legal and Democratic Services	72,035	3,500	75,535	10,156	**85,691**
Director of Shared Services	67,950	3,375	71,325	9,581	**80,906**
Dir. of Customer Services and Business Transformation	22,986	1,000	23,986	3,294	**27,280**
Dir. of Customer Services and Business Transformation	24,180	1,167	25,347	3,409	**28,756**
Dir. of Community Services	21,919	1,043	22,962	3,074	**26,036**
Dir. of Community Services	61,558	2,957	64,515	8,664	**73,179**
EK Housing – Acting Managing Director	62,227	2,957	65,184	8,774	**73,958**
Total	**709,555**	**33,355**	**742,910**	**99,969**	**842,879**

Note 1: The Director of Shared Services was in post from 1 July 2010, annualised salary £90,900.

Note 2: The Director of Customer Services and Business Transformation post was occupied by 2 officers throughout the year, one full time up to 30 June 2010 (annualised salary £87,144) and one part time between 1 July 2010 and 31 January 2011 (annualised full time equivalent salary £83,256).

Note 3: The Director of Community Services post was occupied by 2 officers throughout the year, one full time up to 4 July 2010 (annualised salary £83,256) and one full time from 5 July 2010 (annualised salary £83,256).

Note 4: The EK Housing - Acting Managing Director was in post from 5 July 2010, annualised salary £84,447.

32. External Audit Costs

The Council incurred the following fees relating to external audit and inspection:

Restated 2009/10 £'000s	Fees payable to the Audit Commission	2010/11 £'000s
145	External audit services carried out by the appointed auditor	145
9	Statutory Inspection	-
38	Certification of grant claims and returns	40
6	Other Services	(1)
198		**184**

The fees for other services payable in 2010/11 related to a rebate of National Fraud Initiative fees.

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

Credited to Taxation and Non Specific Grant Income

2009/10 £'000s	Grant	2010/11 £'000s
(23)	Area Based Grant – Climate Change	(23)
(133)	Area Based Grant – Community Cohesion	(157)
-	Area Based Grant – Other	(16)
(258)	Area Based Grant – Safer Stronger Communities Fund	-
(1,599)	Area Based Grant – Working Neighbourhoods Fund	(1,457)
(78)	Big Lottery Fund – Playground MUGAs Capital	(11)
-	DCLG – Small Business Rates Entitlement	(11)
(62)	Environment Agency – Margate Coast Protection	(868)
-	HCA – Housing Intervention	(75)
-	HCA – New Build	(374)
-	Heritage Lottery Fund – Dreamland	(278)
(22)	Heritage Lottery Fund – HLF	-
(16)	Interreg – PATCH	(128)
(3)	Interreg – Tudor house	-
-	KCC – Building Safer Communities	(33)
-	KCC – DCMS – Playbuilder	(25)
(24)	KCC – Newgate Adventure Playground	-
(28)	KCC – Playground Equip/Works	-
(56)	LABGI	-
(40)	Performance Reward Grant	11
-	Private Sector – Secret Garden	(28)
-	Sea Change – Dreamland	(741)
-	Second Homes – Dreamland	(47)
(7)	Second Homes – Environmental Action Plan	-
(5)	Second Homes – Marine Gardens	-
(14)	Second Homes – Playground Equipment/Works	-

(100)	Section 106	(212)
-	SEEDA – Eurokent	(130)
(2,468)	**Total**	**(4,603)**

Credited to Services

2009/10 £'000s	Grant	2010/11 £'000s
-	Arts Council England – Margate Arts Culture Heritage (MACH)	(19)
-	Big Lottery Fund-Playground MUGAs	(123)
(16)	DCLG – Business Rates Derral Scheme	-
(897)	DCLG – Disabled Facilities Grant	(1,027)
(17)	DCLG – Habitats Grant	(17)
-	DCLG -Council Tax Bills	(4)
-	DCLG -Horticulture Apprentices	(8)
(171)	DCLG -Housing Planning Delivery Grant	(8)
(2)	DCLG -Mortgage Rescue Program	(8)
-	DCLG -Seaside Grant-Countdown To Turner	(15)
-	DCLG -Supporting Town Centres	(13)
(140)	DCMS-Free Swimming	(42)
(50)	DCSF-Parent Practitioner	(50)
-	DEFRA - Air Quality Mon Station	(10)
(1)	DEFRA – Environmental Damage	-
(21)	DEFRA Study	-
(536)	DFT- Concessionary Bus Fares	(814)
(88)	DWF - Future Jobs Fund	(622)
(91)	DWP - Homelessness Grant	(91)
(74,575)	DWP - Housing Benefit Grants	(79,707)
-	East Kent Local Strategic Partnership	(105)
(20)	English Heritage – Heritage Advisor	-
-	English Heritage – Regional Capacity C/ville	(16)
(3)	English Her-Regional Capacity-Margate Arts Culture Heritage	(43)
61	ERDF	-
(19)	GOSE -Connecting Communities	(3)
(9)	GOSE -Migration Impact Fund	(94)
(1,470)	GOSE – Regional Housing Board	(988)
(15)	HCA – Dreamland	-
-	HCA -Single Conversation	(23)
(23)	Heritage Lottery Fund – Townscape Heritage Initiative	(122)
-	Heritage Lottery Fund – Dreamland	(2)
(42)	Home Office – Accelerated Neighbourhood Fund	-
(30)	Home Office – Alcohol Fund	-
(50)	Home Office - Neighbourhood Crime & Justice	(50)
(17)	Home Office – Victims Champion	(20)
(9)	Home Office – Work Priorities	-

2009/10 £'000s	Grant	2010/11 £'000s
(2)	Interreg – Franco British Marina	-
(165)	Interreg – IMPACTE	-
-	Interreg-Customer Profiling	(7)
(2)	Interreg-DEAR	-
-	Interreg-Patch-Revenue	(59)
-	Interreg-Tudor House	(4)
(129)	KCC – Building Safer Communities	(100)
(11)	KCC –Margate Renewal Partnership (MRP)	(49)
-	KCC – Margate Task Force	(74)
-	KCC- Margate Task Force Housing	(78)
-	KCC-Second Homes Broadstairs seating area	(6)
-	KCC-Second Homes Charlotte Square	(9)
-	KCC-Second Homes Countdown To Turner	(43)
(3)	KCC-Second Homes Dolphin Lights Repairs	-
(63)	KCC-Second Homes Dreamland	(11)
(2)	KCC-Second Homes Eurokent	-
(10)	KCC-Second Homes Freedom Programme	-
(3)	KCC-Second Homes Marine Gardens	(12)
(35)	KCC-Second Homes MRP/Shell Ladies	-
-	KCC-Second Homes Noise Nuisance Equipment	(15)
(1)	KCC-Second Homes Olympics Project	(7)
-	KCC-Second Homes Ramsgate Benches	(8)
(5)	KCC-Second Homes Replace Ramsgate Benches	-
(10)	KCC-Second Homes Sports Disability Officer	-
(6)	KCC-Second Homes Sturgeon Light Repairs	-
-	KCC-Second Homes Transport Study	(40)
(3)	KCC-Second Homes Wellington Crescent Bandstand	-
(6)	KCC-Second Homes Windows Of Change/Map Project	-
(118)	KCC – Warren Court Hotel	-
-	Local authorities – HCA Single Conversation Match funding	(40)
(15)	Meanwhile	-
-	Migration Impact Fun-Cust Services	(175)
-	NHS-Free Swimming	(40)
(192)	NNDR	(193)
-	Pipeline- Sport 4 NRG	(77)
(53)	Private – Ramsgate Townscape Heritage Initiative	(26)
(10)	Sea Change – Dreamland	-
(854)	Section 106	(129)
(14)	SEEDA - Dreamland	-
(2)	SEEDA - Marks And Spencers	(122)
(90)	SEEDA –Margate Renewal Partnership	(54)

2009/10 £'000s	Grant	2010/11 £'000s
(13)	Sports England – Disability Sports Officer	-
(1,582)	Other Contributions	(1,418)
(81,650)	**Total**	**(86,840)**

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

2009/10 £'000s	Grant	2010/11 £'000s
(8)	Big Lottery Fund - Playground MUGAs	-
-	Childrens Society – Secret Garden	(10)
(41)	DCLG - Housing Planning Delivery Grant	(32)
(750)	DCMS – Sea Change	(1,309)
(36)	Environment Agency – Margate Coast Protection	(17)
-	ERDF	(69)
(441)	GOSE – Regional Housing Board	(171)
-	HCA – Margate Intervention	(325)
(39)	KCC – Building Safer Communities	-
-	KCC – Whitehall Recreation Ground	(1)
-	Second Homes	(60)
(1,646)	Section 106	(1,493)
(59)	SEEDA – Eurokent	(1)
(814)	SEEDA – Marks and Spencers	(698)
(1,000)	SFP Bond	(1,004)
-	Vattenfall – Pegwell Walkway	(100)
(4,834)	**Total**	**(5,290)**

34. Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. 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 - 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 2010/11 is shown in Note 30. During 2010/11 a questionnaire was distributed to the 56 Members and 9 relevant officers. During 2010/11, works and services to the value of £502,626 were commissioned from companies in which two Members had an interest (of which £500,946 was paid to a Private Sector company which one Member declared an interest in). Contracts were entered into in full compliance with the Council's standing orders. Five Members declared an interest relating to grants paid to voluntary and other organisations totalling £119,691 (of which £29,335 was paid to a Private Sector company which one Member declared an interest in and £85,007 was paid to a separate Private Sector company which another Member declared an interest in). £3,023 of income has also been received from external companies that one Member declared an interest in.

Related Party Transactions have occurred with the following:

Government Departments – Central Government has effective control 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 (eg. Council tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 33.

35. Capital Expenditure and Capital Financing

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

2009/10 £'000s		2010/11 £'000s	2010/11 £'000s
40,889	**Opening Capital Financing Requirement**		**43,133**
	Capital Investment		
4,411	Property, Plant and Equipment	7,598	
1	Investment Properties	172	
87	Intangible assets	-	
-	Current Assets Held for sale	101	
4,281	Revenue Expenditure Funded from Capital under statute	2,166	
8,780			10,037
	Sources of finance		
(685)	Capital Receipts	(755)	
(5,112)	Government Grants and other contributions	(7,239)	
	Sums set aside from revenue:		
(168)	Direct revenue contributions	(638)	
(571)	MRP/loans fund principal	(674)	
(6,536)			(9,306)
43,133	**Closing Capital Financing Requirement**		**43,864**
	Explanation of movements in year		
1,703	Increase in underlying need to borrowing (supported by government financial assistance)	1,703	
468	Increase in underlying need to borrowing (unsupported by government financial assistance)	(298)	
644	Assets acquired under finance leases	-	
-	Assets acquired under PFI/PPP contracts		
2,815	**Increase/(decrease) in Capital Financing Requirement**		**1,405**

36. Finance and Operating Leases

There were no operating lease payments for equipment in 2010/11 and there are no more commitments thereafter.

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

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Asset Valuations	**2009/10 £'000s**	**2010/11 £'000s**
Gross value of assets	644	-
Revaluation during the year	(644)	-
	-	**-**

The car park leases were revalued during 2009/10 and assessed as having nil value.

The Authority is committed to making minimum payments under these leases comprising of the settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

	2009/10 £'000s	**2010/11 £'000s**
Finance lease liabilities (net present value of minimum lease payments)		
Current	-	-
Non-current	571	570
Finance costs payable in future years	72	72
Minimum lease payments	**643**	**642**

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

	2009/10 £'000s	**2010/11 £'000s**
Less than 1 year	-	-
More than 1 year less than 5 years	1	1
More than 5 years	642	641
	643	**642**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £377,033 contingent rents were payable by the Authority (2009/10 £357,713).

Operating Leases: Council as Lessor

As a lessor, the Council leases some of its properties for a variety of purposes. These assets are classified as Investment Property and can be found in the fixed asset note under Commercial and Investment Properties. The asset valuations are apportioned as follows:

Asset Valuations

2009/10 £'000s		2010/11 £'000s
563	Investment Properties HRA	650
21,061	Investment Properties General Fund	21,172
21,624		**21,822**

37. Impairment Losses on Property Plant and Equipment

Council Dwellings – Total impairment £38.904m

During 2010/11, the Authority has recognised an impairment loss of £38.904m in relation to its Council Dwellings. The authority's Social Housing is valued on an Existing Use Value – Social Housing to which an adjustment factor is applied to reflect the fact that the property is used as social housing as determined by guidance issued from CLG. This year there has been a significant reduction in the adjustment factor applied falling from 45% to 32% due to growth in vacant possession values, falling yields in the private rented market and continued rent restructuring in the public sector. This has contributed to the large impairment in the value of the housing stock.

Other Land and Buildings – Total impairment £1.165m

Also in 2010/11, an impairment of £0.557m was recognised for Eurokent. This impairment was required to write out the single asset that had previously been recognised. The asset was converted into a number of industrial units and each of these units has been recognised as an asset in its own right. Most of these were categorised as Current Assets Held for Sale as they were marketed and sold in 2010/11. A number of units remain as a Current Asset Held for Sale as they had not yet been sold as at 31st March 2011 but are still being actively marketed for sale. Only 3 of the units were categorised as Property, Plant and Equipment – Other Land and Buildings as they remain to be held for economic redevelopment opposed to investment purposes. These units incurred some capital expenditure for works to fit out the unit and enhance it. However the cost of the works, which amounted to £0.029m, were impaired out as they did not result in an increase in asset value.

In 2010/11, the Authority also recognised an impairment of £0.450m in relation to 53-55 High Street, Margate. The asset was being held for economic redevelopment and was re-let at the end of 2010/11.The original acquisition of this asset was funded by a grant that the Authority received from SEEDA, and as such all income received from the asset belongs to them and not Thanet District Council. Now that the asset is tenanted, it has been impaired as it has no economic benefit to the Authority and is held at nil value.

A further £0.051m impairment was recognised for the capital expenditure incurred for a land transfer that is required for future development. The land transfer has not yet been completed and as could not add value to the existing asset it relates to so was impaired out. When the transfer is completed, the asset will be revalued and any gain in value recognised at that time.

The remaining £0.078m of impairments for other land and buildings are a result of capital expenditure the Authority incurred to enhance its assets and extend their economic useful life but did not increase the asset's value.

Community Assets – Total impairment £0.786m

The impairments that have been recognised for Community Assets have arisen as a result of capital expenditure incurred against community assets both in 2009/10 and 2010/11. Community Assets are held at the net book value of £1 as they have no value to the Authority. As such, any capital expenditure incurred against them is to be impaired as it will not change the value of the asset and will only enhance it. These impairments amounted to £0.074m. However, in 2009/10, a number of Community Assets were incorrectly shown at a higher value due to capital works that had occurred in that year. An impairment adjustment has been made in 2010/11 to correct this, which amounted to £0.712m.

Other Classes of Property, Plant and Equipment – Total impairment £0.002m

There were no impairment losses in relation to Vehicles, Plant, Furniture and Equipment, Infrastructure, Assets Under Construction. The impairment for surplus assets was only £0.002m and again related to capital expenditure incurred that had no impact on asset value.

38. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12 incurring liabilities of £694k (£111 in 2010/11). Of this total, £92k is payable to the Chief Executive, in the form of compensation for loss of office and enhanced pension benefits of £81k, a further £67k was payable to the Director of Regeneration Services for loss of office and enhanced pension benefits of £83k, these would be disclosed in note 35 however, although the restructure was agreed in 10/11 and a as a result the cost accrued, the staff will not leave until 2011/12. The remaining £370k is payable to 13 officers from various services who were made redundant as part of the Authority's restructure.

39. Pension Costs

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

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

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

The cost of retirement benefits are recognised in the 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 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 Statement of Movement on the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year.

2009/10 £'000s		2010/11 £'000s
	Income and Expenditure Account	
	Net Cost of Services	
1,450	Current Service costs	3,647
-	Past Service Costs	(12,803)
256	Settlement and Curtailments	6,487
	Net Operating Expenditure	
7,567	Interest costs	7,985
(3,668)	Expected Return on Assets	(5,576)
5,605	***Net Charge to the Income and Expenditure Account***	(260)
	Statement of Movement on General Fund Balance	
(5,605)	Reversal of net charges made for retirement benefits in accordance with FRS17	260
	Actual Amount Charged against Council Tax for pensions in the year	
5,065	Employer's contributions payable to scheme	5,100

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £25,556,000 for 2010/111 were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £25,424,000.

Assets and Liabilities in relation to Retirement Benefits

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

2009/10 £'000s		2010/11 £'000s
112,948	Balance as at 1 April	160,485
1,450	Current service cost	3,647
7,567	Interest cost	7,985
927	Contributions by scheme participants	993
45,460	Actuarial gains and losses	(20,553)
(7,510)	Benefits paid	(5,230)
(613)	Unfunded benefits paid	(606)
256	Curtailments	208
-	Liabilities assumed in a business combination	18,261
-	Past service costs	(12,803)
160,485	**Closing Defined Benefit Obligation**	**152,387**

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

2009/10 £'000s		2010/11 £'000s
59,270	Balance as at 1 April	77,320
3,668	Expected rate of return	5,576
16,513	Actuarial gains and losses	5,003
4,452	Employer contributions	4,494
613	Contributions in respect of unfunded benefits	606
927	Contributions by scheme participants	993
(7,510)	Benefits paid	(5,230)
(613)	Unfunded benefits paid	(606)
-	Receipt/(payment) of bulk transfer value(s)	11,982
77,320	**Closing Fair Value of Employer Assets**	**100,138**

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.

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

The actual gain on scheme assets in the year was £6,856,000 (2009/10 £20,181,000 gain).

Scheme History

	2006/07 £'000s	2007/08 £'000s	2008/09 £'000s	2009/10 £'000s	2010/11 £'000s
Present value of liabilities	(126,960)	(117,166)	(112,948)	(160,485)	(152,387)
Fair value of assets	78,139	73,502	59,270	77,320	100,138
Surplus/(deficit) in the scheme	**(48,821)**	**(43,664)**	**(53,678)**	**(83,165)**	**(52,249)**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £53m 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. The contributions expected to be made to the scheme by the Council in the year to 31 March 2011 is £4.530m.

Balance Sheet Disclosure as at 31 March 2011

Net Pension assets as at	**31 March 2011 £'000s**	**31 March 2010 £'000s**	**31 March 2009 £'000s**
Present value of funded obligation	144,347	151,304	103,840
Fair value of scheme assets (bid value)	(100,138)	(77,320)	(59,270)
Net Liability	**44,209**	**73,984**	**44,570**
Present value of unfunded obligation	8,040	9,181	9,108
Unrecognised past service cost	-	-	-
Net Liability in Balance Sheet	**52,249**	**83,165**	**53,678**

IAS19 does not impact directly on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Barnett Waddington, an independent firm of actuaries. Estimates have been based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

31 March 2010		31 March 2011
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equity investments	7.4%
4.5%	Gilts	4.4%
5.5%	Bonds	5.5%
5.5%	Property	5.4%
3.0%	Cash	3.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.5 years	Men	19.8 years
24.4 years	Women	23.9 years
	Longevity at 65 for future pensioners:	
22.6 years	Men	21.9 years
25.5 years	Women	25.8 years
3.9%	Rate of inflation	3.5%
5.4%	Rate of increase in salaries	5.0%
3.9%	Rate of increase in pensions	2.7%
5.5%	Rate for discounting scheme liabilities	5.5%
6.9%	Expected return on assets	6.9%
50%	Take-up of option to convert annual pension into retirement lump sum	-
-	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 2010		31 March 2011
%		%
74	Equity investments	76
1	Gilts	1
14	Bonds	12
7	Property	9
4	Cash	2

Basis for Estimating Assets and Liabilities

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	(0.64)	(14.39)	(32.91)	21.35	4.99
Experience gains and losses on liabilities	0.32	(1.34)	0.06	0.80	(0.11)

40. Other Long Term Liabilities

Other long term liabilities on the Balance sheet include the multi storey car parks finance lease obligation £0.644m (see note 36 for further detail) and the pension liability £52.249m (see previous note).

The additional £2.541m represents the liability owed to Kent County Council for the authority's share of the cost of construction of the spine road at Westwood, as part of the East Kent Opportunities Partnership agreement. Kent County Council passed a decision on 10 June 2010 to defer repayment to 2013/14.

41. Contingent Liabilities

It was agreed at Cabinet on 6 August 2009 that Thanet Leisure Force, the company engaged to run the authority's leisure facilities would borrow money through a range of loans varying from 5 to 15 years, facilitated by Alliance Leisure for £1.62m, to invest in the authority's asset Hartsdown Leisure Centre. To facilitate the loan arrangement, Alliance Leisure acting on behalf of the lender required the Council to act as Guarantor should Thanet Leisure Force default on the loan payments or cease trading and the outstanding loan obligation transfers to the Council. As at 31 March 2011 payments totalling £181,500 have been made by Thanet Leisure Force.

42. Contingent Assets

The Council made protective claims for overpaid VAT in 2009 for overpaid VAT amounts due to be refunded by HM Revenues and Customs (HMRC). These claims have been made for a number of different areas for periods between 1973 and 1997. The House of Lords disapplied the three year time limit to make claims for overpaid VAT when making decisions on the Michael Fleming (t/a Bodycraft) and Conde Nast cases. These claims remained pending throughout 2009-10 whilst HMRC reviewed them.

During 2010-11 a number of these claims have now been confirmed and paid by HMRC, on which statutory interest has also been received. The final details of the settled claims are as follows:

Description	Total of Claim	Statutory Interest Received	Commission Paid on Claim Settled by HMRC	Net Total of Claim Due to Council
	£'000s	£'000s	£'000s	£'000s
Bulky Waste	11	10	(1)	20
Leisure Services	175	161	(20)	316
Cultural Services – Theatre Admissions	124	100	(13)	211
Cultural Services – Museum Admission	6	5	(1)	10
Car Parking Penalties	119	104	(13)	210
Sports Courses	101	176	(55)	222
Cemeteries	2	3	-	5
	538	**559**	**(103)**	**994**

The following claims were also submitted to HMRC but are either still outstanding or have been rejected:

Description	Total of Claim £'000s	Commission due if Claim Settled by HMRC £'000s	Net Total of Claim Due to Council £'000s
Off-Street Parking (Claims 1-5)	2,188	-	2,188
Off-Street Parking (Claim 6)	927	(12)	915
Off-Street Parking (Claim 7)	742	-	742
Trade Waste	150	(9)	141
	4,007	**(21)**	**3,986**

All of the off-street car parking claims have been rejected pending the final litigation on the Isle of Wight case. The trade waste claim was also rejected, however, following the new ruling that trade waste is a non-business activity in January 2011 this claim will now be reconsidered by HMRC.

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

The Council sold land for development in April 2007 with an agreement that once the units were sold the authority would potentially receive an overage payment should 22% of net proceeds (after planning costs and allowable deductions) exceed £3.5m. The Developer has recently supplied details of planning costs in relation to this site which have been reviewed by Internal Audit and agreed at £1,394,778. Sales on the site have been affected by the economic downturn and as yet have not exceeded the planning costs. It is not known at this stage when interest in the housing market will resume and any income from the overage payment is likely to come to fruition.

This year the authority has entered into a lease agreement for a large development site for which works have just commenced. As part of the agreement the authority will receive overage payments for units within the development. As works have yet to commence on site and the instability of the housing market it is not possible to quantify the income that will be due to the authority or when it is likely to be achieved.

43. Nature and Extent of risk arising from Financial Instruments

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 25/02/10. The key issues within the strategy were:

- The Authorised Limit for the 2010/11 was set at £47.418m. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary was expected to be £37.000m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at principal amounts of £41.418m and £6.000m based on the Council's debt; £32.000m and £32.000m for the Council's investments.
- The maximum and minimum exposures to the maturity structure of debt are shown below.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Details of the Investment Strategy can be found on the Council's website at www.thanet.gov.uk. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support 3 and Individual C (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.
- UK institutions provided with support from the UK Government.

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

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

The full Investment Strategy for 2010/11 was approved by Full Council on 25/02/10 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority’s maximum exposure to credit risk in relation to its investments in banks and building societies as stated above cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority’s deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

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

2009/10	**Amount at 31 March 2010 £’000s (a)**	**Historical experience of default % (b)**	**Adjustment for market conditions at 31 March 2010 % (c)**	**Estimated maximum exposure to default £’000s (a * c)**
Deposits with banks and financial institutions				
AAA rated counterparties	7,500	0.00	0.00	-
AA rated counterparties	1,703	0.03	0.03	1
A rated counterparties	-	0.08	0.08	-
BBB rated counterparties	-	0.24	0.24	-
BB rated counterparties	-	1.22	1.22	-
B rated counterparties	-	2.58	2.58	-
CCC to C rated counterparties	-	24.03	24.03	-
Other counterparties	-	42.67	42.67	-
Bonds – AAA rates	-	0.00	0.00	-
Trade Debtors	6,451	29.89	29.89	1,928
Car Loans (Employee)	6	0.00	0.00	-
Mortgages	43	0.00	0.00	-
	15,703			**1,929**

2010/11	**Amount at 31 March 2011 £’000s (a)**	**Historical experience of default % (b)**	**Adjustment for market conditions at 31 March 2011 % (c)**	**Estimated maximum exposure to default £’000s (a * c)**
Deposits with banks and financial institutions				
AAA rated counterparties	8,806	0.00	0.00	-
AA rated counterparties	1,904	0.03	0.03	1
A rated counterparties	2,003	0.08	0.08	2
Bonds – AAA rates	-	0.00	0.00	-
Trade Debtors	3,985	51.14	51.14	2,038
Car Loans (Employee)	1	0.00	0.00	-
Mortgages	39	0.00	0.00	-
	16,738			**2,041**

This table only shows the credit risk associated with cash equivalent financial instruments, as the remaining £0.801m cash balances were held for transactional purposes only in instant access accounts. Hence there is negligible credit risk for those balances. The estimated maximum exposure to default for trade debtors is equivalent to the bad debt provision.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of it's counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £5.995m of the £3,985m balance is past its due date for payment. Employee car loans are repaid by salary deduction so there is no risk of default. The past due amount can be analysed by age as follows:

31 March 2010 £'000s		31 March 2011 £'000s
1,953	Less than three months	2,047
762	Three to six months	1,181
830	Six months to one year	901
2,162	More than one year	1,708
5,707	Total	**5,837**

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

31 March 2010 £'000s		31 March 2011 £'000s
228	Debt brought forward from previous year (more than 1 year old)	197
202	Costs incurred in financial year (less than 1 year old)	8
(233)	Debtor invoices raised in year	(47)
197	Total debt outstanding at year end	**158**

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

Liquidity Risk

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

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

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 financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury Management Strategy):

31 March 2010 £'000s		31 March 2011 £'000s
2,486	Less than one year	3,455
3,000	Maturing in 1 - 2 years	623
2,623	Maturing in 2 - 5 years	3,000
4,000	Maturing in 5 - 10 years	5,000
18,441	Maturing in more than 10 years	18,208
30,550		**30,286**

(The above table includes the deferred liabilities in the line for debt maturing in more than 10 years.)

The maturity analysis of investments is as follows:

31 March 2010 £'000s		31 March 2011 £'000s
9,209	Less than one year	13,525
-	Maturing in 1 - 2 years	-
-	Maturing in 2 - 5 years	-
-	Maturing in 5 - 10 years	-
-	Maturing in more than 10 years	-
9,209		**13,525**

All trade and other payables (£4.837m) are due to be paid in less than one year and are not shown in the table above.

The cash and cash equivalents held at 31 March 2011 are all financial instruments that are either instant access accounts or mature within 3 months. Hence there are no short term investments shown on the balance sheet, only cash and cash equivalents, in line with the authority's accounting policy.

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 Income and Expenditure Account 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 Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a long term loan of £4.5m from Dexia Public Finance Bank which has a lender's option/borrower's option (LOBO) feature. The option allows Dexia to increase the interest rate in June 2011 and every six months thereafter. If Dexia decide not to exercise this option, the loan will continue at the fixed rate until maturity. All of the Council's other borrowings and investments are fixed rate.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

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

2009/10 £'000s		2010/11 £'000s
45	Increase in interest payable on variable rate borrowings	45
(167)	Increase in interest receivable on variable rate investments	(229)
(122)	Impact on Income and Expenditure Account	(184)

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, so has no exposure to loss arising from movements in share prices.

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

44. Trust Funds

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

	Expenditure 2010/11 £	Income 2010/11 £
Kenrick Trust	2.50	2.50
Farrar Award	26.33	26.33
Simpson Bequest	5.58	5.58
Woodward Trust	110.23	110.23

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

45. Harbours

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

2009/10 (Surplus)/ Deficit £'000s		2010/11 Expenditure £'000s	2010/11 Income £'000s	2010/11 (Surplus)/ Deficit £'000s
(2)	Port of Ramsgate	6,951	(2,600)	4,351
(241)	Ramsgate Royal Harbour	1,871	(2,002)	(131)
(37)	Broadstairs Harbour	36	(58)	(22)
17	Margate Harbour	28	(8)	20
(263)		8,886	(4,668)	4,218

The large expenditure figure at the Port of Ramsgate is due to an impairment of £3.68m. This will have no impact on the taxpayer.

46. Joint Arrangement

In order to bring about the Economic Development and Regeneration of the area, Thanet District Council in partnership with Kent County Council set up a joint arrangement vehicle (East Kent Opportunities LLP) which was incorporated on 4 March 2008, to develop and market the sites known as Eurokent and Manston Park. The member agreement was signed on 22 August 2008 stating that TDC and KCC have 50:50 ownership, control and economic participation in the joint arrangement. Both parties contributed 38 acres of land each to EKO LLP. For the purposes of the Accounts the partnership has been treated as a Joint Arrangement, Not an Entity (JANE) in accordance with FRS9.

In 2009/10 the HR Partnership was formed incorporating Thanet, Canterbury, Dover and Shepway District Council's, this is not believed to have any joint account implications.

In February 2010/11 the East Shared Service was formed incorporating various services from Thanet, Dover and Canterbury, this included Revenue's and Benefits, ICT and Customer Services. Thanet is the host Authority for this arrangement and this is not believed to have any joint account implications.

47. Accounts Authorised for Issue

The date that the accounts were authorised for issue was the date that the Chief Executive and Section 151, Sue McGonigal, signed the Statement of Responsibilities for the Statement of Accounts on page 15.

Housing Revenue Account Income and Expenditure Statement for the year ended 31 March 2011

2009/10 £'000s		2010/11 £'000s
	INCOME	
10,426	Dwelling Rents (gross)	10,398
181	Non-dwelling Rents (gross)	183
229	Charges for services and facilities	246
269	Contributions towards expenditure	453
11,105	Sub-Total income	11,280
	EXPENDITURE	
3,884	Repairs and maintenance	3,205
2,052	Supervision and management – General	1,978
525	Supervision and management – Special	563
110	Rents, rates, taxes and other charges	127
359	Negative Housing Revenue Account subsidy payable to the Secretary of State (including MRA element)	643
64	Increased provision for bad or doubtful debts	199
4,839	Depreciation and impairments of fixed assets	39,431
8	Debt Management Costs	6
11,841	Sub-Total Expenditure	46,152
736	**Net Cost of HRA Services per Authority Comprehensive Income and Expenditure Statement**	**34,872**
137	HRA Services share of Corporate and Democratic Core	111
873	**Net Cost of HRA Services**	**34,983**
(139)	(Gain) or loss on sale of HRA non current assets	2,098
-	Changes in the fair value of Investment properties	(25)
1,225	Interest payable and similar charges	943
(42)	Interest and investment income	(95)
1,917	**(Surplus)/Deficit for the year on HRA services**	**37,904**

Movement on the Housing Revenue Account Statement

2009/10 £'000s		2010/11 £'000s
(7,974)	Balance on the HRA at the end of the previous year	**(8,018)**
1,917	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	37,904
(1,967)	Adjustments between accounting basis and funding basis under regulations	(38,824)
(50)	(Increase) or decrease in the Housing Revenue Account Balance before transfers to/from reserves	(920)
6	Transfer to/(from) Earmarked Reserves	(84)
(44)	(Increase)/decrease in the year on the Housing Revenue Account	**(1,004)**
(8,018)	Balance on the HRA at the end of the current year	**(9,022)**
	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	
(2,538)	Depreciation/impairment of non current HRA assets	(37,058)
-	Changes in fair value of Investment Properties	25
139	Gain or Loss on sale of HRA non current assets	(2,098)
(119)	Net charges made for retirement benefits in accordance with IAS19	269
(2,518)		**(38,862)**
	Addition of items not debited/credited to the Comprehensive Income & Expenditure Statement to be included for determining the movement on the HRA balance for the year	
547	Employers contributions payable to the Kent Pension Fund and retirement benefits payable direct to pensioners	13
4	HRA contribution to finance capital expenditure	25
551		**38**
(1,967)	**Net additional amount required by statute to be debited/(credited) to the HRA balance for the year**	**(38,824)**

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 "ringfenced" 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 3,117 dwellings during 2010/11 including the Authority's share of shared ownership dwellings.

The stock as at 31 March 2011 is comprised of the following types of dwellings:

Stock as at 1 April 2010		Stock as at 1 April 2011
1,622	Houses	1,622
193	Low Rise Flats (1 to 2 Storey)	191
900	Medium-Rise Flats (3 to 5 Storey)	874
405	High-Rise Flats (6 Storeys or more)	405
3,120	**Total**	**3,092**

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

Restated 31 March 2010 £'000s		31 March 2011 £'000s
120,416	Council Dwellings	84,499
1,398	Operational Land & Buildings	1,506
843	Investment	650
230	Assets Held for Sale	530
122,887		87,185

The vacant possession value of dwellings within the Authority's Housing Revenue Account as at 1 April 2010 was £264m. The difference between the vacant possession and balance sheet values of dwellings reflects the economic cost of providing social housing.

3. Major Repairs Reserve

The Major Repairs Allowance is an element of Housing Revenue Account Subsidy. The movement on the Major Repairs Reserve during the year ended 31 March 2011 is summarised below:

2009/10 £'000s		2010/11 £'000s
(1,194)	Balance on Major Repairs Reserve at 1 April 2010	(2,137)
(2,301)	Amount transferred to the Major Repairs Reserve	(2,332)
1,358	Amount transferred from the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property	2,067
(2,137)	Balance on Major Repairs Reserve at 31 March 2011	**(2,402)**

4. Housing Revenue Account Capital Expenditure

2009/10 £'000s		2010/11 £'000s
1,703	Financed by Borrowing (Supported Borrowing Approval)	1,703
4	Revenue Contribution to Capital	25
1,358	Financed from Major Repairs Reserve	2,067
-	Funded by Grants and external contributions	535
3,065	Total Housing Revenue Account Capital Expenditure	**4,330**

2009/10 £'000s		2010/11 £'000s
-	Land	-
2,940	Houses	4,138
125	Investment properties	167
-	Plant & Equipment	25
3,065		**4,330**

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

2009/10 Total £'000s		2010/11 Usable £'000s	2010/11 Contribution to Gov't Pool £'000s	2010/11 Total £'000s
394	Sale of Dwellings	87	260	347
-	Repayment of Discount	5	16	21
-	Sale of Land	-	-	-
8	Mortgage Repayments	1	4	5
402		**93**	**280**	**373**

Additional notes on the Contribution to the Government Pool can be found in Note 23A to the Core Financial Statements.

6. Housing Revenue Account Subsidy

Government Subsidy on the Housing Revenue Account is calculated based upon a notional account, which takes into account the housing stock numbers and local influences. The elements of expenditure are calculated for items such as management, day to day maintenance, capital financing charges etc. Off set against these costs is an element for notional income calculated on stock numbers and guideline rents. The elements of Housing Revenue Subsidy for the year ended 31 March 2011 are as follows:

2009/10 £'000s		2010/11 £'000s
5,761	Management and Maintenance	6,012
2,301	Major Repairs Allowance	2,332
1,525	Charges For Capital	1,173
4	Other Items of Reckonable Expenditure	4
(4)	Interest on Receipts	(3)
(9,928)	Guideline Rent Income	(10,181)
(341)	Housing Revenue Account Subsidy	**(663)**

In 2008/09 the Housing Revenue Account no longer continued to receive payments from the Secretary of State, but now has to make payments over. Actual payments made up to 31 March 2011 totalled £627,362, but due to changes in the interest rates it is anticipated a higher payment over will be due and therefore an adjustment has been made for the anticipated level of payment due. Included in the 2010/11 figures is a credit of £20,635 relating to the 2009/10 final adjustment.

7. Rent Arrears

Arrears of current and former tenant dwelling rents and other charges at 31 March 2011 amounted to £709,232. This figure includes the full week rent charge but only payments up to and including 31 March 2011.

At the end of the rent week ended 3 April 2011 the arrears had reduced to £700,255.

RENT ARREARS

2009/10 £		2010/11 £
316,966	Current	262,563
343,018	Former	437,692

8. Provision for Bad Debt and Doubtful Debts

The provision for bad and doubtful debts relating to the Housing Revenue Account is £550,554 as at 31 March 2011. The provision in 2009/10 was £519,863.

9. Depreciation and Impairment of Fixed Assets

2009/10 Depreciation £'000s	2009/10 Impairment £'000s		2010/11 Depreciation £'000s	2010/11 Impairment £'000s
-	-	Land	-	-
2,316	2,471	Houses	2,332	36,572
40	12	Other Property - Operational Assets	41	195
-	-	Non-Operational	-	291
2,356	**2,483**		**2,373**	**37,058**

Impairment losses on HRA assets of £38.841m have been debited to the HRA Income and Expenditure Account in accordance with the general provisions of the SORP (See Note 37).

This loss has been reversed out in the Statement of Movement on the HRA Balance, so that they do not impact on rent levels, and represent enhancement work that has not resulted in a pound for pound increase in asset value.

10. Pension Costs

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

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

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

2009/10 £'000s		**2010/11 IAS19 Adjustments £'000s**
119	Current Service Costs	(282)
(119)	Movement on Pension Reserve	269
547	HRA contributions payable to scheme	13

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

Collection Fund Statement for the year ended 31 March 2011

2009/10 £'000s	2009/10 £'000s			2010/11 £'000s	2010/11 £'000s
		INCOME			
54,344		Council Tax (net of Benefits and Transitional Relief)	Note 2	55,547	
14,251		Transfers from General Fund - Council Tax Benefits	Note 3	15,264	
27,656		Income from Business Ratepayers		27,961	
	96,251				98,772
		EXPENDITURE			
67,147		Precepts and Demands from County, District, Kent Police and Kent Fire and Rescue	Note 6	69,063	
		Business Rates			
27,464		- Payment to the Pool		27,768	
192		- Cost of Collection Allowance		193	
		Bad and doubtful debts/appeals			
744		- Amounts Written Off in year		753	
625		- Provision for Bad and Doubtful Debts		758	
		Contributions			
58		- Towards previous years Council Tax surplus		(341)	
	96,230				98,194
	(21)	(Surplus)/Deficit for Year			(578)
	340	Balance at Beginning of Year			319
	319	Balance at End of Year			(259)

Notes to the Collection Fund Statement

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, showing the transactions of the billing authority in relation to business rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund, in accordance with the relevant sections of the Local Government Act 1988 (as amended by the Local Government Finance Act 1992). The Collection Fund is consolidated with other accounts of the billing authority, and to comply with the Code of Practice on Local Authority Accounting (Code) 2010 these accounts only reflect the effects of timing differences between the collection of council tax attributable to the major precepting authorities, and paying it across to those authorities on an agency basis.

2. Council Tax

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

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

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

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

Band	Estimated Number of Taxable Properties after Discount	Ratio	Band D Equivalent
A	12,340	6/9	8,227
B	16,149	7/9	12,560
C	14,916	8/9	13,258
D	6,735	1	6,735
E	3,500	11/9	4,278
F	1,332	13/9	1,924
G	627	15/9	1,045
H	18	2	36
TOTAL	55,617		48,063
Add Band D equivalent military dwellings			24
Adjustment for Non-collection (3%)			(1,442)
COUNCIL TAX BASE			46,645

Estimated income for 2010/11 was £69.063m, actual income was £71.152m. After set aside and write off of bad debt (£1.511m) the increase in income (£0.578m) has resulted in a surplus on the fund of £0.259m.

3. Transfers from the General Fund

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

4. Income from Business Rates

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

2009/10 £'000s		2010/11 £'000s
	Non-domestic Rateable Value £86,437,834	
34,438	Multiplied by the Uniform Business Rate (43.3p for 2010/11)	37,427
(6,285)	Less allowances and other adjustments	(9,041)
(497)	Less bad debt provision	(425)
27,656	Net collectable Business Rates	27,961
(192)	Less cost of collection allowance	(193)
27,464	Net contribution to NDR national pool	27,768

The Non-domestic rate multiplier for 2010/11 was 42.6p for qualifying properties of less than £15,000 rateable value and 43.3p for all others (2009/10 48.1p and 48.5p respectively.)

5. (Surplus)/Deficit of the Revenue Account

The introduction of Council Tax brought with it the requirement to share any surplus or deficit (in proportion to precepts) as estimated at 15 January between the major precepting authorities. In accordance with this the estimated surplus accounted for in the 2011/12 Council Tax calculation was £77k.

The actual surplus on the Collection Fund at year end (£259k) represents partly an increase in the resources attributable to the Authority, and partly amounts due to precepting authorities. In order to comply with the Code of Practice on Local Authority Accounting (Code) 2010 this has been split between TDC fund balances (£37k) and precepting authority creditors (£222k) within the Balance Sheet.

6. Precepts and Demands on the Collection Fund

2009/10 £		2010/11 £
47,672,961	Kent County Council	48,873,656
6,254,849	Kent Police Authority	6,468,723
3,068,662	Kent Fire and Rescue	3,169,525
9,519,410	Thanet District Council	9,794,040
66,515,882		68,305,944
	Parishes and Charter Trustees	
4,054	- Acol	3,945
32,117	- Birchington	32,557
211,045	- Broadstairs	213,360
12,528	- Cliffsend	12,589
11,418	- Manston	11,613
139,150	- Margate	168,335
42,495	- Minster	43,378
7,098	- Monkton	7,297
165,036	- Ramsgate	257,751
6,160	- St Nicholas at Wade	6,267
631,101		757,092

Annually the precepts from major precepting authorities are affected by prior year surpluses or deficits. The figures for 2009/10 and 2010/11 reflect the total amount raised to pay for goods and services within each authority, and to clear any deficit or utilise any surplus from prior years.

Glossary of Terms

Accruals

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

Actuarial Gains & Losses

Changes in actuarial deficits or surpluses that arise because:

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

b) the actuarial assumptions have changed.

Asset

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

Audit of Accounts

An independent examination of the Council's financial affairs.

Balance Sheet

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

Budget

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipts

Proceeds from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

Corporate and Democratic Core

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

Creditor

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

Current Service Cost

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

Debtor

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

Depreciation

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

Direct Labour Organisation (DLO)

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

Expected Rate of Return on Assets

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

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.

Government Grants

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

Housing Advances

Loans made by the Council to individuals or Housing Associations towards the cost of acquiring, constructing or improving dwellings.

Housing Benefits

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

Housing Revenue Account

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

Impairments

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

Income

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

Income and Expenditure Account

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

Infrastructure Assets

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

Intangible Assets

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

Interest on Pension Scheme Liabilities

The expected increase during the period in the present value of the scheme liabilities as a result of the benefits being one year closer to settlement.

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

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

Inventories

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

Investments

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

Investment Properties

Interest in land and/or buildings:

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

b) that is held for its investment potential, any rental income being negotiated at arm's length.

Liability

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

Non-current assets

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

Non-domestic Rate

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

Non-operational Assets

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

Operating Lease

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

Operational Assets

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

Past Service Cost

Discretionary benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before "the 85 year rule" (see definition of "the 85 year rule" overleaf.)

Precept

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

Projected Unit Method

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

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

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

Provision

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

Reserves

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

Revenue Account

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

Revenue Expenditure

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